

TOWN OF CUMBERLAND
FUNDING IMPROVEMENT PLAN

The Town of Cumberland has been in negotiation with the Fraternal Order of Police Lodge #7 since the expiration of its contract on July 1, 2011. The Town is committed to negotiating significant changes that will ensure both the Police Officers and taxpayers have sustainable post-retirement benefits now and in the future. Consistent with that effort there have been significant efforts to address the unfunded liabilities in both its locally administered pension plans and its other post-employment benefits (“OPEB”) obligations. These efforts overlap with the Study Commission’s statutory responsibility “to make recommendations for the improved security and funding of locally administered plans and other post-retirement benefit obligations of cities and towns . . . “ set forth in the Rhode Island Retirement Security Act. The Town has first focused on the OPEB liability as the more substantial outstanding obligation.

OPEB

Recently, the Town has engaged a new actuarial firm and performed updates to the actuarial valuation reports for both its pension and OPEB liabilities. Attached to this report as Exhibit A is a copy of the Town’s most recent OPEB Actuarial Valuation Report. The OPEB report reveals the impact of two significant changes to retiree healthcare undergone during the previous fiscal year. Those changes were a necessary priority since the existing Valuation Reports indicated that the Town had an OPEB liability in excess of three times the liability of the pension plan. The Town moved all retirees receiving healthcare and age 65 or older onto Medicare based plans under the “Muni-care” statute, R.I. Gen. Laws § 28-54-1. The Town established a Health Reimbursement Arrangement, attached as Exhibit B, which provided it with a vehicle coordinate its existing post-65 retirees onto Medicare along with some supplemental plans. Additionally, with the assistance of the School Committee, it corrected a legacy health care provision for School Department retirees that was allowing them to purchase health insurance from the School Department for less than the actual cost. This arrangement was inconsistent with the retirees contract and that inconsistency was corrected. These two efforts revealed the following savings:

Plan Before Medicare and School Department Changes:

- Unfunded Actuarial Accrued Liability- \$52,000,000 (Actuary note 2 estimates this figure based on previous plan provisions)
- ARC- More than \$3,973,000 (based on liability of \$46,872,000 from previous valuation report)

Plan After Changes:

- Unfunded Actuarial Accrued Liability- \$ 39,386,221
- ARC- \$ 3,521,332

Medicare OPEB Savings:

- Actuarial Gain- \$12,613,779
- ARC Savings- More than \$500,000

In addition to the Medicare efforts, the Town has created an OPEB Investment Board and is in the process of establishing an OPEB Trust to fund the benefits (attached as Exhibit C). The actuary has indicated that those savings will reduce the liability to \$26,000,000 and the ARC to roughly \$2,422,608.

The Town has further studied and is exploring the implementation of the following changes through negotiation or other legal means (Actuarial Study attached as Exhibit D):

- Coordination of Benefits- eliminate instances of double coverage by having employees' spouses and retirees move to other health care plans when available.
- Move future retirees to plans that more effectively share costs and new hires to a health care stipend in retirement.
- Move active officers to a high deductible plan

Impact of Proposed Changes:

- Unfunded Actuarial Accrued Liability- \$14,866,162
- ARC- \$1,396,569

Savings from Proposed Changes:

- Unfunded Actuarial Accrued Liability-\$24,500,059
- ARC- \$2,124,763

Pension

In addition to studying the OPEB liability, the Town has expended significant efforts in learning how to address the Pension liability. The Town asked the actuary to review all current assumptions while performing the most recent Valuation Report (attached as Exhibit E). The actuary recommended updating the assumed Investment Rate of Return to 7.5% and the Town and Pension Board adopted that change.

The Police Pension Plan currently reflects the following liability:

Police Pension Plan Currently (for July 1, 2012):

- Actuarial Accrued Liability- \$ 28,794,861
- Unfunded Actuarial Accrued Liability- \$ 19,612,093
- ARC- \$ 1,986,232
- Recommended Contribution- \$ 2,171,047
- Funded Ratio- 31.3%

While the Valuation Report was being updated the Town also began to study various design plan change items that may reduce the unfunded liability (report attached as Exhibit F). After studying the impact of each change the Town performed more comprehensive plan design Scenarios through the actuary (report attached as Exhibit G). In the end the Town has elected to seek the following changes through negotiation:

- 5-year final average pay

- Change definition of pensionable earnings to salary, holiday and longevity
- Accruals after July 1, 2011 changed to 2.50% of pay for first 20 years of service and an additional 1.0% of pay for service between 20 and 30 years for a maximum of 60%
- Change the pension eligibility to the later of reaching 20 years of service or attaining age 55 for all current and future employees
- Reduce Early Retirement Benefit to 25% of average pay
- Freeze COLA for 10 years with simple COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)
- Move all hires after July 1, 2011 to a pure defined contribution plan with a Town match not to exceed 7%
- Increase employee contribution from 7% to 11%

- The Plan liability after those changes would reflect the following (as of July 1, 2013):
- Actuarial Accrued Liability- \$ 26,573,146
- Unfunded Actuarial Accrued Liability- \$ 16,776,400
- ARC- \$ 1,487,024
- Funded Ratio- 36.9%

Savings from proposed changes (as of July 1, 2013):

- Actuarial Accrued Liability- \$3,100,000
- ARC- \$572,000
- ARC over the amortization period- \$18,800,000

Conclusion

Through the changes already implemented for the Town of Cumberland OPEB liability, future changes to the OPEB liability, and future changes to the Pension Plan the Town intends to bring its total ARC to a level that can be funded 100% both now and in the future. By making the following changes the Town can achieve that goal:

OPEB:

- Coordination of Benefits- eliminate instances of double coverage by having employees and retirees move to other health care plans when available.
- Move future retirees to better cost sharing plans and new hires to a health care stipend in retirement.
- Move active officers to a high deductible plan

Pension:

- 5-year final average pay
- Change definition of pensionable earnings to salary, holiday and longevity
- Future accruals changed to 2.50% of pay for first 20 years of service and an additional 1.0% of pay for service between 20 and 30 years
- Change the pension eligibility to the later of reaching 20 years of service or attaining age 55 for all current and future employees
- Reduce Early Retirement Benefit to 25% of average pay

- Move all hires after July 1, 2011 to a pure defined contribution plan with a Town match not to exceed 7%
- Increase employee contribution from 7% to 11%

These changes to the Pension Plan would achieve a 60% funded ratio and emerge from critical status in 2022. However, the Town is further committed to permanently ending the funding problems that it faces currently.

