Chester County Employees’ Retirement System

Prepared by:

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for

Chester County Employees’ Retirement Board

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

April 19, 2016
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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, 2016 and to establish the proper appropriation for the 2016 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
Principal

By: 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 2016 is $8,469,935. 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:

<table>
<thead>
<tr>
<th>DEBIT</th>
<th>CREDIT</th>
</tr>
</thead>
<tbody>
<tr>
<td>County Annuity Reserve Account</td>
<td>$ 6,398,008.64</td>
</tr>
<tr>
<td>Retired Members Annuity Reserve Account</td>
<td>$ 6,398,008.64</td>
</tr>
</tbody>
</table>

Actuarial Assumptions

Effective January, 2016 the mortality table has been changed from GAM83 to RP2013. The effect of this change is an increase in the accrued liability of $6,385,724 and a corresponding increase in the actuarially determined contribution of $723,421.
## III. Schedules

### Schedule A

**CHESTER COUNTY EMPLOYEES' RETIREMENT SYSTEM**

**CHANGES IN PLAN NET ASSETS**
**FOR THE CALENDAR YEAR 2015 AND 2014**

### Additions

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 Total</th>
<th>2014 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>County</td>
<td>$6,025,657.00</td>
<td>$7,810,793.00</td>
</tr>
<tr>
<td>Plan Members</td>
<td>$7,151,006.68</td>
<td>$6,703,445.33</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>$54,127.40</td>
<td>$40,890.43</td>
</tr>
<tr>
<td><strong>Total Contributions</strong></td>
<td><strong>$13,230,791.08</strong></td>
<td><strong>$14,555,128.76</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investment Income</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Realized Gain</td>
<td>$15,488,598.56</td>
<td></td>
</tr>
<tr>
<td>Unrealized Loss</td>
<td>$(28,732,926.00)</td>
<td></td>
</tr>
<tr>
<td>Net Loss in Fair Value</td>
<td>$(13,244,327.44)</td>
<td>$14,350,292.90</td>
</tr>
<tr>
<td>Interest</td>
<td>$2,290,474.10</td>
<td>$2,157,878.49</td>
</tr>
<tr>
<td>Dividends</td>
<td>$4,349,308.96</td>
<td>$4,522,558.82</td>
</tr>
<tr>
<td>Net Accrued Interest</td>
<td>$758,445.02</td>
<td>$855,729.54</td>
</tr>
<tr>
<td><strong>Investment Income</strong></td>
<td><strong>$(5,846,099.36)</strong></td>
<td><strong>$21,886,459.75</strong></td>
</tr>
</tbody>
</table>

| Less Investment Expense      | $774,958.03      | $839,784.99      |
| Net Investment Income        | $(6,621,057.39)  | $21,046,674.76   |
| **Total Additions**          | **$6,609,733.69** | **$35,601,803.52** |

### Deductions

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 Total</th>
<th>2014 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits</td>
<td>$19,702,147.89</td>
<td>$18,332,761.21</td>
</tr>
<tr>
<td>Refunds of Member Contributions</td>
<td>$1,333,270.27</td>
<td>$1,350,687.65</td>
</tr>
<tr>
<td>Administrative Expense</td>
<td>$132,597.30</td>
<td>$127,798.00</td>
</tr>
<tr>
<td><strong>Total Deductions</strong></td>
<td><strong>$21,168,015.46</strong></td>
<td><strong>$19,811,246.86</strong></td>
</tr>
</tbody>
</table>

| Net Increase/(Decrease)                    | $(14,558,281.77) | $15,790,556.66   |

### Net Assets Held In Trust For Pension Benefits

<table>
<thead>
<tr>
<th>Description</th>
<th>2015 Total</th>
<th>2014 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning of Year</td>
<td>$378,159,071.99</td>
<td>$362,368,515.33</td>
</tr>
<tr>
<td>End of Year</td>
<td>$363,600,790.22</td>
<td>$378,159,071.99</td>
</tr>
</tbody>
</table>
## Schedule A—Continued

### CHESTER COUNTY EMPLOYEES’ RETIREMENT SYSTEM

#### PLAN ASSETS AS OF DECEMBER 31, 2015 AND 2014

<table>
<thead>
<tr>
<th>Assets</th>
<th>2015 Total</th>
<th>2014 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Short-Term Investments</td>
<td>$13,564,156.89</td>
<td>$10,289,662.27</td>
</tr>
<tr>
<td>Receivables</td>
<td>$758,445.02</td>
<td>$855,729.54</td>
</tr>
<tr>
<td>Investments, at fair market value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Obligations</td>
<td>$32,309,647.85</td>
<td>$25,710,069.29</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>$24,781,004.89</td>
<td>$34,656,302.37</td>
</tr>
<tr>
<td>Common Stocks</td>
<td>$186,868,245.91</td>
<td>$193,409,465.64</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>$621,775.89</td>
<td>$1,255,671.19</td>
</tr>
<tr>
<td>Mutual Funds</td>
<td>$83,974,799.77</td>
<td>$92,474,368.12</td>
</tr>
<tr>
<td>Mortgage Obligations</td>
<td>$20,717,020.94</td>
<td>$19,280,372.82</td>
</tr>
<tr>
<td>Municipal Bonds</td>
<td>$59,423.50</td>
<td>$265,946.00</td>
</tr>
<tr>
<td>Total Investments</td>
<td>$349,331,918.75</td>
<td>$367,052,195.43</td>
</tr>
<tr>
<td>Total Assets</td>
<td>$363,654,520.66</td>
<td>$378,197,587.24</td>
</tr>
</tbody>
</table>

