

Fairview Township Non-Uniformed Employees'
Pension Plan
Actuarial Valuation
as of January 1, 2014

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2014
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Comments

The purpose of the valuation report is to determine the actuarial status of the Plan. It 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, 2014.

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, 2013, is \$7,388,381. The net dollar-weighted rates of investment return during 2013 was 16.29%.

As of January 1, 2014, there are 28 active members with total annual payroll of \$1,600,786. There are also 6 retired members currently receiving benefits under the Plan totaling \$163,789 annually, 1 disabled member currently receiving benefits under the Plan totaling \$23,605 annually, 3 spouse beneficiaries of deceased members currently receiving benefits under the Plan totaling \$53,390 annually, and 10 vested former members entitled to deferred benefits under the Plan totaling \$35,383 annually.

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

As of January 1, 2014, plan assets exceed the actuarial accrued liability under the Plan by \$406,252. The normal cost of the Plan, which is the cost of benefits being accrued during the current year, is \$218,781, which is 13.7% of annual payroll.

Page 2 of Section 2 shows the analysis of the change in the unfunded actuarial accrued liability from January 1, 2013, to January 1, 2014. There was an actuarial gain during the period of \$1,021,786.

Page 3 of Section 2 illustrates the minimum municipal obligation for the Plan. The financial requirement of the Plan is \$254,095. This includes the normal cost, \$218,781, plus assumed annual administrative expenses, \$35,314. The financial requirement is reduced by expected member contributions to the Plan during 2014, \$34,966, and 10% of the excessive of plan assets over the actuarial accrued liability, \$40,625. This results in a minimum municipal obligation of \$178,504. If the Township allocates \$112,646 of general municipal pension system State aid received during 2014 to the Plan, there is a net minimum municipal obligation of \$65,858. 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.

Section 3 of the report provides supplemental information for reporting under Governmental Accounting Standards Board Statement Nos. 67 and 68.

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Actuarial Certification

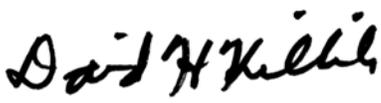
In preparing this report, we have relied upon the data furnished to us. The data with respect to receipts and disbursements and assets of the Plan was furnished by BNY Mellon, N.A. The data with respect to participants and beneficiaries was furnished by Fairview Township. The data has been reviewed and has been determined to be reasonable and consistent.

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.

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.

April 23, 2014
Date



David H. Killick, F.S.A.
Consulting Actuary
Enrolled Actuary No. 14-03880

DHK/GGC

Fairview Township Non-Uniformed Employees' Pension Plan
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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. Also, a service increment is provided equal 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.

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 pension 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 pension 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.

Deferred Retirement Option Program

An active member hired on or before August 29, 2011, who has attained age 60 and completed 25 years of vesting service 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

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Summary of Principal Plan Benefit Provisions

calculated as of his date of participation in the deferred retirement option program and shall be accumulated with 5.0% interest per annum and distributed in a lump sum at retirement.

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 and beneficiaries, with a maximum total cost-of-living increase of 30%.

Death Benefits

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

Vesting

A member's benefits are always 100% vested. The vested benefit is a deferred monthly 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 hired on or before August 29, 2011, contribute 2.0% of compensation. Members hired after August 29, 2011, contribute 5.0% of compensation.

Member contributions are credited with 5.0% annual interest.

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Actuarial Assumptions and Methods

Interest

7.00%

Salary

5.00% 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

RP2000 Table
(This table does not include projected mortality improvements.)

Disability

SOA 1987 Group LTD Table - Males, 6-month elimination. Sample rates are shown below.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	0.0764%	35	0.1242%	50	0.5396%
25	0.0854%	40	0.1760%	55	0.9770%
30	0.0986%	45	0.2944%	60	1.4774%

100% of disabilities are assumed to be service-related.

Retirement

It is assumed that all members hired on or before August 29, 2011 retire upon attainment of age 65 or enter the Deferred Retirement Option Program (DROP) upon attainment of age 60 and completion of 25 years of service, if earlier. It is assumed that all members hired after August 29, 2011 retire upon attainment of age 65 or upon attainment of age 60 and completion of 25 years of service, if earlier. It is also assumed that, for members who enter the DROP, 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.

