

Lancaster County Employees' Retirement System

Report on 2010 Actuarial Valuation Including
Determination of County Annual Required
Contribution for 2010

HayGroup®



Prepared By:

Henry E. Stiehl
Hay Group
The Wanamaker Building
100 Penn Square East
Philadelphia, Pennsylvania 19107-3388

for

Lancaster County Employees' Retirement Board

Scott F. Martin	Commissioner/Chairman
Dennis P. Stuckey	Commissioner
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June 15, 2010

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I. Introduction

The primary purpose of this report is to investigate and fully and fairly disclose the actuarial position of the System as of January 1, 2010 and to establish the proper appropriation for the 2010 plan year, in accordance with the funding standards of Section 6 of Act 96, 1971 of the Commonwealth of Pennsylvania as amended.

On the basis of the actuarial methods, assumptions and major plan provisions summarized in this report and in reliance on the member data and statement of the Fund's assets furnished by the County, to the best of our knowledge the information in this report is complete and accurate.

In our opinion, this report presents fairly the financial and actuarial position for the Lancaster County Employees' Retirement Plan as of January 1, 2010 in accordance with generally accepted actuarial principles, and on the basis of actuarial assumptions and methods which, in the aggregate, are reasonable (taking into account past experience under the System and reasonable expectations) and which in combination represent our best estimate of anticipated experience.

Respectfully submitted,

HayGroup

By: Henry E. Stiehl
Henry E. Stiehl
Senior Consultant

By: David D. Reichert
David D. Reichert, EA
Member, American Academy of Actuaries
ERISA Enrolled Actuary No. 08-6461

II. Findings

Certified Annual Required Contribution (ARC)

Please note that the certified Annual Required Contribution which is reported on page 13 of this report and which must be funded in 2010 is \$7,216,063.00. This is required to be made by the County from the General Fund.

The County has elected to change to the Entry Age Normal funding method beginning in 2010. The Annual Required Contribution is based on this funding method.

Actuarial Adjustments

Also note that the balances in the Reserve Accounts on page 9 reflect the following transfers which are necessary to keep the balance in the Retired Member's Reserve Account equal to the liability for the retired lives and to reflect the difference between the amount of interest credited to the respective reserves and the interest rate assumed in the valuation of the liabilities. Please make these transfers in your records:

	DEBIT	CREDIT
County Annuity Reserve Account	\$ 2,273,331.87	
Retired Members Annuity Reserve Account		\$ 2,273,331.87

III. Schedules

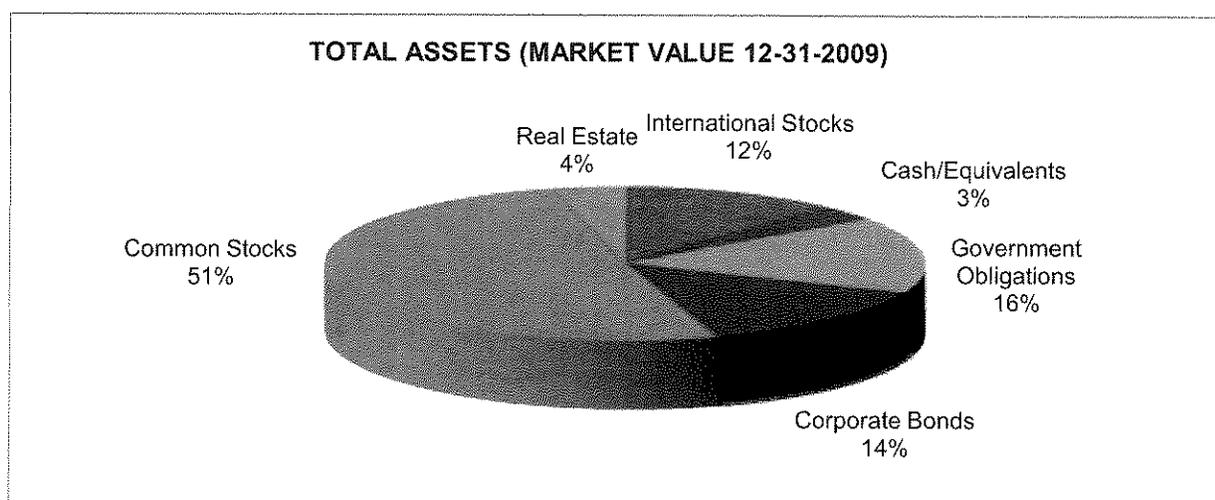
Schedule A

Disclosure of Pension Information in Accordance with
Statement No. 25, Statement No. 27 and Statement No. 50 of
the Governmental Accounting Standards Board

