



HOOKER & HOLCOMBE, INC.
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65 LaSalle Road | West Hartford, CT 06107-2397 | Founded in 1956

Confidential

June 3, 2011

Mr. Michael Lupkas
Director of Finance
City of Meriden
142 East Main Street
Meriden, CT 06450

Re: City of Meriden Police Employees' Pension Plan

Dear Mike:

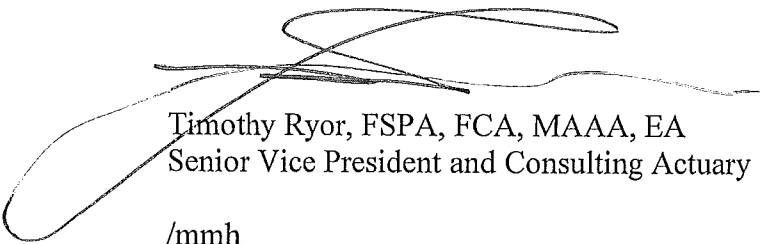
It is a pleasure to present our review of the City of Meriden Police Employees' Pension Plan as of July 1, 2010. Enclosed are twenty copies of the report.

This valuation develops the contribution for the fiscal years ending June 30, 2012 and June 30, 2013.

The important issues for you are summarized in the Executive Summary. All of the technical material is located at the end of the report. We hope you will find that this format addresses all the necessary issues in a manner that you and your advisors can easily work with.

I would be happy to meet with you to discuss this report in detail. Please let me know if you wish to do so, or if you would find it more convenient to discuss questions by telephone.

Sincerely,



Timothy Ryor, FSPA, FCA, MAAA, EA
Senior Vice President and Consulting Actuary

/mmh
Enclosure

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**City of Meriden
Police
Employees'
Pension Plan**

Actuarial Valuation Report

July 1, 2010

Timothy Ryor, FCA
Consulting Actuary

Brian Middendorf
Pension Analyst

June 3, 2011

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Executive Summary		
	2010	2008
Number of participants		
Active	69	75
Terminated vested	1	1
Vested in employee contributions only	0	0
Retired, Disabled and Beneficiaries	<u>132</u>	<u>132</u>
Total	202	208
Total annual plan salaries	\$ 5,027,254	\$ 5,030,979
Average plan salary	72,859	67,080
Actuarial accrued liability	98,013,777	89,709,424
Asset value		
Market	52,212,921	60,822,224
Actuarial	61,620,597	60,974,656
Unfunded actuarial accrued liability	36,393,180	28,734,768
Funded Ratio	63%	68%
Normal cost - City	816,044	786,977
Contributions for next two fiscal years		
1 st Fiscal Year	4,028,938	3,646,850
2 nd Fiscal Year	4,066,540	3,683,113

Introduction

Purpose of the Valuation

The purpose of the valuation is to determine the funded status of the plan as well as the recommended cash contribution for the plan year.

The ultimate cost of a pension plan is based primarily on the level of benefits promised by the plan. The pension fund's investment earnings serve to reduce the cost of plan benefits and expenses. Thus,

<i>City's ultimate cost</i>	=	<i>benefits paid</i>	+	<i>expenses incurred</i>	-	<i>investment return</i>	-	<i>employee contributions</i>
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The actuarial cost method distributes this ultimate cost over the working lifetime of current plan participants. By means of this budgeting process, costs are allocated to both past and future years, and a cost is assigned to the current year. The current year's allocated cost, or normal cost, is the building block upon which the range of annual cash contributions is developed.

Information Available in the Valuation Report

The Executive Summary and Introduction are intended to emphasize the notable results of the valuation from the perspective of the Plan Sponsor. Supporting technical detail is documented in Valuation Results and Actuarial Basis. A concise summary of the principal provisions of the Plan is outlined in Summary of Plan Provisions.

Contribution for 2012 and 2013 Fiscal Years

The actuarial valuation as of July 1, 2010 produces the contribution for the City's 2012 and 2013 fiscal years. The actuarially calculated contribution payable (after allowing for employee contributions) is as follows:

Fiscal Year Ending	
2012	2013
Amount	Amount
\$4,028,938	\$4,066,540

Introduction

(continued)

Asset Performance

The plan's assets provided the following rates of return on plan assets during the past two fiscal years.

