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Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2002

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002

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**Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Comments and Certification**

The purpose of the valuation report is to determine the actuarial status of the Plan. This report will not serve as the basis for satisfying any reporting requirements under Act 205.

The Summary of Principal Plan Benefit Provisions page provides a summary of the basic plan benefit provisions in effect as of January 1, 2002.

The Actuarial Assumptions and Methods page is a summary of actuarial assumptions and methods used in determining the actuarial status of the Plan.

Section 1 of the report provides a summary of plan assets and summary of plan membership.

The market value of the fund as of December 31, 2001, is \$5,470,221. The net dollar-weighted rate of investment return during 2001 was -2.74%.

As of January 1, 2002, there are 13 active members with total annual payroll for pension purposes of \$666,150. There are also five retired members currently receiving benefits under the Plan totaling \$97,563 annually, one spouse beneficiary of a deceased member currently receiving benefits under the Plan totaling \$14,577 annually and one vested former member entitled to deferred benefits under the Plan totaling \$25,249 annually.

Section 2 of the report provides the Act 205 funding calculations.

As of January 1, 2002, plan assets exceed the actuarial accrued liability under the Plan by \$1,556,214. The normal cost of the Plan, which is the cost of benefits being accrued during the current year, is \$125,239, which is 18.8% of covered payroll.

Page 2 of Section 2 shows the analysis of the change in the unfunded actuarial accrued liability from January 1, 2001 to January 1, 2002. There was an actuarial loss during the period of \$555,529.

Page 3 of Section 2 illustrates the minimum municipal obligation for the Plan. The financial requirement of the Plan is \$165,837. This consists of the normal cost, \$125,239, plus assumed annual administrative expenses, \$40,598. The financial requirement is reduced by 10% of the excess of plan assets over the actuarial accrued liability, \$155,621. This results in a minimum municipal obligation of \$10,216. This calculation of the minimum municipal obligation is for illustrative purposes only since the calculation of the minimum municipal obligation for purposes of determining the Township's required contribution to the Plan is prepared through the budgeting process by September 30 each year for the upcoming calendar year.

Page 4 of Section 2 indicates the actuarial present value of accumulated plan benefits. As of January 1, 2002, the total actuarial present value of accumulated plan benefits is \$3,094,951. This compares to net assets available for benefits of \$5,470,221.

Section 3 of the report provides supplemental information for reporting under Governmental Accounting Standards Board Statements No. 25 and 27.

Section 4 of the report provides information on the plan participants.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Comments and Certification

Actuarial Certification

To the best of my knowledge this report is complete and accurate, based upon the data furnished to us. The data with respect to receipts and disbursements and assets of the Plan was furnished by Mellon Bank, N.A. The data with respect to participants and beneficiaries was furnished by Fairview Township.

The information as contained in this report is a projection of liabilities based upon stated assumptions and is not an exact statement of the Plan's ultimate benefits and liabilities.

I certify that all costs, liabilities, rates of interest, and other factors under the Plan have been determined on the basis of actuarial assumptions and methods, each of which is reasonable (taking into account the experience of the Plan and reasonable expectations) or which, in the aggregate, result in a total contribution equivalent to that which would be determined if each such assumption and method were reasonable, and which, in combination, offer my best estimate of anticipated experience under the Plan.

An approximation technique for the valuation of the disability benefit has been utilized due to the unavailability of any generally accepted disability table based upon municipal pension experience. The approximation technique for the valuation of the disability benefit is a loading factor of 4.00% added to basic pension costs. This same approximation technique has been used in prior actuarial valuations of the Plan. It is my best estimate that the use of the approximation technique will cause little or no distortion in the valuation results.

4/22/2002

Date

David H. Killick

David H. Killick, F.S.A.

Consulting Actuary

Enrolled Actuary No. 02-03880

DHK/SNW

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Summary of Principal Plan Benefit Provisions

Eligibility

All full-time members of the police force join the Plan upon employment.

Normal Retirement

A member is eligible for normal retirement after attainment of age 50 and completion of 25 years of service.

