City Of Fairmont, West Virginia Firemen's Pension and Relief Fund

Actuarial Valuation Report for the Year Beginning July 1, 2017

September 4, 2018

Ms. Eileen V. Layman
Finance Director
200 Jackson St., 3rd Floor Ste 301
Fairmont, WV 26554

Firefighter Jason C. Barker
Pension Board Secretary
City of Fairmont Firemen's Pension and Relief Fund

Subject: City of Fairmont Firemen's Pension and Relief Fund
Actuarial Valuation Report for the Year Beginning July 1, 2017

Dear Ms. Layman and Firefighter Barker:

Upon the request of the Municipal Pensions Oversight Board, we have performed an actuarial valuation as of July 1, 2017, for the City of Fairmont, West Virginia Firemen's Pension and Relief Fund ("Fund" or "Plan"). This actuarial valuation has been performed in accordance with the West Virginia Code Chapter 8, Article 22, Sections 16 through 28, inclusive.

In accordance with West Virginia Code §8-22-20, this actuarial valuation report provides information on:

- The sponsor's funding requirements for the plan year ending June 30, 2019;
- The Fund's eligibility to receive an allocation of the premium tax for the plan year ending June 30, 2019; and
- The Fund's eligibility to provide supplemental benefits for the plan year beginning July 1, 2019.

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*, approved by the Municipal Pensions Oversight Board, and became effective for the actuarial valuation as of July 1, 2015.

This report is based on the sponsor's election to finance benefit obligations using the Conservation funding policy as defined in West Virginia Code §8-22-20 (f)(1).

This actuarial valuation is based upon:

Plan Member Data – Data for active members and persons receiving benefits from the Fund as of June 30, 2017, was provided by the Fund's staff. We have tested this data for reasonableness.

Asset Values – A reconciliation of market value of assets during the plan years ending June 30, 2017, and June 30, 2018, and assets held as of June 30, 2017, and as of June 30, 2018, by investment category, were provided by the Fund.

Plan Provisions – A summary of the key plan provisions valued are set forth in Section VI of the report: Summary of Principal Plan Provisions.

Actuarial Methods – Fund liabilities were measured using the Entry-Age Normal Actuarial Cost Method. The actuarial valuation was based on the market value of assets. The actuarial methods used in the actuarial valuation are set forth in Section V of the report: Actuarial Assumptions and Methods.

Actuarial Assumptions – The actuarial assumptions used include a discount rate of 4.00%. The actuarial assumptions used in the actuarial valuation are set forth in Section V of the report: Actuarial Assumptions and Methods.

The actuarial valuation results disclosed in this report are based on the data and actuarial assumptions and methods described above, and upon the provisions of the Plan as of the actuarial valuation date. Based on these items, we certify these results to be true and correct.

To the best of our knowledge, this actuarial statement is complete and accurate, and has been prepared in accordance with generally accepted actuarial principles and practices.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

This report should not be relied on for any purpose other than the purpose stated.

The signing actuaries are independent of the plan sponsor.

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 herein.

Sincerely,

Alex Rivera

Lance J. Weiss

Alex Rivera, FSA, EA, MAAA, FCA
Senior Consultant

Lance J. Weiss, EA, MAAA, FCA
Senior Consultant

Contents

SECTION I

ACTUARIAL VALUATION RESULTS AS OF JULY 1, 2017

Executive Summary (Continued)

Upon the request of the Municipal Pensions Oversight Board, we have performed an actuarial valuation as of July 1, 2017, for the City of Fairmont, West Virginia Firemen's Pension and Relief Fund ("Fund" or "Plan").

In accordance with West Virginia Code §8-22-20, this actuarial valuation report provides information on:

- The sponsor's funding requirements for the plan year ending June 30, 2019
- The Fund's eligibility to receive an allocation of the premium tax for the plan year ending June 30, 2019
- The Fund's eligibility to provide supplemental benefits for the plan year beginning July 1, 2019

This report is based on the sponsor's election to finance benefit obligations using the Conservation funding policy as defined in West Virginia Code §8-22-20 (f)(1). The sponsor changed the funding policy used to determine the minimum statutory contribution from the Alternative funding policy to the Optional funding policy effective as of January 1, 2018.

The key features of the Conservation funding policy, effective for plan years beginning after April 1, 2011, are summarized below:

- The current local Plan is closed to new employees
- New employees are covered in the multiple employer statewide plan – *Municipal Police Officers and Firefighters Retirement System* ("MPFRS")
- Benefits and expenses in the closed local Plan are financed by contributions made to two asset accounts:
    - The first asset account (Benefit Payment Account) is used to finance benefits and expenses for the fiscal year on a pay-as-you-go basis. Sources to pay current year benefits and expenses include minimum employee contributions of 7.0% of pay, a portion of the premium tax allocation not assigned to the accumulation account as defined below, and employer contributions.
    - The second account (Accumulation Account) cannot be used to pay benefits and expenses until assets exceed actuarial accrued liabilities. Contributions to the accumulation account include employee contributions of 1.5% of pay and a percentage of the premium tax allocation. The percentage of the premium tax allocation is based on the amounts needed to produce 100% funding of liabilities in 35 years from the year the plan was closed when considering assets from both the Benefit Payment Account and the Accumulation Account. This account also includes the Fund's assets prior to the adoption of the Conservation funding policy.

We understand employer contributions will be made from the City's General Fund and will be used directly to pay benefits not covered by member contributions or the premium tax allocation. We also understand that the Plan's assets will accumulate in the closed Pension and Relief Fund and no benefits or expenses will be paid from this trust until the funded ratio exceeds 100%.

The sponsor elected to close the plan to new members and switch to the Conservation funding policy effective as of January 1, 2018.

Executive Summary (Continued)

The following table provides the Plan's funded status as of July 1, 2017:

Assets	$2,131,934
Actuarial Liabilities	$42,547,347
Unfunded Liabilities	$40,415,413
Funded Ratio	5.01%

The following table provides the actual employer contributions, employee contributions and premium tax allocation for the plan year ended June 30, 2018. The premium tax allocation was based on the results of the July 1, 2016, actuarial valuation. During fiscal year end June 30, 2018, the sponsor made contributions of $1,751,300 which exceeded the estimated Conservation funding contribution of $1,286,685 provided in the July 1, 2016, actuarial valuation report.

Plan year ending 2018	Benefit Payment Account	Accumulation Account	Total
Employee Contributions	$164,420	$15,583	$180,003
Premium Tax Allocations	$335,877	$98,606	$434,483
Employer Contributions	$1,305,623	$445,677	$1,751,300
Total	$1,805,920	$559,866	$2,365,786

The following table provides the estimated employer contributions, employee contributions and premium tax allocation for the plan year ending June 30, 2019. We have assumed that approximately 27.00% of the premium tax allocation of $443,238 is deposited into the Accumulation Account and the remainder will be used for Benefit Payments. The basis of the premium tax allocation between the Benefit Payment Account and the Accumulation Account is developed from the projection on page II-2 of the report.

Plan year ending 2019	Benefit Payment Account	Accumulation Account	Total
Employee Contributions	$125,381	$26,867	$152,248
Premium Tax Allocations	$323,563	$119,675	$443,238
Employer Contributions	$1,263,537	$0	$1,263,537
Total	$1,712,481	$146,542	$1,859,023

Please note that the Plan is severely underfunded with a funded ratio of only 5% as of July 1, 2017, and we continue to recommend that the sponsor make contributions in excess of the statutory minimum.

Commentary of Premium Tax Allocation

Under §8-22-19 of the West Virginia Code, the plan sponsor is required to deposit the statutory contribution on a monthly basis at a rate of one-twelfth of the annual requirement, in order to receive the premium tax allocation from Municipal Pensions Security Fund. However, revenues which are specifically collected for the Fund must be deposited within five days of receipt.