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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

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Section 1

Summary of Plan Assets and Summary of Plan Membership

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2014
Receipts and Disbursements

Market Value at 1/1/2013		\$ 5,625,172.66
Receipts		
Employer Contributions Received	\$ 967,835.30	
Employee Contributions Received	32,966.35	
State Contributions Received	112,646.40	
Investment Income		
Income Received	\$ 76.19	
Accrued Income at 1/1/2013	(21.00)	
Accrued Income at 12/31/2013	38.26	
Total Investment Income	93.45	
Change in Market Value	954,709.73	
Total Receipts		2,068,251.23
Disbursements		
Monthly Benefit Payments	\$ (243,144.30)	
Refund of Employee Contributions	(26,584.16)	
Administrative Expenses	(35,314.23)	
Total Disbursements		(305,042.69)
Market Value at 12/31/2013		\$ 7,388,381.20
Approximate Net Dollar-Weighted Rate of Investment Return		16.29%

Fairview Township Non-Uniformed Employees' Pension Plan
Actuarial Valuation as of January 1, 2014

Assets and Liabilities

Assets

Cash	\$	0.00
Common Trust Funds		<u>7,388,342.94</u>
Total Assets in Fund	\$	7,388,342.94
Accrued Income		<u>38.26</u>
Total Assets	\$	7,388,381.20

Liabilities

Total Liabilities		<u>0.00</u>
Net Assets	\$	<u><u>7,388,381.20</u></u>

Fairview Township Non-Uniformed Employees' Pension Plan
 Actuarial Valuation as of January 1, 2014
Summary of Plan Membership

Active Members	Number of Members	Annual Payroll
Active Members as of 1/1/2013	28	
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	
Separated with Deferred Benefit	(2)	
Separated with Refund of Contributions	0	
Separated with Neither Deferred Benefit nor Refund of Contributions	0	
Deceased	0	
Total	(2)	
Active Members as of 1/1/2014	28	\$ 1,600,786
Vested Former Members	Number of Members	Annual Benefit
Vested Former Members as of 1/1/2013	8	
Separated with Deferred Benefit	2	
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 1/1/2014	10	\$ 35,383
Retired Members		
Retired Members as of 1/1/2013	6	
Retired with Service Retirement Benefit	0	
Deceased or Paid in Full	0	
Retired Members as of 1/1/2014	6	\$ 163,789
Disabled Members		
Disabled Members as of 1/1/2013	1	
Retired with Disability Benefit	0	
Deceased	0	
Disabled Members as of 1/1/2014	1	\$ 23,605
Spouse Beneficiaries of Deceased Members		
Spouse Beneficiaries of Deceased Members as of 1/1/2013	4	
Additional Spouse Beneficiaries of Deceased Members	0	
Deceased	(1)	
Spouse Beneficiaries of Deceased Members as of 1/1/2014	3	\$ 53,390

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Section 2

Act 205 Funding Calculations

Fairview Township Non-Uniformed Employees' Pension Plan
 Actuarial Valuation as of January 1, 2014
Unfunded Actuarial Accrued Liability and Normal Cost

Unfunded Actuarial Accrued Liability

Actuarial Present Value of Future Benefits

Active Members Retirement Pension Benefits	\$	6,054,144
Active Members Vested Withdrawal Benefits		49,048
Active Members Disability Benefits		605,662
Active Members Refund of Member Contributions		21,476 ¹
Voluntary Employee Contribution Accounts		12,215
Vested Former Members Benefits		216,157
Retired Members Benefits		1,813,936
Disabled Members Benefits		297,680
Surviving Spouses Benefits		<u>424,133</u>
Total	\$	9,494,451
Actuarial Present Value of Future Normal Costs		<u>(2,512,322)</u>
Actuarial Accrued Liability	\$	6,982,129
Actuarial Value of Assets		<u>(7,388,381)</u>
Unfunded Actuarial Accrued Liability	\$	<u><u>(406,252)</u></u>
 Normal Cost		
Normal Cost	\$	<u><u>218,781</u></u>
Gross Normal Cost as a Percentage of Annual Payroll		<u>13.7%</u>

¹ Accumulated Member Contributions Without Interest as of 1/1/2014 = \$273,731
 Accumulated Member Contributions With Interest as of 1/1/2014 = \$384,788

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Analysis of the Change in the Unfunded Actuarial Accrued Liability

