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Fairview Township Non-Uniformed Employees' Pension Plan Actuarial Valuation as of January 1, 2003

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003

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Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003
Comments and Certification

The purpose of the valuation report is to determine the actuarial status of the Plan and to serve as the basis for satisfying 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, 2003. Effective with this actuarial valuation of the Plan, 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, up to a maximum of 3.0%, is made to retirees, with a maximum total cost-of-living increase of 30%.

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, 2002, is \$2,170,648. This includes Voluntary Employee Contribution Accounts totaling \$7,142.08. The net dollar-weighted rates of investment return during 2001 and 2002 were -2.04% and -0.79%, respectively.

As of January 1, 2003, there are 26 active members with total annual payroll for pension purposes of \$984,785. There are also 5 retired members currently receiving benefits under the Plan totaling \$44,821 annually, 1 spouse beneficiary of a deceased member currently receiving benefits under the Plan totaling \$5,459 annually and 5 vested former members entitled to deferred benefits under the Plan totaling \$7,071 annually.

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

As of January 1, 2003, there is an unfunded actuarial accrued liability under the Plan of \$1,059,273. The normal cost of the Plan, which is the cost of benefits being accrued during the current year, is \$138,108, which is 14.0% of covered payroll.

Page 3 of Section 2 shows the analysis of the change in the unfunded actuarial accrued liability from January 1, 2001, to January 1, 2003. There was an actuarial loss during the period of \$359,939. The unfunded actuarial accrued liability also increased by \$493,843 due to the addition of the postretirement cost-of-living increase benefit provision.

Page 4 of Section 2 illustrates the minimum municipal obligation for the Plan. The financial requirement of the Plan is \$266,046. This includes the normal cost, \$138,108, assumed annual administrative expenses, \$17,231, and amortization of the unfunded actuarial accrued liability, \$110,707. The financial requirement is reduced by expected member contributions to the Plan during 2003, \$19,697. This results in a minimum municipal obligation of \$246,349. If the Township allocates \$136,114 of general municipal pension system State aid received during 2003 to the Plan, there is a net minimum municipal obligation of \$110,235. 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.

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003
Comments and Certification

Page 5 of Section 2 indicates the actuarial present value of accumulated plan benefits. As of January 1, 2003, the total actuarial present value of accumulated plan benefits is \$2,419,854. This compares to net assets available for benefits of \$2,170,648.

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.

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 Provident Mutual Life Insurance Company and 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 5.00% 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.

4/23/2003

Date

David H. Killick

David H. Killick, F.S.A.
Consulting Actuary
Enrolled Actuary No. 02-03880

DHK/KMP

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003
Summary of Principal Plan Benefit Provisions

Eligibility

A full-time non-uniformed employee of the Township joins the Plan on his date of employment.

Normal Retirement

A Class 2 employee is eligible for normal retirement after attainment of age 65, or after attainment of age 60 and completion of 25 years of vesting service, if earlier. A Class 1 employee is eligible for normal retirement after attainment of age 60 or completion of 25 years of vesting service, if earlier.

The normal retirement pension is payable monthly during the member's lifetime, with payments guaranteed for the first 120 months.

The amount of monthly pension is equal to 2.0% of average monthly compensation multiplied by the number of years of benefit service completed by the member at retirement, up to a maximum of 25 years. For members hired prior to January 1, 2001, the amount of monthly pension is equal to 1.5% of average monthly compensation multiplied by the number of years of benefit service completed by the member at retirement, if greater.

Average monthly compensation is based upon the final plan year preceding retirement.

Late Retirement

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

Early Retirement

A member is eligible for early retirement after attainment of age 55. The monthly early retirement benefit is equal to the benefit accrued to the date of early retirement, reduced 1/2 of 1% for each month early.

Disability Retirement

If an active member becomes totally and permanently disabled and qualifies for Social Security disability payments, he is eligible for a disability pension. The monthly disability pension is equal to the benefit accrued to the date of disability.

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, up to a maximum of 3.0%, is made to retirees, with a maximum total cost-of-living increase of 30%.

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003
Summary of Principal Plan Benefit Provisions

Death Benefits

The death benefit for an active member is a refund of his contribution with interest.