The normal retirement pension is payable monthly during the member's lifetime, with payments continuing after the member's death to the surviving spouse, provided the surviving spouse is not remarried, or to dependent children under the age of 18 equal to 50% of the amount payable to the member at the time of the member's death.

The amount of monthly pension is equal to 50% of average monthly pay, plus a service increment of \$100 per month for members who complete 26 or more years of service.

Average monthly pay is based upon the last 36 months of employment.

Late Retirement

If a member continues working after his normal retirement date, his pension does not start until he actually retires. The late retirement benefit is equal to the benefit accrued to the late retirement date.

Early Retirement

A member is eligible for early retirement after completion of 20 years of service. The early retirement benefit is equal to the actuarial equivalent of the benefit accrued at the early retirement date.

Postretirement Cost-of-Living Increase

An annual cost-of-living increase equal to the percentage increase in the "Wage Earner Index" in the Consumer Price Index during the preceding calendar year is made to retirees, with a maximum total cost-of-living increase of 30%, and a maximum pension benefit of 75% of the salary used for computing retirement benefits.

Disability Retirement

If a member is disabled in the line of duty, he is eligible for a disability pension. The disability pension is equal to 75% of his final salary.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Summary of Principal Plan Benefit Provisions

Death Benefits

If an active member is eligible for retirement at the time of death, a death benefit is payable to his surviving spouse, provided the surviving spouse is not remarried, or to dependent children under the age of 18 equal to 50% of the benefit the member would have been receiving had he been retired at the time of his death.

If an active member is killed in the line of duty, a death benefit is payable to his surviving spouse, provided the surviving spouse is not remarried, or to dependent children under the age of 18 equal to 100% of the benefit the member would have been receiving had he been retired at the time of his death.

Vesting

A member's benefits vest upon completion of 12 years of service. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is equal to the projected normal retirement benefit multiplied by the ratio of the number of years of service to date to the total number of years of service projected at normal retirement.

Contributions

If an actuarial study shows the Plan to have sufficient assets to fund plan benefits, member contributions may be reduced below 5.0% or suspended.

Member contributions are currently suspended.

Past member contributions are credited with 4.0% interest.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Actuarial Assumptions and Methods

Interest

7.00%

Salary

6.00% Annual Increase

Withdrawal

Table D-1: Rates of withdrawal at selected ages:

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	5.5000%	35	2.5000%	50	0.0000%
25	5.0000%	40	1.0000%	55	0.0000%
30	4.0000%	45	0.5000%	60	0.0000%

Mortality

UP1984 Table with 5 year postretirement age setback for females

Disability

Loading of 4.0% added to basic pension costs.

Retirement

Normal Retirement Age, or age on valuation date, if greater.

Preretirement Death Benefit

Liabilities computed on the assumption that all participants will have spouses of the same age at the date of eligibility for the benefit.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Actuarial Assumptions and Methods

Expenses

Provision for administrative expenses added to normal cost.

Inflation

Moderate inflation based on long term historical average rates is a component of the actuarial assumptions used herein. Provision is not made for advance funding of sharply higher rates of inflation experienced in some years. The effects of such higher rates are reflected in the funding after their occurrence.

Cost-of-Living Increase

3.00% per year

Actuarial Value of Assets

Market Value as determined by the trustee.

Actuarial Cost Method

Entry Age Normal

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2002

Section 1

Summary of Plan Assets and Summary of Plan Membership

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2002
Receipts and Disbursements

Market Value at 1/1/2001		\$ 5,777,225.87
Receipts		
Employer Contributions Received	\$	0.00
Investment Income		
Interest Received	\$	163.80
Dividends Received		6,620.40
Accrued Income at 1/1/2001		(816.26)
Accrued Income at 12/31/2001		4,978.76
Total Investment Income		10,946.70
Change in Market Value		
Realized Gain/Loss	\$	168,800.68
Unrealized Gain/Loss		(335,990.33)
Net Change in Market Value		(167,189.65)
Total Receipts		(156,242.95)
Disbursements		
Monthly Benefit Payments	\$	(110,163.66)
Administrative Expenses		(40,598.09)
Total Disbursements		(150,761.75)
Market Value at 12/31/2001		\$ 5,470,221.17
Approximate Net Dollar-Weighted Rate of Investment Return		(2.74%)