LANCASTER COUNTY EMPLOYEES' RETIREMENT SYSTEM			
STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2009 AND 2008			
Additions			
		<u>2009 Total</u>	<u>2008 Total</u>
Contributions			
County	\$	7,421,189.00	\$ 4,000,000.00
Plan Members	\$	4,531,247.66	\$ 4,392,999.82
Miscellaneous	\$	72,879.89	\$ 127,771.12
Total Contributions	\$	<u>12,025,316.55</u>	<u>\$ 8,520,770.94</u>
Investment Income			
Realized Loss	\$	<u>(5,689,529.59)</u>	
Unrealized Gain	\$	<u>28,250,966.17</u>	
Net Gain in Fair Value	\$	22,561,436.58	\$ (47,773,811.09)
Interest/Dividends	\$	4,358,438.55	\$ 4,930,328.59
Net Accrued Interest	\$	(131,725.80)	\$ (441,393.26)
Investment Income	\$	<u>26,788,149.33</u>	<u>\$ (43,284,875.76)</u>
Less Investment Expense	\$	515,856.77	\$ 632,810.54
Net Investment Income	\$	<u>26,272,292.56</u>	<u>\$ (43,917,686.30)</u>
Total Additions	\$	<u>38,297,609.11</u>	<u>\$ (35,396,915.36)</u>
Deductions			
Benefits	\$	8,614,455.60	\$ 8,260,949.80
Refunds of Member Contributions	\$	592,483.05	\$ 721,726.64
Administrative Expense	\$	37,501.00	\$ 30,789.00
Miscellaneous	\$	6,193.31	\$ 23,682.75
Total Deductions	\$	<u>9,250,632.96</u>	<u>\$ 9,037,148.19</u>
Net Increase/(Decrease)	\$	<u>29,046,976.15</u>	<u>\$ (44,434,063.55)</u>
Net Assets Held In Trust For Pension Benefits			
Beginning of Year	\$	129,136,038.80	\$ 173,570,102.35
End of Year	\$	<u>158,183,014.95</u>	<u>\$ 129,136,038.80</u>

Schedule A--Continued

LANCASTER EMPLOYEES' RETIREMENT SYSTEM			
STATEMENT OF PLAN ASSETS AS OF DECEMBER 31, 2009 AND 2008			
Assets			
		<u>2009 Total</u>	<u>2008 Total</u>
Cash and Short-Term Investments	\$	4,501,943.67	\$ 5,297,067.54
Receivables	\$	580,138.41	\$ 837,924.54
Investments, at fair market value			
Government Obligations	\$	25,661,472.82	\$ 31,286,258.21
Corporate Bonds	\$	21,925,808.22	\$ 20,166,528.09
Common Stocks	\$	80,541,823.18	\$ 57,434,542.18
International Stocks	\$	18,852,365.95	\$ 14,113,718.24
Real Estate	\$	6,119,462.70	\$ 0.00
Total Investments	\$	153,100,932.87	\$ 123,001,046.72
Total Assets	\$	158,183,014.95	\$ 129,136,038.80
Liabilities			
Refunds Payable and Other	\$	0.00	\$ 0.00
Net Assets Held In Trust For Pension Benefits			
	\$	158,183,014.95	\$ 129,136,038.80



Schedule A -- Continued

Lancaster County Employees' Retirement System

Notes to the Financial Statements for the Fiscal Year Ended December 31, 2009

Summary of Significant Accounting Policies

Basis of Accounting: The Lancaster County Employees' Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Descriptions and Contribution Information

Membership of the plan consisted of the following at December 31, 2009, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	963
Terminated Plan Members Entitled to but not yet Receiving Benefits	168
Active Plan Members	1,867
Total	2,998
Number of Participating Employers	1

Schedule A--Continued

Lancaster County Employees' Pension System

Plan Description: The Lancaster County Employees' Pension Plan is a single-employer defined benefit pension plan that covers all employees of the County. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Lancaster County Employees' Retirement Board. Act 96 of 1971, as amended cited as the County Pension Law provides for the creation, maintenance and operation of this plan.