The Town of Cumberland currently pays roughly \$2,900,000 in total ARC payments (roughly \$1,900,000 for pension and \$1,000,000 towards the OPEB ARC in pay-as-you-go status). By enacting all of the above changes the Town would have a Pension ARC of \$ 1,487,024 and an OPEB ARC of \$1,396,569. This total ARC payment of \$2,883,593 would allow the Town to fund all of its benefits now and in the future. A full funding effort would ensure both the Police Officers and the taxpayers a sustainable benefit.

The logo for nyhart, featuring the word "nyhart" in a white, lowercase, sans-serif font centered within a dark grey rectangular box. This box is part of a larger graphic element consisting of a vertical dark grey bar on the left and a horizontal dark grey bar extending to the right, forming a cross-like shape.

nyhart

Town of Cumberland, RI Police Retirement Plan

*March 1, 2013
Retirement Plan Design*

Important Comments About Cost Information Included in this Report

The cost projections contained in this report are based on the results and assumptions noted in the July 1, 2012 actuarial report. Reasonable actuarial techniques and assumptions were used to produce the cost projections. Data was provided by the Town.

The following pages show cost projections under different economic scenarios and are meant to be used for illustration purposes only. Actual results will vary from projections shown in this report due to actual participant data, actual asset returns, and any assumption changes that may be warranted. These projections are not meant to provide a definitive cost savings or increase related to plan changes.

These projections reflect numerous assumptions and one should focus on the general trend of the results rather than the absolute dollar amounts.

Impact of Proposed Changes – Scenario 1

Scenario	Immediate Liability Reduction	Immediate Reduction of the Annual Contribution	Reduction of the Annual Contribution over 30 Years
(1) Change Average Pay, Pay Definition, Benefit Formula, NR Eligibility (<10 Yrs), ER Benefit, COLA	\$1,960,000*	\$313,000*	\$13,100,000*

- ***Under this scenario, the projected ARC for fiscal year ending 6/30/2013 is \$1.68 Million***
- ***This scenario reflects the following changes to the current plan provisions:***
 - *Adjust active benefits to use a 5-year final average pay*
 - *Change definition of annual pay to salary, holiday and longevity*
 - *Benefit formula is changed to 2.50% of pay for first 20 years of service and an additional 2.0% of pay for service between 20 and 25 years*
 - *Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 only for future employees and current employees with less than 10 years of service as of July 1, 2012*
 - *Reduce Early Retirement Benefit to 25% of average pay which is payable upon reaching 15 years of service*
 - *Freeze COLA for 10 years with simple COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)*
- ***Note: No changes have been made to current inactive benefits***

*These numbers are estimates only and are not guarantees of future plan costs

Impact of Proposed Changes – Scenario 2

Scenario	Immediate Liability Reduction	Immediate Reduction of the Annual Contribution	Reduction of the Annual Contribution over 30 Years
(2) Change Average Pay, Pay Definition, Benefit Formula, NR Eligibility (All), ER Benefit, COLA	\$3,210,000*	\$475,000*	\$15,800,000*

- ***Under this scenario, the projected ARC for fiscal year ending 6/30/2013 is \$1.52 Million***
- ***This scenario adjusts Normal Retirement eligibility for everyone***
- ***This scenario reflects the following changes to the current plan provisions:***
 - *Adjust active benefits to use a 5-year final average pay*
 - *Change definition of annual pay to salary, holiday and longevity*
 - *Benefit formula is changed to 2.50% of pay for first 20 years of service and an additional 2.0% of pay for service between 20 and 25 years*
 - *Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 for all current and future employees*
 - *Reduce Early Retirement Benefit to 25% of average pay which is payable upon reaching 15 years of service*
 - *Freeze COLA for 10 years with simple COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)*
- ***Note: No changes have been made to current inactive benefits***

*These numbers are estimates only and are not guarantees of future plan costs

Impact of Proposed Changes – Scenario 3

Scenario	Immediate Liability Reduction	Immediate Reduction of the Annual Contribution	Reduction of the Annual Contribution over 30 Years
(3) Change Average Pay, Pay Definition, Benefit Formula, NR Eligibility (<10 Yrs), ER Benefit, COLA , New Hires DC Only	\$1,960,000*	\$313,000*	\$14,400,000*

- ***Under this scenario, the projected ARC for fiscal year ending 6/30/2013 is \$1.68 Million***
- ***This scenario incorporates a Defined Contribution Plan for new hires***
- ***This scenario reflects the following changes to the current plan provisions:***
 - *Adjust active benefits to use a 5-year final average pay*
 - *Change definition of annual pay to salary, holiday and longevity*
 - *Benefit formula is changed to 2.50% of pay for first 20 years of service and an additional 2.0% of pay for service between 20 and 25 years*
 - *Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 only for current employees with less than 10 years of service as of July 1, 2012*
 - *Reduce Early Retirement Benefit to 25% of average pay which is payable upon reaching 15 years of service*
 - *Freeze COLA for 10 years with simple COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)*
 - *All hires after July 1, 2012 participate in a defined contribution plan that matches up to 7% of pay contributions. It is assumed that each participant will receive the full match from the Town. These employees do not participate in the defined benefit plan*
- ***Note: No changes have been made to current inactive benefits***