Based upon discussions with the Municipal Pensions Oversight Board ("MPOB"), we understand the annual premium tax allocation is determined by September 1st each year. Municipalities can begin invoicing the MPOB for their share of the premium tax allocation after receiving their state-provided actuarial study and after the municipality has made employer contributions to the Benefit Payment Account (for plans not using the Conservation funding policy, the employer contributions must have been paid into the Pension and Relief Fund). Each municipal treasurer shall use the invoice template provided by the MPOB to begin drawing down the state allocation for the municipal pension plan. This July 1, 2017 Actuarial Report from GRS is to be used by municipal pension plans to draw down the September 1, 2018 State Premium Tax Allocation which is allocated in Fiscal Year 2019. *The actuarial valuation and projection results assume the sponsor will make the statutory contributions on a monthly basis in accordance with statutes, and will be eligible to receive the premium tax allocation.*

Commentary on Solvency Projections and Supplemental Benefits

Under § 8-22-26a of the West Virginia Code, all retirees, surviving spouses and disabled pensioners are eligible for Supplemental Benefits that include automatic cost-of-living benefits commencing on the first day of July following two years of retirement. The benefit equals the percentage increase in the Consumer Price Index, limited to 4.0 percent (2.0 percent for certain disabled pensioners), multiplied by the sum of the allowable amount (first $15,000 of initial benefits paid) and the accumulated supplemental pensions paid in prior years.

The Court of Appeals decision requires that Supplemental Benefits be provided on "the allowable amount of the first $15,000 of the total annual pension paid in addition to the accumulated supplemental pension from the previous years." The decision implies that compound cost-of-living increases should be applied to both the allowable amount of $15,000 and the accumulated supplemental pension amounts for prior years. Additional Supplemental Benefits are payable only if the Plan satisfies the minimum standard for actuarial soundness as defined in West Virginia Code § 8-22-20. This minimum standard requires that the fund remain "solvent" over the next 15-year projection period. Based on discussions with the West Virginia Municipal Pensions Oversight Board, and our understanding of the administrative practices of other local police and fire pension funds in West Virginia, the "solvency" requirement generally means that the fund's market value of assets is projected to be greater than zero for all plan years prior to the end of the 15-year projection period. The projection is based on the most recent actuarial valuation and assumes the plan sponsor will make contributions according to the funding policy elected by the sponsor as defined by the West Virginia Code. *Although the 15-year solvency test may satisfy the minimum standard for actuarial soundness under the statutes, it is not necessarily consistent with generally accepted actuarial principles.*

The City of Fairmont has elected to fund benefits using the Conservation funding policy as defined in the West Virginia Code Section 8-22-20(f)(1). Under this funding methodology, the fund's market value of assets is projected to be greater than zero for all plan years prior to the end of the 15-year projection period. Accordingly, this contribution methodology satisfies the minimum standard for actuarial soundness.

The Supplemental benefits for plan year beginning July 1, 2019 will be based on the Consumer Price Index for calendar year 2018, and the projected results of the July 1, 2017 actuarial valuation.

Additional Remarks on the Actuarial Valuation Results

Following are additional remarks on the actuarial valuation results as of July 1, 2017:

- 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 became effective beginning with the actuarial valuation as of July 1, 2015. The key assumptions are fully disclosed in Section V of the report.

- The interest rate used to discount liabilities remained the same for the July 1, 2016 and July 1, 2017 actuarial valuations.
    - The interest rate assumption was developed by reviewing the Plan's current funded ratio, the 15-year projected funded ratio, the ratio of assets to benefits, the percentage of assets allocated to equities and the funding policy selected. The details of the methodology used to select the discount rate are presented in Section V of the report. As of July 1, 2017, the Plan's funded ratio of 6% (using a testing interest rate of 5.50% for all plans using the Conservation funding policy), ratio of assets to benefits of 1.32, equity allocation of 50%, and 15-year projected funded ratio of 24%, resulted in a discount rate assumption of 4.00%.
- The sponsor changed from the Alternative funding policy to the Conservation funding policy effective for the plan year beginning on January 1, 2018.

- The Fund experienced an approximate annualized return of 8.96% on the market value of assets during the plan year ended June 30, 2017, which compares to the expected annualized return of 4.00%. The difference in actual versus expected return produced an asset (gain)/loss of ($90,574).

- An actuarial valuation is based on the expectation of certain events such as salary increases, retirement, disability, mortality, termination and cost of living increases. Demographic or liability experience (gains)/losses are generated when the actual occurrence of such events differs from the expectation. During the plan year ending June 30, 2017, the fund experienced a net liability (gain)/loss of ($500,687) due to these events.

Conservation Funding

Following are additional remarks on the actuarial valuation projections under the current funding policy:

Based on the closed group projections shown in Table 1, page II-1 and assuming that the sponsor makes the statutory required contributions, if all actuarial assumptions are realized in the future, including an investment return of 4.00%:

- The funded ratio is projected to increase slowly from 5% at June 30, 2017, to 15% at June 30, 2030, 32% at June 30, 2040, and 100% at June 30, 2053.
- Employer contributions are expected to increase from $1,263,537 for the fiscal year end June 30, 2019, to $2,333,091 for fiscal year end June 30, 2037, and then decrease to $1,469,645 for fiscal year end June 30, 2053.

Please note that a funded ratio of only 5% at June 30, 2017, means that the Plan is severely underfunded. Although the Plan is projected to be 100% funded by 2053, the funded ratio is projected to grow at a very slow rate. This policy is not consistent with generally accepted actuarial principles because benefit payments are effectively financed on a pay-as-you-go basis until 2053 through the Benefit Payment Account.

This actuarial valuation assumes that the City will be able to make future contributions on a timely basis. The ability of the Plan to become fully funded is heavily dependent on the City contributing the minimum employer contribution calculated under the Conservation funding policy for each and every future year. We did not perform an analysis of the ability of the City to make future contributions. Such an analysis is not within the scope of our assignment or within our analytical skill set. Failure to receive City contributions on a timely basis could jeopardize the sustainability of the Plan.

Please understand that the minimum employer contribution calculated under the Conservation funding policy as defined in West Virginia Code 8-22-20 (f)(1) is just that – the minimum that needs to be contributed each and every year. Because this Plan is severely underfunded, we continue to recommend that the plan sponsor seriously consider making additional contributions (in excess of the minimum requirement) to ensure that there are sufficient assets available in the fund in all years to pay the promised benefits.

If the minimum employer contributions (calculated under the Conservation funding policy) are not made or the investment return is less than the assumption of 4.00%, the funded ratio will be lower and the cash flow strain could be higher. If a significant market downtown occurs or a significant number of members retire or become disabled, the sponsor’s contributions are projected to increase.

Under the Conservation funding policy, the following experience could cause City contributions to change during the year:

- If the actual return on assets is *less* than the assumed return of 4.00%, then contributions will generally *increase*. Conversely, if the actual return is *greater* than the assumed return, contributions will generally *decrease*.

- If salaries *increase* by more than assumed, contributions could *increase*. If salaries *decrease* by more than assumed, contributions could *decrease.*
- If active members retire *sooner* than expected, contributions will generally *increase.* If active members retire *later* than expected, contributions will generally *decrease*.
- If active members become disabled during the year, contributions could increase.
- If retired members die *later* than expected, contributions will increase. If retired members die *sooner* than expected, contributions will decrease.
- If the general inflation is *greater* than assumed, supplemental benefits will be greater than assumed and contributions will *increase*. Conversely, if general inflation is *lower* than assumed, contributions will *decrease*.

At least once every five years, GRS performs an experience review analysis and updates the actuarial valuation assumptions. For example, if salary increases were consistently lower than assumed during the experience period, then the salary increase rate would likely be lowered. Or if more members retired than assumed, then the retirement rates would likely be increased. Any change in actuarial assumption will also impact the City's funded ratio. The objective of a change in assumptions is to reduce the level of experience gains and losses in future actuarial valuations.

