City of Charles Town, West Virginia
Policemen's Pension and Relief Fund

GASB Statement Nos. 67 and 68 Plan Reporting and Accounting Schedules

June 30, 2017

GRS Retirement Consulting

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February 16, 2018

Mr. Todd Wilt, Interim City Manager
City of Charles Town
101 E. Washington Street
Charles Town, WV 25414

Ms. Amanda J. Gerstell
Pension Board Secretary
City of Charles Town Policemen's Pension and Relief Fund

Dear Mr. Wilt and Ms. Gerstell:

This report provides accounting and financial information that is intended to comply with the Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 for the City of Charles Town, West Virginia Policemen's Pension and Relief Fund ("Plan"). These calculations have been made on a basis that is consistent with our understanding of these accounting standards.

GASB Statement No. 67 is the accounting standard that applies to the stand-alone financial reports issued by retirement systems, on behalf of fiscal years beginning after June 15, 2013. GASB Statement No. 68 establishes accounting and financial reporting for state and local government employers who provide their employees (including former employees) pension benefits through a trust, and applies to fiscal years beginning after June 15, 2014.

This report contains GASB Statement Nos. 67 and 68 reporting information applicable to the plan year ending June 30, 2017, and the sponsor's fiscal year ending June 30, 2017.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement Nos. 67 and 68. The calculation of the Plan's liability for this report may not be applicable for funding purposes of the Plan. A calculation of the Plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than the City of Charles Town, West Virginia Policemen's Pension and Relief Fund ("Plan") only in its entirety and only with the permission of the Plan. GRS is not responsible for unauthorized use of this report.

West Virginia Code §8-22-20 (c)(4), requires a review of the actuarial assumptions and methods at least once every five years and that the Actuary shall provide a report to the oversight board with recommendations on any changes to the actuarial process. Consequently, an experience review was performed for the period July 1, 2009, through June 30, 2014. The actuarial assumptions and methods were recommended by the Actuary in the report *2016 Experience Review for the Years July 1, 2009, to July 1, 2014*, and approved by the Municipal Pensions Oversight Board, and were first applied beginning with the actuarial valuation for the plan year ending June 30, 2016.

Our actuarial valuation and projections assume the sponsor will make the contributions required by state statute. To the extent the sponsor does not make the statutory required contribution the results contained in this report could be significantly different.

This report is based upon information, furnished to us by the Plan, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. If your understanding of this information is different, please let us know. This information was checked for internal consistency, but it was not audited.

To the best of our knowledge, the information contained in this report is accurate and fairly represents the actuarial position of the City of Charles Town, West Virginia Policemen's Pension and Relief Fund for GASB Statement Nos. 67 and 68 accounting purposes. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

Alex Rivera and Lance J. Weiss are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Alex Rivera

Alex Rivera, FSA, EA, MAAA, FCA

Lance J. Weiss

Lance J. Weiss, EA, MAAA, FCA

Auditor's Note – This information is presented in draft form for review by the Plan's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the Plan's financial statements.

This actuarial valuation report assumes the following:

- The Plan Sponsor first adopted GASB Statement No. 68 effective for the fiscal year end June 30, 2015.
- The Net Pension Liability as of the first year of adoption, i.e. fiscal year end June 30, 2015, was based on a projection of actuarial liabilities from July 1, 2014, to June 30, 2015, and the market value of assets as of June 30, 2015.
- The Pension Expense for fiscal year end June 30, 2015, recognizes deferred inflows and outflows for the fiscal year end June 30, 2015.
- The Pension Expense for fiscal years after June 30, 2015, recognizes deferred inflows and outflows beginning with the fiscal year end June 30, 2015.

The Plan Sponsor may need to adjust the results in this report if a different policy is implemented. Examples of different policies include:

- Adopting GASB Statement No. 68 effective for fiscal years ending prior to June 30, 2015.
- Using an earlier measurement date, such as using a measurement date of June 30, 2014, for purposes of completing financial reporting for the fiscal year end June 30, 2015.
- Recognizing deferred inflows and outflows prior to the initial year of adoption, such as recognizing deferred inflows and outflows starting with the fiscal year end June 30, 2014.

