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Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2007

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
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Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
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 the 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, 2007. Effective January 1, 2007, the service increment benefit has been changed to \$100 per month for each completed year of benefit service in excess of 25 years, up to a maximum of \$300 additional per month. Also, a deferred retirement option program has been added to the Plan such that an active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than three months nor more than 24 months. His monthly pension shall be calculated as of his date of participation in the deferred retirement option program and shall be accumulated with interest earned on the DROP account and distributed in a lump sum at retirement. Members currently contribute 2.0% of compensation to the Plan to assist in the funding of the plan benefits.

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, 2006, is \$6,798,395. The net dollar-weighted rates of investment return during 2005 and 2006 were 6.06% and 10.37%, respectively.

As of January 1, 2007, there are 14 active members with total annual payroll for pension purposes of \$920,804. There are also 7 retired members currently receiving benefits under the Plan totaling \$180,031 annually, 1 spouse beneficiary of a deceased member currently receiving benefits under the Plan totaling \$14,577 annually and 1 vested former member entitled to deferred benefits under the Plan totaling \$14,651 annually.

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

As of January 1, 2007, plan assets exceed the actuarial accrued liability under the Plan by \$1,425,224. The normal cost of the Plan, which is the cost of benefits being accrued during the current year, is \$182,440. There is also an annual insurance premium of \$8,071 to cover the killed-in-service benefit risk. This results in a gross normal cost of \$190,511, which is 20.7% of covered payroll.

Page 2 of Section 2 shows the analysis of the change in the unfunded actuarial accrued liability from January 1, 2005, to January 1, 2007. There was an actuarial gain during the period of \$132,096. The unfunded actuarial accrued liability also increased by \$21,922 due to the change in the plan benefit provisions.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
Comments and Certification

Page 3 of Section 2 illustrates the minimum municipal obligation for the Plan. The financial requirement of the Plan is \$237,080. This includes the normal cost, \$190,511, plus assumed annual administrative expenses, \$46,569. The financial requirement is reduced by expected member contributions to the Plan during 2007, \$18,416, and 10% of the excess of plan assets over the actuarial accrued liability, \$142,522. This results in a minimum municipal obligation of \$76,142. If the Township allocates \$76,142 of general municipal pension system State aid received during 2007 to the Plan, there is no required contribution to the Plan from the Township's general fund. 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, 2007, the total actuarial present value of accumulated plan benefits is \$4,121,114. This compares to net assets available for benefits of \$6,798,395.

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 Mellon Bank, N.A. The data with respect to participants and beneficiaries was furnished by Fairview Township. The data has been reviewed and has been determined to be reasonable.

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.

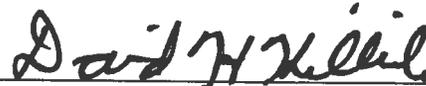
I certify that all costs, liabilities, rates of interest, and other factors under the Plan in Section 2 of the report have been determined on the basis of actuarial assumptions and methods, each of which is reasonable (taking into account the experience of the Plan and reasonable expectations) or which, 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.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
Comments and Certification

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 4.0% 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.

4/27/2007

Date



David H. Killick, F.S.A.

Consulting Actuary

Enrolled Actuary No. 05-03880

DHK/GGC

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
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 vesting 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, or eligible child, 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 compensation, plus a service increment of \$100 per month for each completed year of benefit service in excess of 25 years, up to a maximum of \$300 additional per month.

Average monthly compensation 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 monthly late retirement pension 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 vesting service. The monthly early retirement pension is equal to the actuarial equivalent of the benefit accrued at the early retirement date.

Disability Retirement

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

Deferred Retirement Option Program

An active member who has met the eligibility requirements for normal retirement may elect to participate in the deferred retirement option program for a period of not less than three months nor more than 24 months. His monthly pension shall be calculated as of his date of participation in the deferred retirement option program and shall be accumulated with interest earned on the DROP account and distributed in a lump sum at retirement.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
Summary of Principal Plan Benefit Provisions

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.

Death Benefits

If an active member is killed in the line of duty, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 100% of the member's monthly salary at the time of death.

If a member is eligible for retirement at the time of death, a monthly death benefit is payable to his surviving spouse, or eligible child, equal to 50% of the monthly benefit the member would have been receiving had he been retired at the time of death.

Vesting

A member's benefits vest upon completion of 12 years of service. The vested benefit is a deferred monthly 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 benefit service to date to the total number of years of benefit service projected at normal retirement.

Contributions

Effective January 1, 2006, members contribute 2.0% of compensation.

Member contributions are credited with 4.0% interest.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
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 4.00% added to basic pension costs.

Retirement

It is assumed that all members enter the Deferred Retirement Option Program (DROP) upon meeting the eligibility requirements for normal retirement. It is also assumed that participation in the DROP continues for 24 months.

