

# Chester County Employees' Retirement System

Report on 2015 Actuarial Valuation Including  
Determination of County Actuarially Determined  
Contribution for 2015

HayGroup®



Prepared By:

Henry E. Stiehl  
Hay Group  
Suite 2300  
1650 Arch Street  
Philadelphia, Pennsylvania 19103-2029

for

**Chester County Employees' Retirement Board**

Terence Farrell	Commissioner
Kathi Cozzone	Commissioner
Michelle Kichline	Commissioner
Norman MacQueen	Controller/Secretary
Ann Duke	Treasurer

**May 18, 2015**

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## I. Introduction

The primary purpose of this report is to investigate and fully and fairly disclose the actuarial position of the Chester County Employees' Retirement System as of January 1, 2015 and to establish the proper appropriation for the 2015 plan year, in accordance with the funding standards of Section 6 of Act 96, 1971 of the Commonwealth of Pennsylvania as amended.

On the basis of the actuarial methods, assumptions and major plan provisions summarized in this report and in reliance on the member data and statement of the Fund's assets furnished by the County, to the best of our knowledge the information in this report is complete and accurate.

To the best of our knowledge, this report is complete and accurate and all costs and liabilities have been determined in conformance with generally accepted actuarial principles and on the basis of actuarial assumptions and methods which are reasonable (taking into account past experience under the plan and reasonable expectations) and which represent our best estimate of anticipated experience under the plan.

Respectfully submitted,

### HayGroup

By: Henry E. Stiehl

Henry E. Stiehl  
Principal

By: David D. Reichert

David D. Reichert, EA  
Member, American Academy of Actuaries  
ERISA Enrolled Actuary No. 14-6461

## II. Findings

### Certified Actuarially Determined Contribution

Please note that the certified actuarially determined contribution which is reported on page 13 of this report and which must be funded in 2015 is \$6,025,657. This amount is required to ensure that the fund accumulates sufficient assets to pay future benefits and should be paid by the County from the General Fund.

### Actuarial Adjustments

Also note that the balances in the Reserve Accounts on page 9 reflect the following transfers which are necessary to keep the balance in the Retired Member's Reserve Account equal to the liability for the retired lives and to reflect the difference between the amount of interest credited to the respective reserves and the interest rate assumed in the valuation of the liabilities. Please make these transfers in your records:

	DEBIT	CREDIT
County Annuity Reserve Account	\$ 5,992,240.95	
Retired Members Annuity Reserve Account		\$ 5,992,240.95