However, under the Conservation funding policy, sponsor contributions depend on benefits being paid to retirees, disabled members and surviving beneficiaries and not necessarily on the economic or demographic experience. The updates to the actuarial assumptions will have a greater impact on the actuarial accrued liability and funded ratio under the Conservation funding policy.

Schedule A: Summary of Key Valuation Results

Valuation Date		**July 1, 2016**		**July 1, 2017**
Valuation Interest Rate		4.00%		4.00%
Cost-of-Living Adjustment		2.75%		2.75%
Wage Inflation		3.75%		3.75%
Expected Payroll		$1,831,847		$1,864,926
Average Pay		$46,970		$46,623
Expected Benefit Payments		$1,579,447		$1,609,964
1. Actuarial Accrued Liability	No.		No.	
(a) Actives	39	$16,420,894	40	$17,744,019
(b) Retirees	40	$23,148,872	40	$22,704,542
(c) Survivors	15	$1,955,453	14	$1,868,577
(d) Disabled Members	1	$235,297	1	$230,209
(e) Deferred Vested Members	0	$0	0	$0
(f) Total	95	$41,760,516	95	$42,547,347
2. Present Value of Future Normal Costs		$10,310,681		$10,028,388
3. Present Value of Benefits (1(f) + 2)		$52,071,197		$52,575,735
4. Market Value of Assets		$1,690,420		$2,131,934
5. Unfunded Actuarial Accrued Liability (1(f) - 4)		$40,070,096		$40,415,413
6. Funded Ratio (4 / 1(f))		4.05%		5.01%
7. Net Employer Normal Cost				
(a) Normal Cost		$1,153,835		$1,181,064
(b) Administrative Expenses		$8,528		$8,687
(c) Gross Normal Cost (a + b)		$1,162,363		$1,189,751
(d) Employee Contribution Rate		8.59%		8.61%
(e) Expected Employee Contributions		$157,279		$160,568
(f) Net Employer Normal Cost (c - e)		$1,005,084		$1,029,183
(% of Compensation)		54.87%		55.19%
		FYE 2018		**FYE 2019**
8. Minimum Employer Contribution [a]		$1,751,300		$1,263,537
(% of Projected Compensation)		96%		68%
9. State Insurance Premium Tax Allocation		$434,483		$443,238
(% of Projected Compensation)		24%		24%

[a] Estimated Employer contribution for fiscal year end June 30, 2019.

Schedule B: (Gain)/Loss Analysis

Experience (Gain)/Loss for Plan Year Ended June 30, 2017

1.	(a) Actuarial Accrued Liability as of 7/1/2016	$41,760,516
	(b) Normal Cost due 7/1/2016	$1,153,835
	(c) Interest on (a) and (b) to 6/30/2017	$1,693,497
	(d) Benefit Payments with interest to 6/30/2017	$1,559,814
	(e) Effect of Assumption Changes	$0
	(f) Expected Liability at 7/1/2017 [(a) + (b) + (c) - (d) + (e)]	$43,048,034
	(g) Actual Liability at 7/1/2017	$42,547,347
	(h) Liability (Gain)/Loss [(g) - (f)]	**($500,687)**
2.	(a) Market Value of Assets as of 7/1/2016	$1,690,420
	(b) Interest on (a) to 6/30/2017	$67,522
	(c) Contributions with interest to 6/30/2017	$1,843,232
	(d) Benefit Payments with interest to 6/30/2017	$1,559,814
	(e) Expected Assets at 6/30/2017 [(a) + (b) + (c) - (d)]	$2,041,360
	(f) Actual Assets at 7/1/2017	$2,131,934
	(g) Asset (Gain)/Loss [(e) - (f)]	**($90,574)**
3.	Total (Gain)/Loss [1(h) + 2(g)]	**($591,261)**