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SECTION A

EXECUTIVE SUMMARY

Executive Summary
as of June 30, 2017

		2017
Actuarial Valuation Date		June 30, 2016
Pension Plan's Fiscal Year Ending Date (Measurement Date & Reporting Date)		June 30, 2017
Membership[a]		
Number of		
- Retirees and Beneficiaries		6
- Inactive, Nonretired Members		-
- Active Members		-
- Total		6
Expected Payroll	$	-
Net Pension Liability		
Total Pension Liability[b]	$	1,462,623
Plan Fiduciary Net Position		506,743
Net Pension Liability	$	955,880
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		34.65%
Net Pension Liability as a Percentage of Covered Payroll		N/A
Development of the Single Discount Rate		
Single Discount Beginning of Year		5.0000%
Single Discount Rate End of Year		5.0000%
Long-Term Expected Rate of Return		5.0000%
Long-Term Municipal Bond Rate Beginning of Year[c]		2.8500%
Long-Term Municipal Bond Rate End of Year[c]		3.5600%
Year Plan is projected to be fully funded		2031
Year assets are expected to be depleted for closed plan		N/A
GASB No. 68 Pension Expense	$	42,485

Deferred Outflows and Deferred Inflows of Resources to be recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual non-investment experience	$ -	$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	25,125	-
Total	$ 25,125	$ -

[a] *Census data measured as of June 30, 2016.*

[b] *Total pension liability projected from July 1, 2016, to June 30, 2017, based on the results of July 1, 2016, actuarial valuation.*

[c] *Based on the 20-Year Municipal GO Index of mixed maturity general obligation municipal bonds as of the weekly rate closest to but not later than the Measurement Date.*

Discussion

Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability. Similarly, GASB Statement No. 68 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose the net pension liability, pension expense and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain additional non-actuarial required information, such as notes regarding accounting policies and investments, is not included in this report and the retirement system and/or plan sponsor will be responsible for preparing and disclosing that information to comply with these accounting standards.

Financial Statements

GASB Statement No. 68 requires state or local governments to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets.

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

Pension plans that prepare their own, stand-alone financial statements, are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 67. The *statement of fiduciary net position* presents the assets and liabilities of the pension plan at the end of the pension plan's reporting period. The *statement of changes in fiduciary net position* presents additions, such as contributions and investment income, and deductions, such as benefit payments and expenses and net increase or decrease in the fiduciary net position.

Notes to Financial Statements

GASB Statement No. 68 requires, in the notes of the employer's financial statements, a disclosure of the total pension expense, the pension plan's liabilities and assets and deferred outflows and inflows of resources related to pensions.

Both GASB Statements, No. 67 and 68, require the notes of the financial statements for the employers and pension plans, to include certain additional information. The list of additional disclosure items should include:

- A description of benefits provided by the plan;
- The type of employees and number of members covered by the pension plan;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The pension plan's investment policies;
- The pension plan's fiduciary net position, net pension liability and the pension plan's fiduciary net position as a percentage of the total pension liability;
- The net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes;
- Significant assumptions and methods used to calculate the total pension liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with GASB Statement No. 67. This information includes:

- The composition of the pension plan's board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

Required Supplementary Information

Statement No. 67 requires a 10-year fiscal history of:

- Sources of changes in the net pension liability;
- Information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability and the net pension liability as a percent of covered-employee payroll;
- Comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy; and
- The annual money-weighted rate of return on pension plan investments for each year.

These tables may be built prospectively as the information becomes available.

Measurement of the Net Pension Liability

The net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In traditional actuarial terms, this will be the accrued liability less the market value of assets.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least once every two years. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability shown in this report is based on an actuarial valuation performed as of July 1, 2016, and projected to the measurement date of June 30, 2017.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be available and sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year mixed maturity general obligation bonds with an average AA credit rating (which is published by Fidelity) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 5.0000%, the municipal bond rate is 3.5600% (based on the weekly rate closest to but not later than the measurement date of the "20-Year Municipal GO Index" as published by Fidelity), and the resulting single discount rate is 5.0000%.

Effective Date and Transition

GASB Statement No. 67 is effective for a pension plan's fiscal years beginning after June 15, 2013, and GASB Statement No. 68 is effective for a pension plan's fiscal years beginning after June 15, 2014; however, earlier application is encouraged by the GASB.

Assumption Changes

The actuarial assumptions and methods were recommended by the Actuary, in the report *2016 Experience Review for the Years July 1, 2009, to July 1, 2014,* approved by the Municipal Pension Oversight Board and became effective beginning with the actuarial valuation applicable to plan year end June 30, 2016. Since the last valuation as of June 30, 2016, and for purposes of the accounting actuarial valuation, the blended interest rate used to discount liabilities did not change from 5.0000%. The actuarial assumptions are disclosed in Section G of the report.