### III. Schedules

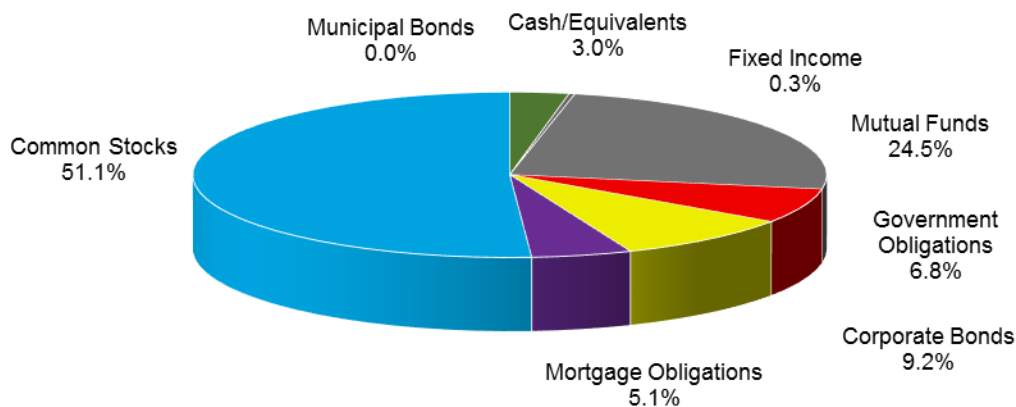
#### Schedule A

CHESTER COUNTY EMPLOYEES' RETIREMENT SYSTEM			
CHANGES IN PLAN NET ASSETS FOR THE CALENDAR YEAR 2014 AND 2013			
Additions			
		<u>2014 Total</u>	<u>2013 Total</u>
Contributions			
County	\$	7,810,793.00	\$ 9,880,939.00
Plan Members	\$	6,703,445.33	\$ 6,497,708.47
Miscellaneous	\$	40,890.43	\$ 68,450.58
Total Contributions	\$	<u>14,555,128.76</u>	<u>\$ 16,447,098.05</u>
Investment Income			
Realized Gain	\$	<u>27,373,062.19</u>	
Unrealized Loss	\$	<u>(13,022,769.29)</u>	
Net Gain in Fair Value	\$	14,350,292.90	\$ 51,324,399.28
Interest	\$	2,157,878.49	\$ 2,133,438.04
Dividends	\$	4,522,558.82	\$ 3,707,388.85
Net Accrued Interest	\$	855,729.54	\$ 771,831.24
Investment Income	\$	<u>21,886,459.75</u>	<u>\$ 57,937,057.41</u>
Less Investment Expense	\$	839,784.99	\$ 41,422.40
Net Investment Income	\$	<u>21,046,674.76</u>	<u>\$ 57,895,635.01</u>
Total Additions	\$	<u>35,601,803.52</u>	<u>\$ 74,342,733.06</u>
Deductions			
Benefits	\$	18,332,761.21	\$ 15,892,598.09
Refunds of Member Contributions	\$	1,350,687.65	\$ 1,238,335.82
Administrative Expense	\$	<u>127,798.00</u>	<u>\$ 133,483.15</u>
Total Deductions	\$	<u>19,811,246.86</u>	<u>\$ 17,264,417.06</u>
Net Increase/(Decrease)	\$	<u>15,790,556.66</u>	<u>\$ 57,078,316.00</u>
Net Assets Held In Trust For Pension Benefits			
Beginning of Year	\$	<u>362,368,515.33</u>	\$ 305,290,199.33
End of Year	\$	<u><u>378,159,071.99</u></u>	<u><u>362,368,515.33</u></u>

**Schedule A—Continued**

<b>CHESTER EMPLOYEES' RETIREMENT SYSTEM</b>				
<b>PLAN ASSETS AS OF DECEMBER 31, 2014 AND 2013</b>				
<b>Assets</b>				
	<b>2014 Total</b>		<b>2013 Total</b>	
Cash and Short-Term Investments	\$	10,289,662.27	\$	16,511,563.37
Receivables	\$	855,729.54	\$	771,831.24
Investments, at fair market value				
Government Obligations	\$	25,710,069.29	\$	31,827,045.83
Corporate Bonds	\$	34,656,302.37	\$	24,810,978.63
Common Stocks	\$	193,409,465.64	\$	163,248,302.34
Fixed Income	\$	1,255,671.19	\$	333,113.40
Mutual Funds	\$	92,474,368.12	\$	105,630,215.90
Mortgage Obligations	\$	19,280,372.82	\$	18,923,637.61
Municipal Bonds	\$	265,946.00	\$	363,766.25
Total Investments	\$	367,052,195.43	\$	345,137,059.96
<b>Total Assets</b>	<b>\$</b>	<b>378,197,587.24</b>	<b>\$</b>	<b>362,420,454.57</b>
<b>Liabilities</b>				
Refunds Payable and Other	\$	38,515.25	\$	51,939.24
<b>Net Assets Held In Trust For Pension Benefits</b>				
	\$	378,159,071.99	\$	362,368,515.33

**TOTAL ASSETS (MARKET VALUE 12-31-2014)**





## Schedule A – Continued

### *Chester County Employees’ Retirement System*

#### **Plan Description and Contribution Information**

***Basis of Accounting:*** The Chester County Employees’ Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

***Method Used to Value Investments:*** Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Membership of the plan consisted of the following as of January 1, 2015:

Retirees and Beneficiaries Receiving Benefits	1,219
Terminated Plan Members Entitled to but not yet Receiving Benefits	305
Active Plan Members	2,278
Total	3,802
Number of Participating Employers	1

## Schedule A—Continued

### Chester County Employees' Retirement System

**Plan Description:** The Chester County Employees' Retirement Plan is a single-employer defined benefit pension plan that covers all employees of the County. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Chester County Employees' Retirement Board. Act 96 of 1971, as amended cited as the County Pension Law provides for the creation, maintenance and operation of this plan.

**Contributions:** Plan members who entered the system prior to 1/1/2011 are required to contribute 5% of their annual covered salary. Plan members entering on 1/1/2011 and thereafter are required to contribute 6% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs may be financed through investment earnings.

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#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

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Year	Contribution *	County Contribution
2005	\$ 8,173,783	\$ 8,173,783
2006	\$ 8,373,341	\$ 8,373,341
2007	\$ 7,845,648	\$ 7,845,648
2008	\$ 7,525,934	\$ 7,525,934
2009	\$ 12,407,840	\$ 12,407,840
2010	\$ 12,552,931	\$ 15,127,446
2011	\$ 10,948,849	\$ 10,948,849
2012	\$ 11,579,074	\$ 11,579,074
2013	\$ 9,880,939	\$ 9,880,939
2014	\$ 7,810,793	\$ 7,810,793

**Note:** Effective in 2005 the Entry Age Funding Method was used to determine the annual required contribution. Prior to 2005 the Aggregate Method was used.

\*Prior to 2014, contribution was described as Annual Required Contribution (ARC). After 2013, contribution was described as actuarially determined contribution.