SECTION II

ACTUARIAL PROJECTIONS

Actuarial Projections
Table 1

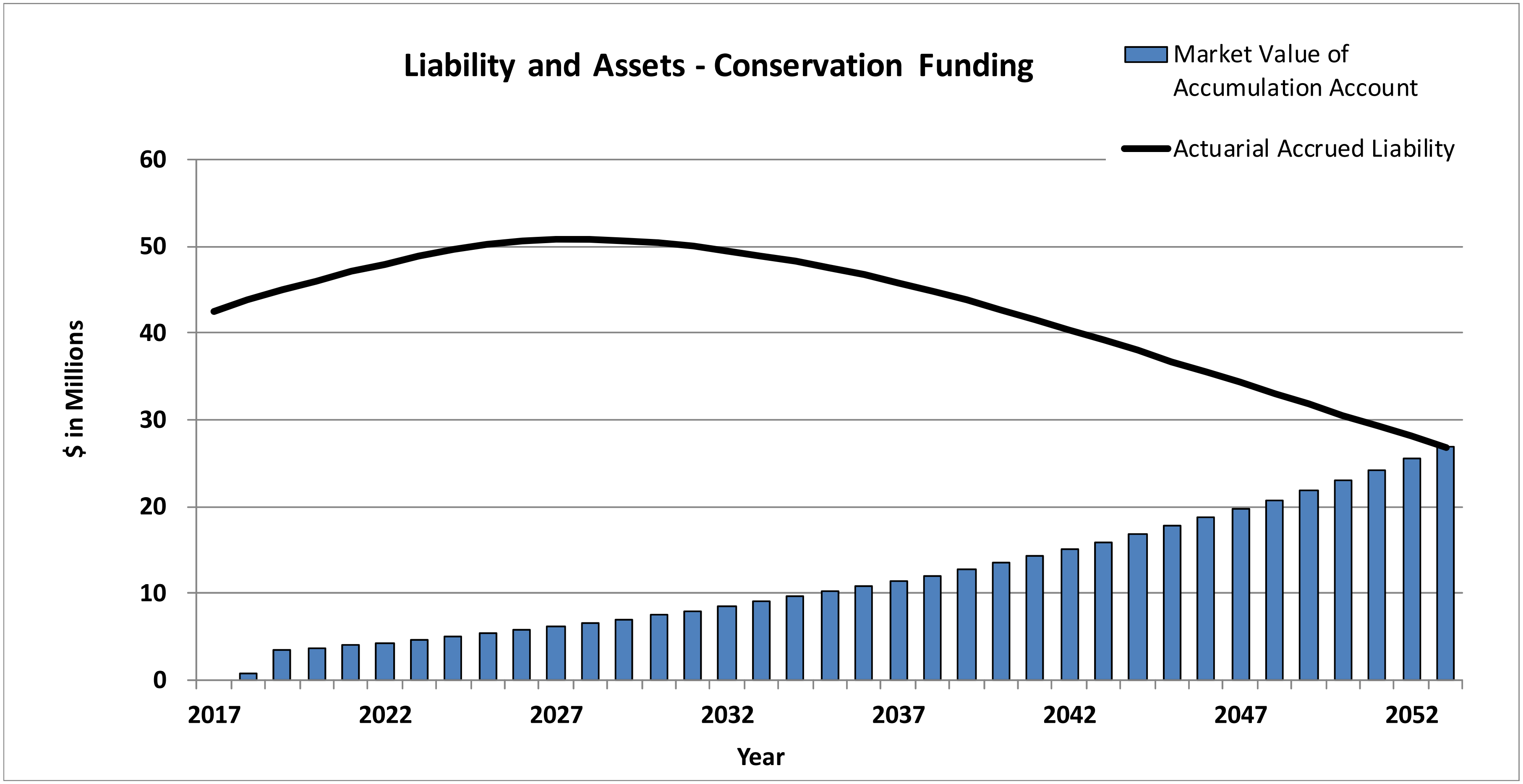
Valuation Plan Year End 30-Jun	Number: Active	Number: Pay Status	Total Payroll	Total Assets: Assets (boy)	Benefit Payments	Expenses	Employer Contributions	Employee Contributions	Premium Tax Allocation Contributions	Investment Income	Assets (eoy)	Actuarial Accrued Liability	Unfunded Liability	Funded Ratio
2017	40	55	$1,831,847	$1,690,420	$1,529,229	$1,777	$1,207,146	$165,937	$434,016	$165,421	2,131,934	$42,547,347	$40,415,413	5%
2018	36	57	1,864,926	2,131,934	1,524,211	2,350	1,751,300	180,003	434,483	155,499	3,126,658	43,811,964	40,685,306	7%
2019	33	58	1,767,331	3,126,658	1,710,118	2,363	1,263,537	152,248	443,238	127,969	3,401,169	44,954,680	41,553,511	8%
2020	31	58	1,711,060	3,401,169	1,775,648	2,375	1,317,444	147,444	464,596	139,046	3,691,676	46,035,315	42,343,639	8%
2021	28	60	1,635,739	3,691,676	1,851,979	2,389	1,390,487	141,039	476,344	150,707	3,995,885	47,028,794	43,032,909	8%
2022	26	60	1,568,035	3,995,885	1,927,140	2,407	1,459,711	135,296	490,982	162,934	4,315,261	47,938,823	43,623,562	9%
2023	23	61	1,515,999	4,315,261	1,986,885	2,427	1,514,819	130,889	502,332	175,754	4,649,743	48,786,818	44,137,075	10%
2024	21	62	1,431,788	4,649,743	2,062,388	2,447	1,585,494	123,752	517,025	189,187	5,000,366	49,530,881	44,530,515	10%
2025	18	63	1,326,973	5,000,366	2,157,701	2,470	1,676,969	114,870	532,334	203,263	5,367,631	50,133,417	44,765,786	11%
2026	15	64	1,191,245	5,367,631	2,274,321	2,493	1,790,832	103,367	549,119	218,003	5,752,138	50,548,107	44,795,969	11%
2027	13	66	1,043,910	5,752,138	2,394,508	2,517	1,907,603	90,884	567,913	233,440	6,154,953	50,757,753	44,602,800	12%
2028	11	66	917,125	6,154,953	2,493,364	2,541	2,001,304	80,157	587,109	249,618	6,577,236	50,788,977	44,211,741	13%
2029	9	67	810,517	6,577,236	2,580,423	2,567	2,082,846	71,154	604,859	266,572	7,019,677	50,662,193	43,642,516	14%
2030	7	67	715,041	7,019,677	2,660,764	2,593	2,157,289	63,100	622,059	284,334	7,483,102	50,388,073	42,904,971	15%
2031	6	67	631,263	7,483,102	2,726,838	2,619	2,217,093	56,041	638,649	302,935	7,968,363	49,982,860	42,014,497	16%
2032	5	66	569,852	7,968,363	2,770,650	2,645	2,252,935	50,885	655,418	322,417	8,476,723	49,478,125	41,001,402	17%
2033	5	66	537,459	8,476,723	2,789,640	2,671	2,262,652	48,197	671,188	342,826	9,009,275	48,913,331	39,904,056	18%
2034	4	65	487,050	9,009,275	2,816,513	2,695	2,282,075	43,835	686,349	364,194	9,566,520	48,268,265	38,701,745	20%
2035	3	65	419,120	9,566,520	2,854,757	2,719	2,311,634	37,926	704,944	386,563	10,150,111	47,518,729	37,368,618	21%
2036	3	64	359,705	10,150,111	2,883,721	2,740	2,331,710	32,845	722,880	409,985	10,761,070	46,675,786	35,914,716	23%
2037	2	63	314,506	10,761,070	2,894,920	2,759	2,333,091	28,997	740,697	434,505	11,400,681	45,762,169	34,361,488	25%
2038	2	62	273,216	11,400,681	2,897,391	2,774	2,325,961	25,335	758,001	460,169	12,069,982	44,785,545	32,715,563	27%
2039	2	61	233,663	12,069,982	2,893,512	2,786	2,311,047	21,765	777,161	487,031	12,770,688	43,750,723	30,980,035	29%
2040	1	59	211,263	12,770,688	2,872,457	2,794	2,277,568	19,777	796,434	515,155	13,504,371	42,682,802	29,178,431	32%
2041	1	58	182,881	13,504,371	2,853,020	2,797	2,245,798	17,178	816,264	544,599	14,272,393	41,575,489	27,303,096	34%
2042	1	57	139,866	14,272,393	2,842,865	2,796	2,223,078	13,157	838,012	575,423	15,076,402	40,410,689	25,334,287	37%
2043	1	55	104,570	15,076,402	2,821,456	2,790	2,188,442	9,847	859,857	607,688	15,917,990	39,202,471	23,284,481	41%
2044	0	53	83,261	15,917,990	2,783,270	2,780	2,135,775	7,856	881,925	641,463	16,798,959	37,973,316	21,174,357	44%
2045	0	52	67,494	16,798,959	2,738,170	2,767	2,075,480	6,386	904,382	676,816	17,721,086	36,732,386	19,011,300	48%
2046	0	50	57,050	17,721,086	2,686,830	2,749	2,007,716	5,412	927,954	713,824	18,686,413	35,488,502	16,802,089	53%
2047	0	48	50,084	18,686,413	2,631,099	2,729	1,934,186	4,758	953,047	752,569	19,697,145	34,247,914	14,550,769	58%
2048	0	47	37,377	19,697,145	2,580,272	2,705	1,864,974	3,551	979,562	793,136	20,755,391	33,003,458	12,248,067	63%
2049	0	45	23,251	20,755,391	2,529,522	2,680	1,794,781	2,209	1,007,675	835,611	21,863,465	31,754,511	9,891,046	69%
2050	0	43	16,497	21,863,465	2,471,092	2,654	1,715,767	1,567	1,036,562	880,087	23,023,702	30,512,115	7,488,413	75%
2051	0	42	11,167	23,023,702	2,411,649	2,626	1,635,076	1,061	1,066,200	926,653	24,238,417	29,278,157	5,039,740	83%
2052	0	40	6,878	24,238,417	2,351,786	2,598	1,553,085	653	1,096,934	975,404	25,510,109	28,053,889	2,543,780	91%
2053	0	39	4,406	25,510,109	2,291,233	2,569	1,469,639	419	1,128,505	1,026,440	26,841,310	26,841,310	0	100%