SECTION B

FINANCIAL STATEMENTS

Statement of Fiduciary Net Position
as of June 30, 2017

		2017
Assets		
Cash and Deposits	$	129,436
Receivables		
Contributions		6,200
Investment Income		-
Total Receivables	**$**	**6,200**
Investment		
Government Securities	$	-
Corporate Bonds		223,611
Corporate Stocks		147,496
Alternative Investments		-
Other		-
Total Investments	**$**	**371,107**
Total Assets	**$**	**506,743**
Liabilities		
Payables		-
Total Liabilities	**$**	**-**
Net Position Restricted for Pensions	**$**	**506,743**

Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2017

		2017
Additions		
Contributions		
Employer	$	77,765
State		14,084
Employee		-
Receivable Employer		6,200
Receivable State		-
Receivable Employee		-
Other		-
Total Contributions	**$**	**98,049**
Net investment gain (loss) from		
Net Appreciation (Depreciation)	$	-
Net Realized Gain (Loss) on Sale or Exchange		7,844
Interest and Dividends		9,291
Other income		72
Investment Expense		(16)
Receivable Investment Income		-
Payable Investment Expenses		-
Net Investment Income	**$**	**17,191**
Other Revenue	$	11,119
Total Additions	**$**	**126,359**
Deductions		
Benefit payments	$	105,358
Refunds		-
Pension Plan Administrative Expense		4,793
Other		-
Payable Benefits and Withdrawals		-
Payable Administrative Expenses		-
Total Deductions	**$**	**110,151**
Net Increase in Net Position	$	16,208
Net Position Restricted for Pensions		
Beginning of Year	**$**	**490,535**
End of Year	**$**	**506,743**

Long-Term Expected Return on Plan Assets

The investment policy covering the allocation of invested assets for the City of Charles Town, West Virginia Policemen's Pension and Relief Fund is established by the Board of Trustees and is subject to the limitations defined in West Virginia Code §8-22-22 and §8-22-22a.

GASB Statement Nos. 67 and 68 require the disclosure of certain information contained in the investment policy including the target asset allocation by major asset class and the long-term expected real rate of return by major asset class. This information is generally available from the investment consultant, investment manager or plan trustee.

Information on the target asset allocation and long-term real return by major asset class was not provided to the actuary.

The discount rate used by the actuary for the purpose of developing the statutory contribution requirement, including the statutory solvency requirement, is shown in the Actuarial Assumptions Section of this report. This same discount rate is also used by the actuary to determine the GASB Statement Nos. 67 and 68 single discount rate.

Money-Weighted Rate of Return

GASB Statement Nos. 67 and 68 also require the disclosure of the money weighted rate of return, net of investment expenses, using monthly data. This information was not provided to the actuary, but should be available from the investment consultant, investment manager or plan trustee.

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Schedules of Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios Multiyear

Fiscal year ending June 30	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service Cost	$ -	$ -	$ -	$ -						
Interest on the Total Pension Liability	72,157	73,313	74,674	76,052						
Benefit Changes	-	-	-	-						
Difference between Expected and Actual Experience	(8,200)	9,315	6,054	-						
Assumption Changes	-	152,520	-	-						
Benefit Payments	(105,358)	(109,553)	(107,918)	(106,408)						
Refunds	-	-	-	-						
Net Change in Total Pension Liability	(41,401)	125,595	(27,190)	(30,356)						
Total Pension Liability - Beginning	1,504,024	1,378,429	1,405,619	1,435,975						
Total Pension Liability - Ending (a)	$ 1,462,623	$ 1,504,024	$ 1,378,429	$ 1,405,619						
Plan Fiduciary Net Position										
Employer Contributions	$ 98,049	$ 85,871	$ 93,468	$ 113,290						
Employee Contributions	-	-	-	-						
Pension Plan Net Investment Income	17,191	5,562	6,065	19,050						
Benefit Payments	(105,358)	(109,553)	(107,918)	(106,408)						
Refunds	-	-	-	-						
Pension Plan Administrative Expense	(4,793)	(2,478)	(4,056)	(3,145)						
Other	11,119	5,390	-	5,680						
Net Change in Plan Fiduciary Net Position	16,208	(15,208)	(12,441)	28,467						
Plan Fiduciary Net Position - Beginning	490,535	462,469	474,910	448,345						
Plan Fiduciary Net Position - Ending (b)	$ 506,743	$ 447,261	$ 462,469	$ 476,812						
Net Pension Liability - Ending (a) - (b)	955,880	1,056,763	915,960	928,807						
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	34.65 %	29.74 %	33.55 %	33.92 %						
Covered Employee Payroll	$ 0	$ 0	$ 0	$ 0						
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A	N/A						

Notes to Schedule:

Market value of assets as of July 1, 2016, includes $43,274, excluded from the market value of assets as of June 30, 2016, used for the actuarial valuation report for the fiscal year end June 30, 2016.