	Fiscal Year Ending	
	2009	2010
Market Value Basis	-19.7%	14.4%
Actuarial Value Basis	2.3%	4.1%

The Actuarial Value of assets, rather than the Market Value, is used to determine plan contributions. The Actuarial Value spreads the asset volatility over five years, thereby smoothing out fluctuations that are inherent in the Market Value.

The valuation uses a long-term investment return assumption of 8.00% on the Actuarial Value of assets. Because the total return for 2009 and 2010 was less than this assumption, there was an actuarial loss from assets.

Participant Data

The valuation incorporates assumptions anticipating changes in the demographics of the participant population. Actual experience will produce greater or smaller than expected increases in the actuarial liabilities.

There were some liability losses which were offset by small asset gains and the net result caused a slight increase in the contribution.

Plan Changes

There have been no changes since the last valuation.

Assumption and Cost Method Changes

There has been a change to the mortality assumptions in conjunction with a change to retirement rates and our salary inflation assumption.

Changes Since The Last Valuation

The amortization period used to develop the contribution amounts has been changed to 30 years.

Certification

This report presents the results of the July 1, 2010 Actuarial Valuation for the City of Meriden Police Employees' Pension Plan (the Plan) for the purpose of estimating the funded status of the Plan and determining the Annual Required Contribution (ARC) for the fiscal years ending June 30, 2012 and June 30, 2013. This report is intended to satisfy the requirements of Connecticut General Statute 7-450a. This report may not be appropriate for any other purpose.

The valuation has been performed in accordance with generally accepted actuarial principles and practices. It is intended to comply with all applicable Actuarial Standards of Practice.

I certify that the actuarial assumptions and methods that were selected by me and represent my best estimate of anticipated actuarial experience under the Plan.

In preparing this valuation, I have relied on employee data provided by the Plan Sponsor, and on asset and contribution information provided by the Plan Sponsor. I have audited neither the employee data nor the financial information, although I have reviewed them for reasonableness.

The results in this valuation report are based on the Plan as summarized in the *Summary of Plan Provisions* section of this report and the actuarial assumptions and methods detailed in the *Actuarial Basis* section of this report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: 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. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.



Timothy Ryor, FSPA, FCA, MAAA, Enrolled Actuary
11-05126

June 3, 2011

Valuation Results

A. Actuarial Balance Sheet and Funded Ratio

	July 1, 2010	July 1, 2008
Actuarial Liabilities		
Accrued Liability for:		
Active Employees	\$24,509,546	\$21,705,670
Retirees, Disabled and Beneficiaries	73,469,968	67,969,491
Terminated Vested Employees	<u>34,263</u>	<u>34,263</u>
Total	98,013,777	89,709,424
Source of Funds		
Plan Assets	\$61,620,597	\$60,974,656
Unfunded Accrued Liability	<u>36,393,180</u>	<u>28,734,768</u>
Total	\$98,013,777	\$89,709,424
Funded Ratio		
Plan Assets divided by Actuarial Accrued Liability	63%	68%

Valuation Results
(continued)

B. Valuation Results – July 1, 2010 and Employer Contribution For Fiscal 2012 and 2013

Based on the employee data and asset information furnished us, the actuarial methods and assumptions and the plan provisions, the results of the July 1, 2010 valuation are:

	Police Plan
1. a. Total normal cost	1,084,812
b. Employee contributions	268,768
c. Town normal cost	816,044
2. Accrued liability	
a. Active	24,509,546
b. Vested	34,263
c. Retirees, Beneficiaries, Disabled	73,469,968
d. Total accrued liability	98,013,777
3. Market value of assets	52,212,921
4. Actuarial value of assets	61,620,597
5. Unfunded accrued liability: (2d) - (4)	36,393,180
6. Payment on unfunded accrued liability	
a. Interest rate	8.00%
b. Amortization years	30
c. Payment	2,993,253
7. Estimated administrative expenses	30,000
8. Annual town cost, adjusted for timing	3,992,869
9. Expected Payroll	5,027,254
a. Cost as a percentage of payroll	79.42%
10. Budget for Fiscal Year ending June 30, 2012	
a. Normal cost	850,726
b. Amortization	2,993,253
c. Expenses	30,000
d. Total, adjusted for timing	4,028,938
11. Budget for Fiscal Year ending June 30, 2013	
a. Total, adjusted for timing	4,066,540

Valuation Results
(continued)