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Impact of Proposed Changes – Scenario 4

Scenario	Immediate Liability Reduction	Immediate Reduction of the Annual Contribution	Reduction of the Annual Contribution over 30 Years
(4) Change Average Pay, Pay Definition, Benefit Formula, NR Eligibility (All), ER Benefit, COLA , New Hires DC Only	\$3,210,000*	\$475,000*	\$17,000,000*

- ***Under this scenario, the projected ARC for fiscal year ending 6/30/2013 is \$1.52 Million***
- ***This scenario adjusts Normal Retirement eligibility for everyone and incorporates a Defined Contribution Plan for new hires***
- ***This scenario reflects the following changes to the current plan provisions:***
 - *Adjust active benefits to use a 5-year final average pay*
 - *Change definition of annual pay to salary, holiday and longevity*
 - *Benefit formula is changed to 2.50% of pay for first 20 years of service and an additional 2.0% of pay for service between 20 and 25 years*
 - *Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 for all current employees*
 - *Reduce Early Retirement Benefit to 25% of average pay which is payable upon reaching 15 years of service*
 - *Freeze COLA for 10 years with simple COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)*
 - *All hires after July 1, 2012 participate in a defined contribution plan that matches up to 7% of pay contributions. It is assumed that each participant will receive the full match from the Town. These employees do not participate in the defined benefit plan*
- ***Note: No changes have been made to current inactive benefits***

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Impact of Proposed Changes – Scenario 5

Scenario	Immediate Liability Reduction	Immediate Reduction of the Annual Contribution	Reduction of the Annual Contribution over 30 Years
(5) Change Average Pay, Pay Definition, Benefit Formula (Prospective Only), NR Eligibility (All), ER Benefit, COLA, Employee Contributions 11%, New Hires DC Only	\$3,100,000*	\$572,000*	\$18,800,000*

- **Under this scenario, the projected ARC for fiscal year ending 6/30/2013 is \$1.42 Million**
- **This scenario adjusts Normal Retirement eligibility for everyone, preserves accrued benefits, incorporates a Defined Contribution Plan for new hires, and increases the employee contribution rate**
- **This scenario reflects the following changes to the current plan provisions:**
 - Adjust active benefits to use a 5-year final average pay
 - Change definition of annual pay to salary, holiday and longevity
 - Benefits accrued as of 7/1/2011 are locked in with future accruals changed to 2.50% of pay for first 20 years of service and an additional 1.00% of pay for service between 20 and 30 years to a maximum benefit of 60%
 - Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 for all current participants
 - Reduce Early Retirement Benefit to 25% of average pay which is payable upon reaching 15 years of service
 - Freeze COLA for 10 years with simple COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)
 - All hires after July 1, 2011 participate in a defined contribution plan that matches up to 7% of pay contributions. It is assumed that each participant will receive the full match from the Town. These employees do not participate in the defined benefit plan
 - Defined Benefit Plan participants contribute 11% of pay annually
- **Note: No changes have been made to current inactive benefits**

*These numbers are estimates only and are not guarantees of future plan costs

Impact of Proposed Changes – Summary



Scenario	Immediate Liability Reduction	Annual Required Contribution*	Reduction of the Annual Contribution over 30 Years*
(1) Change Average Pay, Pay Definition, Benefit Formula, NR Eligibility (<10 Yrs), ER Benefit, COLA	\$1,960,000	\$1,682,000	\$13,100,000
(2) Change Average Pay, Pay Definition, Benefit Formula, NR Eligibility (All), ER Benefit, COLA	\$3,210,000	\$1,520,000	\$15,800,000
(3) Change Average Pay, Pay Definition, Benefit Formula, NR Eligibility (<10 Yrs), ER Benefit, COLA , New Hires DC Only	\$1,960,000	\$1,682,000	\$14,400,000
(4) Change Average Pay, Pay Definition, Benefit Formula, NR Eligibility (All), ER Benefit, COLA , New Hires DC Only	\$3,210,000	\$1,520,000	\$17,000,000
(5) Change Average Pay, Pay Definition, Benefit Formula (Prospective Only), NR Eligibility (All), ER Benefit, COLA, Employee Contributions 11%, New Hires DC Only	\$3,100,000	\$1,422,000	\$18,800,000

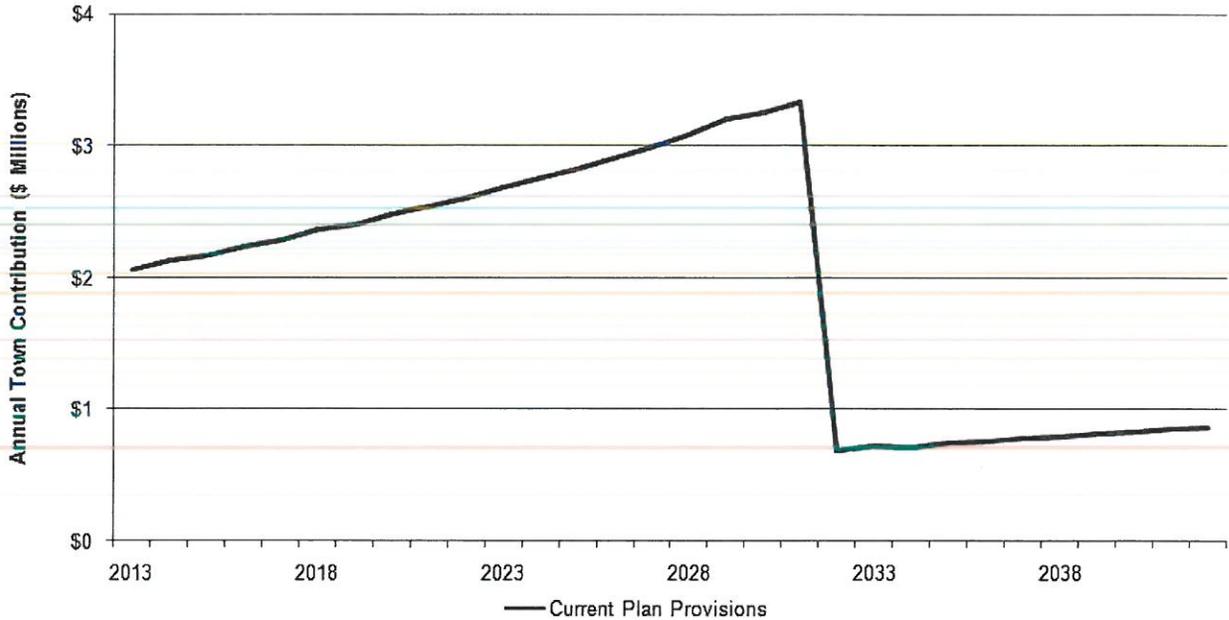
* Contributions include both Employer Defined Benefit and Employer Defined Contribution money when applicable