Market value of assets as of July 1, 2014, excludes $1,902, included in the market value of assets as of June 30, 2014, used for the actuarial valuation report for the fiscal year end June 30, 2014.

Schedules of Required Supplementary Information
Schedule of the Net Pension Liability Multiyear

Last 10 Fiscal Years (which may be built prospectively)

FY Ending June 30	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2008						
2009						
2010						
2011						
2012						
2013						
2014	$ 1,405,619	$ 476,812	$ 928,807	33.92%	$ 0	N/A
2015	$ 1,378,429	$ 462,469	$ 915,960	33.55%	$ 0	N/A
2016	$ 1,504,024	$ 447,261	$ 1,056,763	29.74%	$ 0	N/A
2017	$ 1,462,623	$ 506,743	$ 955,880	34.65%	$ 0	N/A

Schedule of Contributions Multiyear

Fiscal Year Ended	Actuarially Determined Contribution (a)	Employer Contribution (b)	State Contribution (c)	Percentage Contributed [(b)+(c)]/(a)	Covered Payroll (f)	Actual Contribution as a % of Covered Payroll [(b)+(c)]/(f)
6/30/2013	$ 124,337	$ 110,655	$ 15,148	101%	$ 0	N/A
6/30/2014	$ 112,230	$ 100,741	$ 12,549	101%	$ 0	N/A
6/30/2015	$ 86,746	$ 79,204	$ 14,264	108%	$ 0	N/A
6/30/2016	$ 85,057	$ 73,086	$ 12,785	101%	$ 0	N/A
6/30/2017	$ 98,048	$ 83,965	$ 14,084	100%	$ 0	N/A

Notes to Schedule of Contributions

The information requested in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Measurement Date	June 30, 2017, measurement date based on actuarial liabilities as of July 1, 2016
Actuarial Cost Method	Entry Age Normal, Level-Percentage-of-Pay
Actuarial Value of Assets	Market value used for GASB Statement Nos. 67 and 68 reporting
Contribution Policy and Amortization Method	The sponsor finances benefits using the Standard funding policy as defined in state statutes. Sponsor contributions are equal to the normal cost, net of employee contributions, plus an amortization of the unfunded actuarial liability net of the premium tax allocation applicable to the plan year. The amortization is based on a 40-year closed amortization period, commencing on July 1, 1991, with level dollar payments. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. Projected sponsor, state and member contributions along with projected investment earnings are expected to fully fund the projected actuarial liability for current plan members by 2031.
Actuarial Assumptions:	
Investment Rate of Return	5.0000% per year
GASB 67/68 Discount Rate	5.0000% per year at June 30, 2017, and 5.0000% at June 30, 2016
Projected Salary Increases	Service-based increases: 20.00% in year 1, 6.50% in year 2, reducing over years of service down to 1.25% in years 30-34. 0% increases for service over 34
Cost of Living Increases	2.75% on first $15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years

SECTION D

NOTES TO FINANCIAL STATEMENTS

Single Discount Rate

A GASB Statement Nos. 67 and 68 single discount rate of 5.0000% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on the expected rate of return on pension plan investments of 5.0000%, and the municipal bond rate of 3.5600%. The projection of cash flows used to determine this single discount rate assumed that the Plan sponsor would make the statutory required contribution as defined by the funding policy. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments, on behalf of current plan members for all future plan years. Therefore, the single discount rate of 5.0000% was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan’s net pension liability, calculated using a single discount rate of 5.0000%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

1% Decrease 4.0000%	Current Single Discount Rate Assumption 5.0000%	1% Increase 6.0000%
$1,109,573	$955,880	$825,977

SECTION E

GASB STATEMENT NO. 68 PENSION EXPENSE

Net Pension Liability
for Fiscal Year ending June 30, 2017

A. Total Pension Liability		
1. Service Cost	$	-
2. Interest on the Total Pension Liability		72,157
3. Changes of benefit terms		-
4. Difference between expected and actual experience of the Total Pension Liability		(8,200)
5. Changes of assumptions		-
6. Benefit payments, including refunds of employee contributions		(105,358)
7. Net change in total pension liability	$	(41,401)
8. Total pension liability – beginning (July 1, 2016)		1,504,024
9. Total pension liability – ending (June 30, 2017)	**$**	**1,462,623**
B. Plan Fiduciary Net Position		
1. Contributions – employer	$	98,049
2. Contributions – employee		-
3. Net investment income		17,191
4. Benefit payments, including refunds of employee contributions		(105,358)
5. Pension Plan Administrative Expense		(4,793)
6. Other		11,119
7. Net change in plan fiduciary net position	$	16,208
8. Plan fiduciary net position – beginning (July 1, 2016)		490,535
9. Plan fiduciary net position – ending (June 30, 2017)	**$**	**506,743**
C. Net pension liability as of June 30, 2017	**$**	**955,880**
D. Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		**34.65%**
E. Covered-employee Payroll	**$**	**0**
F. Net Pension Liability as a Percentage of Covered Employee Payroll		**N/A**