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. It is assumed that 25% of preretirement deaths are killed-in-service. It is assumed that the current killed-in-service insurance coverage will be maintained in future years.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
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, 2007

Section 1

Summary of Plan Assets and Summary of Plan Membership

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2007
Receipts and Disbursements - January 1, 2005 to December 31, 2005

Market Value at 1/1/2005 \$ 6,018,937.40

Receipts

Employer Contributions Received \$ 0.00

State Contributions Received 140,081.00

Investment Income

Interest Received \$ 383.93

Dividends Received 0.00

Accrued Income at 1/1/2005 0.00

Accrued Income at 12/31/2005 0.00

Total Investment Income 383.93

Change in Market Value

Realized Gain/Loss \$ 118,659.83

Unrealized Gain/Loss 242,767.67

Net Change in Market Value 361,427.50

Total Receipts 501,892.43

Disbursements

Monthly Benefit Payments \$ (184,382.16)

Killed-in-Service Insurance Premium (7,698.96)

Administrative Expenses (43,394.44)

Total Disbursements (235,475.56)

Market Value at 12/31/2005 \$ 6,285,354.27

Approximate Net Dollar-Weighted Rate of Investment Return 6.06%

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
Receipts and Disbursements - January 1, 2006 to December 31, 2006

Market Value at 1/1/2006 \$ 6,285,354.27

Receipts

Employer Contributions Received	\$ 0.00	
Employee Contributions		
Received	\$ 18,388.74	
Receivable at 1/1/2006	0.00	
Receivable at 12/31/2006	674.91	
Total Employee Contributions	<u>19,063.65</u>	
State Contributions Received		97,925.00
Investment Income		
Interest Received	\$ 629.82	
Dividends Received	0.00	
Accrued Income at 1/1/2006	0.00	
Accrued Income at 12/31/2006	0.00	
Total Investment Income	<u>629.82</u>	
Change in Market Value		
Realized Gain/Loss	\$ 332,322.05	
Unrealized Gain/Loss	311,884.37	
Net Change in Market Value	<u>644,206.42</u>	
Total Receipts		761,824.89

Disbursements

Monthly Benefit Payments	\$ (190,316.04)	
Refund of Employee Contributions	(652.95)	
Killed-in-Service Insurance Premium	(8,070.66)	
Administrative Expenses	<u>(49,744.13)</u>	
Total Disbursements		<u>(248,783.78)</u>
Market Value at 12/31/2006		<u>\$ 6,798,395.38</u>

Approximate Net Dollar-Weighted Rate of Investment Return 10.37%

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2007
Assets and Liabilities

Assets

Cash	\$	53.64
Money Markets		10,194.54
Common Trust Funds		
EB Intermediate Bond Fund	\$	1,348,621.44
EB Active Core Bond Fund		1,347,354.52
EB NCML EAFE Plus Fund		686,602.89
EB FPA Core Mid Cap Stock Fund		1,009,777.70
EB FPA Core Large Cap Stock Fund		2,380,715.15
Total		<u>6,773,071.70</u>
Total Assets in Fund	\$	6,783,319.88
Employee Contributions Receivable		674.91
Excess Benefit Payments Receivable		800.10
Sales Pending Settlement		13,699.99
Accrued Income		<u>0.00</u>
Total Assets	\$	6,798,494.88

Liabilities

Payable to Non-Uniformed Employees' Pension Plan	\$	<u>(99.50)</u>
Total Liabilities		<u>(99.50)</u>
Net Assets	\$	<u><u>6,798,395.38</u></u>

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
Summary of Plan Membership

Active Members	<u>Number of Members</u>	<u>Annual Payroll</u>
Active Members as of 1/1/2005	14	
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	0	
Separated with Refund of Contributions	(1)	
Separated with Neither Deferred Benefit nor Refund of Contributions	0	
Deceased	0	
Total	<u>(1)</u>	
Active Members as of 1/1/2007	<u>14</u>	<u>\$ 920,804</u>
Vested Former Members	<u>Number of Members</u>	<u>Annual Benefit</u>
Vested Former Members as of 1/1/2005	1	
Separated with Deferred Benefit	0	
Beneficiary of Deceased Participant	0	
Returned to Active	0	
Retired with Service Retirement Benefit	0	
Deceased or Paid in Full	<u>0</u>	
Vested Former Members as of 1/1/2007	<u>1</u>	<u>\$ 14,651</u>
Retired Members		
Retired Members as of 1/1/2005	7	
Retired with Service Retirement Benefit	0	
Deceased or Paid in Full	<u>0</u>	
Retired Members as of 1/1/2007	<u>7</u>	<u>\$ 180,031</u>
Spouse Beneficiaries of Deceased Members		
Spouse Beneficiaries of Deceased Members as of 1/1/2005	1	
Additional Spouse Beneficiaries of Deceased Members Deceased	<u>0</u>	
Spouse Beneficiaries of Deceased Members as of 1/1/2007	<u>1</u>	<u>\$ 14,577</u>