**Schedule A--Continued**

SCHEDULES OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2006	201,651,975	245,161,278	43,509,303	82.3%	101,441,660	42.9%
1/1/2007	222,871,098	265,136,166	42,265,068	84.1%	103,537,753	40.8%
1/1/2008	261,412,287	289,225,588	27,813,301	90.4%	111,960,789	24.8%
1/1/2009	241,341,757	308,742,291	67,400,534	78.2%	116,911,628	57.7%
1/1/2010	235,154,317	318,287,679	83,133,362	73.9%	116,443,020	71.4%
1/1/2011	257,781,217	335,527,874	77,746,657	76.8%	115,580,646	67.3%
1/1/2012	273,290,990	356,428,788	83,137,798	76.7%	115,886,844	71.7%
1/1/2013	302,569,569	368,776,415	66,206,846	82.0%	110,864,248	59.7%
1/1/2014	344,772,839	392,680,874	47,908,035	87.8%	112,704,901	42.5%
1/1/2015	378,750,852	412,238,288	33,487,436	91.9%	111,337,938	30.1%

### Schedule A—Continued

HISTORICAL ACCOUNTING INFORMATION	
The information was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:	
Valuation Date	01/01/2015
Actuarial Cost Method	Entry Age
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return *	7.5%
Projected Salary Increases *	3.5%
* Includes Inflation at	3%

ACCOUNTING PROCEDURES FOR CALCULATING - NET PENSION OBLIGATION (NPO)							
Subsequent years Net Pension Liability calculation found in GASB 67 & 68 disclosure report							
(1) Year	(2) ARC	(3) Interest on NPO ***	(4) ARC Adjustment **	(5) Pension Cost (2+3-4)	(6) Contribution	(7) Change in NPO (5-6)	(8) NPO Balance* (BB+7)
2005	8,173,783	(993)	(1,631)	8,174,421	8,173,783	638	(12,602)
2006	8,373,341	(945)	(1,552)	8,373,948	8,373,341	607	(11,995)
2007	7,845,648	(900)	(1,467)	7,846,215	7,845,648	567	(11,428)
2008	7,525,934	(857)	(1,407)	7,526,484	7,525,934	550	(10,878)
2009	12,407,840	(816)	(1,358)	12,408,382	12,407,840	542	(10,336)
2010	12,552,931	(775)	(1,372)	12,553,528	15,127,446	(2,573,918)	(2,584,254)
2011	10,948,849	(193,774)	(344,502)	11,099,577	10,948,849	150,728	(2,433,526)
2012	11,579,074	(182,514)	(325,440)	11,722,000	11,579,074	142,926	(2,290,600)
2013	9,880,939	(171,795)	(307,621)	10,016,765	9,880,939	135,826	(2,154,774)

\* BB = Beginning balance for the year.

\*\* ARC Adjustment - Amortization factor based upon level percentage of projected payroll.

\*\*\* Interest on the balance of the NPO at the beginning of the year using the investment return rate assumed in determining ARC. The interest is an estimate of the investment earnings lost to the plan on any contributions that were not made (7.5% when applicable).

### Schedule B

Schedule B shows the allocation of the assets among the Fund's reserve accounts (see Schedule I for Determination of Reserve Balances) and the Fund's liabilities as of January 1, 2015. The liabilities were determined from the actuarial valuation of the System based upon the data submitted by the County.

<b>ASSETS</b>	
Members' Annuity Reserve Account	\$ 103,456,795.78
County Annuity Reserve Account	\$ 83,407,269.23
Retired Members' Reserve Account	\$ 146,572,727.00
Unrealized Appreciation of Assets	\$ 44,722,279.98
<i>Total Assets, (Market Value) of the Chester County Employees' Retirement Fund</i>	<i>\$ 378,159,071.99</i>
<b>LIABILITIES</b>	
Actuarial Present Value of:	
Accumulated Plan Benefits	
Vested participants (1,594)	\$ 96,263,381
Nonvested participants (684)	\$ 1,184,873
Future Benefit Accruals	\$ 78,833,250
Terminated Vested Benefits	\$ 12,256,576
Retired Benefits	\$ 146,572,727
Member Accumulated Deductions	\$ 103,456,796
<i>Total Liabilities of the Chester County Employees' Retirement Fund</i>	<i>\$ 438,567,603</i>

## Schedule C

### Unfunded Actuarial Liability and Normal Cost

Schedule C shows the development of the unfunded actuarial liability and the normal cost for 2015.

#### I. Unfunded Actuarial Liability January 1, 2015

1. Actuarial Liability:		
(a) Active Participants		
Retirement Benefits	\$	131,832,713
Termination Benefits		8,245,756
Death Benefits		9,873,720
Total	\$	149,952,189
(b) Terminated Vested Participants	\$	12,256,576
(c) Retired Members and Beneficiaries		
Retirement Benefits	\$	142,511,100
Cost-of-Living Benefits		4,061,627
Total	\$	146,572,727
(d) Member Accumulated Deductions	\$	103,456,796
(e) Total (a) + (b) + (c) + (d)	\$	412,238,288
2. Actuarial Value of Plan Assets (see page 15)	\$	378,750,852
3. Unfunded Actuarial Liability as of January 1, 2015: (1e) – (2)	\$	33,487,436

#### II. Normal Cost for 2015

1. Normal Cost for:		
(a) Retirement Benefits	\$	3,161,998
(b) Termination Benefits		445,976
(c) Death Benefits		251,601
(d) Normal Cost as of January 1, 2015	\$	3,859,575
(e) Normal Cost with interest to end of year: (d) x 1.075	\$	4,149,043

**Schedule D**

**Actuarial Gain(Loss) for One Year Period Ending December 31, 2014**

Schedule D shows the development of the actuarial gain (loss) for the 2014 plan year.