#### Liabilities

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>2015 Total</th>
<th>2014 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refunds Payable and Other</td>
<td>$53,730.44</td>
<td>$38,515.25</td>
</tr>
</tbody>
</table>

#### Net Assets Held In Trust For Pension Benefits

<table>
<thead>
<tr>
<th>Net Assets Held In Trust For Pension Benefits</th>
<th>2015 Total</th>
<th>2014 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>$363,600,790.22</td>
<td>$378,159,071.99</td>
<td></td>
</tr>
</tbody>
</table>

### TOTAL ASSETS (MARKET VALUE 12-31-2015)

- **Common Stocks**: 51.4%
- **Municipal Bonds**: 0.0%
- **Cash/Equivalents**: 3.9%
- **Fixed Income**: 0.2%
- **Mutual Funds**: 23.1%
- **Government Obligations**: 8.9%
- **Mortgage Obligations**: 5.7%
- **Corporate Bonds**: 6.8%
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, 2016:

<table>
<thead>
<tr>
<th>Membership Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirees and Beneficiaries Receiving Benefits</td>
<td>1,233</td>
</tr>
<tr>
<td>Terminated Plan Members Entitled to but not yet Receiving Benefits</td>
<td>278</td>
</tr>
<tr>
<td>Active Plan Members</td>
<td>2,293</td>
</tr>
<tr>
<td>Total</td>
<td>3,804</td>
</tr>
<tr>
<td>Number of Participating Employers</td>
<td>1</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution *</th>
<th>County Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$8,373,341</td>
<td>$8,373,341</td>
</tr>
<tr>
<td>2007</td>
<td>$7,845,648</td>
<td>$7,845,648</td>
</tr>
<tr>
<td>2008</td>
<td>$7,525,934</td>
<td>$7,525,934</td>
</tr>
<tr>
<td>2009</td>
<td>$12,407,840</td>
<td>$12,407,840</td>
</tr>
<tr>
<td>2010</td>
<td>$12,552,931</td>
<td>$15,127,446</td>
</tr>
<tr>
<td>2011</td>
<td>$10,948,849</td>
<td>$10,948,849</td>
</tr>
<tr>
<td>2012</td>
<td>$11,579,074</td>
<td>$11,579,074</td>
</tr>
<tr>
<td>2013</td>
<td>$9,880,939</td>
<td>$9,880,939</td>
</tr>
<tr>
<td>2014</td>
<td>$7,810,793</td>
<td>$7,810,793</td>
</tr>
<tr>
<td>2015</td>
<td>$6,025,657</td>
<td>$6,025,657</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liability (AAL) - Entry Age (b)</th>
<th>Unfunded AAL (UAAL) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll ((b-a)/c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/1/2007</td>
<td>222,871,098</td>
<td>265,136,166</td>
<td>42,265,068</td>
<td>84.1%</td>
<td>103,537,753</td>
<td>40.8%</td>
</tr>
<tr>
<td>1/1/2008</td>
<td>261,412,287</td>
<td>289,225,588</td>
<td>27,813,301</td>
<td>90.4%</td>
<td>111,960,789</td>
<td>24.8%</td>
</tr>
<tr>
<td>1/1/2009</td>
<td>241,341,757</td>
<td>308,742,291</td>
<td>67,400,534</td>
<td>78.2%</td>
<td>116,911,628</td>
<td>57.7%</td>
</tr>
<tr>
<td>1/1/2010</td>
<td>235,154,317</td>
<td>318,287,679</td>
<td>83,133,362</td>
<td>73.9%</td>
<td>116,443,020</td>
<td>71.4%</td>
</tr>
<tr>
<td>1/1/2011</td>
<td>257,781,217</td>
<td>335,527,874</td>
<td>77,746,657</td>
<td>76.8%</td>
<td>115,580,646</td>
<td>67.3%</td>
</tr>
<tr>
<td>1/1/2012</td>
<td>273,290,990</td>
<td>356,428,788</td>
<td>83,137,798</td>
<td>76.7%</td>
<td>115,886,844</td>
<td>71.7%</td>
</tr>
<tr>
<td>1/1/2013</td>
<td>302,569,569</td>
<td>368,776,415</td>
<td>66,206,846</td>
<td>82.0%</td>
<td>110,864,248</td>
<td>59.7%</td>
</tr>
<tr>
<td>1/1/2014</td>
<td>344,772,839</td>
<td>392,680,874</td>
<td>47,908,035</td>
<td>87.8%</td>
<td>112,704,901</td>
<td>42.5%</td>
</tr>
<tr>
<td>1/1/2015</td>
<td>378,750,852</td>
<td>412,238,288</td>
<td>33,487,436</td>
<td>91.9%</td>
<td>111,337,938</td>
<td>30.1%</td>
</tr>
<tr>
<td>1/1/2016</td>
<td>385,640,127</td>
<td>438,522,954</td>
<td>52,882,827</td>
<td>87.9%</td>
<td>118,689,818</td>
<td>44.6%</td>
</tr>
</tbody>
</table>
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
01/01/2016
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

