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Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2008

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
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Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
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, 2008.

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, 2007, is \$7,013,963. The net dollar-weighted rate of investment return during 2007 was 5.61%.

As of January 1, 2008, there are 15 active members with total annual payroll of \$1,000,784. There are also 8 retired members currently receiving benefits under the Plan totaling \$225,751 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, 2008, plan assets exceed the actuarial accrued liability under the Plan by \$1,236,321. The normal cost of the Plan, which is the cost of benefits being accrued during the current year, is \$215,688. There is also an annual insurance premium of \$13,112 to cover the killed-in-service benefit risk. This results in a gross normal cost of \$228,800, which is 22.9% of annual payroll.

Page 2 of Section 2 shows the analysis of the change in the unfunded actuarial accrued liability from January 1, 2007, to January 1, 2008. There was an actuarial loss during the period of \$165,751.

Page 3 of Section 2 illustrates the minimum municipal obligation for the Plan. The financial requirement of the Plan is \$278,335. This includes the normal cost, \$228,800, plus assumed annual administrative expenses, \$49,535. The financial requirement is reduced by expected member contributions to the Plan during 2008, \$20,016, and 10% of the excess of plan assets over the actuarial accrued liability, \$123,632. This results in a minimum municipal obligation of \$134,687. If the Township allocates \$104,217 of general municipal pension system State aid received during 2008 to the Plan, there is a net minimum municipal obligation of \$30,470. 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, 2008, the total actuarial present value of accumulated plan benefits is \$4,391,321. This compares to net assets available for benefits of \$7,013,963.

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

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
Comments and Certification

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. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as at the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the assignment, an analysis of the potential range of such future measurements was not performed.

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.

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.

4/16/2008

Date

David H. Killick

David H. Killick, F.S.A.
Consulting Actuary
Enrolled Actuary No. 08-03880

DHK/GGC

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
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, 2008
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

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, 2008
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, 2008
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, 2008

Section 1

Summary of Plan Assets and Summary of Plan Membership

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
Receipts and Disbursements

Market Value at 1/1/2007		\$ 6,798,395.38
Receipts		
Employer Contributions Received	\$	0.00
Employee Contributions		
Received	\$ 20,229.37	
Receivable at 1/1/2007	(674.91)	
Receivable at 12/31/2007	751.59	
Total Employee Contributions	20,306.05	
State Contributions Received		104,217.00
Investment Income		
Interest Received	\$ 631.52	
Dividends Received	681.79	
Accrued Income at 1/1/2007	0.00	
Accrued Income at 12/31/2007	0.00	
Total Investment Income	1,313.31	
Change in Market Value		
Realized Gain/Loss	\$ 226,586.04	
Unrealized Gain/Loss	148,907.36	
Net Change in Market Value	375,493.40	
Total Receipts		501,329.76
Disbursements		
Monthly Benefit Payments	\$ (213,560.76)	
Lump Sum DROP Account Payments	(9,554.29)	
Killed-in-Service Insurance Premium	(13,112.16)	
Administrative Expenses	(49,535.38)	
Total Disbursements		(285,762.59)
Market Value at 12/31/2007		\$ 7,013,962.55
Approximate Net Dollar-Weighted Rate of Investment Return		5.61%

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
Assets and Liabilities

Assets

Cash	\$	65.21
Money Markets		25,832.97
Common Trust Funds		
EB Intermediate Bond Fund	\$	1,446,913.80
EB Active Core Bond Fund		1,416,172.80
EB Daily Valued Index Plus Fund		516,444.65
EB NCML EAFE Plus Fund		720,401.53
EB FPA Core Mid Cap Stock Fund		1,008,148.91
EB FPA Core Large Cap Stock Fund		1,891,538.77
Total		<u>6,999,620.46</u>
Total Assets in Fund		\$ 7,025,518.64
Employee Contributions Receivable		751.59
Excess Benefit Payments Receivable		903.98
Accrued Income		<u>0.00</u>
Total Assets		\$ 7,027,174.21
Liabilities		
Payable to General Fund	\$	(13,112.16)
Payable to Non-Uniformed Employees' Pension Plan		<u>(99.50)</u>
Total Liabilities		<u>(13,211.66)</u>
Net Assets		<u><u>\$ 7,013,962.55</u></u>

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
Summary of Plan Membership

Active Members	Number of Members	Annual Payroll
Active Members as of 1/1/2007	14	
New Members During the Period	2	
Returned to Active	0	
Members No Longer Active:		
Retired with Disability Benefit	0	
Retired with Service Retirement Benefit	0	
Elected DROP Benefit	(1)	
Separated with Deferred Benefit	0	
Separated with Refund of Contributions	0	
Separated with Neither Deferred Benefit nor Refund of Contributions	0	
Deceased	0	
Total	(1)	
Active Members as of 1/1/2008	15	\$ 1,000,784
Vested Former Members	Number of Members	Annual Benefit
Vested Former Members as of 1/1/2007	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	0	
Vested Former Members as of 1/1/2008	1	\$ 14,651
DROP Members		
DROP Members as of 1/1/2007	0	
Elected DROP Benefit	1	
Retired from DROP Benefit	(1)	
Deceased	0	
DROP Members as of 1/1/2008	0	\$ 0
Retired Members		
Retired Members as of 1/1/2007	7	
Retired with Service Retirement Benefit	0	
Retired from DROP Benefit	1	
Deceased or Paid in Full	0	
Retired Members as of 1/1/2008	8	\$ 225,751