1.	Unfunded Actuarial Liability as of January 1, 2014	\$ 47,908,035
2.	Normal Cost as of January 1, 2014	3,992,634
3.	Interest at 7.50% Per Year to December 31, 2014 on (1) and (2)	3,892,550
4.	Employer Contributions for the 2014 Plan Year	7,810,793
5.	Change in Unfunded Actuarial Liability Due to Cost of Living Increase to Retirees	0
6.	Change in Unfunded Actuarial Liability Due to Change in Assumptions	0
7.	Expected Unfunded Actuarial Liability as of January 1, 2015: (1) + (2) + (3) - (4) + (5) + (6)	47,982,426
8.	Unfunded Actuarial Liability as of January 1, 2015	33,487,436
9.	Actuarial Gain (Loss) for 2014 Plan Year: (7) – (8)	14,494,990

## Schedule E

### Amortization Schedule

Schedule E provides a record of the amortization amounts. Actuarial gains (losses) will be amortized over 15 years from the date determined; increases or decreases created by pension plan establishing an unfunded actuarial accrued liability will be amortized over 30 years from the effective establishment date; increases or decreases created by a modification in the benefit plan applicable to active members will be amortized over 20 years beginning with the January 1<sup>st</sup> coinciding with or next following the effective date of change; increases or decreases created by a modification in the benefit plan applicable to retired members will be amortized over 10 years beginning with the January 1<sup>st</sup> coinciding with or next following the effective date of change; increases in actuarial accrued liability attributable to the special early retirement provision will be amortized over 5 years beginning with the January 1<sup>st</sup> coinciding with or next following the end of the early retirement period; and increases or decreases created by changes in actuarial assumptions will be amortized over 15 years from the effective date of change; resetting the unfunded actuarial liability (UAL) due to outstanding balance becoming negative will be amortized over 15 years beginning with the January 1<sup>st</sup> coinciding with or next following when the outstanding balance becomes negative. When resetting, any previous charges or credits will be considered paid off and eliminated.

### Amortization Record for 2015

		As of January 1, 2015				
		<u>Initial Amount</u>	<u>Effective Date</u>	<u>Remaining Period</u>	<u>Outstanding Balance</u>	<u>Amortization Charge or (Credit)</u>
Amortization of Liability for:						
(a)	Initial UAAL	\$ 79,404,679	1/1/2010	25 Years	\$ 74,944,177	\$ 6,723,292
(b)	Experience gain	(890,081)	1/1/2011	11 Years	(737,649)	(100,835)
(c)	Experience loss	6,182,598	1/1/2012	12 Years	5,417,863	700,409
(d)	Experience gain	(15,843,421)	1/1/2013	13 Years	(14,584,724)	(1,794,857)
(e)	Experience gain	(17,736,315)	1/1/2014	14 Years	(17,057,241)	(2,009,298)
(f)	Experience gain	(14,494,990)	1/1/2015	15 Years	<u>(14,494,990)</u>	<u>(1,642,097)</u>
(g)	Total				<u>\$ 33,487,436</u>	<u>\$ 1,876,614</u>



### **Schedule F**

Schedule F determines the certified actuarially determined contribution of \$6,025,657 for 2015 for the Chester County Employees' Retirement System.

1.	Total Amortization Charge/(Credit) (page 12 (g))	\$ 1,876,614
2.	Normal Cost with interest to end of year (page 10 II 1(e))	\$ 4,149,043
3.	Total Funding Requirement for 2015 (actuarially determined contribution for 2015): (1) + (2), but not less than 0	\$ 6,025,657

**Notes:**

The actuarially determined contribution for 2015 as a percentage of the estimated 2015 compensation (\$111,337,938) for active members is 5.41%.

The equivalent normal cost accrual rate to be applied to actual 2014 salaries to determine reimbursable expenses is 5.60%.

## **Schedule G**

The following are notes to Schedules B and I:

### **Members' Annuity Reserve Account**

The balance of \$103,456,795.78 in this account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of January 1, 2015. Since these accumulations represent the present value as of January 1, 2015, of future benefits, the reserve balance and liability are identical.

### **County Annuity Reserve Account**

The balance of \$83,407,269.23 in this account as of January 1, 2015 and the amounts expected to be credited in the future, plus investment earnings, represent the reserves set aside for the payment of the county's share of the retirement allowances.

This is the account out of which regular interest is credited to the member's annuity and retired members' reserve account, administrative expenses may be paid and the pension obligations of the County are funded.