Pension Expense
(for Fiscal Year ending June 30, 2017)

A. Expense		
1. Service Cost	$	-
2. Interest on the Total Pension Liability		72,157
3. Current-Period Benefit Changes		-
4. Employee Contributions (made negative for addition here)		-
5. Projected Earnings on Plan Investments (made negative for addition here)		(24,347)
6. Pension Plan Administrative Expense		4,793
7. Other Changes in Plan Fiduciary Net Position		(11,119)
8. Recognition of Outflow/(Inflow) due to Non-investment Experience		(8,200)
9. Recognition of Outflow/(Inflow) due to Assumption Changes		-
10. Recognition of Outflow/(Inflow) due to Investment Experience		9,201
11. Total Pension Expense	**$**	**42,485**

B. Reconciliation of Net Pension Liability		
1. Net Pension Liability beginning of year	**$**	**1,013,489**
2. Pension Expense		42,485
3. Employer Contributions		(98,049)
4. Change in Outflow/(Inflow) due to Non-investment Experience		-
5. Change in Outflow/(Inflow) due to Assumption Changes		-
6. Change in Outflow/(Inflow) due to Investment Experience		(2,045)
7. Net Pension Liability End of year	**$**	**955,880**

Schedule of Outflows and Inflows of Resources

	Non-Investment Experience				Assumption Changes				Investment Experience			
Plan Year Beginning	7/1/2014	7/1/2015	7/1/2016		7/1/2014	7/1/2015	7/1/2016		7/1/2014	7/1/2015	7/1/2016	
(Gain)/Loss	$ 6,054	$ 9,315	$ (8,200)		$ -	$ 152,520	$ -		$ 19,546	$ 19,303	$ 7,156	
Amortization Factor	1.000000	1.000000	1.000000		1.000000	1.000000	1.000000		5.000000	5.000000	5.000000	
Amortization Amount	$ 6,054	$ 9,315	$ (8,200)		$ -	$ 152,520	$ -		$ 3,909	$ 3,861	$ 1,431	
Amortization for Plan Year End				**Total**				**Total**				**Total**
6/30/2015	$ 6,054			6,054	$ -			-	$ 3,909			3,909
6/30/2016	-	$ 9,315		9,315	-	$ 152,520		152,520	3,909	$ 3,861		7,770
6/30/2017	**-**	**-**	**$ (8,200)**	**(8,200)**	**-**	**-**	**$ -**	**-**	**3,909**	**3,861**	**$ 1,431**	**9,201**
6/30/2018	-	-	-	-	-	-	-	-	3,909	3,861	1,431	9,201
6/30/2019	-	-	-	-	-	-	-	-	3,909	3,861	1,431	9,201
6/30/2020	-	-	-	-	-	-	-	-	-	3,861	1,431	5,292
6/30/2021	-	-	-	-	-	-	-	-	-	-	1,431	1,431
6/30/2022	-	-	-	-	-	-	-	-	-	-	-	-
6/30/2023	-	-	-	-	-	-	-	-	-	-	-	-
Total	**$ 6,054**	**$ 9,315**	**$ (8,200)**		**$ -**	**$ 152,520**	**$ -**		**$ 19,546**	**$ 19,303**	**$ 7,156**	

Deferred Outflows/(Inflows) Recognized in Pension Expense for Current Plan Year End	Outflows	(Inflows)	Net	Outflows	(Inflows)	Net	Outflows	(Inflows)	Net
6/30/2017	$ -	$ (8,200)	$ (8,200)	$ -	$ -	$ -	$ 9,201	$ -	$ 9,201
Deferred Outflows/(Inflows) Recognized in Pension Expense for Future Plan Years Ending									
6/30/2018	$ -	$ -	$ -	$ -	$ -	$ -	$ 9,201	$ -	$ 9,201
6/30/2019	-	-	-	-	-	-	9,201	-	9,201
6/30/2020	-	-	-	-	-	-	5,292	-	5,292
6/30/2021	-	-	-	-	-	-	1,431	-	1,431
6/30/2022	-	-	-	-	-	-	-	-	-
6/30/2023	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ 25,125	$ -	$ 25,125
Change In Deferred Outflows/(Inflows) Recognized in Liability and Assets for Current Plan Year End									
6/30/2017			$ -			$ -			$ (2,045)

SECTION F

SUMMARY OF BENEFITS

Employee Eligibility — The City of Charles Town Policemen's Pension and Relief Fund has been closed to new members.