Contributions: Plan members are required to contribute 5% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs may be financed through investment earnings.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Year	Annual Required Contribution	County Contribution
2001	\$ 910,617	\$ 0
2002	\$ 2,823,744	\$ 473,937
2003	\$ 4,775,487	\$ 5,500,000
2004	\$ 5,827,903	\$ 5,500,000
2005	\$ 7,534,558	\$ 7,400,000
2006	\$ 5,578,535	\$ 5,578,535
2007	\$ 4,859,915	\$ 4,859,915
2008	\$ 3,333,575	\$ 4,000,000
2009	\$ 7,171,189	\$ 7,421,189
2010	\$ 7,216,063	\$

Note: Effective in 2010 the Entry Age Funding Method was used to determine the annual required contribution. Prior to 2010 the Aggregate Method was used.

Schedule A--Continued

REQUIRED SUPPLEMENTARY INFORMATION						
SCHEDULES OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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)
1/1/2008	175,412,278	185,818,519	10,406,241	94.4%	73,915,189	14.1%
1/1/2009	159,134,908	199,653,516	40,518,608	79.7%	78,717,769	51.5%
1/1/2010	158,074,015	213,374,965	55,300,950	74.1%	79,444,845	69.6%

Schedule A--Continued

NOTES TO THE REQUIRED SCHEDULES	
The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:	
Valuation Date	12/31/2009
Actuarial Cost Method	Entry Age
Asset Valuation Method	5-Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return *	7.5%
Projected Salary Increases *	4.5%
* Includes Inflation at	3%

ACCOUNTING PROCEDURES FOR CALCULATING - NET PENSION OBLIGATION (NPO)							
(1) Year	(2) ARC	(3) Interest On NPO ***	(4) ARC Adjustment **	(5) Pension Cost (2+3-4)	(6) Contribution	(7) Change in NPO (5-6)	(8) NPO Balance * (BB+7)
2001	910,617	149,788	244,591	815,814	0	815,814	2,812,992
2002	2,823,744	210,974	346,516	2,688,202	473,937	2,214,265	5,027,257
2003	4,775,487	377,044	626,988	4,525,543	5,500,000	(974,457)	4,052,800
2004	5,827,903	303,960	496,600	5,635,263	5,500,000	135,263	4,188,063
2005	7,534,558	314,105	509,148	7,339,515	7,400,000	(60,485)	4,127,578
2006	5,578,535	309,568	493,756	5,394,347	5,578,535	(184,188)	3,943,390
2007	4,859,915	295,754	478,783	4,676,886	4,859,915	(183,029)	3,760,361
2008	3,333,575	282,027	460,275	3,155,327	4,000,000	(844,673)	2,915,688
2009	7,171,189	218,677	358,080	7,031,786	7,421,189	(389,403)	2,526,285
2010	7,216,063	189,471	308,565	7,096,969			

* BB = Beginning balance for the year.

** ARC Adjustment - Amortization factor based upon level percentage of projected payroll.

*** Interest on the balance of the NPO at the beginning of the year using the investment return rate assumed in determining ARC. The interest is an estimate of the investment earnings lost to the plan on any contributions that were not made (7.5% when applicable).

Schedule B

Schedule B shows the allocation of the assets among the Fund's reserve accounts (see Schedule F for Determination of Reserve Balances) and the Fund's liabilities as of January 1, 2010. The liabilities were determined from the actuarial valuation of the System based upon the data submitted by the County.

ASSETS	
Members' Annuity Reserve Account	\$ 57,092,412.83
County Annuity Reserve Account	\$ 32,009,536.24
Retired Members' Reserve Account	\$ 64,532,044.00
Unrealized Appreciation of Assets	\$ 4,549,021.88
<i>Total Assets, (Market Value) of the Lancaster County Employees' Retirement Fund</i>	<i>\$ 158,183,014.95</i>
LIABILITIES	
Actuarial Present Value of:	
Accumulated Plan Benefits	
Vested (1,220)	\$ 42,440,386.00
Nonvested (647)	\$ 823,527.00
Future Benefit Accruals	\$ 57,804,107.00
Terminated Vested Benefits	\$ 8,719,575.00
Retired Benefits	\$ 64,532,044.00
Member Accumulated Deductions	\$ 57,092,412.83
<i>Total Liabilities of the Lancaster County Employees' Retirement Fund</i>	<i>\$ 231,412,051.83</i>

Schedule C

Unfunded Actuarial Liability and Normal Cost

Schedule C shows the development of the unfunded actuarial liability and the normal cost for 2010.