C. Assets

Development of Asset Market Values

Summary of Fund Activity		
	7/01/08 - 6/30/09	7/01/09 - 6/30/10
1. Beginning value	\$ 60,822,224	\$ 47,274,847
2. Contributions		
a. City contributions during year	3,556,861	3,646,850
a. Employee contributions during year	<u>311,704</u>	<u>306,380</u>
c. Total for plan year	3,868,565	3,953,230
3. Disbursements		
a. Benefit payments during year	5,334,491	5,654,544
b. Administrative expenses during year	24,600	25,796
c. Transfers to OPEB	211,425	0
d. Other	<u>50,129</u>	<u>4,084</u>
e. Total for plan year	5,620,645	5,684,424
4. Net investment return		
a. Interest and dividends	1,362,845	1,263,954
b. Realized and unrealized gain (loss)	(12,966,876)	5,717,102
c. Investment-related expenses	<u>(191,266)</u>	<u>(311,788)</u>
d. Total	(11,795,297)	6,669,268
5. Ending value	47,274,847	52,212,921
6. Approximate rate of return	-19.7%	14.4%

Valuation Results
(continued)

C. Assets

The Actuarial Value of assets is used in the determination of plan contributions. It phases in differences between the Market Value and the Expected Actuarial Value by recognizing 20% of the difference each year. A method of smoothing is used because the Market Value can swing widely from one year to the next, resulting in undesirable fluctuations in pension contributions

Determination of the Actuarial Value of Assets	
1. Actuarial value of assets at July 1, 2008	\$ 60,974,656
2. Employer and employee contributions for 2009	3,868,565
3. Disbursements during 2009	(5,359,091)
4. Expected return during 2009	<u>4,818,351</u>
5. Expected actuarial asset value at July 1, 2009	64,302,481
6. Market value July 1, 2009	47,274,847
7. Appreciation (depreciation) recognized 20% x [(6) – (5)]	(3,405,527)
8. Actuarial asset value at July 1, 2009 (5) + (7)	60,896,955
9. Contributions for 2010	3,953,230
10. Disbursements during 2010	(5,680,340)
11. Expected return during 2010	<u>4,802,672</u>
12. Expected actuarial asset value at July 1, 2010	63,972,517
13. Market value July 1, 2010	52,212,921
14. Appreciation (depreciation) recognized 20% x [(13) – (12)]	(2,351,919)
15. Actuarial asset value at July 1, 2010	61,620,597
16. Actuarial value as a percent of market value	118.0%
08-09 Year return on Act. Val. Assets	2.3%
09-10 Year return on Act. Val. Assets	4.1%

Valuation Results
(continued)

D. Membership Data

Employee Participation: July 1, 2008 – July 1, 2010

Participant Data					
	Active	Terminated Vested With Monthly Benefit Contributions Only		Retired Disabled and Beneficiaries	Total
Total Participants 7/01/08	75	0	1	132	208
Adjustments	0	0	0	0	0
Retirements – non disabled	-5	0	0	+5	0
Disability Retirements	0	0	0	0	0
Terminations					
With vested benefit	0	0	N/A	0	0
Vested in contributions only	-1	N/A	1	N/A	0
Lump sum settlements	0	0	-1	N/A	-1
Deaths					
Without beneficiary	0	0	0	-5	-5
With beneficiary	0	0	0	-1	-1
New beneficiaries	N/A	0	0	+1	+1
Rehires	0	0	0	0	0
New entrants	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total Participants 7/01/10	69	0	1	132	202
Average age					
7/1/2008	42.9				
7/1/2010	44.8				
Average service					
7/1/2008	16.0				
7/1/2010	17.6				
Total annual plan salaries					
7/1/2008	\$5,030,979				
7/1/2010	5,027,254				
Total monthly benefits					
7/1/2008		\$0		\$439,485	
7/1/2010		0		489,093	

Actuarial Basis

A. Actuarial Cost Methods

Asset Valuation Method

The Actuarial Value of assets used in the development of plan contributions phases in differences between the Market Value and the Expected Actuarial Value by recognizing 20% of the difference each year.

Actuarial Funding Method

The actuarial valuation method used in the cost calculations is the Entry Age Normal Actuarial Cost Method. Recommended annual contributions until the actuarial accrued liability is completely funded will consist of two pieces:

- a. Normal Cost - The actuarial cost to fund benefit units earned during the year.
- b. Amortization Payments of Unfunded Actuarial Accrued Liability - The actuarial cost to amortize the unfunded portion of the actuarial liability. The amortization period was increased to 30 years effective with this July 1, 2010 valuation.

