

# Actuarial Valuation

As of January 1, 2018

Fairview Township Non-Uniformed Employees' Pension  
Plan

 **Conrad Siegel™**

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
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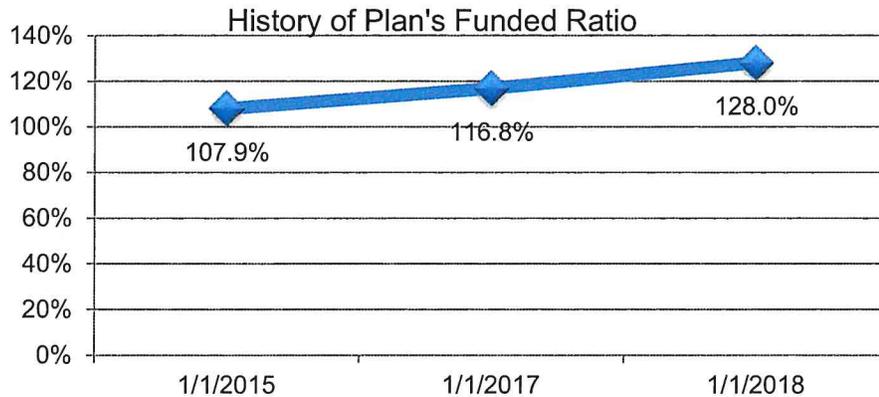
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Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
**Executive Summary**

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

The Summary of Principal Plan Benefit Provisions (SPPB) may be found following the Actuarial Certification. This summary represents our understanding of the current plan provisions in effect at January 1, 2018. Following the SPPB is a summary of the Actuarial Assumptions and Methods used in this valuation report.



	<u>1/1/2015</u>	<u>1/1/2017</u>	<u>1/1/2018</u>
Market Value of Assets (MVA)	\$ 8,006,356	\$ 8,377,902	\$ 9,436,032
Actuarial Accrued Liability (AAL)	\$ 7,422,441	\$ 7,172,348	\$ 7,372,549
Unfunded Actuarial Accrued Liability (UAAL)	\$ (583,915)	\$ (1,205,554)	\$ (2,063,483)
Normal Cost	\$ 212,600	\$ 177,685	\$ 194,540
W-2 Payroll	\$ 1,568,516	\$ 985,845	\$ 1,056,790
Percentage of W-2 Payroll	13.6%	18.0%	18.4%
Average Age	47.0	46.8	48.4
Interest	7.00%	7.00%	7.00%
Salary Scale	5.00%	5.00%	5.00%
Average Life Expectancy*	21.24	23.33	23.33
Mortality Basis	RP2000	IRS 2017 Small Plan Combined Static	IRS 2017 Small Plan Combined Static
Participant Counts:			
Active	27	18	19
DROP	0	1	1
Vested Former	8	14	13
<u>Receiving Benefits</u>	<u>13</u>	<u>14</u>	<u>13</u>
Total	48	47	46

\*Based on a male currently aged 60.

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
**Executive Summary**

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**Section 1**

At the beginning of Section 1, there is a summary of the receipts and disbursements for 2017. The Plan received contributions of \$99,928 during 2017. There were benefit payments to former participants totaling \$327,074 during 2017. The investment return earned by the plan assets was approximately 16.5% for 2017.