I. Unfunded Actuarial Liability January 1, 2010

1. Actuarial Liability:		
(a) Active Participants		
Retirement Benefits	\$	70,887,324
Termination Benefits		6,999,572
Death Benefits		5,144,037
Total	\$	83,030,933
(b) Terminated Vested Participants	\$	8,719,575
(c) Retired Members and Beneficiaries		
Retirement Benefits	\$	54,713,839
Cost-of-Living Benefits		9,818,205
Total	\$	64,532,044
(d) Member Accumulated Deductions	\$	57,092,413
(e) Total (a) + (b) + (c) + (d)	\$	213,374,965
2. Actuarial Value of Plan Assets (see page 15)	\$	158,074,015
3. Unfunded Actuarial Liability as of January 1, 2010: (1e) – (2)	\$	55,300,950

II. Normal Cost for 2010

1. Normal Cost for:		
(a) Retirement Benefits	\$	1,947,901
(b) Termination Benefits		267,736
(c) Death Benefits		141,259
(d) Normal Cost as of January 1, 2010	\$	2,356,896
(e) Normal Cost with interest to end of year: (d) x 1.075	\$	2,533,663

Schedule D

Amortization Schedule

Schedule D provides a record of the amortization amounts. Actuarial gains (losses) will be amortized over 15 years from the date determined; increases or decreases created by pension plan establishing an unfunded actuarial accrued liability will be amortized over 30 years from the effective establishment date; increases or decreases created by a modification in the benefit plan applicable to active members will be amortized over 20 years beginning with the January 1st coinciding with or next following the effective date of change; increases or decreases created by a modification in the benefit plan applicable to retired members will be amortized over 10 years beginning with the January 1st coinciding with or next following the effective date of change; increase in actuarial accrued liability attributable to the special early retirement provision will be amortized over 5 years beginning with the January 1st coinciding with or next following the end of the early retirement period; and increases or decreases created by changes in actuarial assumptions will be amortized over 20 years from the effective date of change.

Amortization Record for 2010

							As of January 1, 2010
		<u>Initial Amount</u>	<u>Effective Date</u>	<u>Remaining Period</u>	<u>Outstanding Balance</u>	<u>Amortization Charge or Credit</u>	
1. Amortization of Liability for:							
(a)	Initial unfunded liability	\$ 55,300,950	1/1/2010	30 years	<u>\$55,300,950</u>	<u>\$ 4,682,400</u>	
(b)	Total				<u>\$55,300,950</u>	<u>\$ 4,682,400</u>	

Schedule E

Schedule E determines the certified Annual Required Contribution (ARC) of \$7,216,063 for 2010 for the Lancaster County Employees' Retirement System.

1.	Total Amortization Charge/(Credit) (page 12 1(b))	\$ 4,682,400
2.	Normal Cost with interest to end of year (page 10 II 1(e))	\$ 2,533,663
3.	Total Funding Requirement for 2010 (Annual Required Contribution (ARC) for 2010): (1) + (2)	\$ 7,216,063

Notes:

The Annual Required Contribution (ARC) for 2010 as a percentage of the estimated 2010 compensation (\$79,444,845) for active members is 9.08 %.

The equivalent normal cost accrual rate to be applied to actual 2009 salaries to determine reimbursable expenses is 9.49%.

Schedule F

The following are notes to Schedules B and H:

Members' Annuity Reserve Account

The balance of \$57,092,412.83 in this account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of January 1, 2010. Since these accumulations represent the present value as of January 1, 2010, of future benefits, the reserve balance and liability are identical.

County Annuity Reserve Account

The balance of \$32,009,536.24 in this account as of January 1, 2010 and the amounts expected to be credited in the future, plus investment earnings, represent the reserves set aside for the payment of the county's share of the retirement allowances.

This is the account out of which regular interest is credited to the member's annuity and retired members' reserve account, administrative expenses may be paid and the pension obligations of the County are funded.

When a County Annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County Annuity Reserve Account to the Retired Members' Reserve Account to provide for such County Annuities actually entered upon.

Retired Members' Reserve Account

This is the account out of which monthly retirement allowances including cost-of-living increases and death benefits are paid.

The assets allocated to this reserve account as of January 1, 2010 amount to \$64,532,044.00. The corresponding liability for those annuitants on the roll is identical.

