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LEXINGTON-FAYETTE
URBAN COUNTY GOVERNMENT
Lexington, Kentucky

Policemen's & Firefighters'
Retirement Fund

Report on the Valuation of the Lexington-Fayette Urban County Government Policemen's and Firefighters' Retirement Fund

Prepared as of July 1, 2013

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October 30, 2013

Board of Trustees
Lexington-Fayette Urban County Government Policemen's and Firefighters' Pension Plan
Lexington-Fayette Urban County Government
200 East Main Street
Lexington, KY 40507

Dear Members of the Board:

We are pleased to submit herewith the results of the actuarial valuation of the Lexington-Fayette Urban County Government Policemen's and Firefighters' Pension Plan prepared as of July 1, 2013. The purpose of this report is to provide a summary of the funded status of the Plan as of July 1, 2013, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). The Lexington-Fayette County Government is solely responsible for the accuracy and comprehensiveness of the data.

The promised benefits of the Plan reflecting the changes in HB 430 are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Actuarial value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized over a closed period on a level dollar basis. The annual required employer contribution rate is 36.53% of payroll for the plan years ending June 30, 2014. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan.

The valuation has been prepared in accordance with the parameters set forth in Statement Nos. 25 and 27 of the Governmental Accounting Standards Board. The annual required contribution (ARC) of the Government under GASB for the fiscal years ending June 30, 2014 is 36.53% of payroll, which will liquidate the unfunded accrued liability over a 30 year period on a level dollar basis.

This is to certify that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Plan and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

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Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

We trust that the report will meet the approval of the Board and will furnish the desired information concerning the financial condition of the Plan. The undersigned are members of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Thomas J. Cavanaugh, FSA, FCA, MAAA, EA
Chief Executive Officer

Todd B. Green ASA, FCA, MAAA
Principal and Senior Actuary

TJC/TBG:jmy

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TABLE OF CONTENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
POLICEMEN'S AND FIREFIGHTERS' RETIREMENT FUND
REPORT OF ACTUARY
ON THE VALUATION
PREPARED AS OF JULY 1, 2013

SECTION I – SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the current and preceding valuations are summarized below.

Valuation Date	July 1, 2013	July 1, 2012
Active members:		
Number	1,064	1,014
Annualized compensation	$ 62,455,725	$ 54,595,799
Retired members and beneficiaries:		
Number	1,047	997
Annual benefits	$ 45,884,178	$ 42,960,998
Assets:		
Market Value	$ 556,723,810	$ 509,409,641
Actuarial Value	533,892,554	525,849,582
Unfunded actuarial accrued liability	$ 204,450,771	$ 161,824,250
Amortization Period	30	30
Fiscal Years Ending	**2014**	**2013**
Government annual required contribution rate (ARC):		
Normal	10.75%	12.23%
Accrued liability	25.78	23.35
Total	36.53%	35.58%
Member contribution rate	12.00%	11.00%

2. The major benefit and contribution provisions of the Plan as reflected in the valuation are summarized in Schedule G. The actual cost-of-living allowances granted through July 1, 2013 were reflected in the valuation.

3. The development of the actuarial value of assets is shown in Schedule C. Schedule E of this report outlines the full set of actuarial assumptions and methods used in the valuation.

4. The entry age normal actuarial cost method was used to prepare the valuation. Schedule F contains a brief description of the actuarial cost method. The cost method produces a contribution rate equal to the sum of the normal contribution rate and the actuarially accrued liability contribution rate which is sufficient to amortize the unfunded actuarially accrued liability over 30 years beginning July 1, 2013 on a level dollar basis. Effective July 1, 2013, and for each fiscal year thereafter, the Government contribution shall not be less than $20 million unless the Plan is 100% funded.

5. Comments on the valuation results as of July 1, 2013 are given in Section IV and further discussion of the contributions is set out in Section V.

SECTION II – MEMBERSHIP DATA

1. Data regarding the membership of the Plan for use as a basis of the valuation were furnished by the Government. The valuation included 1,064 active members with annualized compensation totaling $62,455,725.

2. The following table shows the number of retired members and beneficiaries as of July 1, 2013 together with the amount of their annual retirement benefits payable under the Plan as of that date.