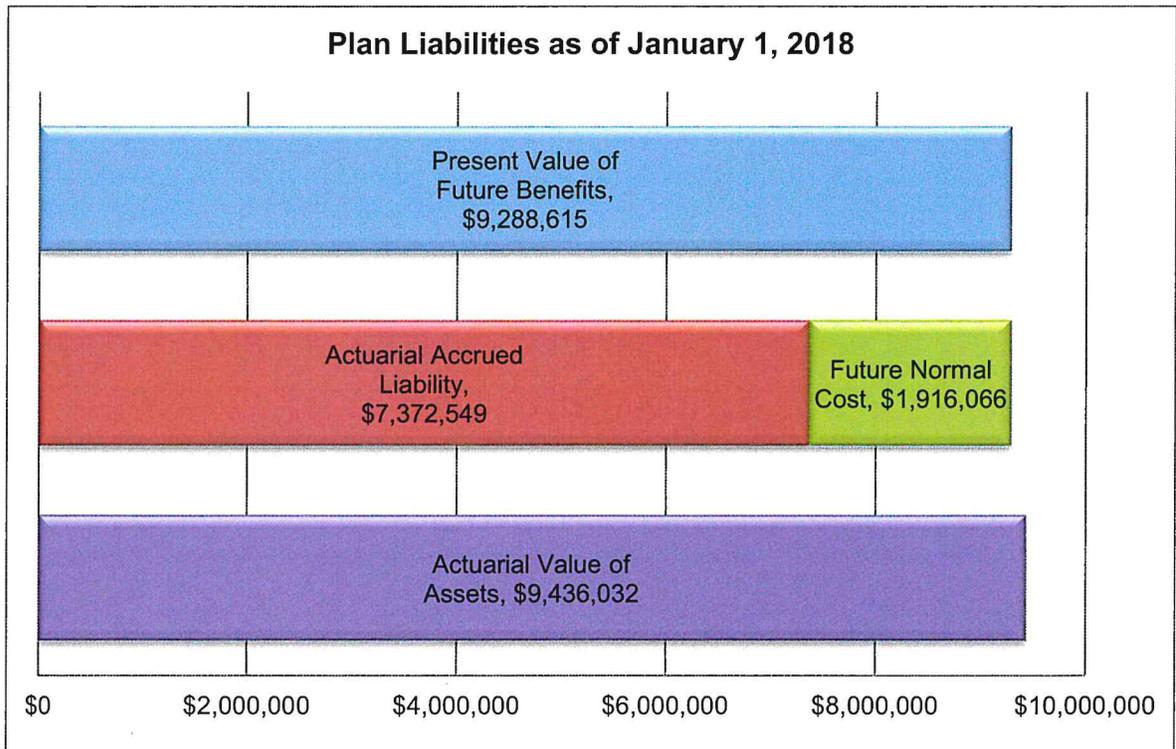
The following is a summary of the net dollar-weighted rates of investment return for the past six calendar years:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
13.7%	16.3%	7.7%	0.9%	6.8%	16.5%

**Section 2**

The Act 205 funding calculations are included in Section 2.

The actuarial present value of future benefits is \$9,288,615. Since the present value of future normal costs is \$1,916,066, the actuarial accrued liability at January 1, 2018, is \$7,372,549. Subtracting the actuarial value of assets of \$9,436,032 results in an unfunded actuarial accrued liability of (\$2,063,483).



Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
**Executive Summary**

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**Components of Financial Requirements**

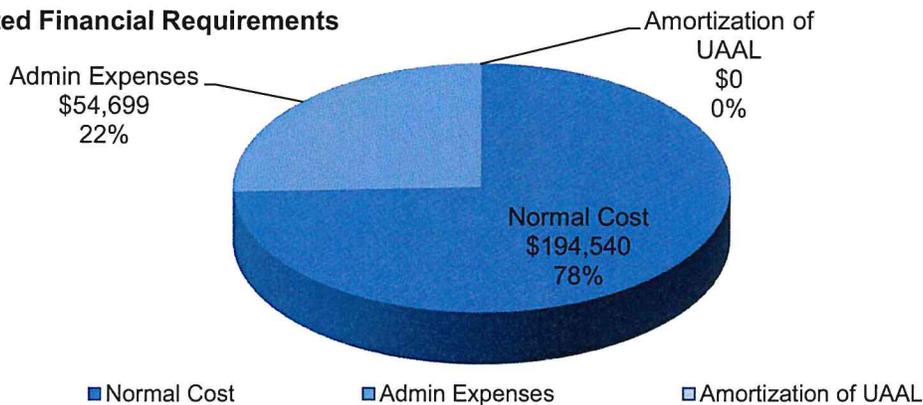
There are three cost components that make up the financial requirement of a Plan's minimum municipal obligation.

1. Normal Cost – This is the cost of pension and other benefits earned during the current year. The normal cost of the Plan is \$194,540. The normal cost represents approximately 18.4% of annual payroll.

2. Administrative Expenses – Examples of administrative expenses paid from the plan assets are expenses for: investment advisory services, actuarial services and trustee services. The Plan's estimated annual administrative expenses are \$54,699.