When a County Annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County Annuity Reserve Account to the Retired Members' Reserve Account to provide for such County Annuities actually entered upon.

### **Retired Members' Reserve Account**

This is the account out of which monthly retirement allowances including cost-of-living increases and death benefits are paid.

The assets allocated to this reserve account as of January 1, 2015 amount to \$146,572,727.00. The corresponding liability for those annuitants on the roll is identical.

**Schedule G--Continued**

**Adjustment for Market Value Fluctuation**

In order to reduce the fluctuations in the County normal cost which can result from full recognition of the unrealized appreciation or depreciation of the Fund's securities each year, the value of assets used to determine costs was determined by adjusting the cost value of the assets by the average ratio of market to cost value for the past five years:

RATIO OF MARKET VALUE TO COST VALUE OF ASSETS				
January 1	(1) Cost Value of Assets	(2) Market Value of Assets	Ratio (2) / (1)	
2011	\$ 230,346,901	\$ 271,467,388	1.1785	
2012	\$ 250,266,474	\$ 273,416,470	1.0925	
2013	\$ 281,407,710	\$ 305,290,199	1.0849	
2014	\$ 304,623,466	\$ 362,368,515	1.1896	
2015	\$ 333,436,792	\$ 378,159,072	1.1341	
Average			1.1359	

ACTUARIAL VALUE OF ASSETS JANUARY 1, 2015		
(1) Cost Value of Assets	\$	333,436,792.01
(2) Average Ratio		1.1359
(3) Actuarial Value of Assets	\$	378,750,852.04

### Schedule H

APPROXIMATE RATE OF RETURN FOR 2014 PLAN YEAR			
		<u>Actuarial Value</u>	<u>Market Value</u>
1. Value as of December 31, 2013	\$	344,772,838.89	\$ 362,368,515.33
2. Contributions Received During Year	\$	14,555,128.76	\$ 14,555,128.76
3. Benefits and Expenses Paid During Year	\$	20,651,031.85	\$ 20,651,031.85
4. Value as of December 31, 2014	\$	378,750,852.04	\$ 378,159,071.99
5. Non-Investment Increment: (2) - (3)	\$	(6,095,903.09)	\$ (6,095,903.09)
6. Investment Increment: (4) - (1) - (5)	\$	40,073,916.24	\$ 21,886,459.75
7. Time Weighted Value of Assets: (1) + .5 x (5)	\$	341,724,887.35	\$ 359,320,563.79
8. Approximate Rate of Return for 2014: (6) / (7)		11.73%	6.09%

### HISTORY OF RATE OF RETURNS

<u>Plan Year</u>	<u>Actuarial Value Rate of Return</u>	<u>Market Value Rate of Return</u>
2013	14.25%	19.00%
2012	10.40%	11.34%
2011	5.08%	(0.15%)
2010	6.16%	11.87%
2009	(4.80%)	17.31%
2008	(7.61%)	(25.87%)
2007	17.23%	6.97%
2006	8.84%	11.70%
2005	5.87%	5.19%
Five Year Average (2010 - 2014):	9.47%	9.44%
Ten Year Average (2005 - 2014):	6.45%	5.55%

## Schedule I

### Determination of Reserve Balances

	M.A.R.A.	C.A.R.A.	R.M.R.A.	TOTAL
Balance 1/1/2014	\$ 101,789,007.99	\$ 71,516,105.07	\$ 131,318,353.00	\$ 304,623,466.06
County Appropriations		7,810,793.00		7,810,793.00
Member Contributions	6,703,638.92			6,703,638.92
Member Purchases		(193.59)		(193.59)
Net Investment Income		34,909,229.04		34,909,229.04
Investment Expenses		(839,784.99)		(839,784.99)
Member Contributions Refunded	(1,350,687.65)			(1,350,687.65)
Pension Payments			(17,949,661.83)	(17,949,661.83)
Death Benefits			(383,099.38)	(383,099.38)
Retiree and Death Benefit Transfers	(7,855,051.60)	(14,902,698.54)	22,757,750.14	0.00
Administrative Expenses		(127,798.00)		(127,798.00)
Miscellaneous		40,890.43		40,890.43
Adjustments	144,748.07	350,092.59	(494,840.66)	0.00
Balance Before Interest	99,431,655.73	98,756,635.01	135,248,501.27	333,436,792.01
Interest Allocated in 2014	4,025,140.05	(9,357,124.83)	5,331,984.78	
Balance Before Actuarial Adjustments	103,456,795.78	89,399,510.18	140,580,486.05	333,436,792.01
Actuarial Adjustments		(5,992,240.95)	5,992,240.95	
Ending Balance 12/31/2014	103,456,795.78	83,407,269.23	146,572,727.00	333,436,792.01
Unrealized Appreciation				44,722,279.98
Total Assets (12/31/2014) (Market Value)				378,159,071.99

## Schedule J

### Membership History

Below is a ten-year history of the Retirement System's membership.