<table>
<thead>
<tr>
<th>(1) Year</th>
<th>(2) ARC</th>
<th>(3) Interest on NPO ***</th>
<th>(4) ARC Adjustment **</th>
<th>(5) Pension Cost (2+3-4)</th>
<th>(6) Contribution</th>
<th>(7) Change in NPO (5-6)</th>
<th>(8) NPO Balance* (BB+7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>8,173,783</td>
<td>(993)</td>
<td>(1,631)</td>
<td>8,174,421</td>
<td>8,173,783</td>
<td>638</td>
<td>(12,602)</td>
</tr>
<tr>
<td>2006</td>
<td>8,373,341</td>
<td>(945)</td>
<td>(1,552)</td>
<td>8,373,948</td>
<td>8,373,341</td>
<td>607</td>
<td>(11,995)</td>
</tr>
<tr>
<td>2007</td>
<td>7,845,648</td>
<td>(900)</td>
<td>(1,467)</td>
<td>7,846,215</td>
<td>7,845,648</td>
<td>567</td>
<td>(11,428)</td>
</tr>
<tr>
<td>2008</td>
<td>7,525,934</td>
<td>(857)</td>
<td>(1,407)</td>
<td>7,526,484</td>
<td>7,525,934</td>
<td>550</td>
<td>(10,878)</td>
</tr>
<tr>
<td>2009</td>
<td>12,407,840</td>
<td>(816)</td>
<td>(1,358)</td>
<td>12,408,382</td>
<td>12,407,840</td>
<td>542</td>
<td>(10,336)</td>
</tr>
<tr>
<td>2010</td>
<td>12,552,931</td>
<td>(775)</td>
<td>(1,372)</td>
<td>12,553,528</td>
<td>12,552,931</td>
<td>542</td>
<td>(2,564,254)</td>
</tr>
<tr>
<td>2011</td>
<td>10,948,849</td>
<td>(193,774)</td>
<td>(344,502)</td>
<td>11,099,577</td>
<td>10,948,849</td>
<td>150,728</td>
<td>(2,433,526)</td>
</tr>
<tr>
<td>2012</td>
<td>11,579,074</td>
<td>(182,514)</td>
<td>(325,440)</td>
<td>11,722,000</td>
<td>11,579,074</td>
<td>142,926</td>
<td>(2,290,600)</td>
</tr>
<tr>
<td>2013</td>
<td>9,880,939</td>
<td>(171,795)</td>
<td>(307,621)</td>
<td>10,016,765</td>
<td>9,880,939</td>
<td>135,826</td>
<td>(2,154,774)</td>
</tr>
</tbody>
</table>

* 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, 2016. The liabilities were determined from the actuarial valuation of the System based upon the data submitted by the County.

<table>
<thead>
<tr>
<th>ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Members’ Annuity Reserve Account</td>
<td>$ 106,665,659.56</td>
</tr>
<tr>
<td>County Annuity Reserve Account</td>
<td>$ 82,756,909.68</td>
</tr>
<tr>
<td>Retired Members’ Reserve Account</td>
<td>$ 158,188,867.00</td>
</tr>
<tr>
<td>Unrealized Appreciation of Assets</td>
<td>$ 15,989,353.98</td>
</tr>
<tr>
<td><strong>Total Assets, (Market Value) of the Chester County Employees’ Retirement Fund</strong></td>
<td>$ 363,600,790.22</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Present Value of:</td>
<td></td>
</tr>
<tr>
<td>Accumulated Plan Benefits</td>
<td></td>
</tr>
<tr>
<td>Vested participants (1,546)</td>
<td>$ 101,782,889</td>
</tr>
<tr>
<td>Nonvested participants (747)</td>
<td>$ 977,244</td>
</tr>
<tr>
<td>Future Benefit Accruals</td>
<td>$ 87,738,828</td>
</tr>
<tr>
<td>Terminated Vested Benefits</td>
<td>$ 11,920,535</td>
</tr>
<tr>
<td>Retired Benefits</td>
<td>$ 158,188,867</td>
</tr>
<tr>
<td>Member Accumulated Deductions</td>
<td>$ 106,665,660</td>
</tr>
<tr>
<td><strong>Total Liabilities of the Chester County Employees’ Retirement Fund</strong></td>
<td>$ 467,274,023</td>
</tr>
</tbody>
</table>
Schedule C

Unfunded Actuarial Liability and Normal Cost

Schedule C shows the development of the unfunded actuarial liability and the normal cost for 2016.

I. Unfunded Actuarial Liability January 1, 2016

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Actuarial Liability:</strong></td>
<td></td>
</tr>
<tr>
<td>(a) Active Participants</td>
<td></td>
</tr>
<tr>
<td>Retirement Benefits</td>
<td>$147,951,976</td>
</tr>
<tr>
<td>Termination Benefits</td>
<td>$8,580,670</td>
</tr>
<tr>
<td>Death Benefits</td>
<td>$5,215,246</td>
</tr>
<tr>
<td>Total</td>
<td>$161,747,892</td>
</tr>
<tr>
<td>(b) Terminated Vested Participants</td>
<td>$11,920,535</td>
</tr>
<tr>
<td>(c) Retired Members and Beneficiaries</td>
<td></td>
</tr>
<tr>
<td>Retirement Benefits</td>
<td>$154,615,849</td>
</tr>
<tr>
<td>Cost-of-Living Benefits</td>
<td>$3,573,018</td>
</tr>
<tr>
<td>Total</td>
<td>$158,188,867</td>
</tr>
<tr>
<td>(d) Member Accumulated Deductions</td>
<td>$106,665,660</td>
</tr>
<tr>
<td>(e) Total (a) + (b) + (c) + (d)</td>
<td>$438,522,954</td>
</tr>
<tr>
<td>2. Actuarial Value of Plan Assets</td>
<td>$385,640,127</td>
</tr>
<tr>
<td>3. Unfunded Actuarial Liability</td>
<td>$52,882,827</td>
</tr>
</tbody>
</table>