Average Annual Compensation — The average of any three twelve-consecutive-month periods of employment which produces the highest average annual compensation.

Each twelve-consecutive-month annual compensation is limited to 120% of the *Average Adjusted Salary* received by the member in the two consecutive twelve-consecutive-month periods immediately preceding the twelve-consecutive-month period used in determining benefits.

The *Average Adjusted Salary* is base salary (exclusive of all overtime and other pay) of the year used in determining benefits multiplied by the ratio of total salary (includes all overtime and other pay) to base salary from the respective preceding twelve-consecutive-month period.

Determining Years of Service Credit (Credited Service**)** — The number of years that the member has contributed to the employees retirement and benefit fund.

Prior Military Service — A city may provide that members who have been honorably discharged from the military shall receive up to two years prior service credit for military service prior to their employment with the city.

Current Military Service — Any current member who has been on qualified military service in the armed forces of the United States with an honorable discharge may, within six months from his or her date of discharge, be given credit for continuous service in the paid police or fire department.

Any member who has served in active duty with the armed forces of the United States, whether prior to or subsequent to becoming a member of a paid police or fire department, shall receive one additional percent for each year so served in active military duty, up to a maximum of four additional percent.

Absence from the service because of sickness or injury for a period of two years or less shall not be construed as time out of service.

Contributions — Participating employees contribute 7.0% of compensation. Participating employees hired on or after January 1, 2010, contribute 9.5% of pay. The municipality has elected to contribute the minimum employer contribution under the StandardFrozen Method.

Normal Retirement — Members are eligible at the earlier of age 50 with 20 years of credited service or age 65.

Benefit Commencement — Annual retirement pension benefits commence upon retirement or upon the member attaining age fifty, whichever is later, payable in twelve monthly installments.

Accrued Benefit — The annual retirement benefit equals 60% of average annual compensation, not less than $6,000, plus an additional percentage of average annual compensation for service over 20 years equal to 2% for each year of service between 20 and 25 and 1% for each year of service between 25 and 30 years. Employees serving in the military are eligible for an additional 1% of average annual compensation for each year of military service up to four years. The maximum benefit is limited to 75% of average annual compensation. Benefits continue for life.

Disability Retirement — Members are eligible after earning five years of service. No service requirement if disability is service related.

The monthly disability benefit equals the greater of 60% of monthly salary at disability or $500. Employees serving in the military are eligible for an additional benefit of 1% of monthly salary at disability for each year of military service up to four years. Disability benefits, when aggregated with monthly state workers compensation benefits, shall not exceed 100% of the member's monthly compensation at the time of disability. Benefits continue for life or until recovery.

Death Benefits — Members are eligible after earning five years of service. No service requirement if death is service related. Retirees and terminated vested participants are also eligible.

The benefit is equal to 60% of the participant's benefit, but not less than $300 per month, payable to the spouse until death or remarriage. Other dependents (children, parents, brothers and sisters) are also eligible for death benefits. To each dependent child, twenty percent of the participant's benefit until the child attains eighteen or marries; to each dependent orphaned child, twenty-five percent of the participant's benefit until the child attains eighteen or marries; to each dependent parent, ten percent of the participant's benefit for life, and to each dependent brother or sister, the sum of fifty dollars per month (but a total not to exceed $100 per month) until such individual attains the age of eighteen years or marries.

In no case shall the payments to the surviving spouse and children be reduced below sixty-five percent of the total amount paid to all dependents.

Supplemental Pension Benefits — All retirees, surviving beneficiaries and disability pensioners are eligible for automatic cost-of-living benefits commencing on the first day of July following two years of retirement. The benefits equal the percentage increase in the Consumer Price Index, limited to 4% (2% for some disability retirees), multiplied by the sum of the allowable amount which is the first $15,000 of the total annual benefits paid and the accumulated supplemental pension amounts for prior years.

Termination Benefits — Any member who terminates employment prior to retirement will be entitled to a refund of contributions without interest.

Refunds — Any member who terminates from their department without receiving a retirement pension shall be refunded all deductions made from his salary, without interest. Any member who receives such a refund and subsequently wishes to reenter the department must repay to the pension fund all sums refunded with interest at the rate of eight percent annual.