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
Summary of Plan Membership

Spouse Beneficiaries of Deceased Members	Number of Members	Annual Benefit
Spouse Beneficiaries of Deceased Members as of 1/1/2007	1	
Additional Spouse Beneficiaries of Deceased Members Deceased	0	
	<u>0</u>	
Spouse Beneficiaries of Deceased Members as of 1/1/2008	<u>1</u>	<u>\$ 14,577</u>

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2008

Section 2

Act 205 Funding Calculations

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2008
Unfunded Actuarial Accrued Liability and Normal Cost

Unfunded Actuarial Accrued Liability

Actuarial Present Value of Future Benefits

Active Members Retirement Pension Benefits	\$	4,995,027
Active Members Vested Withdrawal Benefits		77,635
Active Members Disability Benefits		199,800
Active Members Preretirement Death Benefits		269,024
Active Members Refund of Member Contributions		13,508 ¹
Vested Former Members Benefits		123,925
Retired and DROP Members Benefits		2,842,284
Surviving Spouses Benefits		<u>136,936</u>

Total	\$	8,658,139
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Actuarial Present Value of Future Normal Costs		<u>(2,880,497)</u>
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Actuarial Accrued Liability	\$	5,777,642
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Actuarial Value of Assets		<u>(7,013,963)</u>
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Unfunded Actuarial Accrued Liability	\$	<u><u>(1,236,321)</u></u>
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Normal Cost

Normal Cost	\$	215,688
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Killed-in-Service Insurance Premium		<u>13,112</u>
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Gross Normal Cost	\$	<u><u>228,800</u></u>
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Gross Normal Cost as a Percentage of Annual Payroll		<u>22.9%</u>
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¹ Accumulated Member Contributions Without Interest as of 1/1/2008 = \$56,830
 Accumulated Member Contributions With Interest as of 1/1/2008 = \$68,122

Fairview Township Police Pension Plan
 Actuarial Valuation as of January 1, 2008
Analysis of the Change in the Unfunded Actuarial Accrued Liability

Unfunded Actuarial Accrued Liability at 1/1/2007		\$ (1,425,224)
Additions		
Normal Cost	\$ 190,511	
Administrative Expenses	49,535	
Interest on Unfunded Actuarial Accrued Liability, Normal Cost, and Administrative Expenses	<u>(84,696)</u>	
Total		155,350
Contributions		
Employer Contributions	\$ 0	
Employee Contributions	(20,306)	
State Contributions	(104,217)	
Interest on Contributions	<u>(7,675)</u>	
Total		(132,198)
Modification in the Benefit Plan		0
Change in Actuarial Assumptions		0
Actuarial Loss		
Investment Loss	\$ 96,754	
Experience Loss	<u>68,997</u>	
Total		<u>165,751</u>
Unfunded Actuarial Accrued Liability at 1/1/2008		<u><u>\$ (1,236,321)</u></u>

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
Illustration of Minimum Municipal Obligation

Financial Requirements

Normal Cost	\$ 228,800
Administrative Expenses	<u>49,535</u> ¹
Total	\$ 278,335
Expected Member Contributions	(20,016)
10% of Negative Unfunded Actuarial Accrued Liability	<u>(123,632)</u>
Minimum Municipal Obligation	\$ 134,687
Estimated Allocation of General Municipal Pension System State Aid	<u>(104,217)</u>
Net Minimum Municipal Obligation	<u>\$ 30,470</u>

¹ Total Administrative Expenses for Plan Year 1/1/2007 to 12/31/2007 - \$ 49,535

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
Actuarial Present Value of Accumulated Plan Benefits

Vested Benefits		
Retired and DROP Members	\$ 2,979,220	
Other Members	1,129,428	
Total Vested Benefits	<u> </u>	\$ 4,108,648
Nonvested Benefits		<u>282,673</u>
Total Actuarial Present Value of Accumulated Plan Benefits		<u><u>\$ 4,391,321</u></u>
Net Assets Available for Benefits as of 1/1/2008		<u><u>\$ 7,013,963</u></u>

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2008

Section 3

Supplemental Information for GASB Reporting

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2008
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)
1/1/1998	\$ 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%)
1/1/2008	7,013,963	5,777,642	(1,236,321)	121.4%	1,000,784	(123.5%)

Schedule of Contributions from the Employer and Other Contributing Entities

Year	Annual Required Contribution	Contributions From Employer	Percentage Contributed
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%
2007	104,217	104,217	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

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2008

Section 4

Participant Information

FAIRVIEW TOWNSHIP POLICE PENSION PLAN

DEMOGRAPHIC DATA FOR RETIRED MEMBERS AND MEMBERS TERMINATED WITH VESTING

01/01/2008

RETIRED MEMBERS

AGE	NUMBER	ANNUAL PENSIONS PAYABLE (\$)
Under 30	0	0
30 - 34	0	0
35 - 39	0	0
40 - 44	0	0
45 - 49	0	0
50 - 54	2	54,879
55 - 59	4	110,642
60 - 64	2	60,230
65 - 69	1	14,577
70 - 74	0	0
75 - 79	0	0
80 - 84	0	0
Over 84	0	0
TOTALS	9	240,328

MEMBERS TERMINATED WITH VESTING

AGE	NUMBER	ANNUAL PENSIONS PAYABLE (\$)
Under 25	0	0
25 - 29	0	0
30 - 34	0	0
35 - 39	0	0
40 - 44	1	14,651
45 - 49	0	0
50 - 54	0	0
55 - 59	0	0
60 - 64	0	0
65 - 69	0	0
Over 69	0	0
TOTALS	1	14,651