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Fairview Township Non-Uniformed Employees'  
Pension Plan  
Actuarial Valuation  
as of January 1, 2013

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013  
**Table of Contents**

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Comments

Actuarial Certification

Summary of Principal Plan Benefit Provisions (SPPB)

Actuarial Assumptions and Methods

Section 1 - Summary of Plan Assets and Summary of Plan Membership

Section 2 - Act 205 Funding Calculations

Section 3 - Supplemental Information for GASB Reporting

Section 4 - Participant Information

    Demographic Data for Active Members

    Demographic Data for Retired Members and Members Terminated with Vesting

    Active Members

    Vested Former Members

    Retired Members and Beneficiaries

    Voluntary Employee Contribution Accounts

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013  
**Comments**

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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, 2013. Members hired after August 29, 2011, are not eligible to participate in the deferred retirement option program and must contribute 5.0% of compensation 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. Effective with this actuarial valuation, the method for determining the actuarial value of assets has been changed from a 5-year smoothed method to market value.

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, 2012, is \$5,625,173. This includes Voluntary Employee Contribution Accounts totaling \$11,633.70. The net dollar-weighted rates of investment return during 2011 and 2012 on a market value basis were 0.92% and 13.70%, respectively.

As of January 1, 2013, there are 28 active members with total annual payroll of \$1,424,717. There are also 6 retired members currently receiving benefits under the Plan totaling \$161,441 annually, 1 disabled member currently receiving benefits under the Plan totaling \$23,266 annually, 4 spouse beneficiaries of deceased members currently receiving benefits under the Plan totaling \$59,599 annually, and 8 vested former members entitled to deferred benefits under the Plan totaling \$17,256 annually.

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

As of January 1, 2013, there is an unfunded actuarial accrued liability under the Plan of \$699,183. The normal cost of the Plan, which is the cost of benefits being accrued during the current year, is \$199,327, which is 14.0% of annual payroll.

Page 2 of Section 2 shows the analysis of the change in the unfunded actuarial accrued liability from January 1, 2011, to January 1, 2013. There was an actuarial gain during the period of \$81,175. The unfunded actuarial accrued liability also decreased by \$298,746 due to the change in the method for determining the actuarial value of assets.

Page 4 of Section 2 illustrates the minimum municipal obligation for the Plan. The financial requirement of the Plan is \$353,778. This includes the normal cost, \$199,327, assumed annual administrative expenses, \$30,534, and amortization of the unfunded actuarial accrued liability, \$123,917. The financial requirement is reduced by expected member contributions to the Plan during 2013, \$29,448. This results in a minimum municipal obligation of \$324,330. If the Township allocates \$100,131 of general municipal pension system State aid received during 2013 to the Plan, there is a net minimum municipal obligation of \$224,199. 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, 2013  
**Comments**

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

Section 4 of the report provides information on the plan participants.

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013  
**Actuarial Certification**

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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.

5/8/2013

Date

David H. Killick

David H. Killick, F.S.A.  
Consulting Actuary  
Enrolled Actuary No. 11-03880

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013  
**Summary of Principal Plan Benefit Provisions**

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### **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

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013  
**Summary of Principal Plan Benefit Provisions**

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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.

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013  
**Actuarial Assumptions and Methods**

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**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.

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013  
**Actuarial Assumptions and Methods**

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**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

**Changes in Actuarial Assumptions and Methods**

Actuarial Value of Assets	<u>Prior</u> 5-Year Smoothed Method	<u>Current</u> See Above
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Fairview Township Non-Uniformed Employees'  
Pension Plan  
Actuarial Valuation  
as of January 1, 2013

Section 1

Summary of Plan Assets and Summary of Plan Membership

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2013  
**Receipts and Disbursements - January 1, 2011 to December 31, 2011**

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Market Value at 1/1/2011		\$ 4,556,960.02
<b>Receipts</b>		
Employer Contributions Received	\$ 353,293.08	
Employee Contributions Received	28,434.66	
State Contributions Received	167,892.92	
Investment Income		
Income Received	\$ 75.34	
Accrued Income at 1/1/2011	(12.96)	
Accrued Income at 12/31/2011	19.02	
Total Investment Income	81.40	
Change in Market Value	44,140.42	
Total Receipts		593,842.48
<b>Disbursements</b>		
Monthly Benefit Payments	\$ (197,394.24)	
Lump Sum Benefit Payments	(6,169.50)	
Administrative Expenses	(28,938.00)	
Total Disbursements		(232,501.74)
Market Value at 12/31/2011		\$ 4,918,300.76
Approximate Net Dollar-Weighted Rate of Investment Return		0.92%

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2013  
**Receipts and Disbursements - January 1, 2012 to December 31, 2012**