**These numbers are estimates only and are not guarantees of future plan costs

Appendix



Projection Details – Current Plan Provisions



	2013	2018	2023	2028	2033	2038	2042	2013-2042
Payroll (in \$000's)	2,650	2,894	3,077	3,378	3,765	4,198	4,561	
Recommended Contribution as % of pay	2,065	2,364	2,685	3,088	719	792	866	58,903
Funded Percentage	78%	82%	87%	91%	19%	19%	19%	
	34%	50%	66%	85%	100%	100%	100%	

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Projection Details – Current Plan Provisions

Baseline: Current Forecast of Actuarial Valuation results, adopted Actuarial Assumptions, prior to Benefit Changes

Year	Payment against the ARC	Employer Normal Cost	Amortization	ARC	Contribution	Increase	Payroll	Contribution as a % of Payroll	Benefit Payments	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability	Funded Ratio (AVA)
2013	100.0%	482,623	1,438,187	2,064,871	2,064,871	N/A	2,649,898	77.9%	1,597,825	10,237,191	30,089,966	19,852,775	34.0%
2014	100.0%	503,437	1,476,239	2,128,152	2,128,152	3.1%	2,713,631	78.4%	1,714,014	11,768,049	31,388,235	19,620,186	37.5%
2015	100.0%	499,723	1,517,033	2,168,012	2,168,012	1.9%	2,737,049	79.2%	1,782,418	13,329,923	32,679,303	19,349,380	40.8%
2016	100.0%	514,017	1,570,899	2,241,285	2,241,285	3.4%	2,792,967	80.2%	1,886,402	14,819,512	34,000,282	19,180,770	43.6%
2017	100.0%	502,395	1,619,940	2,281,511	2,281,511	1.8%	2,822,020	80.8%	1,925,961	16,480,856	35,326,613	18,845,757	46.7%
2018	100.0%	528,507	1,670,606	2,364,047	2,364,047	3.6%	2,894,330	81.7%	2,040,994	18,278,310	36,709,893	18,431,583	49.8%
2019	100.0%	517,195	1,722,782	2,407,975	2,407,975	1.9%	2,923,787	82.4%	2,129,285	20,172,189	38,100,286	17,928,097	52.9%
2020	100.0%	538,375	1,776,644	2,488,645	2,488,645	3.4%	2,971,320	83.8%	2,264,443	22,168,321	39,497,109	17,328,788	56.1%
2021	100.0%	538,041	1,832,126	2,547,930	2,547,930	2.4%	2,986,839	85.3%	2,417,043	24,254,809	40,877,637	16,622,828	59.3%
2022	100.0%	533,650	1,889,349	2,604,724	2,604,724	2.2%	2,984,282	87.3%	2,452,014	26,399,974	42,201,387	15,801,413	62.6%
2023	100.0%	549,048	1,948,447	2,684,807	2,684,807	3.1%	3,076,612	87.3%	2,578,762	28,744,631	43,599,681	14,855,050	65.9%
2024	100.0%	555,471	2,009,345	2,757,177	2,757,177	2.7%	3,106,649	88.8%	2,663,135	31,211,508	44,981,842	13,770,334	69.4%
2025	100.0%	559,740	2,072,179	2,829,313	2,829,313	2.6%	3,167,846	89.3%	2,766,410	33,858,946	46,394,964	12,536,018	73.0%
2026	100.0%	569,148	2,137,003	2,909,112	2,909,112	2.8%	3,221,063	90.3%	2,870,979	36,674,841	47,813,439	11,138,598	76.7%
2027	100.0%	584,044	2,203,865	2,997,002	2,997,002	3.0%	3,271,804	91.6%	2,909,701	39,679,751	49,243,134	9,563,383	80.6%
2028	100.0%	599,831	2,272,844	3,088,126	3,088,126	3.0%	3,377,837	91.4%	3,001,931	42,973,169	50,768,130	7,794,961	84.6%
2029	100.0%	636,632	2,343,958	3,204,134	3,204,134	3.8%	3,442,286	93.1%	3,267,320	46,512,767	52,328,519	5,815,752	88.9%
2030	100.0%	611,173	2,417,123	3,255,419	3,255,419	1.6%	3,375,367	96.4%	3,438,314	50,143,878	53,749,302	3,605,424	93.3%
2031	100.0%	609,121	2,492,660	3,334,414	3,334,414	2.4%	3,416,399	97.6%	3,546,951	53,930,926	55,078,878	1,147,952	97.9%
2032	100.0%	634,270	0	681,840	681,840	-79.6%	3,549,442	19.2%	3,630,500	57,982,755	56,404,447	0	102.8%
2033	100.0%	668,930	0	719,100	719,100	5.5%	3,765,417	19.1%	3,735,329	59,514,216	57,781,984	0	103.0%
2034	100.0%	660,656	0	710,205	710,205	-1.2%	3,853,804	18.4%	3,871,422	61,102,354	59,202,900	0	103.2%
2035	100.0%	689,375	0	741,078	741,078	4.3%	3,912,294	18.9%	4,041,857	62,661,349	60,581,412	0	103.4%
2036	100.0%	701,485	0	754,096	754,096	1.8%	3,972,236	19.0%	4,147,315	64,191,310	61,914,802	0	103.7%
2037	100.0%	725,378	0	779,781	779,781	3.4%	4,082,569	19.1%	4,279,367	65,752,628	63,263,572	0	103.9%
2038	100.0%	736,331	0	791,556	791,556	1.5%	4,197,555	18.9%	4,358,451	67,325,353	64,605,713	0	104.2%
2039	100.0%	765,984	0	823,433	823,433	4.0%	4,308,525	19.1%	4,492,531	68,961,413	65,992,700	0	104.5%
2040	100.0%	768,916	0	826,585	826,585	0.4%	4,392,476	18.8%	4,617,164	70,613,893	67,374,910	0	104.8%
2041	100.0%	793,580	0	853,099	853,099	3.2%	4,481,065	19.0%	4,764,235	72,271,214	68,740,578	0	105.1%
2042	100.0%	805,588	0	866,007	866,007	1.5%	4,560,522	19.0%	4,923,911	73,930,547	70,084,061	0	105.5%