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2007

Section 2

Act 205 Funding Calculations

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
Unfunded Actuarial Accrued Liability and Normal Cost

Unfunded Actuarial Accrued Liability

Actuarial Present Value of Future Benefits

Active Members Retirement Pension Benefits	\$	4,783,581
Active Members Vested Withdrawal Benefits		71,182
Active Members Disability Benefits		191,343
Active Members Preretirement Death Benefits		182,215
Active Members Refund of Member Contributions		9,672 ¹
Vested Former Members Benefits		115,548
Retired Members Benefits		2,283,853
Surviving Spouses Benefits		<u>140,036</u>
Total	\$	7,777,430
Actuarial Present Value of Future Normal Costs		<u>(2,404,259)</u>
Actuarial Accrued Liability	\$	5,373,171
Actuarial Value of Assets		<u>(6,798,395)</u>
Unfunded Actuarial Accrued Liability	\$	<u>(1,425,224)</u>
 Normal Cost		
Normal Cost	\$	182,440
Killed-in-Service Insurance Premium		<u>8,071</u>
Gross Normal Cost	\$	<u>190,511</u>
Gross Normal Cost as a Percentage of Annual Payroll		<u>20.7%</u>

¹ Accumulated Member Contributions Without Interest as of 1/1/2007 = \$43,331
Accumulated Member Contributions With Interest as of 1/1/2007 = \$54,763

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2007
Analysis of the Change in the Unfunded Actuarial Accrued Liability

Unfunded Actuarial Accrued Liability at 1/1/2005	\$	(1,345,203)
Additions		
Normal Costs	\$	369,638
Administrative Expenses		93,138
Interest on Unfunded Actuarial Accrued Liability, Normal Costs, and Administrative Expenses		<u>(149,202)</u>
Total		313,574
Contributions		
Employer Contributions	\$	0
Employee Contributions		(19,064)
State Contributions		(238,006)
Interest on Contributions		<u>(26,351)</u>
Total		(283,421)
Modification in the Benefit Plan		21,922
Change in Actuarial Assumptions		0
Actuarial Gain		
Investment Gain	\$	(142,162)
Experience Loss		<u>10,066</u>
Total		<u>(132,096)</u>
Unfunded Actuarial Accrued Liability at 1/1/2007	\$	<u><u>(1,425,224)</u></u>

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2007
 Illustration of Minimum Municipal Obligation

Financial Requirements

Normal Cost	\$	190,511	
Administrative Expenses		<u>46,569</u>	¹
Total			\$ 237,080
Expected Member Contributions			(18,416)
10% of Negative Unfunded Actuarial Accrued Liability			<u>(142,522)</u>
Minimum Municipal Obligation			\$ 76,142
Estimated Allocation of General Municipal Pension System State Aid			<u>(76,142)</u>
Net Minimum Municipal Obligation			<u><u>\$ 0</u></u>

¹ Total Administrative Expenses for Plan Year 1/1/2005 to 12/31/2005 - \$ 43,394
 Total Administrative Expenses for Plan Year 1/1/2006 to 12/31/2006 - \$ 49,744

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2007
Actuarial Present Value of Accumulated Plan Benefits

Vested Benefits		
Retired Members	\$ 2,423,889	
Other Members	1,466,052	
Total Vested Benefits	<u> </u>	\$ 3,889,941
Nonvested Benefits		<u>231,173</u>
Total Actuarial Present Value of Accumulated Plan Benefits		<u>\$ 4,121,114</u>
Net Assets Available for Benefits as of 1/1/2007		<u>\$ 6,798,395</u>

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2007

Section 3

Supplemental Information for GASB Reporting

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2007
 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)
1/1/1997	\$ 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%)
1/1/2003	4,893,174	4,017,751	(875,423)	121.8%	600,133	(145.9%)
1/1/2004	5,654,303	4,415,299	(1,239,004)	128.1%	854,554	(145.0%)
1/1/2005	6,018,937	4,673,734	(1,345,203)	128.8%	807,661	(166.6%)
1/1/2006	6,285,354	5,087,507	(1,197,847)	123.5%	922,096	(129.9%)
1/1/2007	6,798,395	5,373,171	(1,425,224)	126.5%	920,804	(154.8%)

Schedule of Contributions from the Employer and Other Contributing Entities

Year	Annual Required Contribution	Contributions ¹ From Employer	Percentage Contributed
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%
2002	0	0	100.0%
2003	0	0	100.0%
2004	0	0	100.0%
2005	140,081	140,081	100.0%
2006	97,925	97,925	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