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Market Value at 1/1/2012		\$ 4,918,300.76
<b>Receipts</b>		
Employer Contributions Received	\$ 261,414.93	
Employee Contributions Received	28,341.17	
State Contributions Received	100,131.07	
Investment Income		
Income Received	\$ 145.71	
Accrued Income at 1/1/2012	(19.02)	
Accrued Income at 12/31/2012	21.00	
Total Investment Income	147.69	
Change in Market Value	701,475.11	
Total Receipts		1,091,509.97
<b>Disbursements</b>		
Monthly Benefit Payments	\$ (217,063.42)	
Lump Sum Benefit Payments	(358.84)	
Lump Sum DROP Account Payments	(135,087.02)	
Administrative Expenses	(32,128.79)	
Total Disbursements		(384,638.07)
Market Value at 12/31/2012		\$ 5,625,172.66
Approximate Net Dollar-Weighted Rate of Investment Return		13.70%

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013  
**Assets, Liabilities and Reserves**

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**Assets**

Cash	\$	0.00	
Money Markets		42,061.03	
Common Trust Funds		<u>5,583,090.63</u>	
Total Assets in Fund			\$ 5,625,151.66
Accrued Income			<u>21.00</u>
Total Assets			\$ 5,625,172.66

**Liabilities**

Total Liabilities			<u>0.00</u>
Net Assets			<u><u>\$ 5,625,172.66</u></u>

**Reserves**

Market Value of Assets	\$	5,625,172.66	
Voluntary Employee Contribution Accounts		<u>(11,633.70)</u>	
Reserves for Benefits			<u><u>\$ 5,613,538.96</u></u>

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2013  
**Summary of Plan Membership**

<b>Active Members</b>	Number of Members	Annual Payroll
Active Members as of 1/1/2011	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	
Elected DROP 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 1/1/2013	28	\$ 1,424,717
<b>Vested Former Members</b>	Number of Members	Annual Benefit
Vested Former Members as of 1/1/2011	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	(2)	
Vested Former Members as of 1/1/2013	8	\$ 17,256
<b>DROP Members</b>		
DROP Members as of 1/1/2011	1	
Elected DROP Benefit	0	
Retired from DROP Benefit	(1)	
Deceased	0	
DROP Members as of 1/1/2013	0	\$ 0
<b>Retired Members</b>		
Retired Members as of 1/1/2011	7	
Retired with Service Retirement Benefit	0	
Retired from DROP Benefit	1	
Deceased or Paid in Full	(2)	
Retired Members as of 1/1/2013	6	\$ 161,441

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2013  
**Summary of Plan Membership**

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<b>Disabled Members</b>	Number of Members	Annual Benefit
Disabled Members as of 1/1/2011	1	
Retired with Disability Benefit	0	
Retired from DROP Benefit	0	
Deceased	0	
Disabled Members as of 1/1/2013	1	\$ 23,266
 <b>Spouse Beneficiaries of Deceased Members</b>		
Spouse Beneficiaries of Deceased Members as of 1/1/2011	2	
Additional Spouse Beneficiaries of Deceased Members	2	
Deceased	0	
Spouse Beneficiaries of Deceased Members as of 1/1/2013	4	\$ 59,599

Fairview Township Non-Uniformed Employees'  
Pension Plan  
Actuarial Valuation  
as of January 1, 2013

Section 2

Act 205 Funding Calculations

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2013  
**Unfunded Actuarial Accrued Liability and Normal Cost**

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**Unfunded Actuarial Accrued Liability**

Actuarial Present Value of Future Benefits

Active Members Retirement Pension Benefits	\$	5,333,801
Active Members Vested Withdrawal Benefits		42,672
Active Members Disability Benefits		556,895
Active Members Refund of Member Contributions		18,267 <sup>1</sup>
Vested Former Members Benefits		113,079
Retired Members Benefits		1,845,760
Disabled Members Benefits		301,251
Surviving Spouses Benefits		<u>472,143</u>
Total	\$	8,683,868
Actuarial Present Value of Future Normal Costs		<u>(2,371,146)</u>
Actuarial Accrued Liability	\$	6,312,722
Actuarial Value of Assets		<u>(5,613,539)</u>
Unfunded Actuarial Accrued Liability	\$	<u><u>699,183</u></u>
 <b>Normal Cost</b>		
Normal Cost	\$	<u><u>199,327</u></u>
Normal Cost as a Percentage of Annual Payroll		<u>14.0%</u>

<sup>1</sup> Accumulated Member Contributions Without Interest as of 1/1/2013 = \$261,652  
 Accumulated Member Contributions With Interest as of 1/1/2013 = \$361,344

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2013  
**Analysis of the Change in the Unfunded Actuarial Accrued Liability**

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Unfunded Actuarial Accrued Liability at 1/1/2011	\$	1,274,685
<b>Additions</b>		
Normal Costs	\$	403,711
Administrative Expenses		61,067
Interest on Unfunded Actuarial Accrued Liability, Normal Costs, and Administrative Expenses		<u>231,946</u>
Total		696,724
<b>Contributions</b>		
Employer Contributions	\$	(614,708)
Employee Contributions		(56,776)
State Contributions		(268,024)
Interest on Contributions		<u>(90,945)</u>
Total		(1,030,453)
Adjustment for Funding Deviation		138,148
Modification in the Benefit Plan		0
Change in Actuarial Assumptions		(298,746)
<b>Actuarial Gain</b>		
Investment Loss	\$	383,501
Experience Gain		(326,528)
Funding Deviation		<u>(138,148)</u>
Total		<u>(81,175)</u>
Unfunded Actuarial Accrued Liability at 1/1/2013	\$	<u><u>699,183</u></u>