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002

Assets and Liabilities

Assets

Cash		\$	8.84
Money Markets			10,220.05
Common Trust Funds			
EB Intermediate Bond Fund	\$	1,085,494.41	
EB Active Core Bond Fund		1,087,184.12	
EB International Equity Fund		547,407.27	
EB Stock Fund		955,068.85	
EB FPA Core Mid Cap Stock Fund		826,788.25	
EB FPA Core Large Cap Stock Fund		952,369.42	
Total			<u>5,454,312.32</u>
Total Assets in Fund		\$	5,464,541.21
Benefits Receivable			701.20
Accrued Income			<u>4,978.76</u>
Total Assets		\$	5,470,221.17
Liabilities			
Total Liabilities			<u>0.00</u>
Net Assets		\$	<u><u>5,470,221.17</u></u>

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2002
Summary of Plan Membership

Active Members	Number of Members	Annual Payroll
Active Members as of 1/1/2001	13	
New Members During the Period	0	
Returned to Active	0	
Members No Longer Active:		
Retired with Disability Benefit	0	
Retired with Service Retirement Benefit	0	
Separated with Deferred Benefit	0	
Separated with Refund of Contributions	0	
Separated with Neither Deferred Benefit nor Refund of Contributions	0	
Deceased	0	
Total	<u>0</u>	
Active Members as of 1/1/2002	<u>13</u>	<u>\$ 666,150</u>
Vested Former Members	Number of Members	Annual Benefit
Vested Former Members as of 1/1/2001	2	
Separated with Deferred Benefit	0	
Beneficiary of Deceased Participant	0	
Returned to Active	0	
Retired with Service Retirement Benefit	(1)	
Deceased or Paid in Full	<u>0</u>	
Vested Former Members as of 1/1/2002	<u>1</u>	<u>\$ 25,249</u>
Retired Members		
Retired Members as of 1/1/2001	4	
Retired with Service Retirement Benefit	1	
Deceased or Paid in Full	<u>0</u>	
Retired Members as of 1/1/2002	<u>5</u>	<u>\$ 97,563</u>
Spouse Beneficiaries of Deceased Members		
Spouse Beneficiaries of Deceased Members as of 1/1/2001	1	
Additional Spouse Beneficiaries of Deceased Members	0	
Deceased	<u>0</u>	
Spouse Beneficiaries of Deceased Members as of 1/1/2002	<u>1</u>	<u>\$ 14,577</u>

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2002

Section 2

Act 205 Funding Calculations

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Unfunded Actuarial Accrued Liability and Normal Cost

Unfunded Actuarial Accrued Liability

Actuarial Present Value of Future Benefits

Active Members Retirement Pension Benefits	\$	3,359,733
Active Members Vested Withdrawal Benefits		51,122
Active Members Disability Benefits		134,388
Active Members Preretirement Death Benefits		39,856
Active Members Refund of Member Contributions		1,832 ¹
Vested Former Members Benefits		373,702
Retired Members Benefits		1,387,804
Surviving Spouses Benefits		<u>154,507</u>
Total	\$	5,502,944
Actuarial Present Value of Future Normal Costs		<u>(1,588,937)</u>
Actuarial Accrued Liability	\$	3,914,007
Reserve for Benefits		<u>(5,470,221)</u>
Unfunded Actuarial Accrued Liability	\$	<u>(1,556,214)</u>
 Normal Cost		
Normal Cost	\$	<u>125,239</u>
Normal Cost as a Percentage of Annual Payroll		<u>18.8%</u>

¹ Accumulated Member Contributions Without Interest as of 1/1/2002 = \$37,559

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2002
Analysis of the Change in the Unfunded Actuarial Accrued Liability