II. Normal Cost for 2016

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Normal Cost for:</strong></td>
<td></td>
</tr>
<tr>
<td>(a) Retirement Benefits</td>
<td>$3,529,442</td>
</tr>
<tr>
<td>(b) Termination Benefits</td>
<td>$491,002</td>
</tr>
<tr>
<td>(c) Death Benefits</td>
<td>$135,837</td>
</tr>
<tr>
<td>(d) Normal Cost as of January 1, 2016</td>
<td>$4,156,281</td>
</tr>
<tr>
<td>(e) Normal Cost with interest to end of year: (d) x 1.075</td>
<td>$4,468,002</td>
</tr>
</tbody>
</table>
Schedule D

Actuarial Gain (Loss) for One Year Period Ending December 31, 2015

Schedule D shows the development of the actuarial gain (loss) for the 2015 plan year.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unfunded Actuarial Liability as of January 1, 2015</td>
<td>$ 33,487,436</td>
</tr>
<tr>
<td>2</td>
<td>Normal Cost as of January 1, 2015</td>
<td>3,859,575</td>
</tr>
<tr>
<td>3</td>
<td>Interest at 7.50% Per Year to December 31, 2015 on (1) and (2)</td>
<td>2,801,026</td>
</tr>
<tr>
<td>4</td>
<td>Employer Contributions for the 2015 Plan Year</td>
<td>6,025,657</td>
</tr>
<tr>
<td>5</td>
<td>Change in Unfunded Actuarial Liability Due to Cost of Living Increase to Retireds</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Change in Unfunded Actuarial Liability Due to Change in Assumptions</td>
<td>6,385,724</td>
</tr>
<tr>
<td>7</td>
<td>Expected Unfunded Actuarial Liability as of January 1, 2016: (1) + (2) + (3) - (4) + (5) + (6)</td>
<td>40,508,104</td>
</tr>
<tr>
<td>8</td>
<td>Unfunded Actuarial Liability as of January 1, 2016</td>
<td>52,882,827</td>
</tr>
<tr>
<td>9</td>
<td>Actuarial Gain (Loss) for 2015 Plan Year: (7) – (8)</td>
<td>(12,374,723)</td>
</tr>
</tbody>
</table>
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 1st 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 1st 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 1st 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 2016

<table>
<thead>
<tr>
<th>Amortization of Liability for:</th>
<th>As of January 1, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Initial Amount</td>
</tr>
<tr>
<td>(a) Initial UAAL</td>
<td>$79,404,679</td>
</tr>
<tr>
<td>(b) Experience gain</td>
<td>(890,081)</td>
</tr>
<tr>
<td>(c) Experience loss</td>
<td>6,182,598</td>
</tr>
<tr>
<td>(d) Experience gain</td>
<td>(15,843,421)</td>
</tr>
<tr>
<td>(e) Experience gain</td>
<td>(17,736,315)</td>
</tr>
<tr>
<td>(f) Experience gain</td>
<td>(14,494,990)</td>
</tr>
<tr>
<td>(g) Chg. in mort table</td>
<td>6,385,724</td>
</tr>
<tr>
<td>(h) Experience loss</td>
<td>12,374,723</td>
</tr>
<tr>
<td>(i) Total</td>
<td></td>
</tr>
</tbody>
</table>
**Schedule F**

Schedule F determines the certified actuarially determined contribution of $8,469,935 for 2016 for the Chester County Employees’ Retirement System.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total Amortization Charge/(Credit) (page 12 (i))</td>
<td>$4,001,933</td>
</tr>
<tr>
<td>2</td>
<td>Normal Cost with interest to end of year (page 10 II 1(e))</td>
<td>$4,468,002</td>
</tr>
<tr>
<td>3</td>
<td>Total Funding Requirement for 2016</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(actuarially determined contribution for 2016): (1) + (2), but not less than 0</td>
<td>$8,469,935</td>
</tr>
</tbody>
</table>

**Notes:**

The actuarially determined contribution for 2016 as a percentage of the estimated 2016 compensation ($118,689,818) for active members is 7.14%.

The equivalent normal cost accrual rate to be applied to actual 2015 salaries to determine reimbursable expenses is 7.39%.
**Schedule G**

The following are notes to Schedules B and I:

**Members’ Annuity Reserve Account**

The balance of $106,665,659.56 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, 2016. Since these accumulations represent the present value as of January 1, 2016, of future benefits, the reserve balance and liability are identical.

**County Annuity Reserve Account**

The balance of $82,756,909.68 in this account as of January 1, 2016 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, 2016 amount to $158,188,867.00. 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:

<table>
<thead>
<tr>
<th>January 1</th>
<th>(1) Cost Value of Assets</th>
<th>(2) Market Value of Assets</th>
<th>Ratio (2) / (1)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$250,266,474</td>
<td>$273,416,470</td>
<td>1.0925</td>
</tr>
<tr>
<td>2013</td>
<td>$281,407,710</td>
<td>$305,290,199</td>
<td>1.0849</td>
</tr>
<tr>
<td>2014</td>
<td>$304,623,466</td>
<td>$362,368,515</td>
<td>1.1896</td>
</tr>
<tr>
<td>2015</td>
<td>$333,436,792</td>
<td>$378,159,072</td>
<td>1.1341</td>
</tr>
<tr>
<td>2016</td>
<td>$347,611,436</td>
<td>$363,600,790</td>
<td>1.0460</td>
</tr>
<tr>
<td>Average</td>
<td></td>
<td></td>
<td>1.1094</td>
</tr>
</tbody>
</table>