Schedule F--Continued

Adjustment for Market Value Fluctuation

In order to reduce the fluctuations in the County normal cost which can result from full recognition of the unrealized appreciation or depreciation of the Fund's securities each year, the value of assets used to determine costs was determined by adjusting the cost value of the assets by the average ratio of market to cost value for the past five years:

RATIO OF MARKET VALUE TO COST VALUE OF ASSETS				
January 1		(1) Cost Value of Assets	(2) Market Value of Assets	Ratio (2) / (1)
2006	\$	137,079,418	\$ 147,767,316	1.0780
2007	\$	143,250,245	\$ 161,657,386	1.1285
2008	\$	163,204,575	\$ 173,570,102	1.0635
2009	\$	152,837,983	\$ 129,136,039	0.8449
2010	\$	153,633,993	\$ 158,183,015	1.0296
Average				1.0289

ACTUARIAL VALUE OF ASSETS JANUARY 1, 2010	
(1) Cost Value of Assets	\$ 153,633,993.07
(2) Average Ratio	1.0289
(3) Actuarial Value of Assets	\$ 158,074,015.47

Schedule G

APPROXIMATE RATE OF RETURN FOR 2009 PLAN YEAR			
	<u>Actuarial Value</u>		<u>Market Value</u>
1. Value as of December 31, 2008	\$	159,134,907.99	\$ 129,136,038.80
2. Contributions Received During Year	\$	12,025,316.55	\$ 12,025,316.55
3. Benefits and Expenses Paid During Year	\$	9,766,489.73	\$ 9,766,489.73
4. Value as of December 31, 2009	\$	158,074,015.47	\$ 158,183,014.95
5. Non-Investment Increment: (2) - (3)	\$	2,258,826.82	\$ 2,258,826.82
6. Investment Increment: (4) - (1) - (5)	\$	(3,319,719.34)	\$ 26,788,149.33
7. Time Weighted Value of Assets: (1) + .5(5)	\$	160,264,321.40	\$ 130,265,452.21
8. Approximate Rate of Return for 2009: (6) / (7)		(2.07)%	20.56%

HISTORY OF RATE OF RETURNS

<u>Plan Year</u>	<u>Actuarial Value Rate of Return</u>	<u>Market Value Rate of Return</u>
2008	(8.65) %	(25.02) %
2007		7.01 %
2006		12.09 %
2005		6.51 %
2004		10.90 %
2003		23.46 %
2002		(8.51) %
2001		0.20 %
2000		(4.87) %
Five Year Average:		2.92 %
Ten Year Average:		3.27 %

Schedule H

Determination of Reserve Balances

	M.A.R.A.	C.A.R.A.	R.M.R.A.	TOTAL
Balance 1/1/2009	\$ 52,434,240.11	\$ 38,086,269.98	\$ 62,317,473.00	\$ 152,837,983.09
County Appropriations		7,421,189.00		
Member Contributions	4,530,732.91			
Member Purchases		514.75		
Net Investment Income		(1,462,816.84)		
Investment Expenses		(515,856.77)		
Member Contributions Refunded	(592,483.05)			
Pension Payments			(7,672,254.38)	
Death Benefits			(942,201.22)	
Retiree and Death Benefit Transfers	(1,449,265.54)	(2,219,348.56)	3,668,614.10	
Cost of Living Funding Requirement		(2,285,717.00)	2,285,717.00	
Administrative Expenses		(37,501.00)		
Balance Before Interest	54,953,526.09	38,966,567.17	59,713,899.81	153,633,993.07
Interest Allocated in 2009	2,138,886.74	(4,683,699.06)	2,544,812.32	
Balance Before Actuarial Adjustments	57,092,412.83	34,282,868.11	62,258,712.13	153,633,993.07
Actuarial Adjustments		(2,273,331.87)	2,273,331.87	
Ending Balance 12/31/2009	57,092,412.83	32,009,536.24	64,532,044.00	153,633,993.07
Unrealized Appreciation				4,549,021.88
Total Assets (12/31/2009) (Market Value)				158,183,014.95

Schedule I

Membership History

Below is a ten-year history of the Retirement System's membership.

ACTIVE MEMBERS AND VESTED TERMINATED MEMBERS				RETIRED MEMBERS AND BENEFICIARIES		
January 1	Male	Female	Total	Male	Female	Total
2010	754	1,281	2,035	297	666	963
2009	765	1,295	2,060	291	662	953
2008	752	1,246	1,998	275	649	924
2007	736	1,222	1,958	267	626	893
2006	750	1,312	2,062	249	473	722
2005	796	1,631	2,427	232	416	648
2004	785	1,596	2,381	214	402	616
2003	773	1,544	2,317	208	386	594
2002	727	1,541	2,268	207	373	580
2001	693	1,449	2,142	204	362	566