Vesting

A member's benefits are always 100% vested. The vested benefit is a deferred pension beginning at normal retirement equal to the benefit accrued to the date of termination. The member may elect a lump sum cash settlement in lieu of a deferred pension.

Accrued Pension

The benefit accrued at any date other than the normal retirement date is determined by the normal retirement benefit formula, but based upon compensation and years of benefit service to the date of determination.

Contributions

Members contribute 2.0% of pay.

Member contributions are credited with 5.0% interest.

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003
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 5.00% 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 Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003
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 Non-Uniformed Employees'
Pension Plan
Actuarial Valuation
as of January 1, 2003

Section 1

Summary of Plan Assets and Summary of Plan Membership

Fairview Township Non-Uniformed Employees' Pension Plan
 Actuarial Valuation as of January 1, 2003
Receipts and Disbursements - January 1, 2001 to December 31, 2001

Market Value at 1/1/2001 \$ 2,114,837.03

Receipts

Employer Contributions Received \$ 6,545.00

Employee Contributions Received 18,471.18

State Contributions Received 81,178.00

Investment Income

Interest Received \$ 125.73

Dividends Received 810.89

Accrued Income at 1/1/2001 (94.70)

Accrued Income at 12/31/2001 623.00

Total Investment Income 1,464.92

Change in Market Value

Realized Gain/Loss \$ 15,116.65

Unrealized Gain/Loss (60,113.00)

Net Change in Market Value (44,996.35)

Total Receipts 62,662.75

Disbursements

Monthly Benefit Payments \$ (56,772.52)

Administrative Expenses (16,803.41)

Total Disbursements (73,575.93)

Market Value at 12/31/2001 \$ 2,103,923.85

Approximate Net Dollar-Weighted Rate of Investment Return (2.04%)

Fairview Township Non-Uniformed Employees' Pension Plan
 Actuarial Valuation as of January 1, 2003
Receipts and Disbursements - January 1, 2002 to December 31, 2002

Market Value at 1/1/2002 \$ 2,103,923.85

Receipts

Employer Contributions Received \$ 0.00

Employee Contributions Received 19,603.45

State Contributions Received 136,113.58

Investment Income

Interest Received \$ 87.83

Dividends Received 2,124.59

Accrued Income at 1/1/2002 (623.00)

Accrued Income at 12/31/2002 342.62

Total Investment Income 1,932.04

Change in Market Value

Realized Gain/Loss \$ 4,641.34

Unrealized Gain/Loss (23,568.64)

Net Change in Market Value (18,927.30)

Total Receipts 138,721.77

Disbursements

Monthly Benefit Payments \$ (52,536.11)

Refund of Employee Contributions (1,803.59)

Administrative Expenses (17,657.79)

Total Disbursements (71,997.49)

Market Value at 12/31/2002 \$ 2,170,648.13

Approximate Net Dollar-Weighted Rate of Investment Return (0.79%)

Fairview Township Non-Uniformed Employees' Pension Plan
 Actuarial Valuation as of January 1, 2003
Assets, Liabilities and Reserves

Assets

Cash	\$	10.13
Money Markets		8,738.69
Common Stocks		126,976.80
Provident Mutual Insurance Contract		1,390,762.73
Mutual Funds		
EB Intermediate Bond Fund	\$	141,850.74
EB Active Core Bond Fund		142,076.82
EB International Equity Fund		56,622.40
EB Stock Fund		105,591.00
EB FPA Core Mid Cap Stock Fund		91,388.77
EB FPA Core Large Cap Stock Fund		106,287.43
Total		643,817.16
Total Assets in Fund	\$	2,170,305.51
Accrued Income		342.62
Total Assets	\$	2,170,648.13
Liabilities		
Total Liabilities		0.00
Net Assets	\$	2,170,648.13
Reserves		
Market Value of Assets	\$	2,170,648.13
Voluntary Employee Contribution Accounts		(7,142.08)
Reserves for Benefits	\$	2,163,506.05

Fairview Township Non-Uniformed Employees' Pension Plan
 Actuarial Valuation as of January 1, 2003
Summary of Plan Membership