3. Amortization of the Unfunded Actuarial Accrued Liability – The amount of this cost is comprised of the amortization of the various gains and losses, plan amendments, and changes in actuarial assumptions that have occurred in the Plan over time. The amortization of the Unfunded Actuarial Accrued Liability is \$0 since the Actuarial Value of Assets is greater than the Actuarial Accrued Liability.

**Estimated Financial Requirements**



Please note that the figures shown below are for illustrative purposes only. The actual minimum municipal obligation is determined through the annual budgeting process.

**Illustration of Minimum Municipal Obligation**

<b>Financial Requirements</b>	
Normal Cost	\$194,540
Administrative Expenses	\$54,699
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	\$0
<u>Total</u>	<u>\$249,239</u>
Expected Member Contributions	(\$30,062)
10% Negative Unfunded Actuarial Accrued Liability	(\$206,348)
<u>Minimum Municipal Obligation (not less than \$0)</u>	<u>\$0 *</u>

\* Since the actuarial value of assets exceed the actuarial present value of future benefits, the Minimum Municipal Obligation = \$0

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
**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.

4/27/2018

Date



David H. Killick, FSA, EA, MAAA  
Partner & Consulting Actuary  
Enrolled Actuary No. 17-03880

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
**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.

For employees hired before July 1, 2014, average monthly compensation is based upon the final plan year preceding retirement.

For employees hired on or after July 1, 2014, 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 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, he is eligible for a disability pension. The monthly disability pension is equal to the benefit accrued to the date of disability.

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
**Summary of Principal Plan Benefit Provisions**

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**Deferred Retirement Option Program**

An active member hired on or before August 29, 2011, 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 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 preretirement death benefit for a member is a refund of his contributions with interest.

**Vesting**

For employees hired before July 1, 2014, a member's benefits are always 100% vested. For employees hired on or after July 1, 2014, a member's benefits vest upon completion of 5 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. Employees hired before July 1, 2014, 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, 2018  
**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**

IRS 2017 Static Combined Table for Small Plans

Incorporated into the table are rates for annuitants projected 7 years and rates for non-annuitants projected 15 years using Scale AA to reflect mortality improvement.

**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, 2018  
**Actuarial Assumptions and Methods**

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**Expenses**

Provision for administrative expenses added to annual contribution requirement, per Act 205 of 1984.

**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 (required by Act 205 of 1984)

Fairview Township Non-Uniformed Employees'  
Pension Plan  
Actuarial Valuation  
as of January 1, 2018

Section 1

Summary of Plan Assets and Summary of Plan Membership

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
**Receipts and Disbursements**

Market Value at 1/1/2017		\$ 8,377,901.57
<b>Receipts</b>		
Employer Contributions Received	\$	0.00
Employee Contributions		
Received	\$ 30,018.40	
Receivable at 1/1/2017	(2,808.53)	
Receivable at 12/31/2017	2,358.85	
Total Employee Contributions	<u>29,568.72</u>	
State Contributions Received		70,359.00
Investment Income		
Income Received	\$ 46,414.48	
Accrued Income at 1/1/2017	(17.28)	
Accrued Income at 12/31/2017	24.49	
Total Investment Income	<u>46,421.69</u>	
Change in Market Value		<u>1,305,661.15</u>
Total Receipts		1,452,010.56
<b>Disbursements</b>		
Monthly Benefit Payments	\$ (319,667.40)	
Refund of Employee Contributions		(7,406.63)
Administrative Expenses		<u>(66,806.39)</u>
Total Disbursements		<u>(393,880.42)</u>
Market Value at 12/31/2017		<u>\$ 9,436,031.71</u>
Approximate Net Dollar-Weighted Rate of Investment Return		<u>16.46%</u>

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018

**Assets and Liabilities**

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**Assets**

Cash	\$	0.00	
Money Markets		39,346.14	
Mutual Funds		1,595,648.50	
Common Trust Funds		<u>7,798,653.73</u>	
Total Assets in Fund	\$		9,433,648.37
Employee Contributions Receivable			2,358.85
Accrued Income			<u>24.49</u>
Total Assets	\$		<u>9,436,031.71</u>