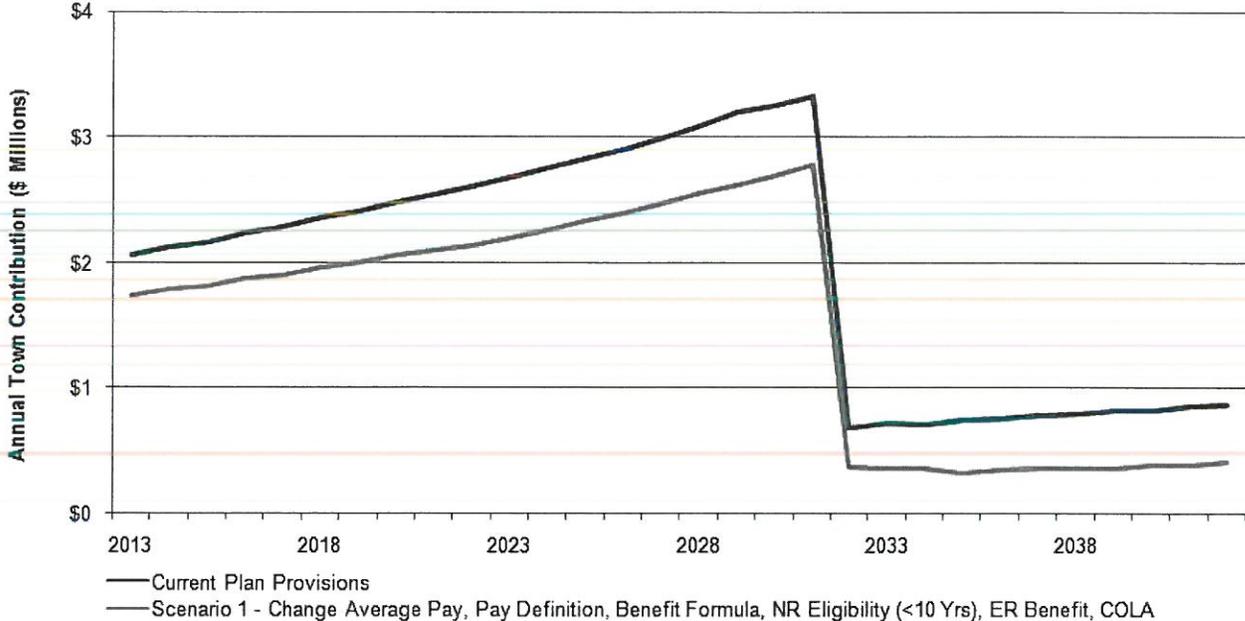
Asset Return Assumption: 7.50%

*These numbers are estimates only and are not guarantees of future plan costs

Retirement Plan Design - 03/01/2013



Projection Details – Scenario 1



	2013	2018	2023	2028	2033	2038	2042	2013-2042
Payroll (in \$000's)	2,650	2,894	3,077	3,378	3,765	4,198	4,561	
Recommended Contribution as % of pay	78%	82%	87%	91%	19%	19%	19%	58,903
Recommended Contribution as % of pay	66%	68%	71%	76%	10%	9%	9%	45,786

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Projection Details – Scenario 1