Actuarial Projections
Table 2

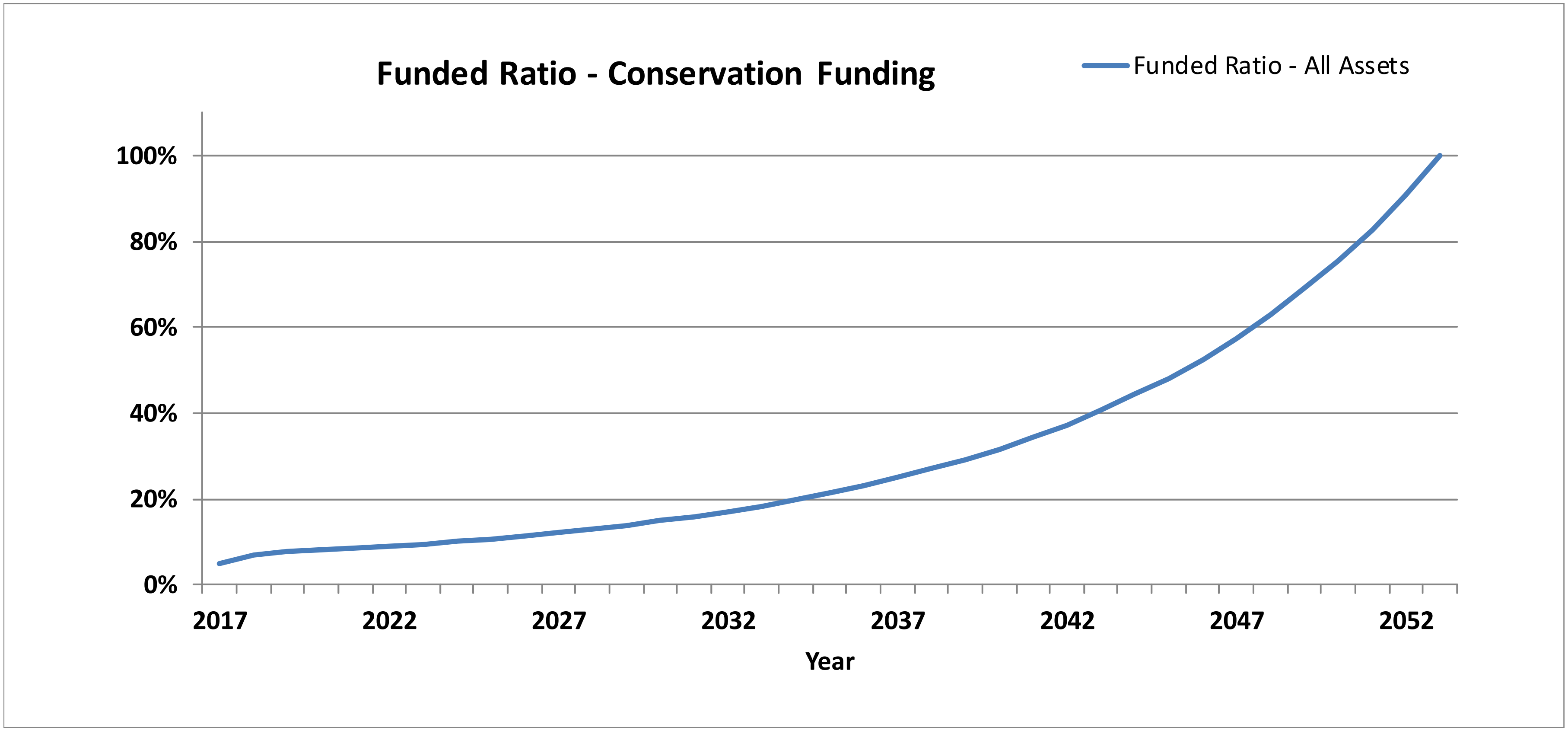
Plan Year End 30-Jun	Benefit Payment Account [a]							Accumulation Account [b]					
	Assets (boy)	Net Benefit Pmts and Expenses	Employer Contributions	7.00% of Pay Employee Contributions	73.00% of Premium Tax Allocation	Investment Income	Transfer (To)/From Accumulation Account	Assets (boy)	Net Benefit Pmts and Expenses	Employer Contributions	1.50% of Pay Employee Contributions	27.00% of Premium Tax Allocation	Investment Income
2019	$506,796	$1,712,481	$1,263,537	$125,381	$323,563	$20,272	($527,068)	$2,619,862	$0	$0	$26,867	$119,675	$107,697
2020	0	1,778,023	1,317,444	121,424	339,155	0	0	3,401,169	0	0	26,020	125,441	139,046
2021	0	1,854,368	1,390,487	116,150	347,731	0	0	3,691,676	0	0	24,889	128,613	150,707
2022	0	1,929,547	1,459,711	111,420	358,416	0	0	3,995,885	0	0	23,876	132,566	162,934
2023	0	1,989,312	1,514,819	107,791	366,702	0	0	4,315,261	0	0	23,098	135,630	175,754
2024	0	2,064,835	1,585,494	101,913	377,428	0	0	4,649,743	0	0	21,839	139,597	189,187
2025	0	2,160,171	1,676,969	94,599	388,603	0	0	5,000,366	0	0	20,271	143,731	203,263
2026	0	2,276,814	1,790,832	85,126	400,856	0	0	5,367,631	0	0	18,241	148,263	218,003
2027	0	2,397,025	1,907,603	74,846	414,576	0	0	5,752,138	0	0	16,038	153,337	233,440
2028	0	2,495,905	2,001,304	66,012	428,589	0	0	6,154,953	0	0	14,145	158,520	249,618
2029	0	2,582,990	2,082,846	58,597	441,547	0	0	6,577,236	0	0	12,557	163,312	266,572
2030	0	2,663,357	2,157,289	51,965	454,103	0	0	7,019,677	0	0	11,135	167,956	284,334
2031	0	2,729,457	2,217,093	46,151	466,213	0	0	7,483,102	0	0	9,890	172,436	302,935
2032	0	2,773,295	2,252,935	41,905	478,455	0	0	7,968,363	0	0	8,980	176,963	322,417
2033	0	2,792,311	2,262,652	39,692	489,967	0	0	8,476,723	0	0	8,505	181,221	342,826
2034	0	2,819,208	2,282,075	36,099	501,034	0	0	9,009,275	0	0	7,736	185,315	364,194
2035	0	2,857,476	2,311,634	31,233	514,609	0	0	9,566,520	0	0	6,693	190,335	386,563
2036	0	2,886,461	2,331,710	27,049	527,702	0	0	10,150,111	0	0	5,796	195,178	409,985
2037	0	2,897,679	2,333,091	23,880	540,708	0	0	10,761,070	0	0	5,117	199,989	434,505
2038	0	2,900,165	2,325,961	20,864	553,340	0	0	11,400,681	0	0	4,471	204,661	460,169
2039	0	2,896,298	2,311,047	17,924	567,327	0	0	12,069,982	0	0	3,841	209,834	487,031
2040	0	2,875,251	2,277,568	16,287	581,396	0	0	12,770,688	0	0	3,490	215,038	515,155
2041	0	2,855,817	2,245,798	14,147	595,872	0	0	13,504,371	0	0	3,031	220,392	544,599
2042	0	2,845,661	2,223,078	10,835	611,748	0	0	14,272,393	0	0	2,322	226,264	575,423
2043	0	2,824,246	2,188,442	8,109	627,695	0	0	15,076,402	0	0	1,738	232,162	607,688
2044	0	2,786,050	2,135,775	6,470	643,805	0	0	15,917,990	0	0	1,386	238,120	641,463
2045	0	2,740,937	2,075,480	5,259	660,198	0	0	16,798,959	0	0	1,127	244,184	676,816
2046	0	2,689,579	2,007,716	4,457	677,406	0	0	17,721,086	0	0	955	250,548	713,824
2047	0	2,633,828	1,934,186	3,918	695,724	0	0	18,686,413	0	0	840	257,323	752,569
2048	0	2,582,977	1,864,974	2,924	715,079	0	0	19,697,145	0	0	627	264,483	793,136
2049	0	2,532,202	1,794,781	1,819	735,602	0	0	20,755,391	0	0	390	272,073	835,611
2050	0	2,473,746	1,715,767	1,290	756,689	0	0	21,863,465	0	0	277	279,873	880,087
2051	0	2,414,275	1,635,076	874	778,325	0	0	23,023,702	0	0	187	287,875	926,653
2052	0	2,354,384	1,553,085	538	800,761	0	0	24,238,417	0	0	115	296,173	975,404
2053	0	2,293,802	1,469,639	345	823,808	0	10	25,510,109	0	0	74	304,697	1,026,440

[a] *Employer contributions paid from the City's General Fund are used to finance benefits not covered by the applicable employee contributions or premium tax allocation.*
[b] *Assets accumulate in the Accumulation Account.*