ACTUARIAL VALUE OF ASSETS JANUARY 1, 2016

| (1) Cost Value of Assets | $347,611,436.24 |
| (2) Average Ratio       | 1.1094          |
| (3) Actuarial Value of Assets | $385,640,127.36 |
**Schedule H**

### APPROXIMATE RATE OF RETURN FOR 2015 PLAN YEAR

<table>
<thead>
<tr>
<th></th>
<th>Actuarial Value</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Value as of December 31, 2014</td>
<td>$378,750,852.04</td>
<td>$378,159,071.99</td>
</tr>
<tr>
<td>2. Contributions Received During Year</td>
<td>$13,230,791.08</td>
<td>$13,230,791.08</td>
</tr>
<tr>
<td>3. Benefits and Expenses Paid During Year</td>
<td>$21,942,973.49</td>
<td>$21,942,973.49</td>
</tr>
<tr>
<td>4. Value as of December 31, 2015</td>
<td>$385,640,127.36</td>
<td>$363,600,790.22</td>
</tr>
<tr>
<td>5. Non-Investment Increment: (2) - (3)</td>
<td>$(8,712,182.41)</td>
<td>$(8,712,182.41)</td>
</tr>
<tr>
<td>6. Investment Increment: (4) - (1) - (5)</td>
<td>$15,601,457.73</td>
<td>$(5,846,099.36)</td>
</tr>
<tr>
<td>7. Time Weighted Value of Assets: (1) + .5 x (5)</td>
<td>$374,394,760.84</td>
<td>$373,802,980.79</td>
</tr>
<tr>
<td>8. Approximate Rate of Return for 2015: (6) / (7)</td>
<td>4.17%</td>
<td>(1.56%)</td>
</tr>
</tbody>
</table>

### HISTORY OF RATE OF RETURNS

<table>
<thead>
<tr>
<th>Plan Year</th>
<th>Actuarial Value Rate of Return</th>
<th>Market Value Rate of Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>11.73%</td>
<td>6.09%</td>
</tr>
<tr>
<td>2013</td>
<td>14.25%</td>
<td>19.00%</td>
</tr>
<tr>
<td>2012</td>
<td>10.40%</td>
<td>11.34%</td>
</tr>
<tr>
<td>2011</td>
<td>5.08%</td>
<td>(0.15%)</td>
</tr>
<tr>
<td>2010</td>
<td>6.16%</td>
<td>11.87%</td>
</tr>
<tr>
<td>2009</td>
<td>(4.80%)</td>
<td>17.31%</td>
</tr>
<tr>
<td>2008</td>
<td>(7.61%)</td>
<td>(25.87%)</td>
</tr>
<tr>
<td>2007</td>
<td>17.23%</td>
<td>6.97%</td>
</tr>
<tr>
<td>2006</td>
<td>8.84%</td>
<td>11.70%</td>
</tr>
</tbody>
</table>

Five Year Average (2011 - 2015): 9.06% 6.68%
Ten Year Average (2006 - 2015): 6.27% 4.85%
### Schedule I

**Determination of Reserve Balances**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance 1/1/2015</td>
<td>$103,456,795.78</td>
<td>$83,407,269.23</td>
<td>$146,572,727.00</td>
<td>$333,436,792.01</td>
</tr>
<tr>
<td>County Appropriations</td>
<td>6,025,657.00</td>
<td>6,025,657.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Contributions</td>
<td>7,149,614.84</td>
<td>7,149,614.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Purchases</td>
<td>1,391.84</td>
<td>1,391.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Investment Income</td>
<td>22,886,826.64</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment Expenses</td>
<td>(774,958.03)</td>
<td>(774,958.03)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Contributions Refunded</td>
<td>(1,333,270.27)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension Payments</td>
<td>(18,345,413.03)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Death Benefits</td>
<td>(1,356,734.86)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree and Death Benefit Transfers</td>
<td>(6,469,452.27)</td>
<td>(11,907,185.06)</td>
<td>18,376,637.33</td>
<td>0.00</td>
</tr>
<tr>
<td>Cost of Living Funding Requirement</td>
<td></td>
<td></td>
<td></td>
<td>0.00</td>
</tr>
<tr>
<td>Administrative Expenses</td>
<td>(132,597.30)</td>
<td></td>
<td></td>
<td>(132,597.30)</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>54,127.40</td>
<td></td>
<td></td>
<td>54,127.40</td>
</tr>
<tr>
<td>Adjustments</td>
<td>(252,282.26)</td>
<td>(440,830.46)</td>
<td>693,112.72</td>
<td>0.00</td>
</tr>
<tr>
<td>Balance Before Interest</td>
<td>102,551,405.82</td>
<td>99,119,701.26</td>
<td>145,940,329.16</td>
<td>347,611,436.24</td>
</tr>
<tr>
<td>Interest Allocated in 2015</td>
<td>4,114,253.74</td>
<td>(9,964,782.94)</td>
<td>5,850,529.20</td>
<td></td>
</tr>
<tr>
<td>Balance Before Actuarial Adjustments</td>
<td>106,665,659.56</td>
<td>89,154,918.32</td>
<td>151,790,858.36</td>
<td>347,611,436.24</td>
</tr>
<tr>
<td>Actuarial Adjustments</td>
<td>(6,398,008.64)</td>
<td></td>
<td>6,398,008.64</td>
<td></td>
</tr>
<tr>
<td>Ending Balance 12/31/2015</td>
<td>106,665,659.56</td>
<td>82,756,909.68</td>
<td>158,188,867.00</td>
<td>347,611,436.24</td>
</tr>
<tr>
<td>Unrealized Appreciation</td>
<td></td>
<td></td>
<td></td>
<td>15,989,353.98</td>
</tr>
<tr>
<td>Total Assets (12/31/2015) (Market Value)</td>
<td></td>
<td></td>
<td></td>
<td>363,600,790.22</td>
</tr>
</tbody>
</table>
**Schedule J**