THE NUMBER AND ANNUAL BENEFITS OF RETIRED MEMBERS AND BENEFICIARIES AS OF JULY 1, 2013

GROUP	NUMBER	ANNUAL RETIREMENT BENEFITS
Service Retirements	535	$ 26,724,442
Disability Retirements	370	15,540,908
Beneficiaries of Deceased Members	142	3,618,828
Total	1,047	$ 45,884,178

3. Table 1 of Schedule H shows the distribution by age and years of membership service of the number of active members included in the valuation, while Table 2 shows the number and annual benefits of retired members and beneficiaries included in the valuation, distributed by age.

SECTION III – ASSETS

As of July 1, 2013, the total market value of assets amounted to $556,723,810. The actuarial value of assets used for the current valuation was $533,892,554. Schedule C shows the development of the actuarial value of assets as of July 1, 2013. Schedule D shows the Summary of Receipts and Disbursements.

SECTION IV – COMMENTS ON VALUATION

1. Schedule B of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the Plan as of July 1, 2013. The valuation was prepared in accordance with the actuarial assumptions set forth in Schedule E and the actuarial cost method which is described in Schedule F.

2. The valuation balance sheet shows that the Plan has total prospective liabilities of $891,932,373 of which $549,781,272 is for the prospective benefits payable on account of present retired members and beneficiaries of deceased members, and $342,151,101 is for the prospective benefits payable on account of present active members. Against these liabilities, the Plan has a total present actuarial value of assets of $533,892,554 as of July 1, 2013. The difference of $358,039,819 between the total liabilities and the total present assets represents the present value of future contributions.

3. The contributions to the Plan consist of normal contributions and accrued liability contributions. The valuation indicates that normal contributions at the rate of 22.75% of payroll are required under the entry age normal method. Of this amount, 12.00% is paid by the members and the remaining 10.75% is required by the Government.

4. Prospective normal contributions at the rate of 22.75% have a present value of $153,589,048. When this amount is subtracted from $358,039,819, which is the present value of the total future contributions to be made, there remains $204,450,771 as the amount of unfunded accrued liability contributions. The development of the unfunded accrued liability is shown in Schedule A.

SECTION V – CONTRIBUTIONS PAYABLE

1. Under Section 67A.520 of the law governing the Fund, the Government shall make current contributions to the Fund on an actuarially funded basis equal to the sum of the normal contribution rate and the actuarially accrued contribution rate that will be sufficient to amortize the total unfunded actuarial accrued liability over a period of thirty years beginning July 1, 2013 using the level-dollar amortization method.
2. The normal contribution rate is calculated as the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required to meet the cost of all benefits payable on his behalf. On the basis of the valuation, the normal contribution rate was determined to be 22.75%.
3. Each member shall contribute an amount equal to 12.00% of current salary.
4. The Government's normal contribution rate is equal to the difference between the normal contribution rate of 22.75% and the member contribution rate of 12.00%, or 10.75% of payroll.
5. The annual accrued liability contribution rate is determined to be 25.78% of payroll. Contributions at this level would be sufficient to amortize the unfunded accrued liability over a 30 year period on a level dollar basis.
6. The required employer contribution rate for the plan years ending June 30, 2014 is, therefore, 36.53% of payroll.
7. The following table summarizes the employer contributions which were determined by the July 1, 2013 valuation and are recommended for use.

ANNUAL REQUIRED CONTRIBUTION RATE
FOR PLAN YEARS ENDING JUNE 30, 2014

CONTRIBUTION	PERCENTAGE OF ACTIVE MEMBERS' COMPENSATION
Normal	10.75%
Accrued Liability	25.78
Total	36.53%

SECTION VI – ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statements 25 and 27 set forth certain items of required supplementary information to be disclosed in the financial statements of the Plan and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

NUMBER OF ACTIVE AND RETIRED PARTICIPANTS
AS OF JULY 1, 2013

GROUP	NUMBER
Retired participants and beneficiaries currently receiving benefits	1,047
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	0
Active Participants	1,064
Total	2,111

2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b – a) / c)
7/01/2008	$418,311,038	$664,935,356	$246,624,318	62.9%	$61,368,960	401.9%
7/01/2009	441,772,820	699,851,128	258,078,308	63.1	65,765,448	392.4
7/01/2010	502,259,967	724,140,738	221,880,771	69.4	60,512,412	366.7
7/01/2011	501,069,884	758,851,546	257,781,662	66.0	64,258,162	401.2
7/01/2012	525,849,582	687,673,831	161,824,250	76.5	54,595,799	296.4
7/01/2013	533,892,554	738,343,325	204,450,771	72.3	62,455,725	327.4

3. Following is the calculation of the annual pension cost and net pension obligation for the fiscal year ending June 30, 2013.