SECTION G

ACTUARIAL VALUATION ASSUMPTIONS

Actuarial Valuation Assumptions

Investment return 7/1/2016 7/1/2017	 5.0000% 5.0000%
General Inflation	2.75%
Expected Salary Increase	General Inflation: 2.75% *plus* Wage Inflation: 1.00% *plus* Service Based Increase: Years of Service — Increase 1 — 20.00% 2 — 6.50% 3 — 3.50% 4 — 2.75% 5-9 — 2.50% 10-29 — 2.00% 30-34 — 1.25% after 34 years of service — 0.00%
Post-retirement COLA	2.75% on first $15,000 of Annual Benefit and on the accumulated supplemental pension amounts for prior years.
Increase in State Insurance Premium Tax Allocation	2.75% on and after year 1

Valuation Assumptions (continued)

Cost Method	Entry-Age Normal Level-Percentage-of-Pay The sponsor finances benefits using the Standard funding policy as defined by state statute. This policy directly amortizes the unfunded actuarial liability. The policy is projected to fully finance the closed group actuarial liability by 2031. 40 – Year Closed Level-Dollar Amortization for Actuarially Determined Contribution (from July 1, 1991). 15 years remaining as of July 1, 2016.
Asset Method	Market Value
Turnover	Sample Rates – Age / Rates 25 / 9% 35 / 4% 45 / 2% 50 / 0%
Retirement	Age / Rates 50 / 45% 51-55 / 30% 56-59 / 35% 60 / 100%

Valuation Assumptions (continued)

Mortality	Active: RP-2014 Blue Collar Healthy Employee Post-Retirement: RP-2014 Blue Collar Healthy Annuitant Disabled: RP-2014 Blue Collar Healthy Annuitant set forward four years Tables above incorporate generational mortality improvement using MP-2014 two-dimensional mortality improvement scales
Disability	Sample Rates – <u>Age</u> <u>Rates[a]</u> 30 0.22% 40 0.50% 50 0.79% [a] *Assumes 60% duty related and 40% non-duty related.*
Percent Married	90%
Spouse Age	Females 3 years younger than males

Discount Rate

The following table outlines the factors used to determine the discount rate:

Funded Ratio as of Valuation Date[1]	Liquidity Ratio [2]	Equity Exposure	Projected Funded Ratio after 15 Years [1]	Discount Rate
60% or more	10	50% or more	70% or more	6.5000%
40% or more	8	40% or more	60% or more	6.0000%
30% or more	6	30% or more	50% or more	5.5000%
15% or more	4	n/a	40% or more	5.0000%
Less than 15%	n/a	n/a	15% or more	4.5000%
Less than 15%	n/a	n/a	Less than 15%	4.0000%

1 Funded ratios based on a 6.0000% investment return assumption for plans using an actuarially sound policy (standard or optional) and a 5.5000% investment return assumption for other plans (alternative or conservation).

2 Liquidity ratio equals assets as of the valuation date divided by expected benefit payments for the year.

As of June 30, 2016 *	
Assets	$447,261
Liabilities using a 6.00% discount rate	$1,359,659
Funded Ratio	33%
Expected Benefit Payments	$108,606
Liquidity Ratio	4.12
Equity Exposure	28%
Projected Funded Ratio after 15 years	100%

* *Based on funding valuation results as of June 30, 2016.*

Discount Rate	5.0000%

SECTION H

CALCULATION OF THE SINGLE DISCOUNT RATE

Calculation of the Single Discount Rate

GASB Statement Nos. 67 and 68 include specific requirements for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be available or sufficient to meet benefit payments, the use of a “risk-free” rate is required, as described in the following paragraph.

The *single discount rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year mixed maturity general obligation bonds with an average AA credit rating (which is published by Fidelity) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 5.0000%, the municipal bond rate is 3.5600%, and the resulting single discount rate is 5.0000%.

The sponsor finances benefits using the Standard funding policy as defined in state statutes. Sponsor contributions are equal to the normal cost, net of employee contributions, plus an amortization of the unfunded actuarial liability net of the premium tax allocation applicable to the plan year. The amortization is based on a 40-year closed amortization period, commencing on July 1, 1991, with level dollar payments. The plan also receives state contributions based on an allocation of premium tax that depends on the number of active and retired members. Projected sponsor, state, and member contributions, along with projected investment earnings, are expected to fully fund the projected actuarial liability for current plan members by 2031.

The following table shows the projection of assets and funded status for current members as of the valuation date. Our projections assume the sponsor will make the required statutory contributions. The projections are based on the statutory funding actuarial valuation and projection report as of June 30, 2016.