Scenario #1: Forecast of Actuarial Valuation Results

Year	Payment against the ARC	Employer Normal Cost	Amortization	ARC	Contribution	Increase	Payroll	Contribution as a % of Payroll	Benefit Payments	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability	Funded Ratio (AVA)
2013	100.0%	321,759	1,296,567	1,739,701	1,739,701	N/A	2,530,668	68.7%	1,584,033	9,913,949	27,812,813	17,898,864	35.6%
2014	100.0%	335,406	1,330,511	1,790,861	1,790,861	2.9%	2,591,541	69.1%	1,685,014	11,089,610	28,773,711	17,684,101	38.5%
2015	100.0%	322,318	1,367,093	1,816,117	1,816,117	1.4%	2,613,935	69.5%	1,744,421	12,273,104	29,710,543	17,437,439	41.3%
2016	100.0%	327,293	1,416,644	1,874,732	1,874,732	3.2%	2,667,356	70.3%	1,834,462	13,349,760	30,649,715	17,299,955	43.6%
2017	100.0%	306,954	1,461,263	1,900,833	1,900,833	1.4%	2,695,129	70.5%	1,871,060	14,566,494	31,570,133	17,003,639	46.1%
2018	100.0%	324,156	1,507,383	1,968,904	1,968,904	3.6%	2,764,197	71.2%	1,968,949	15,873,932	32,510,223	16,636,291	48.8%
2019	100.0%	305,027	1,554,899	1,999,421	1,999,421	1.5%	2,792,358	71.6%	2,044,928	17,244,032	33,432,723	16,188,691	51.6%
2020	100.0%	314,641	1,603,994	2,062,532	2,062,532	3.2%	2,837,775	72.7%	2,158,330	18,675,686	34,330,899	15,655,213	54.4%
2021	100.0%	302,825	1,654,600	2,104,231	2,104,231	2.0%	2,852,630	73.8%	2,285,675	20,159,841	35,185,846	15,026,005	57.3%
2022	100.0%	284,944	1,706,820	2,141,146	2,141,146	1.8%	2,850,227	75.1%	2,312,137	21,665,501	35,958,454	14,292,953	60.3%
2023	100.0%	285,048	1,760,793	2,199,279	2,199,279	2.7%	2,938,415	74.8%	2,360,819	23,310,184	36,757,931	13,447,747	63.4%
2024	100.0%	292,687	1,816,498	2,267,374	2,267,374	3.1%	3,014,517	75.2%	2,394,055	25,091,453	37,570,304	12,478,851	66.8%
2025	100.0%	293,838	1,873,988	2,330,413	2,330,413	2.8%	3,103,862	75.1%	2,445,777	27,049,827	38,424,901	11,375,074	70.4%
2026	100.0%	297,231	1,933,319	2,397,841	2,397,841	2.9%	3,183,778	75.3%	2,496,062	29,171,002	39,295,241	10,124,239	74.2%
2027	100.0%	309,734	1,994,539	2,477,094	2,477,094	3.3%	3,266,411	75.8%	2,518,226	31,474,781	40,187,933	8,713,152	78.3%
2028	100.0%	323,967	2,057,704	2,560,296	2,560,296	3.4%	3,376,320	75.8%	2,569,497	34,020,010	41,147,614	7,127,604	82.7%
2029	100.0%	316,206	2,122,845	2,621,980	2,621,980	2.4%	3,460,889	75.8%	2,673,912	36,792,389	42,144,257	5,351,868	87.3%
2030	100.0%	320,725	2,190,069	2,699,104	2,699,104	2.9%	3,506,474	77.0%	2,696,589	39,727,421	43,097,535	3,370,114	92.2%
2031	100.0%	330,781	2,259,457	2,784,506	2,784,506	3.2%	3,622,750	76.9%	2,719,909	42,953,206	44,117,967	1,164,761	97.4%
2032	100.0%	342,338	0	368,013	368,013	-86.8%	3,742,344	9.8%	2,753,476	46,493,265	45,209,731	0	102.8%
2033	100.0%	341,835	0	367,473	367,473	-0.1%	3,882,573	9.5%	2,852,058	47,765,504	46,368,037	0	103.0%
2034	100.0%	340,729	0	366,284	366,284	-0.3%	3,944,305	9.3%	2,944,711	49,031,446	47,511,005	0	103.2%
2035	100.0%	306,941	0	329,962	329,962	-9.9%	4,012,882	8.2%	3,271,596	50,299,837	48,646,853	0	103.4%
2036	100.0%	321,094	0	345,176	345,176	4.6%	3,926,053	8.8%	3,416,671	51,260,481	49,463,972	0	103.6%
2037	100.0%	333,901	0	358,944	358,944	4.0%	3,939,945	9.1%	3,471,040	52,175,676	50,224,081	0	103.9%
2038	100.0%	340,691	0	366,243	366,243	2.0%	4,086,135	9.0%	3,533,325	53,129,569	51,010,561	0	104.2%
2039	100.0%	336,752	0	362,008	362,008	-1.2%	4,183,206	8.7%	3,683,960	54,106,825	51,807,329	0	104.4%
2040	100.0%	359,122	0	386,056	386,056	6.6%	4,251,828	9.1%	3,706,809	54,991,408	52,496,894	0	104.8%
2041	100.0%	363,412	0	390,668	390,668	1.2%	4,425,280	8.8%	3,802,259	55,964,583	53,259,723	0	105.1%
2042	100.0%	379,827	0	408,314	408,314	4.5%	4,530,966	9.0%	3,839,113	56,918,471	53,986,376	0	105.4%

Asset Return Assumption: 7.50%

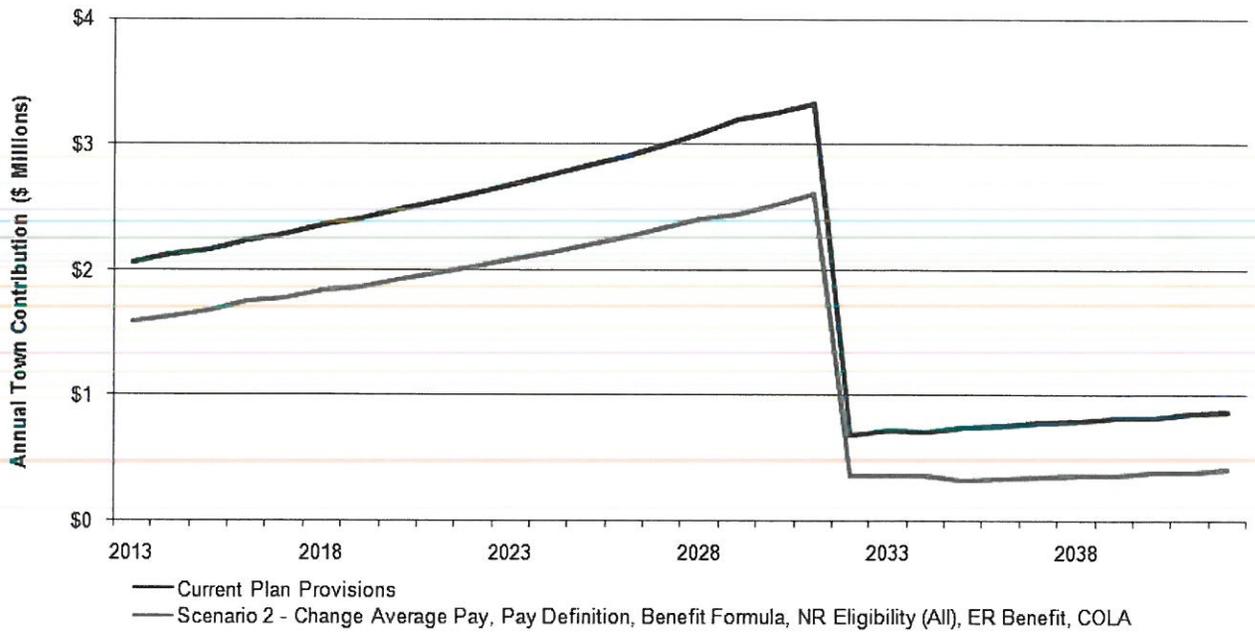
Plan Provision Changes:

