



Conrad Siegel
ACTUARIES

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Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2010

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
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Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
Comments and Certification

The purpose of the valuation report is to determine the actuarial status of the Plan. The report will not serve to satisfy 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, 2010. The killed-in-service benefit under the Plan has been repealed in accordance with Act 51 of 2009.

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, 2009, is \$5,925,485. The net dollar-weighted rate of investment return during 2009 on a market value basis was 19.69%.

As of January 1, 2010, there are 16 active members with total annual payroll of \$1,172,606. There are also 8 retired members currently receiving benefits under the Plan totaling \$231,406 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.

Page 1 of Section 2 shows the calculation of the actuarial value of assets. As of December 31, 2009, the actuarial value of assets is \$6,750,456. This is equal to 114% of the market value of assets.

As of January 1, 2010, plan assets exceed the actuarial accrued liability under the Plan by \$233,208. The normal cost of the Plan, which is the cost of benefits being accrued during the current year, is \$232,414, which is 19.8% of annual payroll.

Page 3 of Section 2 shows the analysis of the change in the unfunded actuarial accrued liability from January 1, 2009, to January 1, 2010. There was an actuarial loss during the period of \$144,124.

Page 4 of Section 2 illustrates the minimum municipal obligation for the Plan. The financial requirement of the Plan is \$273,849. This includes the normal cost, \$232,414, plus assumed annual administrative expenses, \$41,435. The financial requirement is reduced by expected member contributions to the Plan during 2010, \$23,452, and 10% of the excess of plan assets over the actuarial accrued liability, \$23,321. This results in a minimum municipal obligation of \$227,076. If the Township allocates \$127,822 of general municipal pension system State aid received during 2010 to the Plan, there is a net minimum municipal obligation of \$99,254. 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 5 of Section 2 indicates the actuarial present value of accumulated plan benefits. As of January 1, 2010, the total actuarial present value of accumulated plan benefits is \$4,870,612. This compares to net assets available for benefits of \$5,925,485.

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, 2010
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 BNY Mellon, 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.

I am a member of the American Academy of Actuaries, a Fellow of the Society of Actuaries, and an Enrolled Actuary under ERISA, and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

4/22/2010

Date

David H. Killick

David H. Killick, F.S.A.

Consulting Actuary

Enrolled Actuary No. 08-03880

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
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 monthly salary at the time the disability was incurred.

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, 2010
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 compensation used for computing retirement benefits.

Death Benefits

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 vesting 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% annual interest.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
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 at the Deferred Retirement Option Program (DROP) upon meeting the eligibility requirements for normal retirement. It is also assumed that participants 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.

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
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

Each year the investment gain (excess of actual investment income including realized and unrealized appreciation over expected investment income) or loss is recognized over a five-year period. In no event is the actuarial value of assets allowed to be greater than 130% or less than 70% of market value.

Actuarial Cost Method

Entry Age Normal

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2010

Section 1

Summary of Plan Assets and Summary of Plan Membership

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
Receipts and Disbursements

Market Value at 1/1/2009		\$ 5,079,916.57
Receipts		
Employer Contributions Received	\$ 0.00	
Employee Contributions Received	24,512.61	
State Contributions Received	127,822.00	
Investment Income		
Interest Received	\$ 117.74	
Dividends Received	0.00	
Accrued Income at 1/1/2009	0.00	
Accrued Income at 12/31/2009	0.00	
Total Investment Income	117.74	
Change in Market Value		
Realized Gain/Loss	\$ 363,561.32	
Unrealized Gain/Loss	622,838.23	
Net Change in Market Value	986,399.55	
Total Receipts		1,138,851.90
Disbursements		
Monthly Benefit Payments	\$ (240,328.32)	
Killed-in-Service Insurance Premium	(11,520.00)	
Administrative Expenses	(41,435.15)	
Total Disbursements		(293,283.47)
Market Value at 12/31/2009		\$ 5,925,485.00
Approximate Net Dollar-Weighted Rate of Investment Return		19.69%

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
Assets and Liabilities

Assets

Cash	\$	6.03
Money Markets		35,110.27
Common Trust Funds		
EB Intermediate Bond Fund	\$	191,436.18
EB Active Core Bond Fund		119,095.42
EB NCML International Fund		582,909.46
EB DV ENH Large-Cap Core Fund		447,829.28
EB DV ENH Mid-Cap Core Fund		310,032.34
TBC Large Cap Core Fund		461,590.30
TBC Small Mid-Cap Growth Fund		212,097.19
TBC Small Mid-Cap Value Fund		214,987.70
EB Mellon Total Return Fund		1,961,350.72
EB DO Equity Large Cap Core Fund		1,208,037.82
EB DO Small Cap Core Fund		192,621.79
Total		5,901,988.20
Total Assets in Fund		\$ 5,937,104.50
Accrued Income		0.00
Total Assets		\$ 5,937,104.50
Liabilities		
Killed-in-Service Insurance Premium Payable	\$	(11,520.00)
Payable to Non-Uniformed Employees' Pension Plan		(99.50)
Total Liabilities		(11,619.50)
Net Assets		\$ 5,925,485.00