Annual Pension Cost and Net Pension Obligation for Fiscal Year Ending June 30, 2013		
(a)	Employer annual required contribution	$ 22,322,068
(b)	Interest on net pension obligation	(4,089,767)
(c)	Adjustment to annual required contribution	(4,295,016)
(d)	Annual pension cost (a) + (b) – (c)	$ 22,527,317
(e)	Employer contributions made for fiscal year ending June 30, 2013	22,322,068
(f)	Increase (decrease) in net pension obligation (d) – (e)	$ 205,249
(g)	Net pension obligation beginning of fiscal year	(54,530,231)
(h)	Net pension obligation end of fiscal year (f) + (g)	$ (54,324,982)

TREND INFORMATION

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (NPO)
June 30, 2011	27,923,223	51.6%	(35,613,328)
June 30, 2012	28,668,786	166.0%	(54,530,231)
June 30, 2013	22,527,317	99.1%	(54,324,982)

4. The annual required contribution (ARC) as a percentage of payroll, determined in accordance with the parameters of GASB 25/27, is shown below.

EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)

EMPLOYER ANNUAL REQUIRED CONTRIBUTION (ARC)	FISCAL YEARS ENDING JUNE 30, 2014
Normal (including expenses)	10.75%
Accrued liability	25.78
Total	36.53%

5. Additional information as of July 1, 2013 follows:

Valuation date	July 1, 2013
Actuarial cost method	Entry age normal
Amortization period	Level dollar, closed
Remaining amortization period	30 years
Asset valuation method	Actuarial Related Value
Actuarial assumptions:	
Investment rate of return (includes inflation)	7.50%
Projected salary increases (includes inflation)	10.50% to 4.00%
Inflation	3.00%
Cost-of-living adjustments	Refer to Schedule G

SECTION VII – EXPERIENCE

1. The following table shows the estimated change in the unfunded accrued liability from various factors that resulted in an increase of $42,626,522 in the unfunded accrued liability from $161,824,250 as of July 1, 2012 to $204,450,771 as of July 1, 2013 .

ANALYSIS OF FINANCIAL EXPERIENCE
CHANGE IN UNFUNDED ACCRUED LIABILITY

ITEM	AMOUNT OF INCREASE/(DECREASE)
Interest (7.50%) added to previous unfunded accrued liability	$ 11,976,386
Accrued Liability Contributions	(16,961,755)
Recognized Asset (Gain)/Loss	15,320,314
Assumption and Method Changes	0
Plan Changes	0
Salary (Gain)/Loss	14,960,342
Liability (Gain)/Loss	17,331,235
Increase in Unfunded Accrued Liability	$ 42,626,522

SCHEDULE A

DEVELOPMENT OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY

				July 1, 2013
(1)	Present value of prospective benefits:			
	(a)	Present active members	$	342,151,101
	(b)	Present retired members, beneficiaries and former members entitled to deferred vested benefits		549,781,272
	(c)	Total	$	891,932,373
(2)	Present value of future Government and member normal contributions before expenses			153,589,048
(3)	Actuarial accrued liabilities 1(c) – (2)		$	738,343,325
(4)	Actuarial value of assets			533,892,554
(5)	Unfunded actuarial accrued liability (3) – (4)		$	204,450,771

SCHEDULE B

VALUATION BALANCE SHEET

ACTUARIAL LIABILITIES		
Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits		$ 549,781,272
Present value of prospective benefits payable on account of present active members		$ 342,151,101
Total liabilities		$ 891,932,373
PRESENT AND PROSPECTIVE ASSETS		
Actuarial value of assets		$ 533,892,554
Present value of future contributions		
Government and member normal contributions	153,589,048	
Unfunded accrued liability contributions	204,450,771	
Total prospective contributions		$ 358,039,819
Total assets		$ 891,932,373