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013

**Amortization of Unfunded Actuarial Accrued Liability**

Initial Date	Initial Amount	Outstanding Balance	Amortization Amount	Remaining Amortization	Nature
January 1, 2001	\$ 220,276	\$ 92,504	\$ 21,086	5 Years	Active Amendment
January 1, 2003	427,757	192,566	43,893	5 Years	Active Amendment
January 1, 2003	359,939	162,037	36,934	5 Years	Actuarial Loss
January 1, 2005	(65,822)	(38,949)	(6,754)	7 Years	Actuarial Gain
January 1, 2007	(221,529)	(158,473)	(22,731)	9 Years	Actuarial Gain
January 1, 2009	143,050	122,457	13,693	13 Years	Active Amendment
January 1, 2009	(927,073)	(793,604)	(88,744)	13 Years	Assumption Chg.
January 1, 2009	1,297,824	1,110,979	124,234	13 Years	Actuarial Loss
January 1, 2011	155,558	142,744	15,962	13 Years	Assumption Chg.
January 1, 2011	264,603	246,843	25,329	15 Years	Actuarial Loss
January 1, 2013	(298,746)	(298,746)	(30,655)	15 Years	Assumption Chg.
January 1, 2013	(81,175)	(81,175)	(8,330)	15 Years	Actuarial Gain
<b>Total</b>	<b>\$ 1,274,662</b>	<b>\$ 699,183</b>	<b>\$ 123,917</b>		

Projected plan year in which the unfunded accrued liability is fully amortized is 2019.

**Aggregation of Changes in Unfunded Actuarial Accrued Liability**

Date of Aggregation	Aggregated Target Date	Outstanding Balance	Amortization Amount	Remaining Amortization
January 1, 2013	2019	\$ 699,183	\$ 123,917	7 Years

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2013  
**Illustration of Minimum Municipal Obligation**

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Financial Requirements

Normal Cost	\$	199,327	
Administrative Expenses		30,534 <sup>1</sup>	
Amortization of Unfunded Actuarial Accrued Liability		<u>123,917</u>	
Total	\$		353,778
Expected Member Contributions			<u>(29,448)</u>
Minimum Municipal Obligation	\$		324,330
Estimated Allocation of General Municipal Pension System State Aid			<u>(100,131)</u>
Net Minimum Municipal Obligation	\$		<u><u>224,199</u></u>

<sup>1</sup> Total Administrative Expenses for Plan Year 1/1/2011 to 12/31/2011 - \$ 28,938  
 Total Administrative Expenses for Plan Year 1/1/2012 to 12/31/2012 - \$ 32,129

Fairview Township Non-Uniformed Employees'  
Pension Plan  
Actuarial Valuation  
as of January 1, 2013

Section 3

Supplemental Information for GASB Reporting

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2013  
 Supplemental Information for GASB Statement Nos. 67 & 68 Reporting

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**Schedule of Funding Progress**

Valuation Date	Market Value of Assets (a)	Entry Age Actuarial 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%

**Schedule of Interest Rate Sensitivity Testing**

Interest Rate <sup>1</sup>	Market Value of Assets (a)	Entry Age Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Net Position as a % of Total Liability (b-a)/b	Funded Ratio (a/b)
6.00%	\$ 5,613,539	\$ 7,006,282	\$ 1,392,743	19.9%	80.1%
7.00%	5,613,539	6,312,722	699,183	11.1%	88.9%
8.00%	5,613,539	5,639,511	25,972	0.5%	99.5%

<sup>1</sup> Valuation interest rate is 7.00%

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2013  
 Supplemental Information for GASB Statement Nos. 67 & 68 Reporting

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**Schedule of Changes to Unfunded Actuarial Accrued Liability <sup>1</sup>**

Modification in Plan	\$	0
Changes in Actuarial Assumptions		(298,746)
2011 Investment (Gain)/Loss		292,846
2012 Investment (Gain)/Loss		(326,334)
Experience (Gain)/Loss		(326,528)

**Schedule of Contributions from the Employer and Other Contributing Entities**

Year	Actuarially <sup>2</sup> Determined Contribution	Contributions <sup>3</sup> From Employer	Contribution Deficiency/ (Surplus)
2003	\$ 147,094	\$ 147,094	\$ 0
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

<sup>1</sup> Determined on a market value basis

<sup>2</sup> Minimum Municipal Obligation under Act 205 of 1984

<sup>3</sup> Includes general municipal pension system State aid

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2013  
**Supplemental Information for GASB Statement Nos. 67 & 68 Reporting**

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**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.