**Membership History**

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

<table>
<thead>
<tr>
<th>January 1</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>972</td>
<td>1,599</td>
<td>2,571</td>
<td>420</td>
<td>813</td>
<td>1,233</td>
</tr>
<tr>
<td>2015</td>
<td>982</td>
<td>1,601</td>
<td>2,583</td>
<td>408</td>
<td>811</td>
<td>1,219</td>
</tr>
<tr>
<td>2014</td>
<td>1,005</td>
<td>1,614</td>
<td>2,619</td>
<td>370</td>
<td>774</td>
<td>1,144</td>
</tr>
<tr>
<td>2013</td>
<td>990</td>
<td>1,616</td>
<td>2,606</td>
<td>366</td>
<td>724</td>
<td>1,090</td>
</tr>
<tr>
<td>2012</td>
<td>997</td>
<td>1,646</td>
<td>2,643</td>
<td>342</td>
<td>680</td>
<td>1,022</td>
</tr>
<tr>
<td>2011</td>
<td>1,010</td>
<td>1,634</td>
<td>2,644</td>
<td>316</td>
<td>641</td>
<td>957</td>
</tr>
<tr>
<td>2010</td>
<td>1,011</td>
<td>1,663</td>
<td>2,674</td>
<td>300</td>
<td>610</td>
<td>910</td>
</tr>
<tr>
<td>2009</td>
<td>1,012</td>
<td>1,683</td>
<td>2,695</td>
<td>296</td>
<td>600</td>
<td>896</td>
</tr>
<tr>
<td>2008</td>
<td>967</td>
<td>1,659</td>
<td>2,626</td>
<td>292</td>
<td>585</td>
<td>877</td>
</tr>
<tr>
<td>2007</td>
<td>920</td>
<td>1,595</td>
<td>2,515</td>
<td>278</td>
<td>547</td>
<td>825</td>
</tr>
</tbody>
</table>
### Schedule K

**Changes in Plan Participation From January 1, 2015 to January 1, 2016**

#### ACTIVE PARTICIPANTS

<table>
<thead>
<tr>
<th>Number as of January 1, 2015</th>
<th>2,278</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes During Plan Year:</td>
<td></td>
</tr>
<tr>
<td>Retired</td>
<td>(-)</td>
</tr>
<tr>
<td>Terminated and Vested</td>
<td>(-)</td>
</tr>
<tr>
<td>Terminated</td>
<td>(-)</td>
</tr>
<tr>
<td>Died</td>
<td>(-)</td>
</tr>
<tr>
<td>New Participants</td>
<td>(+)</td>
</tr>
<tr>
<td>Number as of January 1, 2016</td>
<td></td>
</tr>
</tbody>
</table>

#### RETIRED PARTICIPANTS

<table>
<thead>
<tr>
<th>Number as of January 1, 2015</th>
<th>1,219</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes During Plan Year:</td>
<td></td>
</tr>
<tr>
<td>Returned to Active Service</td>
<td>(-)</td>
</tr>
<tr>
<td>Died</td>
<td>(-)</td>
</tr>
<tr>
<td>New Retirements from Active Service</td>
<td>(+)</td>
</tr>
<tr>
<td>New Surviving Annuitants</td>
<td>(+)</td>
</tr>
<tr>
<td>Vested Terminated Participants Whose Benefits Commenced</td>
<td>(+)</td>
</tr>
<tr>
<td>Additions</td>
<td>(+)</td>
</tr>
<tr>
<td>Number as of January 1, 2016</td>
<td></td>
</tr>
</tbody>
</table>

#### TERMINATED VESTED PARTICIPANTS

<table>
<thead>
<tr>
<th>Number as of January 1, 2015</th>
<th>305</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes During Plan Year:</td>
<td></td>
</tr>
<tr>
<td>Returned to Active Service</td>
<td>(-)</td>
</tr>
<tr>
<td>Benefits Commenced</td>
<td>(-)</td>
</tr>
<tr>
<td>Terminated</td>
<td>(-)</td>
</tr>
<tr>
<td>Died</td>
<td>(-)</td>
</tr>
<tr>
<td>New Termination's with Vesting</td>
<td>(+)</td>
</tr>
<tr>
<td>Additions</td>
<td>(+)</td>
</tr>
<tr>
<td>Number as of January 1, 2016</td>
<td></td>
</tr>
</tbody>
</table>
Schedule L

Age, Service and Average Salary Profile of the Active Members on January 1, 2016.

### MALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2016

<table>
<thead>
<tr>
<th>Age</th>
<th>0-4</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25-29</th>
<th>30+</th>
<th>Total</th>
<th>Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>20-24</td>
<td>26</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>26</td>
<td>$36,145</td>
</tr>
<tr>
<td>25-29</td>
<td>68</td>
<td>28</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>96</td>
<td>$43,772</td>
</tr>
<tr>
<td>30-34</td>
<td>42</td>
<td>56</td>
<td>21</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>119</td>
<td>$49,108</td>
</tr>
<tr>
<td>35-39</td>
<td>29</td>
<td>22</td>
<td>18</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>84</td>
<td>$51,872</td>
</tr>
<tr>
<td>40-44</td>
<td>14</td>
<td>16</td>
<td>16</td>
<td>33</td>
<td>12</td>
<td>3</td>
<td>0</td>
<td>94</td>
<td>$58,717</td>
</tr>
<tr>
<td>45-49</td>
<td>17</td>
<td>21</td>
<td>21</td>
<td>22</td>
<td>20</td>
<td>14</td>
<td>0</td>
<td>115</td>
<td>$60,565</td>
</tr>
<tr>
<td>50-54</td>
<td>10</td>
<td>13</td>
<td>11</td>
<td>19</td>
<td>18</td>
<td>21</td>
<td>12</td>
<td>104</td>
<td>$64,115</td>
</tr>
<tr>
<td>55-59</td>
<td>9</td>
<td>12</td>
<td>21</td>
<td>13</td>
<td>9</td>
<td>8</td>
<td>29</td>
<td>101</td>
<td>$67,497</td>
</tr>
<tr>
<td>60-64</td>
<td>3</td>
<td>18</td>
<td>17</td>
<td>14</td>
<td>5</td>
<td>9</td>
<td>22</td>
<td>88</td>
<td>$74,256</td>
</tr>
<tr>
<td>65+</td>
<td>1</td>
<td>3</td>
<td>15</td>
<td>8</td>
<td>7</td>
<td>6</td>
<td>4</td>
<td>44</td>
<td>$55,723</td>
</tr>
<tr>
<td>Total</td>
<td>219</td>
<td>189</td>
<td>140</td>
<td>124</td>
<td>71</td>
<td>61</td>
<td>67</td>
<td>871</td>
<td>$57,749</td>
</tr>
</tbody>
</table>

**Average Age:** 45.00
**Average Service:** 12.78

### FEMALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2016

<table>
<thead>
<tr>
<th>Age</th>
<th>0-4</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25-29</th>
<th>30+</th>
<th>Total</th>
<th>Average Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>$0</td>
</tr>
<tr>
<td>20-24</td>
<td>43</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>43</td>
<td>$32,849</td>
</tr>
<tr>
<td>25-29</td>
<td>114</td>
<td>39</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>155</td>
<td>$38,240</td>
</tr>
<tr>
<td>30-34</td>
<td>64</td>
<td>51</td>
<td>25</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>141</td>
<td>$40,519</td>
</tr>
<tr>
<td>35-39</td>
<td>40</td>
<td>29</td>
<td>33</td>
<td>27</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>132</td>
<td>$46,813</td>
</tr>
<tr>
<td>40-44</td>
<td>28</td>
<td>32</td>
<td>31</td>
<td>26</td>
<td>18</td>
<td>4</td>
<td>0</td>
<td>139</td>
<td>$48,607</td>
</tr>
<tr>
<td>45-49</td>
<td>33</td>
<td>30</td>
<td>18</td>
<td>30</td>
<td>23</td>
<td>25</td>
<td>6</td>
<td>165</td>
<td>$53,694</td>
</tr>
<tr>
<td>50-54</td>
<td>31</td>
<td>32</td>
<td>28</td>
<td>34</td>
<td>21</td>
<td>33</td>
<td>18</td>
<td>197</td>
<td>$53,580</td>
</tr>
<tr>
<td>55-59</td>
<td>21</td>
<td>38</td>
<td>18</td>
<td>42</td>
<td>33</td>
<td>28</td>
<td>27</td>
<td>207</td>
<td>$52,518</td>
</tr>
<tr>
<td>60-64</td>
<td>10</td>
<td>20</td>
<td>26</td>
<td>26</td>
<td>20</td>
<td>21</td>
<td>21</td>
<td>144</td>
<td>$51,741</td>
</tr>
<tr>
<td>65+</td>
<td>4</td>
<td>8</td>
<td>20</td>
<td>23</td>
<td>13</td>
<td>14</td>
<td>17</td>
<td>99</td>
<td>$48,534</td>
</tr>
<tr>
<td>Total</td>
<td>388</td>
<td>279</td>
<td>201</td>
<td>209</td>
<td>131</td>
<td>125</td>
<td>89</td>
<td>1,422</td>
<td>$48,193</td>
</tr>
</tbody>
</table>

**Average Age:** 46.38
**Average Service:** 12.60
Schedule M


**Actuarial Assumptions**

**Mortality Rates:** 2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females 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:

<table>
<thead>
<tr>
<th>YEARS OF SERVICE</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 1</td>
<td>300%</td>
</tr>
<tr>
<td>1 but less than 2</td>
<td>275%</td>
</tr>
<tr>
<td>2 but less than 3</td>
<td>250%</td>
</tr>
<tr>
<td>3 but less than 4</td>
<td>225%</td>
</tr>
<tr>
<td>4 but less than 5</td>
<td>200%</td>
</tr>
<tr>
<td>5 but less than 6</td>
<td>175%</td>
</tr>
<tr>
<td>6 or more</td>
<td>100%</td>
</tr>
</tbody>
</table>

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) x 3 1/3%. Illustrative percentages are as follows:

<table>
<thead>
<tr>
<th>AGE</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 or less</td>
<td>100.0%</td>
</tr>
<tr>
<td>35</td>
<td>83.3%</td>
</tr>
<tr>
<td>40</td>
<td>66.7%</td>
</tr>
<tr>
<td>45</td>
<td>50.0%</td>
</tr>
<tr>
<td>50</td>
<td>33.3%</td>
</tr>
<tr>
<td>55</td>
<td>16.7%</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Age at Hire</th>
<th>Years of Service</th>
<th>Probability of Withdrawing and Forfeiting County Pension</th>
<th>Probability of Withdrawing and Retaining County Pension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age at Beginning of Year</td>
<td>Probability of Withdrawing and Forfeiting County Pension</td>
<td>Probability of Withdrawing and Retaining County Pension</td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>.0930</td>
<td>.0000</td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>.0517</td>
<td>.0258</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>.0141</td>
<td>.0281</td>
<td></td>
</tr>
<tr>
<td>59</td>
<td>.0001</td>
<td>.0028</td>
<td></td>
</tr>
</tbody>
</table>
Schedule M--Continued