Schedule J

Changes in Plan Participation From January 1, 2009 to January 1, 2010

ACTIVE PARTICIPANTS		
Number as of January 1, 2009		1,897
Changes During Plan Year:		
Retired	(-)	28
Terminated and Vested	(-)	15
Terminated	(-)	96
Died	(-)	4
New Participants	(+)	113
Number as of January 1, 2010		1,867

RETIRED PARTICIPANTS		
Number as of January 1, 2009		953
Changes During Plan Year:		
Returned to Active Service	(-)	1
Died	(-)	28
New Retirements from Active Service	(+)	28
New Surviving Annuitants	(+)	4
Vested Terminated Participants Whose Benefits Commenced	(+)	5
Additions	(+)	2
Number as of January 1, 2010		963

TERMINATED VESTED PARTICIPANTS		
Number as of January 1, 2009		163
Changes During Plan Year:		
Returned to Active Service	(-)	1
Benefits Commenced	(-)	5
Terminated	(-)	4
New Terminations with Vesting	(+)	15
Number as of January 1, 2010		168

Schedule K

Age, Service and Average Salary Profile of the Active Members on January 1, 2010.

MALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2010									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	0	0	0	0	0	0	0	0	\$ 0
20-24	26	0	0	0	0	0	0	26	\$ 29,962
25-29	46	29	1	0	0	0	0	76	\$ 35,794
30-34	35	38	16	0	0	0	0	89	\$ 40,522
35-39	26	31	35	17	1	0	0	110	\$ 47,775
40-44	14	21	19	22	11	0	0	87	\$ 50,214
45-49	10	11	14	20	23	7	1	86	\$ 57,852
50-54	8	9	13	12	14	10	3	69	\$ 56,855
55-59	15	19	16	9	9	3	10	81	\$ 53,087
60-64	6	13	8	8	5	6	9	55	\$ 56,982
65 +	2	11	8	6	7	3	2	39	\$ 46,625
Total	188	182	130	94	70	29	25	718	\$ 48,580

Average Age: 43.93
Average Service: 11.22

FEMALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2010									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	1	0	0	0	0	0	0	1	\$ 25,584
20-24	44	3	0	0	0	0	0	47	\$ 26,010
25-29	96	55	2	0	0	0	0	153	\$ 34,242
30-34	60	68	43	4	0	0	0	175	\$ 38,059
35-39	35	40	49	33	2	0	0	159	\$ 41,204
40-44	20	17	23	33	22	1	0	116	\$ 42,664
45-49	24	27	21	14	16	13	4	119	\$ 40,724
50-54	23	18	18	23	23	11	6	122	\$ 43,985
55-59	20	25	20	30	21	6	7	129	\$ 39,747
60-64	10	21	11	16	10	4	6	78	\$ 39,267
65 +	6	14	13	7	9	0	1	50	\$ 31,625
Total	339	288	200	160	103	35	24	1,149	\$ 38,844

Average Age: 42.77
Average Service: 10.39

Schedule L

Actuarial Assumptions and Actuarial Cost Method for Funding Purposes, January 1, 2010.

Actuarial Assumptions

Mortality Rates: The life expectancy of all members (active and retired) is determined in accordance with the mortality rates set forth in the 1983 Group Annuity Mortality Table.

Withdrawal Rates: Members not eligible to retire are assumed to terminate employment in accordance with a percentage of the withdrawal rates set forth in Table T-7 of the Actuary's Handbook. The applicable percentage depends on the member's years of service as follows:

YEARS OF SERVICE	PERCENTAGE
less than 1	300 %
1 but less than 2	275 %
2 but less than 3	250 %
3 but less than 4	225 %
4 but less than 5	200 %
5 but less than 6	175 %
6 or more	100 %

It is further assumed that a percentage of members who terminate after having met the Plan's five year vesting requirement will elect an immediate refund of their own contributions with interest thus forfeiting the County -- provided pension. The applicable percentage is 100% for termination ages up to age 30. After age 30 the applicable percentage is determined as 100% less (age - 30) x 3 1/3%. Illustrative percentages are as follows:

AGE	PERCENTAGE
30 or less	100.0 %
35	83.3 %
40	66.7 %
45	50.0 %
50	33.3 %
55	16.7 %

Schedule L--Continued

The following tables set forth illustrative withdrawal rates as determined in accordance with the methodology described on the previous page.