**Liabilities**

Total Liabilities			<u>0.00</u>
Net Assets	\$		<u><u>9,436,031.71</u></u>

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2018  
**Summary of Plan Membership**

<b>Active Members</b>	Number of Members	Annual Payroll
Active Members as of 1/1/2017	18	
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	
Elected DROP Benefit	0	
Separated with Deferred Benefit	0	
Separated with Refund of Contributions	0	
Separated with Neither Deferred Benefit nor Refund of Contributions	0	
Deceased	0	
Total	0	
Active Members as of 1/1/2018	19	\$ 1,056,790
<b>Vested Former Members</b>	Number of Members	Annual Benefit
Vested Former Members as of 1/1/2017	14	
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	(1)	
Vested Former Members as of 1/1/2018	13	\$ 95,504
<b>DROP Members</b>		
DROP Members as of 1/1/2017	1	
Elected DROP Benefit	0	
Retired from DROP Benefit	0	
Deceased	0	
DROP Members as of 1/1/2018	1	\$ 11,563
<b>Retired Members</b>		
Retired Members as of 1/1/2017	10	
Retired with Service Retirement Benefit	0	
Retired from DROP Benefit	0	
Deceased or Paid in Full	0	
Retired Members as of 1/1/2018	10	\$ 263,717

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2018  
**Summary of Plan Membership**

<b>Disabled Members</b>	Number of Members	Annual Benefit
Disabled Members as of 1/1/2017	2	
Retired with Disability Benefit	0	
Retired from DROP Benefit	0	
Deceased	0	
Disabled Members as of 1/1/2018	<u>2</u>	<u>\$ 34,207</u>
<b>Spouse Beneficiaries of Deceased Members</b>		
Spouse Beneficiaries of Deceased Members as of 1/1/2017	2	
Additional Spouse Beneficiaries of Deceased Members Deceased	0 <u>(1)</u>	
Spouse Beneficiaries of Deceased Members as of 1/1/2018	<u>1</u>	<u>\$ 25,083</u>

Fairview Township Non-Uniformed Employees'  
Pension Plan  
Actuarial Valuation  
as of January 1, 2018

Section 2

Act 205 Funding Calculations

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2018  
**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	\$	4,509,864
Active Members Vested Withdrawal Benefits		12,766
Active Members Disability Benefits		457,815
Active Members Refund of Member Contributions		14,139 <sup>1</sup>
Voluntary Employee Contribution Accounts		3,994
Vested Former Members Benefits		757,347
Retired and DROP Members Benefits		2,932,298
Disabled Members Benefits		416,061
Surviving Spouses Benefits		143,639
Monies Accumulated in DROP Accounts		<u>40,692</u>
<b>Total</b>	<b>\$</b>	<b>9,288,615</b>
Actuarial Present Value of Future Normal Costs		<u>(1,916,066)</u>
Actuarial Accrued Liability	<b>\$</b>	<b>7,372,549</b>
Actuarial Value of Assets		<u>(9,436,032)</u>
Unfunded Actuarial Accrued Liability	<b>\$</b>	<b><u>(2,063,483)</u></b>

**Normal Cost**

Normal Cost	<b>\$</b>	<b><u>194,540</u></b>
Normal Cost as a Percentage of Annual Payroll		<u>18.4%</u>

<sup>1</sup> Accumulated Member Contributions Without Interest as of 1/1/2018 = \$221,663  
 Accumulated Member Contributions With Interest as of 1/1/2018 = \$321,527

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2018  
**Analysis of the Change in the Unfunded Actuarial Accrued Liability**

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Unfunded Actuarial Accrued Liability at 1/1/2017	\$	(1,205,554)
<b>Additions</b>		
Normal Cost	\$	177,685
Administrative Expenses		66,806
Interest on Unfunded Actuarial Accrued Liability, Normal Cost, and Administrative Expenses		<u>(69,613)</u>
Total		174,878
<b>Contributions</b>		
Employer Contributions	\$	0
Employee Contributions		(29,569)
State Contributions		(70,359)
Interest on Contributions		<u>(3,210)</u>
Total		(103,138)
Modification in the Benefit Plan		0
Change in Actuarial Assumptions		0
<b>Actuarial Gain</b>		
Investment Gain	\$	(776,206)
Experience Gain		<u>(153,463)</u>
Total		<u>(929,669)</u>
Unfunded Actuarial Accrued Liability at 1/1/2018	\$	<u><u>(2,063,483)</u></u>