ACTIVE MEMBERS AND VESTED TERMINATED MEMBERS				RETIRED MEMBERS AND BENEFICIARIES		
January 1	Male	Female	Total	Male	Female	Total
2015	982	1,601	2,583	408	811	1,219
2014	1,005	1,614	2,619	370	774	1,144
2013	990	1,616	2,606	366	724	1,090
2012	997	1,646	2,643	342	680	1,022
2011	1,010	1,634	2,644	316	641	957
2010	1,011	1,663	2,674	300	610	910
2009	1,012	1,683	2,695	296	600	896
2008	967	1,659	2,626	292	585	877
2007	920	1,595	2,515	278	547	825
2006	929	1,629	2,558	246	477	723

## Schedule K

### Changes in Plan Participation From January 1, 2014 to January 1, 2015

<b>ACTIVE PARTICIPANTS</b>		
Number as of January 1, 2014		2,349
Changes During Plan Year:		
Retired	(-)	82
Terminated and Vested	(-)	43
Terminated	(-)	164
Died	(-)	3
New Participants	(+)	221
Number as of January 1, 2015		2,278

<b>RETIRED PARTICIPANTS</b>		
Number as of January 1, 2014		1,144
Changes During Plan Year:		
Returned to Active Service	(-)	0
Died	(-)	19
New Retirements from Active Service	(+)	82
New Surviving Annuitants	(+)	1
Vested Terminated Participants Whose Benefits Commenced	(+)	7
Additions	(+)	4
Number as of January 1, 2015		1,219

<b>TERMINATED VESTED PARTICIPANTS</b>		
Number as of January 1, 2014		270
Changes During Plan Year:		
Returned to Active Service	(-)	0
Benefits Commenced	(-)	7
Termination	(-)	1
New Termination's with Vesting	(+)	43
Number as of January 1, 2015		305

### Schedule L

#### Age, Service and Average Salary Profile of the Active Members on January 1, 2015.

MALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2015									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	0	0	0	0	0	0	0	0	\$ 0
20-24	26	0	0	0	0	0	0	26	\$ 34,464
25-29	63	27	0	0	0	0	0	90	\$ 40,381
30-34	36	69	9	0	0	0	0	114	\$ 44,553
35-39	25	25	21	14	0	0	0	85	\$ 51,147
40-44	16	16	23	37	11	1	0	104	\$ 53,263
45-49	18	19	19	23	18	18	0	115	\$ 58,342
50-54	7	15	14	16	15	20	13	100	\$ 63,953
55-59	7	16	22	12	8	13	23	101	\$ 63,865
60-64	4	24	12	9	7	10	17	83	\$ 66,039
65 +	4	8	16	6	11	3	4	52	\$ 50,787
Total	206	219	136	117	70	65	57	870	\$ 54,222

Average Age: 45.15  
Average Service: 12.64

FEMALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2015									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	1	0	0	0	0	0	0	1	\$ 7,062
20-24	34	1	0	0	0	0	0	35	\$ 31,522
25-29	109	47	2	0	0	0	0	158	\$ 36,306
30-34	50	50	18	2	0	0	0	120	\$ 39,400
35-39	42	38	31	32	1	0	0	144	\$ 43,705
40-44	32	32	24	33	20	2	0	143	\$ 45,967
45-49	33	26	21	20	22	30	5	157	\$ 52,360
50-54	26	36	36	34	23	32	13	200	\$ 49,515
55-59	22	36	28	31	26	28	25	196	\$ 48,834
60-64	10	22	22	28	24	22	23	151	\$ 48,911
65 +	2	14	16	24	19	12	16	103	\$ 46,140
Total	361	302	198	204	135	126	82	1,408	\$ 45,649

Average Age: 46.66  
Average Service: 12.82



## Schedule M

### Actuarial Assumptions and Actuarial Cost Method for Funding Purposes, January 1, 2015.

#### Actuarial Assumptions

**Mortality Rates:** The life expectancy of all members (active and retired) is determined in accordance with the mortality rates set forth in the 1983 Group Annuity Mortality Table with no projected improvement.

**Withdrawal Rates:** Members not eligible to retire are assumed to terminate employment in accordance with a percentage of the withdrawal rates set forth in Table T-7 of the Actuary's Handbook. The applicable percentage depends on the member's years of service as follows:

YEARS OF SERVICE	PERCENTAGE
less than 1	300%
1 but less than 2	275%
2 but less than 3	250%
3 but less than 4	225%
4 but less than 5	200%
5 but less than 6	175%
6 or more	100%

It is further assumed that a percentage of members who terminate after having met the Plan's five year vesting requirement will elect an immediate refund of their own contributions with interest thus forfeiting the County -- provided pension. The applicable percentage is 100% for termination ages up to age 30. After age 30 the applicable percentage is determined as 100% less  $(age - 30) \times 3 \frac{1}{3}\%$ . Illustrative percentages are as follows:

AGE	PERCENTAGE
30 or less	100.0%
35	83.3%
40	66.7%
45	50.0%
50	33.3%
55	16.7%

### Schedule M--Continued

The following tables set forth illustrative withdrawal rates as determined in accordance with the methodology described on the previous page.