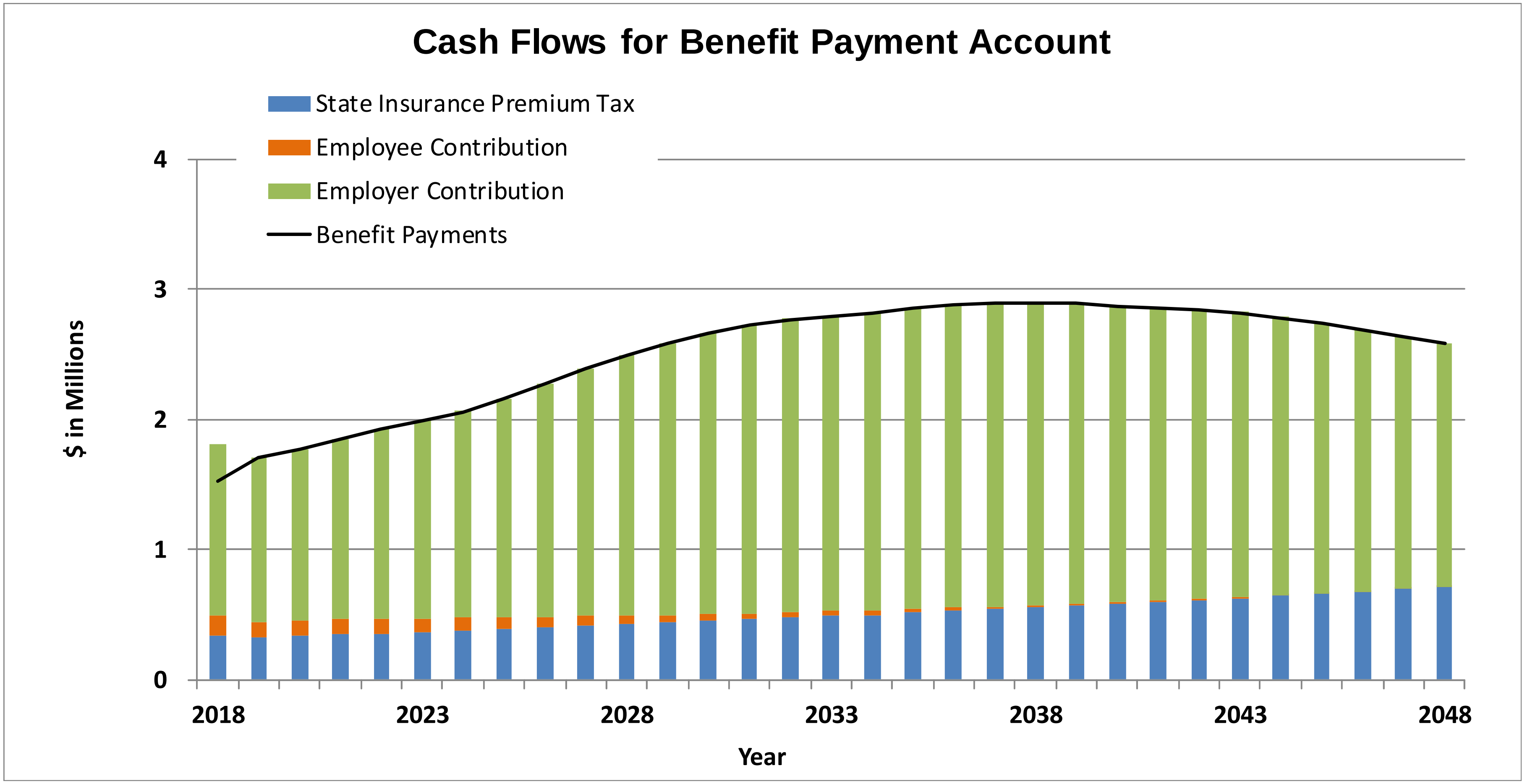
Actuarial Projections
Graph 1



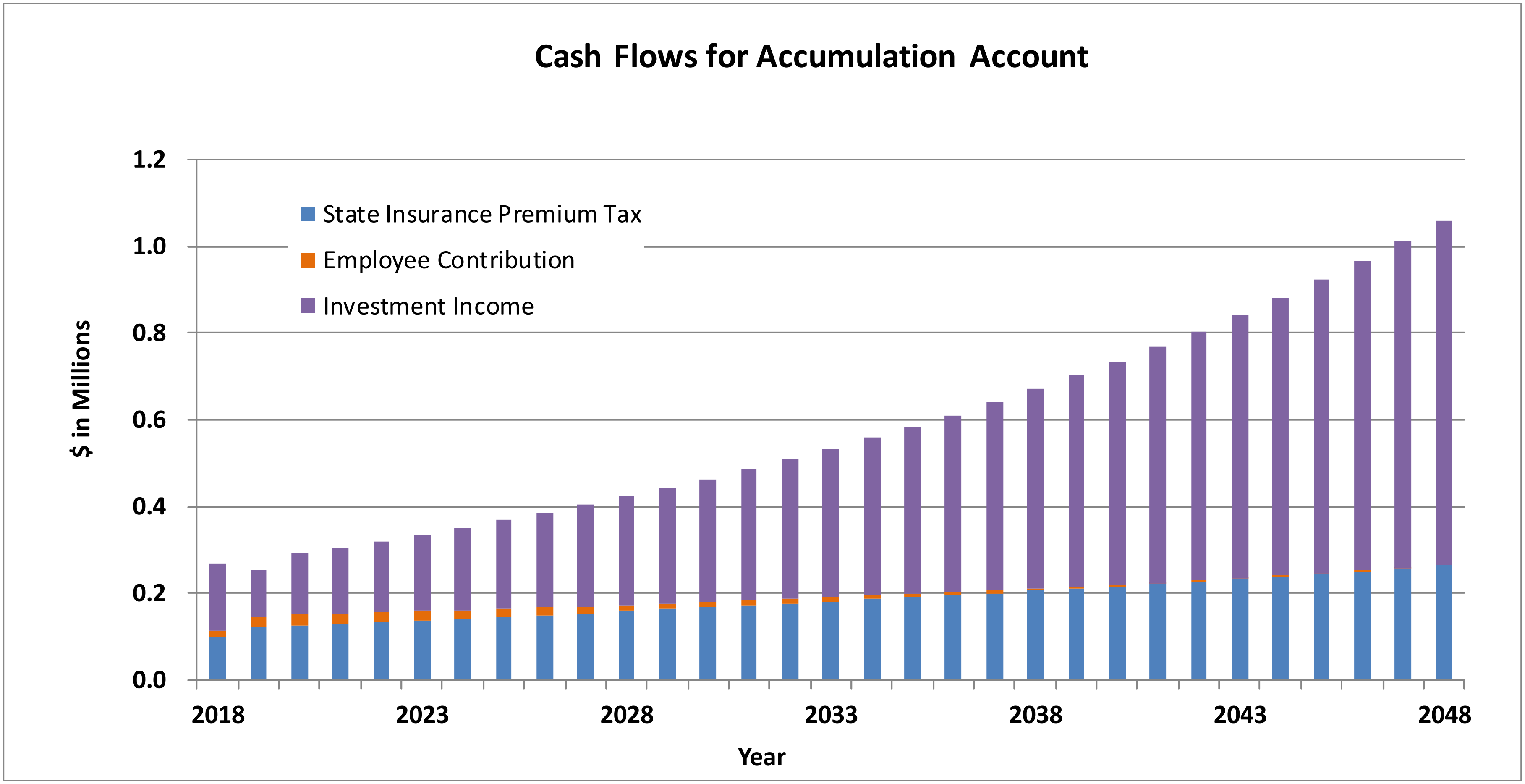
Actuarial Projections
Graph 2



Actuarial Projections
Graph 3



Actuarial Projections
Graph 4



SECTION III

ACTUARIALLY DETERMINED CONTRIBUTION FOR GASB STATEMENT NOS. 67 AND 68 REPORTING

Actuarial Determined Contribution for GASB Statement for GASB Statement Nos. 67 and 68 Reporting
Schedule C: Funding Progress and Employer Contributions