SCHEDULE C
Development of Actuarial Value of Assets

	Valuation date June 30:	2012	2013	2014	2015	2016	2017
A.	Actuarial Value Beginning of Year	$ 501,069,884	$ 525,849,582				
B.	Market Value End of Year	509,409,641	556,723,810				
C.	Market Value Beginning of Year	491,370,669	509,409,641				
D.	Cash Flow						
	D1. Contributions	$ 55,469,828	$ 33,721,166				
	D2. Other Revenue	137,955	81,122				
	D3. Beginning of Year Market Value Adjustment	0	0				
	D4. Benefit Payments	(44,267,378)	(49,296,681)				
	D5. Administrative Expenses	(158,020)	(596,907)				
	D6. Investment Expenses	(2,624,274)	(2,801,925)				
	D7. Net	$ 8,558,111	$ (18,893,225)				
E.	Investment Income						
	E1. Market Total: B.-C.-D7.	$ 9,480,861	$ 66,207,394				
	E2. Assumed Rate (Net of Expenses)	8.00%	7.50%				
	E3. Amount for Immediate Recognition	42,545,564	41,023,515				
	E4. Amount for Phased-In Recognition	(33,064,703)	25,183,879				
F.	Phased-In Recognition of Investment Income						
	F1. Current Year: 0.20 * E4.	$ (6,612,941)	$ 5,036,776	$ -	$ -	$ -	$ -
	F2. First Prior Year	10,933,042	(6,612,941)	5,036,776	-	-	-
	F3. Second Prior Year	656,893	10,933,042	(6,612,941)	5,036,776	-	-
	F4. Third Prior Year	(24,101,088)	656,893	10,933,042	(6,612,941)	5,036,776	-
	F5. Fourth Prior Year	(7,199,883)	(24,101,088)	656,893	10,933,042	(6,612,941)	5,036,776
	F6. Total Recognized Investment Gain	$ (26,323,977)	$ (14,087,318)	$ 10,013,770	$ 9,356,877	$ (1,576,165)	$ 5,036,776
G.	Preliminary Actuarial Value End of Year						
	A.+D7.+E3.+F6.	$ 525,849,582	$ 533,892,554				
H.	Corridor						
	I1. 80% of Market Value	$ 407,527,713	$ 445,379,048				
	I2. 120% of Market Value	$ 611,291,569	$ 668,068,572				
I.	Actuarial Value End of Year						
	H. Not Less than I1. or Greater than I2	$ 525,849,582	$ 533,892,554				
J.	Difference Between Market & Actuarial Values	$ (16,439,941)	$ 22,831,256	$ 12,817,484	$ 3,460,607	$ 5,036,773	$ 3

The Actuarial Valuation of Assets recognizes assumed investment income (line E3) fully each year. Differences between actual and assumed investment income (line E4) are phased in over a closed 5 year period. During periods when investment performance exceeds the assumed rate, Actuarial Value of Assets will tend to be less than market value. During periods when investment performance is less than the assumed rate, Actuarial Value of Assets will tend to be greater than market value. If assumed rates are exactly realized for 5 consecutive years, actuarial value will become equal to market value.

SCHEDULE D

SUMMARY OF RECIEPTS AND DISBURSEMENTS

Receipts for the Period		
Contributions:		
Members	$	7,242,128
Employer /Other		26,560,160
Total		33,802,288
Investment Income		63,405,469
TOTAL	$	97,207,757
Disbursements for the Period		
Benefit Payments		49,296,681
Refunds to Members		0
Administrative Expense		596,907
TOTAL	$	49,893,588
Excess of Receipts over Disbursements	$	47,314,169
Reconciliation of Asset Balances		
Market Value of Assets as of July 1, 2012	$	509,409,641
Excess of Receipts over Disbursements		47,314,169
Market Value of Assets as of July 1, 2013	$	556,723,810
Beginning of Year Market Value Adjustment		0
Market Value of Assets as of July 1, 2013 including Adjustment	$	556,723,810
Rate of Return on Market Value of Assets		12.52%

SCHEDULE E

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

INVESTMENT RATE OF RETURN: 7.50% per year, compounded annually.