GASB Statement Nos. 67 and 68 - Closed Group Projections - Standard Funding Policy
Projected assets and funded ratio

Valuation Plan Year End 30-Jun	Assets (boy)	Benefits Payments	Administrative Expenses	Employer Contributions	Employee Contributions	Premium Tax Allocation Contributions	Investment Income	Assets (eoy)	Actuarial Accrued Liability	Funded Ratio
2016	$462,469	$109,553	$2,478	$73,086	$0	$12,785	$10,952	$447,261	$1,495,824	29.9%
2017	447,261	108,607	374	83,964	0	14,084	$22,093	458,421	1,459,326	31.4%
2018	458,421	108,806	374	85,506	0	13,454	$22,669	470,870	1,420,800	33.1%
2019	470,870	108,833	373	85,626	0	13,427	$23,293	484,009	1,380,319	35.1%
2020	484,009	108,675	372	85,504	0	13,557	$23,954	497,978	1,337,976	37.2%
2021	497,978	108,314	369	85,417	0	13,644	$24,661	513,017	1,293,886	39.6%
2022	513,017	107,738	366	85,369	0	13,690	$25,427	529,399	1,248,181	42.4%
2023	529,399	106,934	362	85,356	0	13,699	$26,267	547,425	1,201,016	45.6%
2024	547,425	105,890	357	85,389	0	13,662	$27,194	567,422	1,152,562	49.2%
2025	567,422	104,596	351	85,448	0	13,597	$28,225	589,745	1,103,010	53.5%
2026	589,745	103,046	345	85,548	0	13,490	$29,380	614,772	1,052,570	58.4%
2027	614,772	101,235	337	85,678	0	13,352	$30,675	642,905	1,001,464	64.2%
2028	642,905	99,159	329	85,836	0	13,184	$32,133	674,571	949,929	71.0%
2029	674,571	96,821	320	86,038	0	12,971	$33,775	710,215	898,213	79.1%
2030	710,215	94,227	310	86,292	0	12,705	$35,620	750,295	846,569	88.6%
2031	750,295	91,395	300	86,529	0	12,423	$37,694	795,245	795,245	100.0%
2032	795,245	88,349	289	289	0	0	$37,581	744,477	744,477	100.0%
2033	744,477	85,117	278	278	0	0	$35,121	694,481	694,481	100.0%
2034	694,481	81,730	267	268	0	0	$32,706	645,458	645,458	100.0%

SECTION I

GLOSSARY OF TERMS

Glossary of Terms

Actuarial Accrued Liability (AAL) The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."

Actuarial Assumptions These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.

Accrued Service Service credited under the system which was rendered before the date of the actuarial valuation.

Actuarial Equivalent A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.

Actuarial Cost Method A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.

Actuarial Gain (Loss) The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.

Actuarial Present Value (APV) The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.

Actuarial Valuation The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability and related actuarial present value of projected benefit payments for pensions.

Actuarial Valuation Date The date as of which an actuarial valuation is performed.

Glossary of Terms

Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)	A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
Amortization Method	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be "open" (meaning, reset each year) or "closed" (the number of years remaining will decline each year.
Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered-Employee Payroll	The payroll of covered employees, which is typically only the pensionable pay and does not include pay above any pay cap.
Deferred Inflows and Outflows	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
Deferred Retirement Option Program (DROP)	A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report.

Glossary of Terms

Discount Rate	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: The benefit payments to be made while the pension plans' fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period and; The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.
Entry Age Actuarial Cost Method (EAN)	The EAN is a funding method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.
Fiduciary Net Position	The fiduciary net position is the value of the assets of the trust.
GASB	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
Long-Term Expected Rate of Return	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
Money-Weighted Rate of Return	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.
Multiple-Employer Defined Benefit Pension Plan	A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.

Glossary of Terms

Municipal Bond Rate	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
Net Pension Liability (NPL)	The NPL is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.
Non-employer Contribution Entities	Non-employer contribution entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB Accounting statement plan members are not considered non-employer contribution entities.
Normal Cost	The actuarial present value of the pension trust benefits allocated to the current year by the actuarial cost method.
Other Postemployment Benefits (OPEB)	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
Real Rate of Return	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
Service Cost	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total Pension Expense	The total pension expense is the sum of the following items that are recognized at the end of the employer's fiscal year: 1. Service Cost 2. Interest on the Total Pension Liability 3. Current-Period Benefit Changes 4. Employee Contributions (made negative for addition here) 5. Projected Earnings on Plan Investments (made negative for addition here) 6. Pension Plan Administrative Expense 7. Other Changes in Plan Fiduciary Net Position 8. Recognition of Outflow/(Inflow) of Resources due to Liabilities 9. Recognition of Outflow/(Inflow) of Resources due to Assets

Glossary of Terms

Total Pension Liability (TPL)	The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
Unfunded Actuarial Accrued Liability (UAAL)	The UAAL is the difference between actuarial accrued liability and valuation assets.
Valuation Assets	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of the GASB Statement No. 67, the valuation asset is equal to the market value of assets.