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2018  
**Illustration of Minimum Municipal Obligation**

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Financial Requirements

Normal Cost	\$	194,540
Administrative Expenses		<u>54,699</u> <sup>1</sup>
Total	\$	249,239
Expected Member Contributions		(30,062)
10% of Negative Unfunded Actuarial Accrued Liability		<u>(206,348)</u>
Minimum Municipal Obligation	\$	<u><u>0</u></u> <sup>2</sup>

<sup>1</sup> Total Administrative Expenses for Plan Year 1/1/2016 to 12/31/2016 - \$ 42,591

Total Administrative Expenses for Plan Year 1/1/2017 to 12/31/2017 - \$ 66,806

<sup>2</sup> Since the actuarial value of assets exceed the actuarial present value of future benefits, the Minimum Municipal Obligation = \$0

Fairview Township Non-Uniformed Employees'  
Pension Plan  
Actuarial Valuation  
as of January 1, 2018

Section 3

Supplemental Information

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
**Supplemental Information**

**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%
1/1/2015	8,006,356	7,422,441	(583,915)	-7.9%	107.9%	1,568,816	-37.2%
1/1/2016	8,087,334	6,904,480	(1,182,854)	-17.1%	117.1%	1,192,260	-99.2%
1/1/2017	8,377,902	7,172,348	(1,205,554)	-16.8%	116.8%	985,845	-122.3%
1/1/2018	9,436,032	7,372,549	(2,063,483)	-28.0%	128.0%	1,056,790	-195.3%

**Schedule of Interest Rate Sensitivity Testing**

Interest Rate <sup>1</sup>	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%	\$ 9,436,032	\$ 8,266,767	\$ (1,169,265)	-14.1%	114.1%
7.00%	9,436,032	7,372,549	(2,063,483)	-28.0%	128.0%
8.00%	9,436,032	6,621,675	(2,814,357)	-42.5%	142.5%

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

Fairview Township Non-Uniformed Employees' Pension Plan  
 Actuarial Valuation as of January 1, 2018  
**Supplemental Information**

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

Year	Actuarially <sup>1</sup> Determined Contribution	Contributions <sup>2</sup> From Employer	Contribution Deficiency/ (Surplus)
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)
2014	343,824	343,824	0
2015	347,807	347,807	0
2016	173,104	173,104	0
2017	70,359	70,359	0

<sup>1</sup> Minimum Municipal Obligation under Act 205 of 1984

<sup>2</sup> Includes general municipal pension system State aid

Fairview Township Non-Uniformed Employees' Pension Plan  
Actuarial Valuation as of January 1, 2018  
**Appendix**

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**Supplemental Information for Assumptions for Act 205 Funding Calculations**

In accordance with regulations under Act 205 of 1984, all actuarial assumptions are selected jointly by the actuary and the governing body of the pension Plan.

**Interest Rates**

The interest rate assumption is the long term expected rate of return on pension plan investments. It is based on the Plan's current asset allocation, expected long term inflation, and historical long term expected real rates of return on the Plan's major asset classes.

**Salary**

Based on expected long term salary increases for active participants, considering the effects of future inflation.

**Withdrawal**

Historical rates of withdrawal were considered as well as future expectations of withdrawal for the affected population.

**Mortality**

Based on the most current IRS mortality table for funding purposes.

**Disability**

Based on the Society of Actuaries Group LTD Table – Males, 6-month elimination (1987).

**Retirement**

Due to the plan size and design, use of a single retirement age was assumed. The use of retirement rates is not expected to produce materially different results.

**Expenses**

Expected expenses are determined by averaging the two prior year's expenses.

**Inflation**

Moderate inflation based on long term historical average rates is a component of the actuarial assumptions used herein.

**Cost-of-Living Increase**

Based on expected future inflation using long term historical averages, and taking into consideration annual COLA limits per Plan provisions.