SALARY INCREASES: Representative values of the assumed annual rates of salary increases are as follows:

Service	Wage Inflation	Merit Component	Total Rate
0	4.00%	6.50%	10.50%
1	4.00	5.50	9.50
2	4.00	3.50	7.50
3-5	4.00	3.00	7.00
6-8	4.00	2.50	6.50
9-12	4.00	2.00	6.00
13-16	4.00	1.50	5.50
16-19	4.00	1.00	5.00
20 or more	4.00	0.00	4.00

SEPARATIONS FROM ACTIVE SERVICE: For death rates, the RP-2000 Combined Table projected to 2015 with scale AA was used. Representative values of the assumed annual rates of separation from active service are as follows:

	Annual Rate of		
	Disability	Death	
Age		Male	Female
20	0.30%	0.03%	0.02%
25	0.30	0.03	0.02
30	0.30	0.04	0.02
35	0.60	0.07	0.04
40	1.00	0.10	0.06
45	2.00	0.12	0.09
50	4.00	0.16	0.13
55	5.00	0.27	0.24

Annual Rate of Termination			
Service	Rate	Service	Rate
0	1.91%	10	1.29%
1	1.85	11	1.23
2	1.79	12	1.17
3	1.73	13	1.08
4	1.67	14	1.00
5	1.61	15	0.94
6	1.55	16	0.88
7	1.47	17	0.82
8	1.41	18	0.76
9	1.35	19	0.70

SERVICE RETIREMENT: Representative annual rates of assumed service retirement are as follows:

Hired Prior to July 1, 2013		Hired on or after July 1, 2013	
Service	Rate	Service	Rate
20	5.0%		
21	6.0		
22	7.0		
23	8.0		
24	9.0		
25	10.0	25	25.0%
26	12.0	26	12.0
27	14.0	27	14.0
28	15.0	28	15.0
29	20.0	29	20.0
30	100.0	30	100.0

DEATHS AFTER RETIREMENT: The RP-2000 Combined Mortality Table projected to 2015 using scale AA, with male mortality set forward 0 years and female mortality set forward 3 years is used for the period following service retirement and for beneficiaries of deceased members. For disabled lives, male mortality was assumed to be the RP-2000 table not projected with male mortality set forward 4 years. Female mortality was assumed to be consistent with rates issued by the IRS in Revenue Ruling 96-7 for use in determining current liability for disabled lives prior to January 1, 1995.

OCCUPATIONAL VS. NON OCCUPATIONAL DEATH: 20% of all deaths are assumed to be due to occupational causes.

OCCUPATIONAL VS. NON OCCUPATIONAL DISABILITY: 75% of disabilities are assumed to be due to occupational causes. For occupational disabilities the average benefit percentage is assumed to be 50.0%.

PERCENT MARRIED: 75% of employees who die before retirement are assumed to be married with the husband 3 years older than the wife. 85% of employees who die after retirement are assumed to be married with the husband 3 years older than the wife.

ASSETS: Actuarial value, as developed in Schedule C. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. The actuarial value of assets cannot be more than 120% or less than 80% of the market value of assets.

VALUATION METHOD: Entry age normal actuarial cost method. See Schedule F for a brief description of this method.

AVERAGE DISABILITY IMPAIRMENT PERCENTAGE: 12.50%

SCHEDULE F

ACTUARIAL COST METHOD

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 7.50%), of each member's expected benefits at retirement or death is determined, based on age, service and sex. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service, disability or survivor's benefit. The present value of the expected benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable from the Plan on account of the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the Plan are determined following a level funding approach and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the entry age normal actuarial cost method. Under this method, a calculation is made to determine the level percentage of payroll which, if applied for the average new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability is determined by subtracting the present value of prospective employer normal contributions and member contributions, together with the current actuarial value of assets held, from the present value of expected benefits to be paid from the Plan.

SCHEDULE G

SUMMARY OF MAIN PLAN PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

Member	Sworn members of the Lexington-Fayette Urban County Government Division of Police and Division of Fire and Emergency Services.
Membership Service	Service rendered on or after the date of establishment of the fund or the fund of a city existing within the boundaries of the government immediately prior to the establishment of the urban-county government.
Total Service	Prior service, membership service, and service credit purchased by a member as provided in KRS 67A.402.
Average Salary	The highest average salary of the member for any three consecutive years of service.