#### Probability of Withdrawing During Year:

LESS THAN FIVE YEARS OF SERVICE					
Age at Hire	Years of Service				
	0	1	2	3	4
20	.2982	.2720	.2460	.2202	.1947
30	.2791	.2532	.2275	.2021	.1770
40	.2326	.2067	.1814	.1570	.1335
50	.1267	.1013	.0781	.0577	.0407
59	.0086	-	-	-	-

FIVE OR MORE YEARS OF SERVICE		
Age at Beginning of Year	Probability of Withdrawing and Forfeiting County Pension	Probability of Withdrawing and Retaining County Pension
30	.0930	.0000
40	.0517	.0258
50	.0141	.0281
59	.0001	.0028

**Schedule M--Continued**

**Retirement Rates:**

Members eligible to retire are assumed to retire in accordance with the following rates:

AGE AT BEGINNING OF YEAR	PROBABILITY OF RETIRING DURING YEAR
55-59	.07
60-61	.08
62-64	.15
65	.34
66-70	.23
71-79	.21
80	1.00

**Disability Rates**

Disability rates are not used.

**Investment Return**

7.5% per annum, compounded annually.

**Salary Increases**

3.5% per annum.

**Valuation Assets**

The assets at cost value adjusted by the past five-year average of the market to cost ratio of assets.

**Administrative Expenses**

Assumed to be paid from the County's general fund and not from plan assets. However, administrative expenses may from year to year be paid from the fund unless it is determined by the actuary that such payment will impair the actuarial soundness of the fund.

**Actuarial Cost Method**

The actuarial cost method used to determine the plan's funding requirements is the entry age normal method. Under this method, an actuarial accrued liability is determined as the actuarial present value of projected benefits for all participants minus the actuarial present value of future normal costs. The normal cost is determined as the annual amount required to fund between entry age and assumed exit age the actuarial present value of projected benefits for each active participant under the assumed retirement age.

## Schedule N

### Summary of Plan Provisions

- 1. Effective Date** The effective date of this plan is January 1, 1943.
- 2. Eligibility for Plan Membership** An employee shall be eligible to become a participant immediately upon becoming an employee.
- 3. Accrued Benefit** The Retirement Board has authorized benefits equal to a percentage of the members Final Average Salary for each year of service the member has participated in the following Classes:

<u>CLASS</u>	<u>PERCENTAGE</u>	<u>EFFECTIVE</u>
1/120	0.833%	01/01/1943
1/80	1.250%	01/01/1972
1/70	1.429%	01/01/2001
1/100	1.000%	01/01/2011*

\* Effective for new county employees hired on or after this date.

- 4. Normal Retirement (Superannuation)** *Eligibility:* Retirement occurs at age 60 or at age 55 if the participant has completed 20 years of service.

*Pension:* A monthly pension equal to (a) and (b), as follows:

- (a) 0.833% of 1/12th of Final Average Salary multiplied by years of credited service on the 1/120 Class,
- 1.250% of 1/12th of Final Average Salary multiplied by years of credited service on the 1/80 Class,
- 1.429% of 1/12th of Final Average Salary multiplied by years of credited service on the 1/70 Class,
- 1.000% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/100 Class,

PLUS

- (b) a monthly annuity based on the actuarial equivalent of the member's accumulated contributions with credited interest.

## ***Schedule N--Continued***

- 5. Final Average Salary** The average of the member's annual compensation received for the three years which produce the highest such average.
- 6. Compensation** Pick-up contributions plus remuneration received as a county employee excluding refunds for expenses, contingency and accountable expense allowances and excluding severance payments or payments for unused vacation or sick leave.
- 7. Early Retirement**
- Eligibility:***
- Voluntary:*** Upon completion of 20 years of service.
- Involuntary:*** Upon completion of 8 years of service.
- Pension:***
- (a) a monthly pension equal to the actuarial equivalent of the benefits calculated in 4(a),
- PLUS
- (b) a monthly annuity based on the actuarial equivalent of the member's accumulated contributions with credited interest.
- 8. Vesting** One Hundred Percent (100%) upon completion of five years of credited service. A member who terminates employment after five years of credited service will receive a deferred annuity commencing at age 60 (or at age 55 if the member has at least 20 years of service at termination). The deferred benefit shall be calculated using the normal retirement pension formula but based on credited service, final average salary and accumulated contributions at termination.
- If a member terminates employment prior to entitlement to Plan benefits, he will receive his accumulated contributions with interest.
- 9. Postponed Retirement** A member may work past normal retirement age and continue to accrue pension credits.

## **Schedule N--Continued**

### **10. Disability Retirement**

**Eligibility:** Total and permanent disability prior to Superannuation (Normal Retirement) age and after completion of five years of credited service.