Process

The valuation is performed as of the first day of a plan year. The valuation is used to determine the City contributions for the following two fiscal years. To accomplish this objective, we apply the City's Normal Cost Accrual Rate from the valuation year, to the estimated payroll for the target year to determine the Normal Cost for that year. We assume the dollar amount of the amortization payments on the unfunded liability will remain unchanged between the two years.

Actuarial Basis
(continued)

B. Actuarial Assumptions

The actuarial assumptions used in the determination of costs and liabilities are as follows:

Interest: 8% compounded annually, net of investment expenses.

Salary Scale: Current: It is assumed that salaries will increase by 4.00% per annum (compounded).

Previous: It is assumed that salaries will increase by 4.25% per annum (compounded).

Mortality: Current: RP-2000 Blue Collar Fully Projected 25% of deaths prior to retirement are considered service connected (Non-disabled). RP-2000 Disabled Mortality (Disabled).

Previous: RP-2000 combined health Blue Collar 25% of deaths prior to retirement are considered service connected.

Termination prior to retirement: Sample rates are as follows:

<u>Age</u>	<u>Disability*</u>	<u>Withdrawal</u>
20	0.12%	0.00%
25	0.17	0.00
30	0.22	0.00
35	0.29	0.00
40	0.44	0.00
45	0.72	0.00
50	1.21	0.00
55	2.02	0.00
60	3.25	0.00

**100% of disabilities with less than 10 years of service are considered service connected.*

Summary of Plan Provisions

This summary outlines the major features of the Plan. It does not give full details or cover all aspects of the Plan. The actual terms and conditions of the Plan are stated in documents with the City.

Effective date	Originally effective June 13, 1913. Amended and restated as of July 1, 2006.
Eligibility for Participation	Regular full-time police officers hired prior to March 18, 2003, covered under Local 1016 collective bargaining agreement.
Years of Service	Completed whole years of employment during which employee has made required contributions.
Base Rate of Pay	Salary or wages including elective deferrals under 401(k) or Sec. 125, limited by IRC 401(a)(17).
Emoluments	Longevity payments, holiday pay, life insurance and health insurance minus cost share.
Accrued Benefit	2% of Base Pay times Years of Service up to 20 Years, plus 1.6% of Base Pay times Years of Service in excess of 20 Years and less than 30 Years, plus 50% of current Emoluments.
Normal Retirement	
Age & Service Requirements	Earlier of <ul style="list-style-type: none">• 20 Years of Service• age 65 and 10 Years of Service
Benefit	Accrued Benefit
Termination	
Prior to completion of 10 Years of Service	Return of employee contributions plus regular interest.
After completion of 10 Years of Service	Accrued Benefit, payable when Member would have completed 20 Years.

Disability

Eligibility None if service-related; otherwise completion of 10 Years of Service

Benefit

- Service-related – if disabled from employment as police officer: Accrued Benefit as if Officer had no less than 20 Years of Service.
- Service-related – if disabled from any gainful employment: Accrued Benefit as if Officer had no less than 25 Years of Service.
- Non-Service related: Accrued Benefit as if Officer had no less than 20 Years of Service.

Death Prior to Retirement

Prior to completion of 20 Years of Service Non-service related: Return of employee contributions plus regular interest.

Service-related: Surviving spouse receives 100% of Accrued Benefit as if Officer had 20 Years of Service. Upon attainment of date Officer would have attained 20 Years, spouse's benefit decreases to 50% of the pension amount. Payable until death or remarriage.

After completion of 20 Years of Service Surviving spouse receives one-half of Accrued Benefit. Payable until death or remarriage.

Post-retirement Death Benefit Surviving spouse receives one-half of amount Member was receiving at time of death. Payable until death or remarriage.

Normal Form of Retirement Benefit Single life annuity.

Employee Contributions 5½% of Base Pay plus Emoluments. (In addition, 2% is contributed to the Retiree Health Insurance Fund.)

COLA

Retirement prior to January 1, 2003: based on increases in Base Pay for the rank held at retirement.

Retirement after January 1, 2003:

- active members retiring with at least 25 Years of Service: 3% of Base Pay, excluding Emoluments
- active members retiring with at least 20 but fewer than 25 Years of Service: 2% of Base Pay, excluding Emoluments
- active members retiring on a Disability Pension: 2% of Base Pay, excluding Emoluments
- active members retiring with less than 20 Years of Service: none.

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