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

<table>
<thead>
<tr>
<th>AGE AT BEGINNING OF YEAR</th>
<th>PROBABILITY OF RETIRING DURING YEAR</th>
</tr>
</thead>
<tbody>
<tr>
<td>55-59</td>
<td>.07</td>
</tr>
<tr>
<td>60-61</td>
<td>.08</td>
</tr>
<tr>
<td>62-64</td>
<td>.15</td>
</tr>
<tr>
<td>65</td>
<td>.34</td>
</tr>
<tr>
<td>66-70</td>
<td>.23</td>
</tr>
<tr>
<td>71-79</td>
<td>.21</td>
</tr>
<tr>
<td>80</td>
<td>1.00</td>
</tr>
</tbody>
</table>

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.

Changes Since Prior Valuation

Effective January 1, 2016 the mortality table has been changed from GAM83 to RP2013. There were no other changes.
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:

<table>
<thead>
<tr>
<th>CLASS</th>
<th>PERCENTAGE</th>
<th>EFFECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/120</td>
<td>0.833%</td>
<td>01/01/1943</td>
</tr>
<tr>
<td>1/80</td>
<td>1.250%</td>
<td>01/01/1972</td>
</tr>
<tr>
<td>1/70</td>
<td>1.429%</td>
<td>01/01/2001</td>
</tr>
<tr>
<td>1/100</td>
<td>1.000%</td>
<td>01/01/2011*</td>
</tr>
</tbody>
</table>

*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.
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.
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:

<table>
<thead>
<tr>
<th>PERCENTAGE CHANGE IN C.P.I.</th>
<th>EFFECTIVE DATE OF INCREASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>70%</td>
<td>1/1/1991</td>
</tr>
<tr>
<td>70%</td>
<td>1/1/1993</td>
</tr>
<tr>
<td>70%</td>
<td>1/1/1995</td>
</tr>
<tr>
<td>70%</td>
<td>1/1/1997</td>
</tr>
<tr>
<td>70%</td>
<td>1/1/1999</td>
</tr>
<tr>
<td>70%</td>
<td>1/1/2001</td>
</tr>
<tr>
<td>70%</td>
<td>1/1/2003</td>
</tr>
<tr>
<td>70%</td>
<td>1/1/2005</td>
</tr>
<tr>
<td>70%</td>
<td>1/1/2007</td>
</tr>
</tbody>
</table>
18. Early Retirement Provision

The Retirement Board has authorized the following Early Retirement Provisions:

<table>
<thead>
<tr>
<th>Percent of Additional Service</th>
<th>Early Retirement Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>20%</td>
<td>3/2/95 - 6/30/95</td>
</tr>
<tr>
<td>20%</td>
<td>8/1/00 - 1/31/01</td>
</tr>
<tr>
<td>25%</td>
<td>7/1/06 - 1/05/07</td>
</tr>
</tbody>
</table>
### Schedule O

#### Historical Trend Information

#### REVENUES BY SOURCE

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Employee Contributions</th>
<th>Employer Contributions</th>
<th>Investment Income</th>
<th>Miscellaneous</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$5,921,416</td>
<td>$8,373,341</td>
<td>$8,304,697</td>
<td>$36,754</td>
<td>$22,636,208</td>
</tr>
<tr>
<td>2007</td>
<td>6,034,203</td>
<td>7,845,648</td>
<td>24,856,980</td>
<td>110,642</td>
<td>38,847,473</td>
</tr>
<tr>
<td>2008</td>
<td>6,323,257</td>
<td>7,525,934</td>
<td>(9,718,625)</td>
<td>396,700</td>
<td>4,527,266</td>
</tr>
<tr>
<td>2009</td>
<td>6,569,172</td>
<td>12,407,840</td>
<td>(9,856,821)</td>
<td>96,068</td>
<td>9,216,259</td>
</tr>
<tr>
<td>2010</td>
<td>6,531,430</td>
<td>15,127,446</td>
<td>11,263,621</td>
<td>81,138</td>
<td>33,003,635</td>
</tr>
<tr>
<td>2011</td>
<td>6,604,509</td>
<td>10,948,849</td>
<td>17,553,519</td>
<td>442,657</td>
<td>35,549,534</td>
</tr>
<tr>
<td>2012</td>
<td>6,521,604</td>
<td>11,579,074</td>
<td>30,317,405</td>
<td>64,192</td>
<td>48,482,275</td>
</tr>
<tr>
<td>2013</td>
<td>6,497,708</td>
<td>9,880,939</td>
<td>24,074,498</td>
<td>68,451</td>
<td>40,521,596</td>
</tr>
<tr>
<td>2014</td>
<td>6,703,445</td>
<td>7,810,793</td>
<td>34,909,229</td>
<td>40,891</td>
<td>49,464,358</td>
</tr>
<tr>
<td>2015</td>
<td>7,151,007</td>
<td>6,025,657</td>
<td>22,886,827</td>
<td>54,127</td>
<td>36,117,618</td>
</tr>
</tbody>
</table>

#### EXPENSES BY TYPE

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Benefits</th>
<th>Refunds</th>
<th>Administrative/Miscellaneous</th>
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