Unfunded Actuarial Accrued Liability at 1/1/2001	\$	(2,130,192)
Additions		
Normal Cost	\$	117,330
Administrative Expenses		40,598
Interest on Unfunded Actuarial Accrued Liability, Normal Cost, and Administrative Expenses		<u>(139,479)</u>
Total		18,449
Contributions		
Employer Contributions	\$	0
Interest on Contributions		<u>0</u>
Total		0
Modification in the Benefit Plan		0
Change in Actuarial Assumptions		0
Actuarial Loss		
Investment Loss	\$	555,372
Experience Loss		<u>157</u>
Total		<u>555,529</u>
Unfunded Actuarial Accrued Liability at 1/1/2002	\$	<u><u>(1,556,214)</u></u>

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Illustration of Minimum Municipal Obligation

Financial Requirements

Normal Cost	\$ 125,239	
Administrative Expenses	<u>40,598</u> ¹	
Total		\$ 165,837
Expected Member Contributions		0
10% of Negative Unfunded Actuarial Accrued Liability		<u>(155,621)</u>
Minimum Municipal Obligation		\$ 10,216
Estimated Allocation of General Municipal Pension System State Aid		<u>0</u>
Net Minimum Municipal Obligation		<u><u>\$ 10,216</u></u>

¹ Total Administrative Expenses for Plan Year 1/1/2001 to 12/31/2001 - \$ 40,598

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Actuarial Present Value of Accumulated Plan Benefits

Vested Benefits		
Retired Members	\$ 1,542,311	
Other Members	1,445,470	
Total Vested Benefits	<u>2,987,781</u>	\$ 2,987,781
Nonvested Benefits		<u>107,170</u>
Total Actuarial Present Value of Accumulated Plan Benefits		<u>\$ 3,094,951</u>
Net Assets Available for Benefits as of 1/1/2002		<u>\$ 5,470,221</u>

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2002

Section 3

Supplemental Information for GASB Reporting

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2002
Supplemental Information for GASB Statement Nos. 25 & 27 Reporting

Schedule of Funding Progress

Valuation Date	Actuarial Value of Assets (a)	Entry Age Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/1992	\$ 2,023,623	\$ 1,764,199	\$ (259,424)	114.7%	\$ 461,208	(56.2%)
1/1/1993	2,189,420	2,059,932	(129,488)	106.3%	513,081	(25.2%)
1/1/1994	2,581,890	2,264,320	(317,570)	114.0%	532,338	(59.7%)
1/1/1995	2,600,002	2,470,087	(129,915)	105.3%	524,863	(24.8%)
1/1/1996	3,329,748	2,731,279	(598,469)	121.9%	555,177	(107.8%)
1/1/1997	3,921,336	3,019,539	(901,797)	129.9%	585,120	(154.1%)
1/1/1998	4,715,048	3,083,281	(1,631,767)	152.9%	567,532	(287.5%)
1/1/1999	5,522,967	3,253,070	(2,269,897)	169.8%	614,514	(369.4%)
1/1/2000	5,852,232	3,387,165	(2,465,067)	172.8%	585,740	(420.8%)
1/1/2001	5,777,226	3,647,034	(2,130,192)	158.4%	629,647	(338.3%)
1/1/2002	5,470,221	3,914,007	(1,556,214)	139.8%	666,150	(233.6%)

Schedule of Contributions from the Employer and Other Contributing Entities

Year	Annual Required Contribution	Contributions ¹ From Employer	Percentage Contributed
1992	\$ 93,096	\$ 93,320	100.0%+
1993	99,829	104,077	100.0%+
1994	81,122	81,122	100.0%
1995	71,104	71,104	100.0%
1996	100,463	100,463	100.0%
1997	106,028	106,028	100.0%
1998	38,420	38,420	100.0%
1999	40,296	40,296	100.0%
2000	0	0	100.0%
2001	0	0	100.0%

The above information was determined as part of the actuarial valuations at the dates listed.
Additional information as of the current actuarial valuation:

Amortization Method: Annual Funding Adjustment equal to 10% of Negative Unfunded AAL

Other Actuarial Assumptions and Methods stated previously in report.

¹ Includes general municipal pension system State aid