Retirement Annuity

Hired prior to July 1, 2013 and for retirements commencing prior to July 1, 2013

Eligibility	Anytime after completion of 20 years of Total Service (including service purchased up to 4 years).
Benefit	Annuity is 2½% of Average Salary multiplied by years of Total Service. The minimum monthly benefit is $1,250. Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

Hired prior to July 1, 2013 and for retirements commencing on or after July 1, 2013

Eligibility	Anytime after obtaining age 41 and the completion of 20 years of Total Service (including service purchased up to 4 years).
Benefit	Annuity is 2½% of Average Salary multiplied by years of Total Service. The minimum monthly benefit is $1,250. Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired

member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

Hired on or after July 1, 2013

Eligibility	Anytime after obtaining age 50 and the completion of 25 years of Total Service.
Benefit	Annuity is 2.25% of Average Salary multiplied by years of Total Service. The minimum monthly benefit is $1,250. Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

Occupational Disability Benefit

Eligibility	No requirements.

Occur Prior to July 1, 2013

Benefit	Annuity equal to a minimum of 60% of member's last rate of salary, increased above the 60% minimum by ½ the amount by which the member's percentage of disability exceeds 20%, but not greater than 75%. The member's percentage of disability shall be the average of the impairment rating determined by two physicians selected by the Board using the American Medical Association "Guide to the Evaluation of Permanent Impairment". If a member is eligible for a service retirement annuity and the amount of the service retirement annuity exceeds the amount of the disability benefit, then the member may elect to receive an additional service retirement annuity equal to this difference. Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

In addition, any minor children will receive benefits as provided under the occupational death benefit provisions.

Occur on or after July 1, 2013

Benefit	Annuity equal to a minimum of 50% of member's last rate of salary. If the member's percentage of disability exceeds 20% then the amount is equal to 60% of the member's last rate of salary plus ½ the amount by which the member's percentage of disability exceeds 20%, but not greater than 75%. The member's percentage of disability shall be the average of the impairment rating determined by two physicians selected by the Board using the American Medical Association "Guide to the Evaluation of Permanent Impairment". If a member is eligible for a service retirement annuity and the amount of the service retirement annuity exceeds the amount of the disability benefit, then the member may elect to receive an additional service retirement annuity equal to this difference.

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

In addition, any minor children will receive benefits as provided under the occupational death benefit provisions.

Non-Occupational Disability Benefit

Hired prior to July 1, 2013

Eligibility	5 years of Total Service.
Benefit	2½% of Average Salary times years of Total Service subject to a minimum payment of 25% of Average Salary and a maximum payment of 75% of Average Salary.

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

In addition, any minor children will receive benefits provided under the non-occupational death benefit provisions.

Hired on or after July 1, 2013

Eligibility

5 years of Total Service.

Benefit

2.25% of Average Salary times years of Total Service subject to a minimum payment of 22.5% of Average Salary and a maximum payment of 67.5% of Average Salary.

Upon the death of a retired member whose marriage was in effect at least six months before retirement or one year prior to death, the surviving spouse shall receive an annuity equal to 60% of the member's final annuity or final rate of pay, whichever is greater, unless the retired member elected an alternative actuarial equivalent form at the time of retirement of either a joint and 75% or and joint and 100% survivor payment form.

In addition, any minor children will receive benefits provided under the non-occupational death benefit provisions.

Termination Benefit

If a member is terminated with less than 20 years of total service credit, he is entitled to a return of his accumulated contributions, without interest.

Occupational Death Benefit

Eligibility

No requirements.

Benefit

Surviving Spouse receives immediate annuity equal to 75% of the member's last rate of salary until death or remarriage.

In addition, 10% of the member's last rate of salary is payable for each minor child until each child attains age 18 (age 23 if involved in educational activities). Maximum total income is 100% of final rate of salary.