- 1) Adjust active benefits to use a 5-year final average pay
- 2) Change definition of annual pay to salary, holiday and longevity
- 3) Benefit formula is changed to 2.50% of pay for first 20 years of service and an additional 2.0% of pay for service between 20 and 25 years
- 4) Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 only for future employees and current employees with less than 10 years of service at July 1, 2012
- 5) Reduce Early Retirement Benefit to 25% of average pay
- 6) Freeze COLA for 10 years with COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)

*These numbers are estimates only and are not guarantees of future plan costs

Retirement Plan Design - 03/01/2013

Projection Details – Scenario 2



	2013	2018	2023	2028	2033	2038	2042	2013-2042
Payroll (in \$000's)	2,650	2,894	3,077	3,378	3,765	4,198	4,561	
Recommended Contribution as % of pay	78%	82%	87%	91%	19%	19%	19%	58,903
Recommended Contribution as % of pay	60%	64%	68%	72%	9%	9%	9%	43,036

*These numbers are estimates only and are not guarantees of future plan costs

Projection Details – Scenario 2

Scenario #2: Forecast of Actuarial Valuation Results

Year	Payment against the ARC	Employer Normal Cost	Amortization	ARC	Contribution	Increase	Payroll	Contribution as a % of Payroll	Benefit Payments	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability	Funded Ratio (AVA)
2013	100.0%	270,116	1,206,740	1,587,621	1,587,621	N/A	2,574,106	61.7%	1,507,158	9,805,082	26,464,587	16,659,505	37.0%
2014	100.0%	278,879	1,237,970	1,630,613	1,630,613	2.7%	2,660,247	61.3%	1,517,819	10,901,647	27,356,145	16,454,498	39.9%
2015	100.0%	287,854	1,271,817	1,676,647	1,676,647	2.8%	2,748,719	61.0%	1,530,246	12,096,626	28,318,933	16,222,307	42.7%
2016	100.0%	307,654	1,318,495	1,748,110	1,748,110	4.3%	2,839,500	61.6%	1,625,249	13,254,196	29,356,890	16,102,694	45.1%
2017	100.0%	291,319	1,360,096	1,775,271	1,775,271	1.6%	2,870,827	61.8%	1,654,141	14,561,988	30,390,056	15,828,068	47.9%
2018	100.0%	308,655	1,403,100	1,840,136	1,840,136	3.7%	2,951,991	62.3%	1,724,496	15,977,298	31,464,643	15,487,345	50.8%
2019	100.0%	284,615	1,447,418	1,861,936	1,861,936	1.2%	3,006,084	61.9%	1,819,260	17,492,946	32,565,087	15,072,141	53.7%
2020	100.0%	301,260	1,493,212	1,929,057	1,929,057	3.6%	3,041,906	63.4%	1,837,975	19,048,005	33,625,067	14,577,062	56.6%
2021	100.0%	295,877	1,540,461	1,974,063	1,974,063	2.3%	3,140,837	62.9%	1,969,006	20,782,290	34,775,803	13,993,513	59.8%
2022	100.0%	296,266	1,589,184	2,026,859	2,026,859	2.7%	3,163,738	64.1%	2,110,198	22,549,716	35,862,561	13,312,845	62.9%
2023	100.0%	297,990	1,639,438	2,082,735	2,082,735	2.8%	3,175,661	65.6%	2,224,208	24,358,669	36,884,915	12,526,246	66.0%
2024	100.0%	297,722	1,691,284	2,138,181	2,138,181	2.7%	3,208,914	66.6%	2,291,101	26,247,264	37,871,530	11,624,266	69.3%
2025	100.0%	301,147	1,744,812	2,199,406	2,199,406	2.9%	3,279,688	67.1%	2,372,124	28,274,233	38,871,228	10,596,995	72.7%
2026	100.0%	304,022	1,800,038	2,261,865	2,261,865	2.8%	3,337,568	67.8%	2,452,091	30,435,827	39,868,463	9,432,636	76.3%
2027	100.0%	312,196	1,857,012	2,331,898	2,331,898	3.1%	3,396,590	68.7%	2,519,286	32,745,361	40,864,283	8,118,922	80.1%
2028	100.0%	331,384	1,915,781	2,415,703	2,415,703	3.6%	3,472,314	69.6%	2,567,349	35,236,877	41,879,483	6,642,606	84.1%
2029	100.0%	305,157	1,976,377	2,452,650	2,452,650	1.5%	3,557,815	68.9%	2,778,669	37,959,267	42,948,372	4,989,105	88.4%
2030	100.0%	301,892	2,038,887	2,516,337	2,516,337	2.6%	3,504,922	71.8%	2,911,681	40,689,761	43,833,245	3,143,484	92.8%
2031	100.0%	321,777	2,103,376	2,607,039	2,607,039	3.6%	3,512,654	74.2%	2,924,916	43,559,988	44,649,250	1,089,262	97.6%
2032	100.0%	333,015	0	357,991	357,991	-86.3%	3,629,177	9.9%	2,947,327	46,741,469	45,550,080	0	102.6%
2033	100.0%	331,270	0	356,115	356,115	-0.5%	3,766,360	9.5%	3,031,062	47,813,219	46,513,955	0	102.8%
2034	100.0%	331,443	0	356,301	356,301	0.1%	3,830,064	9.3%	3,112,822	48,878,405	47,462,601	0	103.0%
2035	100.0%	296,628	0	318,875	318,875	-10.5%	3,898,666	8.2%	3,419,732	49,943,453	48,401,797	0	103.2%
2036	100.0%	313,908	0	337,451	337,451	5.8%	3,819,770	8.8%	3,550,911	50,706,573	49,028,546	0	103.4%
2037	100.0%	328,913	0	353,581	353,581	4.8%	3,837,561	9.2%	3,597,623	51,427,049	49,601,430	0	103.7%
2038	100.0%	336,505	0	361,743	361,743	2.3%	3,983,180	9.1%	3,651,094	52,181,394	50,196,097	0	104.0%
2039	100.0%	332,349	0	357,275	357,275	-1.2%	4,081,286	8.8%	3,790,108	52,954,400	50,796,691	0	104.2%
2040	100.0%	357,539	0	384,354	384,354	7.6%	4,153,222	9.3%	3,806,336	53,631,733	51,287,477	0	104.6%
2041	100.0%	359,939	0	386,934	386,934	0.7%	4,328,073	8.9%	3,886,785	54,391,911	51,846,117	0	104.9%
2042	100.0%	380,259	0	408,778	408,778	5.6%	4,444,295	9.2%	3,921,459	55,132,135	52,368,678	0	105.3%