Probability of Withdrawing During Year:

LESS THAN FIVE YEARS OF SERVICE					
Age at Hire	Years of Service				
	0	1	2	3	4
20	.2982	.2720	.2460	.2202	.1947
30	.2791	.2532	.2275	.2021	.1770
40	.2326	.2067	.1814	.1570	.1335
50	.1267	.1013	.0781	.0577	.0407
59	.0086	-	-	-	-

FIVE OR MORE YEARS OF SERVICE		
Age at Beginning of Year	Probability of Withdrawing and Forfeiting County Pension	Probability of Withdrawing and Retaining County Pension
30	.0930	.0000
40	.0517	.0258
50	.0141	.0281
59	.0001	.0028

Schedule L--Continued

Retirement Rates: Members eligible to retire are assumed to retire in accordance with the following rates:

AGE AT BEGINNING OF YEAR	PROBABILITY OF RETIRING DURING YEAR
55-59	.07
60-61	.08
62-64	.15
65	.34
66-70	.23
71-79	.21
80	1.00

- Disability Rates** Disability rates are not used.
- Investment Return** 7.5% per annum, compounded annually.
- Salary Increases** 4.5% per annum.
- Valuation Assets** The assets at cost value adjusted by the past five-year average of the market to cost ratio of assets.
- Administrative Expenses** Assumed to be paid from the County's general fund and not from plan assets. However, administrative expenses may from year to year be paid from the fund unless it is determined by the actuary that such payment will impair the actuarial soundness of the fund.
- Actuarial Cost Method** The actuarial cost method used to determine the plan's funding requirements is the entry age normal method. Under this method, an actuarial accrued liability is determined as the actuarial present value of projected benefits for all participants minus the actuarial present value of future normal costs. The normal cost is determined as the annual amount required to fund between entry age and assumed exit age the actuarial present value of projected benefits for each active participant under the assumed retirement age.
- Changes Since Prior Valuation** The Actuarial Cost Method was changed from the Aggregate Actuarial Cost Method to the Entry Age Normal Actuarial Cost Method. No other changes since the prior valuation.

Schedule M

Summary of Plan Provisions

- 1. Effective Date** The effective date of this plan is January 1, 1961.
- 2. Eligibility for Plan Membership** An employee shall be eligible to become a participant immediately upon becoming an employee.
- 3. Accrued Benefit** The Retirement Board has authorized benefits equal to a percentage of the members Final Average Salary for each year of service the member has participated in the following Classes:

<u>CLASS</u>	<u>PERCENTAGE</u>	<u>EFFECTIVE</u>
1/120	0.833%	01/01/1961
1/100	1.000%	01/01/1973
1/80	1.250%	01/01/1977

- 4. Normal Retirement (Superannuation)** *Eligibility:* Retirement occurs at age 60 or at age 55 if the participant has completed 20 years of service.

Pension: A monthly pension equal to (a) and (b), as follows:

- (a) 0.833% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/120 Class,
 1.000% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/100 Class,
 1.250% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/80 Class,

PLUS

- (b) a monthly annuity based on the actuarial equivalent of the member's accumulated contributions with credited interest.

Schedule M--Continued

- 5. Final "Average" Salary** The average of the member's annual compensation received for the three years which produce the highest such average.
- 6. Compensation** Pick-up contributions plus remuneration received as a county employee excluding refunds for expenses, contingency and accountable expense allowances and excluding severance payments or payments for unused vacation or sick leave.
- 7. Early Retirement**
- Eligibility:*
- Voluntary:* Upon completion of 20 years of service.
- Involuntary:* Upon completion of 8 years of service.
- Pension:*
- (a) a monthly pension equal to the actuarial equivalent of the benefits calculated in 4(a),
- PLUS
- (b) a monthly annuity based on the actuarial equivalent of the member's accumulated contributions with credited interest.
- 8. Vesting** One Hundred Percent (100%) upon completion of five years of credited service. A member who terminates employment after five years of credited service will receive a deferred annuity commencing at age 60 (or at age 55 if the member has at least 20 years of service at termination). The deferred benefit shall be calculated using the normal retirement pension formula but based on credited service, final average salary and accumulated contributions at termination.
- If a member terminates employment prior to entitlement to Plan benefits, he will receive his accumulated contributions with interest.
- 9. Postponed Retirement** A member may work past normal retirement age and continue to accrue pension credits.

Schedule M--Continued

10. Disability Retirement

Eligibility: Total and permanent disability prior to Superannuation (Normal Retirement) age and after completion of five years of credited service.