**Pension:** A total monthly pension commencing on the last day of the month following disability retirement equal to 25% of the 1/12th of Final Average Salary at time of retirement. Such total monthly pension shall include the monthly disability that is actuarially equivalent to the member's accumulated contributions at retirement.

### **11. Normal Form of Pension**

Benefits are payable in the form of a modified cash refund life annuity, that is for the member's lifetime only, except that disability benefits shall cease upon cessation of disability.

### **12. Optional Retirement Benefits**

A member may elect to receive the actuarial equivalent of his retirement benefit as a full cash refund annuity (Option One) or a reduced joint and survivor pension payable for the remainder of his life, with either 100% or 50% of the member's pension continuing after death to the designated beneficiary. A member may also elect to receive, in one payment, the full amount of his accumulated deductions and continue to receive the annuity provided by the county.

### **13. Death Benefits**

(a) Pre-Retirement. If a member dies after having attained age 60 or having completed ten years of credited service, his beneficiary will receive a lump sum equal to the actuarially determined present value of the benefits calculated in (7a) based on the member's Final Average Salary and credited service at time of death plus the member's accumulated contributions with interest at time of death.

(b) Post-Retirement. Upon the death of a terminated or retired member, his beneficiary will receive survivor benefits, if any, in accordance with the form under which benefits were being paid to the member. In any event, the total amount of benefits paid to the deceased member and beneficiary must, at least, equal the member's accumulated contributions with interest.

**Schedule N—Continued**

**14. Employee Contributions**

The Retirement Board has authorized each member of the retirement system to individually elect to contribute between 5% and 15% of salary.

The Retirement Board has authorized each member hired on or after 1/1/2011 to contribute between 6% and 16% of salary.

**15. Deposit Administrator**

Investment Managers:  
 Chester County Mutual Funds  
 Eagle Asset  
 Emerald Advisors  
 Fisher Investments  
 International Investments  
 Met West Capital Management  
 Pacer Advisors  
 Philadelphia Trust Company  
 Ryan Labs  
 Swarthmore Group  
 Valley Forge

Custodian:  
 Wells Fargo Bank, NA

Investment Consultant:  
 RBC Wealth Management

**16. Administration**

Retirement Board as designated in Act 96 of 1971, the County Pension Law.

**17. Cost-of-Living**

The cost-of-living increase shall be reviewed at least once in every three years by the Retirement Board. The Board has granted cost-of-living increases ten times in the past from January, 1972 through January, 1989 and since then as follows:

PERCENTAGE CHANGE IN C.P.I.	EFFECTIVE DATE OF INCREASE
70%	1/1/1991
70%	1/1/1993
70%	1/1/1995
70%	1/1/1997
70%	1/1/1999
70%	1/1/2001
70%	1/1/2003
70%	1/1/2005
70%	1/1/2007

**Schedule N—Continued**

**18. Early Retirement Provision**

The Retirement Board has authorized the following Early Retirement Provisions:

<u>Percent of Additional Service</u>	<u>Early Retirement Period</u>
20%	3/2/95 - 6/30/95
20%	8/1/00 - 1/31/01
25%	7/1/06 - 1/05/07



## Schedule O

### Historical Trend Information

REVENUES BY SOURCE						
Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Miscellaneous	Total	
2005	\$ 5,658,539	\$ 8,173,783	\$ 7,782,634	\$ 6,548	\$ 21,621,504	
2006	5,921,416	8,373,341	8,304,697	36,754	22,636,208	
2007	6,034,203	7,845,648	24,856,980	110,642	38,847,473	
2008	6,323,257	7,525,934	(9,718,625)	396,700	4,527,266	
2009	6,569,172	12,407,840	(9,856,821)	96,068	9,216,259	
2010	6,531,430	15,127,446	11,263,621	81,138	33,003,635	
2011	6,604,509	10,948,849	17,553,519	442,657	35,549,534	
2012	6,521,604	11,579,074	30,317,405	64,192	48,482,275	
2013	6,497,708	9,880,939	24,074,498	68,451	40,521,596	
2014	6,703,445	7,810,793	34,909,229	40,891	49,464,358	

EXPENSES BY TYPE				
Fiscal Year	Benefits	Refunds	Administrative/ Miscellaneous	Total
2005	\$ 6,740,698	\$ 1,203,419	\$ 868,852	\$ 8,812,969
2006	8,605,122	1,395,783	1,077,416	11,078,321
2007	11,685,331	1,193,843	978,233	13,857,407
2008	11,829,121	1,275,680	1,313,985	14,418,786
2009	11,293,340	1,129,652	1,130,627	13,553,619
2010	11,731,686	1,169,794	940,092	13,841,572
2011	13,104,208	1,253,190	1,272,564	15,629,962
2012	15,041,115	1,174,248	1,125,677	17,341,040
2013	15,892,598	1,238,336	174,905	17,305,839
2014	18,332,761	1,350,688	967,583	20,651,032