Valuation Date	**July 1, 2016**	**July 1, 2017**
Valuation Interest Rate	4.00%	4.00%
Cost-of-Living Adjustment	2.75%	2.75%
Wage Inflation	3.75%	3.75%
Actuarial Value of Assets	Market	Market
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Remaining Amortization Period [a]	24 Years, Level % of Pay	23 Years, Level % of Pay
Schedule of Funding Progress		
Actuarial Valuation Date	**July 1, 2016**	**July 1, 2017**
1. Market Value of Assets	$1,690,420	$2,131,934
2. Actuarial Accrued Liability	$41,760,516	$42,547,347
3. Unfunded Actuarial Accrued Liability (2 - 1)	$40,070,096	$40,415,413
4. Funded Ratio (1/2)	4%	5%
5. Expected Payroll	$1,831,847	$1,864,926
6. UAAL as Percentage of Covered Payroll (3/5)	2,187%	2,167%
Schedule of Employer Contributions [c]	**FYE 2017**	**FYE 2018**
1. Actuarially Determined Contribution		
(a) Employer Normal Cost	$1,005,084	$1,029,183
(b) Amortization of Unfunded Actuarial Accrued Liability	$1,716,205	$1,804,103
(c) Actuarially Determined Contribution (ADC) (a + b)	$2,721,289	$2,833,286
2. Employer Contribution [b]	$1,207,146	$1,751,300
3. Premium Tax Allocation	$434,016	$434,483
4. Percentage of ADC Contributed [(2 + 3)/1(c)]	60%	77%

[a] *Suggested amortization policy to comply with GASB Statement Nos. 67 and 68 Standards.*

[b] *Actual employer contribution for fiscal year end June 30, 2017 and June 30, 2018.*

[c] *The Conservation contribution plus premium tax allocation does not satisfy the Actuarially Determined Contribution as defined by GASB Statement Nos. 67 and 68.*

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SECTION IV

ACTUARIAL VALUATION DATA AS OF JULY 1, 2017

Actuarial Valuation Data as of July 1, 2017
Schedule D: Reconciliation of Assets

Plan Year Ending	June 30, 2016	June 30, 2017
A. Market Value of Assets Beginning of Year	$1,683,829	$1,690,420
Adjustment to Market Value of Assets at Beginning of Year	$0	$0
Market Value of Assets Beginning of Year	$1,683,829	$1,690,420
1. Revenue During Fiscal Year		
(a) Employee Contribution	$165,045	$165,937
(b) Governmental Contribution		
(i) From Local Government[a]	$922,550	$1,205,990
(ii) From State Government	$418,443	$434,016
(iii) Reallocation from State Government	$0	$0
(iv) Total	$1,340,993	$1,640,006
(c) Earnings on Investments		
(i) Net Appreciation/(Depreciation)	($40,409)	$115,478
(ii) Bond Interest	$1,950	$4,686
(iii) Dividends	$58,665	$55,161
(iv) Net Realized Gain (Loss) on Sale/Exchange	($101)	$0
(v) Other	$965	$0
(vi) Less Investment Expense	$0	($9,904)
(vii) Total	$21,070	$165,421
(d) Other Revenue	$25,698	$0
(e) Net Receivable Investment Income	$599	$0
(f) Receivable Contribution [b]		
(i) From Employee Contributions	$0	$0
(ii) From Local Government	$1,760	$1,156
(iii) From State Government	$0	$0
(iv) Total	$1,760	$1,156
(g) Total Revenue (sum of (a) through (f))	$1,555,165	$1,972,520
2. Expenditures During Fiscal Year		
(a) Benefits Paid	$1,547,141	$1,522,331
(b) Withdrawals	$0	$6,898
(c) Administrative Expenses	$1,433	$1,777
(d) Payable Benefits and Withdrawals	$0	$0
(e) Payable Administrative Expenses	$0	$0
(f) Total Expenditures (sum of (a) through (e))	$1,548,574	$1,531,006
B. Market Value of Assets End of Year		
[A + 1(g) - 2(f)]	$1,690,420	$2,131,934
C. Approximate Return on Assets	2.77%	8.96%

[a] *Employer contributions for plan year end June 30, 2017, include $218,861 in excess of the Alternative funding policy minimum contribution of $987,129.*

[b] *Receivable contributions for each respective plan year ending.*

Actuarial Valuation Data as of July 1, 2017
Schedule E: Assets Held by Category

Plan Year Ending	June 30, 2016		June 30, 2017	
1. Cash and Short-term Investments	$329,920	20%	$568,904	27%
2. Government Securities				
(a) US Treasury Bills, Notes and Bonds	$0		$0	
(b) US State and Local Governmental Debt Securities	$0		$0	
(c) Foreign Governmental Debt Securities	$0		$0	
(d) Other	$0		$0	
(e) Total Government Securities (sum of (a) through (d))	$0	0%	$0	0%
3. Corporate Fixed Income				
(a) US Bonds	$75,715		$72,640	
(b) US Mortgage or other Asset Backed Securities	$0		$0	
(c) US Mutual Fund Shares (Bonds)	$391,051		$359,529	
(d) US Exchange Traded Funds (Bonds)	$0		$0	
(e) International Bonds	$0		$58,606	
(f) International Mutual Fund Shares (Bonds)	$40,934		$0	
(g) International Exchange Traded Funds (Bonds)	$0		$0	
(h) Total Corporate Fixed Income (sum of (a) through (g))	$507,700	30%	$490,775	23%
4. Corporate Equity				
(a) US Equity	$0		$0	
(b) US Mutual Fund Shares (Equity)	$586,084		$597,362	
(c) US Exchange Traded Funds (Equity)	$0		$0	
(d) International Equity	$0		$0	
(e) International Mutual Fund Shares (Equity)	$264,357		$472,061	
(f) International Exchange Traded Funds (Equity)	$0		$0	
(g) Total Corporate Equity (sum of (a) through (f))	$850,441	50%	$1,069,423	50%
5. Alternative Investments				
(a) Real Estate Investment Trust	$0		$0	
(b) Private Equity Fund	$0		$0	
(c) Hedge Funds	$0		$0	
(d) Other Alternative Investments	$0		$0	
(e) Total Alternative Investments (sum of (a) through (d))	$0	0%	$0	0%
6. Other	$0	0%	$0	0%
7. Receivable Contributions	$0			
(a) From Employee Contributions	$0		$0	
(b) From Local Government	$1,760		$1,156	
(c) From State Government	$0		$0	
(d) Total Receivable Contributions (sum of (a) through (c))	$1,760	0%	$1,156	0%
8. Accruals				
(a) Receivable (other than State and Local Contributions)	$599		$1,676	
(b) Less Payable	$0		$0	
(c) Total	$599	0%	$1,676	0%
Market Value of Assets End of Year	**$1,690,420**		**$2,131,934**	
[sum of (1) through (8)]				

Actuarial Valuation Data as of July 1, 2017
Schedule F: Summary of Participant Activity

	Actives	Retirees	Disabled	Deferred Vested	Spouses and Beneficiaries	Totals
Total Participants July 1, 2016:	**39**	**40**	**1**	**0**	**15**	**95**
New Actives:	1					**1**
Returned to Actives Status:						**0**
Data Corrections/Other Changes:						**0**
Vested Terminations:						**0**
Non-Vested Terminations:						**0**
Disabled:						**0**
Retirements:						**0**
Deaths with Beneficiary:						**0**
Deaths w/o Beneficiary:					(1)	**(1)**
Expired Annuity or Stop Payment:						**0**
Net Changes:	1	0	0	0	(1)	**0**
Total Participants June 30, 2017:	**40**	**40**	**1**	**0**	**14**	**95**

Actuarial Valuation Data as of July 1, 2017
Schedule G: Distribution of Active Employees by Age and Length of Service

Attained Age	Less than 1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	Over 35	Totals	Valuation Payroll[a]
	Years of Service to Valuation Date										
Under 20	1									**1**	**$ 34,443**
20-24											**$ 0**
25-29		2	1							**3**	**$ 129,969**
30-34		1	1	2						**4**	**$ 167,639**
35-39				2	2					**4**	**$ 184,766**
40-44				4	7					**11**	**$ 493,722**
45-49				5	4	4	1			**14**	**$ 724,419**
50-54						1				**1**	**$ 52,324**
55-59						1	1			**2**	**$ 137,670**
60-64											**$ 0**
65-69											**$ 0**
Over 70											**$ 0**
Totals	**1**	**3**	**2**	**13**	**13**	**6**	**2**	**0**	**0**	**40**	**$ 1,924,951**