If no surviving spouse or upon remarriage, then minor children will receive a benefit based on the following schedule:

One minor child	50% of Salary
Two minor children	65% of Salary
Three of more minor children	75% of Salary

Non-Occupational Death Benefit

Eligibility	5 Years of Total Service, married 6 months prior to death.
Benefit	Surviving spouse received immediate annuity equal to 1½% of the Average Salary multiplied by years of Total Service, until death or remarriage. The minimum benefit is 15% of Average Salary. In addition, this annuity is increased by ½ for the first minor child and by ¼ for each additional child. Maximum total income is 75% of Average Salary.

If no surviving spouse or upon remarriage, then minor children will receive a benefit based on the following schedule:

One minor child	50% of Salary
Two minor children	65% of Salary
Three of more minor children	75% of Salary

Member Contributions

Prior to July 1, 2013, active members contribute 11% of current salary. Effective July 1, 2013 active member contributions will increase from 11% to 12%.

Employer Contributions

The government shall make current contributions to the fund on an actuarially funded basis. Such contributions shall be equal to the sum of:

(1) An amount resulting from the application of a rate percent of salaries of active members determined under the entry age normal cost funding method, and

(2) An amount sufficient to amortize the total unfunded liability actuarial accrued liability for the fund over a period of thirty years, using the level dollar amortization method, for a period beginning July 1, 2013 and ending June 30, 2043.

The total contribution of the government shall be at least $20,000,000 until the actuarial funding level is at least 100%.

Post Retirement Cost-of-Living Increases	COLAs will be granted on the following schedule for both current and future retirees commencing upon the earlier of a member turning age 50 or being retired for five years until the Plan, utilizing the current COLA provisions, is 85% funded. At that time, COLA's will be granted each year by an amount, determined by the Board, of not less than 2.00% nor more than 5.00% compounded annually. In addition, those receiving a pension over $100,000 will not be eligible to receive a COLA until the later of the proposed conditions or January 1, 2016.

Above $100,000	1.0%
$75,000 to $99,000	1.0%
$50,000 to $74,999	1.5%
$40,000 to $49,999	1.5%
$35,000 to $39,999	2.0%
$30,000 to $34,999	2.0%
Under $30,000	2.0%

SCHEDULE H

TABLE 1

DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE GROUPS

AS OF JULY 1, 2013

Attained Age	Completed Years of Service										
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	> 40	Total
Under 25	20	2									22
Avg. Pay	34,532	38,561									34,899
25 to 29	58	40	12								110
Avg. Pay	34,538	41,013	49,323								38,506
30 to 34	22	53	131	15							221
Avg. Pay	34,066	41,601	52,414	60,239							48,525
35 to 39	4	28	83	105	16						236
Avg. Pay	37,460	41,717	53,009	63,008	71,536						57,110
40 to 44		14	39	95	95	10					253
Avg. Pay		44,364	52,753	61,942	73,341	79,614					64,531
45 to 49		1	19	26	43	52	6				147
Avg. Pay		42,866	54,183	62,676	72,507	87,518	105,554				74,857
50 to 54			1	8	19	17	7	3			55
Avg. Pay			54,263	62,192	75,048	88,751	89,782	83,806			79,389
55 to 59				1	2	4	4	2			13
Avg. Pay				41,667	61,743	92,523	101,158	62,519			81,917
60 to 64			2	1	2			1			6
Avg. Pay			53,094	59,691	72,223			98,109			68,073
65 to 69								1			1
Avg. Pay								80,060			80,060
70 & up											
Avg. Pay											
Total	104	138	287	251	177	83	17	17			1,064
Avg. Pay	34,550	41,700	52,631	62,280	73,015	87,059	98,026	79,232			58,699

TABLE 2

NUMBER OF RETIRED MEMBERS AND BENEFICIARIES AND THEIR BENEFITS BY AGE

Attained Age	Number of Members	Total Annual Benefits	Average Annual Benefit
50 & Under	161	$ 6,049,322	$ 37,573
51 – 55	125	6,352,174	50,817
56 – 60	129	6,915,129	53,606
61 – 65	192	9,006,140	46,907
66 – 70	167	7,061,254	42,283
71 – 75	127	5,420,278	42,679
76 – 80	78	2,940,072	37,693
Over 80	68	2,139,809	31,468
Total	1047	$ 45,884,179	$ 43,824