Unfunded Actuarial Accrued Liability at 1/1/2013	\$	699,183
Additions		
Normal Cost	\$	199,327
Administrative Expenses		35,314
Interest on Unfunded Actuarial Accrued Liability, Normal Cost, and Administrative Expenses		<u>64,132</u>
Total		298,773
Contributions		
Employer Contributions	\$	(967,835)
Employee Contributions		(32,966)
State Contributions		(112,646)
Interest on Contributions		<u>(28,663)</u>
Total		(1,142,110)
Adjustment for Funding Deviation		759,688
Modification in the Benefit Plan		0
Change in Actuarial Assumptions		0
Actuarial Gain		
Investment Gain	\$	(543,055)
Experience Loss		280,957
Funding Deviation		<u>(759,688)</u>
Total		<u>(1,021,786)</u>
Unfunded Actuarial Accrued Liability at 1/1/2014	\$	<u><u>(406,252)</u></u>

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Illustration of Minimum Municipal Obligation

Financial Requirements

Normal Cost	\$ 218,781	
Administrative Expenses	<u>35,314</u> ¹	
Total		\$ 254,095
Expected Member Contributions		(34,966)
10% of Negative Unfunded Actuarial Accrued Liability		<u>(40,625)</u>
Minimum Municipal Obligation		\$ 178,504
Estimated Allocation of General Municipal Pension System State Aid		<u>(112,646)</u>
Net Minimum Municipal Obligation		<u><u>\$ 65,858</u></u>

¹ Total Administrative Expenses for Plan Year 1/1/2013 to 12/31/2013 - \$ 35,314

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Section 3

Supplemental Information for GASB Reporting

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Supplemental Information for GASB Statement Nos. 67 & 68 Reporting

Schedule of Funding Progress

Valuation Date	Market Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Net Position as a % of Total Liability (b-a)/b	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/2011	\$ 4,546,408	\$ 5,924,371	\$ 1,377,963	23.3%	76.7%	\$ 1,406,440	98.0%
1/1/2012	4,907,221	6,199,577	1,292,356	20.8%	79.2%	1,417,956	91.1%
1/1/2013	5,613,539	6,312,722	699,183	11.1%	88.9%	1,424,717	49.1%
1/1/2014	7,388,381	6,982,129	(406,252)	-5.8%	105.8%	1,600,786	-25.4%

Schedule of Interest Rate Sensitivity Testing

Interest Rate ¹	Market Value of Assets (a)	Entry Age Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Net Position as a % of Total Liability (b-a)/b	Funded Ratio (a/b)
6.00%	\$ 7,388,381	\$ 7,809,146	\$ 420,765	5.4%	94.6%
7.00%	7,388,381	6,982,129	(406,252)	-5.8%	105.8%
8.00%	7,388,381	6,276,650	(1,111,731)	-17.7%	117.7%

¹ Valuation interest rate is 7.00%

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Supplemental Information for GASB Statement Nos. 67 & 68 Reporting

Schedule of Changes to Unfunded Actuarial Accrued Liability ¹

Modification in Plan	\$	0
Changes in Actuarial Assumptions		0
2013 Investment (Gain)/Loss		(543,055)
Experience (Gain)/Loss		280,957

Schedule of Contributions from the Employer and Other Contributing Entities

Year	Actuarially ² Determined Contribution	Contributions ³ From Employer	Contribution Deficiency/ (Surplus)
2004	\$ 156,018	\$ 160,125	\$ (4,107)
2005	258,128	258,128	0
2006	269,313	269,313	0
2007	273,563	273,563	0
2008	269,449	269,449	0
2009	281,259	281,260	(1)
2010	281,425	459,673	(178,248)
2011	365,628	521,186	(155,558)
2012	361,546	361,546	0
2013	379,594	1,080,482	(700,888)

¹ Determined on a market value basis

² Minimum Municipal Obligation under Act 205 of 1984

³ Includes general municipal pension system State aid

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Supplemental Information for GASB Statement Nos. 67 & 68 Reporting

Notes and Disclosures:

Discount Rate Determination for GASB Nos. 67 & 68 Purposes

This discount rate is based on the long-term expected rate of return on pension plan investments that are expected to be used to finance the payment of benefits. The plan's fiduciary net position is projected to be sufficient to make projected benefit payments and the plan assets are expected to be invested using a strategy to achieve that return. The employer has always met the funding requirements of Pennsylvania law Act 205 of 1984. Act 205 requires full funding of the entry age normal cost plus plan expenses, as well as amortization of the unfunded liability to ultimately achieve a 100% funded status.

Actuarial Determinations and Disclosures

The Actuarial Accrued Liability information provided in Section 3 was determined using the same actuarial methods and assumptions as listed at the beginning of this actuarial valuation report.