Averages

Age:	42.2	years
Service:	14.9	years
Annual Pay:	$48,124	[a]

[a] *Based on payroll at beginning of plan year.*

Actuarial Valuation Data as of July 1, 2017
Schedule H: Participants Summary

Active Participants	July 1, 2016	July 1, 2017
Number of Actives	39	40
Total Annual Pay	$1,840,844	$1,924,951
Average Age	41.8	42.2
Average Service	14.3	14.9

Inactive Participants	July 1, 2016		July 1, 2017	
Type	No.	Annual Benefit	No.	Annual Benefit
Retirees	40	$1,345,737	40	$1,355,070
Survivors	15	$166,187	14	$161,057
Disabled Members	1	$16,405	1	$16,618
Deferred Vested Members	0	$0	0	$0

SECTION V

ACTUARIAL ASSUMPTIONS AND METHODS

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 [3]	Projected Funded Ratio after 15 Years [1]	Discount Rate
60% or more	10	50% or more	70% or more	6.5%
40% or more	8	40% or more	60% or more	6.0%
30% or more	6	30% or more	50% or more	5.5%
15% or more	4	n/a	40% or more	5.0%
Less than 15%	n/a	n/a	15% or more	4.5%
Less than 15%	n/a	n/a	Less than 15%	4.0%

[1] Funded ratios based on a 6.0% investment return assumption for plans using an actuarially sound policy (standard or optional) and a 5.5% investment return assumption for other plans (alternative or conservation).
[2] Liquidity ratio equals assets as of the actuarial valuation date divided by expected benefit payments for the year.
[3] Based on investment policy.

As of June 30, 2017	
Assets	$2,131,934
Liabilities using a 5.50% Discount Rate	$34,657,156
Funded Ratio	6%
Expected Benefit Payments	$1,609,964
Liquidity Ratio	1.32
Equity Exposure	50%
Projected Funded Ratio after 15 years	24%

Discount Rate [a]	4.00%

[a] Recommend discount rate of 4.00% due to low funded ratio and liquidity ratio as of June 30, 2017.

The premium tax allocation is projected using the following methodology:

(1) The Base Allocation for all Pension and Relief Funds is a fixed amount equal to $8,709,689 in all future years. This amount is allocated to each individual Pension and Relief Fund in proportion to the number of eligible members, which includes active members covered in either the Pension and Relief Fund or the statewide plan, Municipal Police Officers and Firefighters Retirement System ("MPFRS").

(2) The Excess Allocation is equal to the excess of the current year premium tax assigned to all Pension and Relief Funds over the total Base Allocation. This amount is allocated to each individual Pension and Relief Fund in proportion to the number of eligible active and retired members covered in either the Pension and Relief Fund or the MPFRS.

(3) We have assumed all Pension and Relief Funds will make the minimum statutory contribution requirement and will receive 100% of both the Base Allocation and the Excess Allocation assigned to the individual plan. Consequently, the projections do not include any reallocation of Expired Premium Tax Allocation for plan years beginning on and after July 1, 2019.

(4) The total available premium tax allocation, net of expenses, as of September 1, 2018, includes a Base Allocation of $8,709,689, an Excess Allocation of $9,570,473, and an Expired Premium Tax Allocation of $237,031.

(5) For the plan year ending June 30, 2018, all Pension and Relief Funds reported a total of 1,717 eligible active members and 2,165 eligible retired members. The City of Fairmont Firemen's Pension and Relief Fund reported 40 eligible active members and 54 eligible retired members, based on the average number of plan participants for the 12-month period ending June 30, 2018. The Fund is eligible to receive a premium tax allocation of $443,238 for the fiscal year ending June 30, 2019.

(6) The total premium tax allocation was assumed to increase by 2.75% in calendar years ending on and after 2019.

General Inflation	2.75%
Expected Salary Increase	General Inflation: 2.75% *plus* Wage Inflation Increment: 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. Assumed to be payable to all members receiving payments.
Increase in State Insurance Premium Tax Allocation	2.75% on and after year 1
Cost Method	Entry-Age-Normal, Level-Percentage-of-Pay
Amortization Policies:	
Alternative Plans and former Alternative Plans that selected the Conservation Policy	For GASB 67/68 Accounting: 30 – Year Closed Level-Percentage-of-Pay Amortization (from July 1, 2010 – 23 years remaining as of July 1, 2017).
Standard Plans and former Standard Plans that selected the Optional Policy	For funding and GASB 67/68 Accounting: 40-Year Closed Level-Dollar Amortization (from July 1, 1991 –14 years remaining as of July 1, 2017)
Former Alternative Plans that selected the Optional Policy	For funding: 40-Year Closed Level-Dollar Amortization (from January 1, 2010 – 32.5 years remaining as of July 1, 2017). For GASB 67/68 Accounting: 30-Year Closed Level-Percentage-of-Pay Amortization (from July 1, 2010 – 23 years remaining as of July 1, 2017)

Actuarial Assumptions and Methods Used in the Valuation as of July 1, 2017 (Continued)

Asset Method	Market Value
Turnover	Sample Rates – Age / Rates 25 / 9% 35 / 4% 45 / 2% 50 / 0%
Retirement	Age / Rates[a] 50 / 45% 51-55 / 30% 56-59 / 35% 60 / 100% [a]*Terminated vested participants are assumed to retire at age 50.*
Mortality	Active: RP-2014 Blue Collar Healthy Employee[b] 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 2-dimensional mortality improvement scales [b]*Assumes 10% of deaths are duty-related and 90% are non-duty related.*
Disability	Sample Rates – Age / Rates[c] 30 / 0.22% 40 / 0.50% 50 / 0.79% [c] *Assumes 60% duty related and 40% non-duty related. Also assumes 10% of non-duty disabled members receive a 20% reduction in benefits due to gainful employment.*
Percent Married	90%
Spouse Age	Females 3 years younger than males

Actuarial Assumptions and Methods Used in the Valuation as of July 1, 2017 (Continued)

Administrative Expenses	Administrative expenses used are equal to 0.25% of expected pay plus 0.25% of expected benefits. Future expenses assumed to increase by the general inflation assumption.
Refunds Paid	Assumes non-vested inactive members as of July 1, 2017, with accumulated member contribution balances will receive a refund of their contributions during plan year end June 30, 2018.
Data Adjustments and Assumptions	None
Child Beneficiaries	Future survivor widow benefits are loaded by 12% to estimate impact of benefits provided to survivor children. The load assumes 90% of members are married with two children at time of death, and benefits for each child are paid for approximately 8 years.
General Projection Methodology	Closed group projections assume: (i) Salaries will increase and members will decrement as specified in the actuarial assumption section. (ii) Assets grow at the assumed rate of return. (iii) The sponsor makes the statutory required contribution on a timely basis. (iv) Non-vested members with accumulated plan balances as of July 1, 2017, will receive a refund during plan year end June 30, 2018.
Decrement Timing	Mid-Year

SECTION VI

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Summary of Principal Plan Provisions

Employee Eligibility — All compensated employees of the Fire Department hired before January 1, 2018 are eligible to participate in the Firemen's Pension and Relief Fund.

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 8.5% 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 Conservation funding policy.

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.

Summary of Principal Plan Provisions (Continued)

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, 20 percent of the participant's benefit until the child attains 18 or marries; to each dependent orphaned child, 25 percent of the participant's benefit until the child attains eighteen or marries; to each dependent parent, 10 percent of the participant's benefit for life, and to each dependent brother or sister, the sum of 50 dollars per month (but a total not to exceed $100 per month) until such individual attains the age of 18 years or marries.

In no case shall the payments to the surviving spouse and children be reduced below 65 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.