Active Members	Number of Members	Annual Payroll
Active Members as of 1/1/2001	26	
New Members During the Period	1	
Returned to Active	0	
Members No Longer Active:		
Retired with Disability Benefit	0	
Retired with Service Retirement Benefit	0	
Separated with Deferred Benefit	(1)	
Separated with Refund of Contributions	0	
Separated with Neither Deferred Benefit nor Refund of Contributions	0	
Deceased	0	
Total	(1)	
Active Members as of 1/1/2003	26	\$ 984,785
Vested Former Members	Number of Members	Annual Benefit
Vested Former Members as of 1/1/2001	5	
Separated with Deferred Benefit	1	
Beneficiary of Deceased Participant	0	
Returned to Active	0	
Retired with Service Retirement Benefit	0	
Deceased or Paid in Full	(1)	
Vested Former Members as of 1/1/2003	5	\$ 7,071
Retired Members		
Retired Members as of 1/1/2001	7	
Retired with Service Retirement Benefit	0	
Deceased or Paid in Full	(2)	
Retired Members as of 1/1/2003	5	\$ 44,821
Spouse Beneficiaries of Deceased Members		
Spouse Beneficiaries of Deceased Members as of 1/1/2001	1	
Additional Spouse Beneficiaries of Deceased Members	0	
Deceased	0	
Spouse Beneficiaries of Deceased Members as of 1/1/2003	1	\$ 5,459

Fairview Township Non-Uniformed Employees'
Pension Plan
Actuarial Valuation
as of January 1, 2003

Section 2

Act 205 Funding Calculations

Fairview Township Non-Uniformed Employees' Pension Plan
 Actuarial Valuation as of January 1, 2003
Unfunded Actuarial Accrued Liability and Normal Cost

Unfunded Actuarial Accrued Liability

Actuarial Present Value of Future Benefits

Active Members Retirement Pension Benefits	\$	4,267,907
Active Members Vested Withdrawal Benefits		18,205
Active Members Disability Benefits		213,395
Active Members Refund of Member Contributions		29,584 ¹
Vested Former Members Benefits		13,450
Retired Members Benefits		442,149
Surviving Spouses Benefits		<u>40,226</u>
Total	\$	5,024,916
Actuarial Present Value of Future Normal Costs		<u>(1,802,137)</u>
Actuarial Accrued Liability	\$	3,222,779
Reserve for Benefits		<u>(2,163,506)</u>
Unfunded Actuarial Accrued Liability	\$	<u><u>1,059,273</u></u>
 Normal Cost		
Normal Cost	\$	<u><u>138,108</u></u>
Normal Cost as a Percentage of Annual Payroll		<u>14.0%</u>

¹ Accumulated Member Contributions Without Interest as of 1/1/2003 = \$166,728
 Accumulated Member Contributions With Interest as of 1/1/2003 = \$246,096

Fairview Township Non-Uniformed Employees' Pension Plan
 Actuarial Valuation as of January 1, 2003
Amortization of Unfunded Actuarial Accrued Liability

Initial Date	Initial Amount	Outstanding Balance	Amortization Amount	Remaining Amortization	Nature
January 1, 2001	\$ 220,276	\$ 205,491	\$ 21,086	15 Years	Active Amendment
January 1, 2003	427,757	427,757	43,893	15 Years	Active Amendment
January 1, 2003	66,086	66,086	8,794	10 Years	Retired Amendment
January 1, 2003	359,939	359,939	36,934	15 Years	Actuarial Loss
Total	\$ 1,074,058	\$ 1,059,273	\$ 110,707		

Projected plan year in which the unfunded accrued liability is fully amortized is 2017.