Pension: A total monthly pension commencing on the last day of the month following disability retirement equal to 25% of the 1/12th of Final Average Salary at time of retirement. Such total monthly pension shall include the monthly disability that is actuarially equivalent to the member's accumulated contributions at retirement.

11. Normal Form of Pension

Benefits are payable in the form of a modified cash refund life annuity, that is for the member's lifetime only, except that disability benefits shall cease upon cessation of disability.

12. Optional Retirement Benefits

A member may elect to receive the actuarial equivalent of his retirement benefit as a full cash refund annuity (Option One) or a reduced joint and survivor pension payable for the remainder of his life, with either 100% or 50% of the member's pension continuing after death to the designated beneficiary. A member may also elect to receive, in one payment, the full amount of his accumulated deductions and continue to receive the annuity provided by the county.

13. Death Benefits

(a) Pre-Retirement. If a member dies after having attained age 60 or having completed ten years of credited service, his beneficiary will receive a lump sum equal to the actuarially determined present value of the benefits calculated in (7a) based on the member's Final Average Salary and credited service at time of death plus the member's accumulated contributions with interest at time of death.

(b) Post-Retirement. Upon the death of a terminated or retired member, his beneficiary will receive survivor benefits, if any, in accordance with the form under which benefits were being paid to the member. In any event, the total amount of benefits paid to the deceased member and beneficiary must, at least, equal the member's accumulated contributions with interest.

Schedule M--Continued

14. Employee Contributions

The Retirement Board has authorized each member of the retirement system to individually elect to contribute between 5% and 15% of his salary.

15. Deposit Administrator

Investment Managers:

C.S. McKee	Valley Forge Capital Advisors
Emerald Advisors	Urdang Securities Management
Federated Investors	
Twin Capital Management	

Custodian:

Fulton Financial Advisors
 Union Bank of California

Financial Consultants:

Pierce Park Group

16. Administration

Retirement Board as designated in Act 96 of 1971, the County Pension Law.

17. Cost-of-Living

The cost-of-living increase shall be reviewed at least once in every three years by the Retirement Board. The Board has granted cost-of-living increases twenty four times in the past from January, 1972 through January, 1999 and since then as follows:

PERCENTAGE CHANGE IN C.P.I.	EFFECTIVE DATE OF INCREASE
100 %	1/1/2000
100 %	1/1/2001
100 %	1/1/2002
100 %	1/1/2003
100 %	1/1/2004
100 %	1/1/2005
100 %	1/1/2006
100 %	1/1/2007
100 %	1/1/2008
95 %	1/1/2009

**18. Early Retirement
Provision**

The Retirement Board has authorized the following Early Retirement Provisions:

<u>Percent of</u>	<u>Early</u>
<u>Additional Service</u>	<u>Retirement Period</u>
15%	7/1/95 – 12/31/95
15%	7/1/00 – 12/31/00

Schedule N

Historical Trend Information

REVENUES BY SOURCE						
Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Miscellaneous	Total	
2000	\$ 3,481,463	\$ 0	\$ 13,361,910	\$ 0	\$ 16,843,373	
2001	3,688,234	0	4,167,590	0	7,855,824	
2002	4,057,335	473,937	1,479,131	0	6,010,403	
2003	4,397,880	5,500,000	4,890,185	0	14,788,065	
2004	4,643,900	5,500,000	3,303,458	0	13,447,358	
2005	4,794,182	7,400,000	9,552,045	0	21,746,227	
2006	3,845,434	5,578,535	9,920,591	28,435	19,372,995	
2007	4,449,499	4,859,915	19,396,004	34,214	28,739,632	
2008	4,393,000	4,000,000	(9,217,404)	127,771	(696,634)	
2009	4,531,248	7,421,189	(1,462,817)	72,880	10,562,500	

EXPENSES BY TYPE					
Fiscal Year	Benefits	Refunds	Administrative/ Miscellaneous	Total	
2000	\$ 4,097,014	\$ 1,365,848	\$ 534,919	\$ 5,997,781	
2001	4,557,493	1,000,338	678,019	6,235,850	
2002	4,004,671	1,022,859	374,229	5,401,759	
2003	4,278,349	1,103,765	372,551	5,754,665	
2004	4,584,087	1,055,863	416,730	6,056,680	
2005	5,831,356	2,484,678	470,245	8,786,279	
2006	11,510,773	986,315	705,080	13,202,168	
2007	7,100,088	1,114,825	570,389	8,785,302	
2008	8,260,950	721,727	687,282	9,669,959	
2009	8,614,456	592,483	559,551	9,766,490	