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
Summary of Plan Membership

Active Members	<u>Number of Members</u>	<u>Annual Payroll</u>
Active Members as of 1/1/2009	17	
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	
Elected DROP 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 1/1/2010	<u>16</u>	<u>\$ 1,172,606</u>
Vested Former Members	<u>Number of Members</u>	<u>Annual Benefit</u>
Vested Former Members as of 1/1/2009	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 1/1/2010	<u>1</u>	<u>\$ 14,651</u>
DROP Members		
DROP Members as of 1/1/2009	0	
Elected DROP Benefit	0	
Retired from DROP Benefit	0	
Deceased	<u>0</u>	
DROP Members as of 1/1/2010	<u>0</u>	<u>\$ 0</u>
Retired Members		
Retired Members as of 1/1/2009	8	
Retired with Service Retirement Benefit	0	
Retired from DROP Benefit	0	
Deceased or Paid in Full	<u>0</u>	
Retired Members as of 1/1/2010	<u>8</u>	<u>\$ 231,406</u>

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
Analysis of the Change in the Unfunded Actuarial Accrued Liability

Unfunded Actuarial Accrued Liability at 1/1/2009	\$	(483,555)
Additions		
Normal Cost	\$	242,014
Administrative Expenses		41,435
Interest on Unfunded Actuarial Accrued Liability, Normal Cost, and Administrative Expenses		<u>(15,458)</u>
Total		267,991
Contributions		
Employer Contributions	\$	0
Employee Contributions		(24,513)
State Contributions		(127,822)
Interest on Contributions		<u>(9,433)</u>
Total		(161,768)
Modification in the Benefit Plan		0
Change in Actuarial Assumptions		0
Actuarial Loss		
Investment Loss	\$	173,928
Experience Gain		<u>(29,804)</u>
Total		<u>144,124</u>
Unfunded Actuarial Accrued Liability at 1/1/2010	\$	<u><u>(233,208)</u></u>

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
Illustration of Minimum Municipal Obligation

Financial Requirements

Normal Cost	\$ 232,414	
Administrative Expenses	<u>41,435</u> ¹	
Total		\$ 273,849
Expected Member Contributions		(23,452)
10% of Negative Unfunded Actuarial Accrued Liability		<u>(23,321)</u>
Minimum Municipal Obligation		\$ 227,076
Estimated Allocation of General Municipal Pension System State Aid		<u>(127,822)</u>
Net Minimum Municipal Obligation		<u>\$ 99,254</u>

¹ Total Administrative Expenses for Plan Year 1/1/2009 to 12/31/2009 - \$ 41,435

Fairview Township Police Pension Plan
Actuarial Valuation
as of January 1, 2010

Section 3

Supplemental Information for GASB Reporting

Fairview Township Police Pension Plan
Actuarial Valuation as of January 1, 2010
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)
1/1/2000	\$ 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%)
1/1/2009	6,603,892	6,120,337	(483,555)	107.9%	1,154,881	(41.9%)
1/1/2010	6,750,456	6,517,248	(233,208)	103.6%	1,172,606	(19.9%)

Schedule of Contributions from the Employer and Other Contributing Entities

Year	Annual Required Contribution	Contributions ¹ From Employer	Percentage Contributed
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%
2008	92,234	92,234	100.0%
2009	127,822	127,822	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, 2010

Section 4

Participant Information

FAIRVIEW TOWNSHIP POLICE PENSION PLAN

DEMOGRAPHIC DATA FOR ACTIVE MEMBERS

01/01/2010

Age	Years of Service										Total	
	0-1	2	3	4-5	6-10	11-15	16-20	21-25	26-30	30+		
Under No. of 20 Payroll (\$000)	0	0	0	0	0	0	0	0	0	0	0	0
20-24 No. of Payroll (\$000)	0	0	0	0	0	0	0	0	0	0	0	0
25-29 No. of Payroll (\$000)	1	1	0	0	0	0	0	0	0	0	0	2
	63	66	0	0	0	0	0	0	0	0	0	129
30-34 No. of Payroll (\$000)	1	1	0	1	1	0	0	0	0	0	0	4
	59	64	0	70	72	0	0	0	0	0	0	265
35-39 No. of Payroll (\$000)	0	0	0	0	4	2	0	0	0	0	0	6
	0	0	0	0	301	157	0	0	0	0	0	458
40-44 No. of Payroll (\$000)	0	0	0	0	1	1	0	0	0	0	0	2
	0	0	0	0	73	75	0	0	0	0	0	148
45-49 No. of Payroll (\$000)	0	0	0	0	0	0	1	0	0	0	0	1
	0	0	0	0	0	0	84	0	0	0	0	84
50-54 No. of Payroll (\$000)	0	0	0	0	0	0	0	0	1	0	0	1
	0	0	0	0	0	0	0	0	89	0	0	89
55-59 No. of Payroll (\$000)	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
60-64 No. of Payroll (\$000)	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0
65 & Over No. of Payroll (\$000)	0	0	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0	0	0

Total Members	2	2	0	1	6	3	1	0	1	0	1	0	16
Total Annual Payroll	122	130	0	70	446	232	84	0	89	0	89	0	1,173

Average Age: 35.5 Years Average Service to Date: 9.1 Years Average Salary: \$73,288
 Number of Males: 16 Number of Females: 0 Number Inactive: 0

FAIRVIEW TOWNSHIP POLICE PENSION PLAN

DEMOGRAPHIC DATA FOR RETIRED MEMBERS AND MEMBERS TERMINATED WITH VESTING
01/01/2010

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	1	38,999
55 - 59	5	131,288
60 - 64	2	61,119
65 - 69	1	14,577
70 - 74	0	0
75 - 79	0	0
80 - 84	0	0
Over 84	0	0
TOTALS	9	245,983

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