Aggregation of Changes in Unfunded Actuarial Accrued Liability

Date of Aggregation	Aggregated Target Date	Outstanding Balance	Amortization Amount	Remaining Amortization
January 1, 2003	2017	\$ 1,059,273	\$ 110,707	15 Years

Fairview Township Non-Uniformed Employees' Pension Plan
 Actuarial Valuation as of January 1, 2003
Analysis of the Change in the Unfunded Actuarial Accrued Liability

Unfunded Actuarial Accrued Liability at 1/1/2001	\$	220,276
Additions		
Normal Costs	\$	253,312
Administrative Expenses		34,461
Interest on Unfunded Actuarial Accrued Liability, Normal Costs, and Administrative Expenses		<u>61,284</u>
Total		349,057
Contributions		
Employer Contributions	\$	(6,545)
Employee Contributions		(38,075)
State Contributions		(217,292)
Interest on Contributions		<u>(12,165)</u>
Total		(274,077)
Adjustment for Funding Deviation		(89,765)
Modification in the Benefit Plan		493,843
Change in Actuarial Assumptions		0
Actuarial Loss		
Investment Loss	\$	368,707
Experience Gain		(98,533)
Funding Deviation		<u>89,765</u>
Total		<u>359,939</u>
Unfunded Actuarial Accrued Liability at 1/1/2003	\$	<u><u>1,059,273</u></u>

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003
Illustration of Minimum Municipal Obligation

Financial Requirements

Normal Cost	\$ 138,108	
Administrative Expenses	17,231 ¹	
Amortization of Unfunded Actuarial Accrued Liability	<u>110,707</u>	
Total		\$ 266,046
Expected Member Contributions		<u>(19,697)</u>
Minimum Municipal Obligation		\$ 246,349
Estimated Allocation of General Municipal Pension System State Aid		<u>(136,114)</u>
Net Minimum Municipal Obligation		<u><u>\$ 110,235</u></u>

¹ Total Administrative Expenses for Plan Year 1/1/2001 to 12/31/2001 - \$ 16,803
Total Administrative Expenses for Plan Year 1/1/2002 to 12/31/2002 - \$ 17,658

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003
Actuarial Present Value of Accumulated Plan Benefits

Vested Benefits		
Retired Members	\$ 482,375	
Other Members	1,937,479	
Total Vested Benefits	<u>2,419,854</u>	\$ 2,419,854
Nonvested Benefits		<u>0</u>
Total Actuarial Present Value of Accumulated Plan Benefits		<u>\$ 2,419,854</u>
Net Assets Available for Benefits as of 1/1/2003		<u>\$ 2,170,648</u>

Fairview Township Non-Uniformed Employees'
Pension Plan
Actuarial Valuation
as of January 1, 2003

Section 3

Supplemental Information for GASB Reporting

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2003
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)
1/1/1993	\$ 988,350	\$ 1,214,377	\$ 226,027	81.4%	\$ 643,725	35.1%
1/1/1994	1,127,139	1,346,286	219,147	83.7%	696,036	31.5%
1/1/1995	1,279,573	1,431,398	151,825	89.4%	712,846	21.3%
1/1/1996	1,414,930	1,513,503	98,573	93.5%	700,407	14.1%
1/1/1997	1,525,611	1,491,619	(33,992)	102.3%	660,697	(5.1%)
1/1/1998	1,623,618	1,715,649	92,031	94.6%	776,281	11.9%
1/1/1999	1,854,980	1,745,404	(109,576)	106.3%	772,909	(14.2%)
1/1/2000	2,087,599	1,890,218	(197,381)	110.4%	818,915	(24.1%)
1/1/2001	2,107,756	2,328,032	220,276	90.5%	923,403	23.9%
1/1/2002	2,097,122	2,561,823	464,701	81.9%	940,489	49.4%
1/1/2003	2,163,506	3,222,779	1,059,273	67.1%	984,785	107.6%

Schedule of Contributions from the Employer and Other Contributing Entities

Year	Annual Required Contribution	Contributions From Employer	Percentage Contributed
1993	\$ 74,600	\$ 76,953	100.0%+
1994	88,957	88,957	100.0%
1995	88,617	88,617	100.0%
1996	69,087	69,870	100.0%+
1997	69,166	69,166	100.0%
1998	74,711	74,711	100.0%
1999	81,720	81,720	100.0%
2000	75,038	75,038	100.0%
2001	87,723	87,723	100.0%
2002	91,406	136,114	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: Level Dollar Closed
Remaining Amortization Period: 15 Years

Other Actuarial Assumptions and Methods stated previously in report.

¹ Includes general municipal pension system State aid