Asset Return Assumption: 7.50%

Plan Provision Changes:

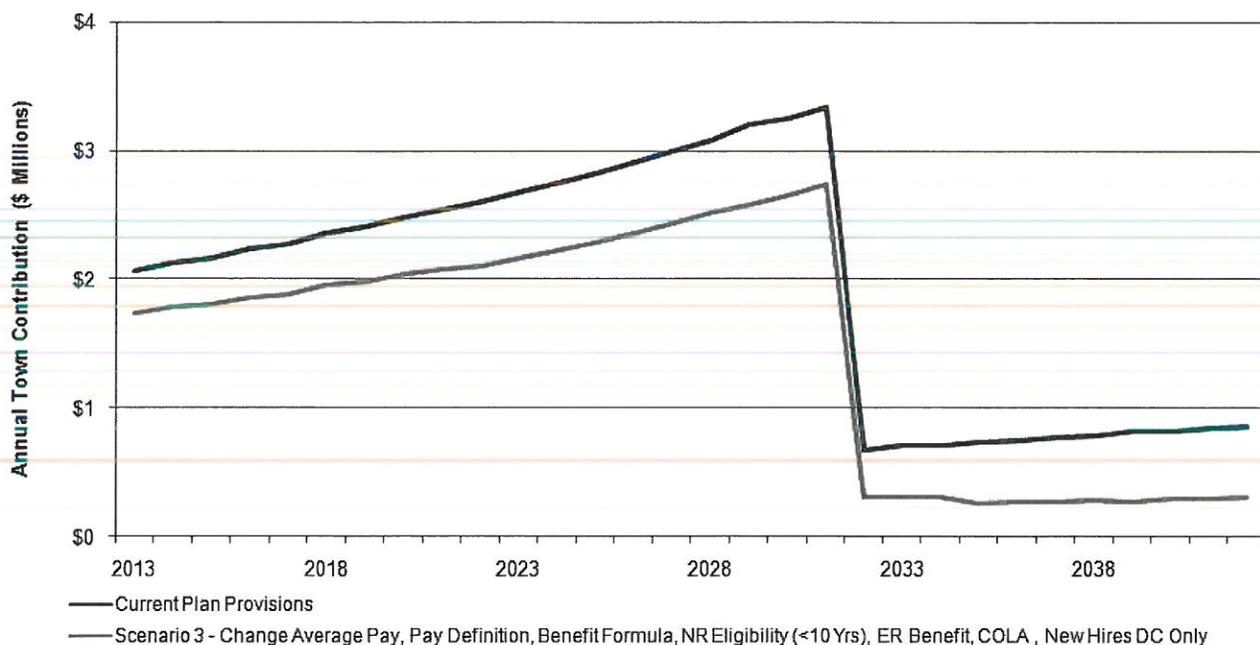
- 1) Adjust active benefits to use a 5-year final average pay
- 2) Change definition of annual pay to salary, holiday and longevity
- 3) Benefit formula is changed to 2.50% of pay for first 20 years of service and an additional 2.0% of pay for service between 20 and 25 years
- 4) Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 for all current and future employees
- 5) Reduce Early Retirement Benefit to 25% of average pay
- 6) Freeze COLA for 10 years with COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)

Comment: The only difference between Scenario #1 and Scenario #2 is that the Normal Retirement eligibility applies to all current employees

*These numbers are estimates only and are not guarantees of actual future plan costs

Retirement Plan Design - 03/01/2013

Projection Details – Scenario 3



	2013	2018	2023	2028	2033	2038	2042	2013-2042
Payroll (in \$000's)	2,650	2,894	3,077	3,378	3,765	4,198	4,561	
Recommended Contribution as % of pay	78%	82%	87%	91%	19%	19%	19%	58,903
Recommended Contribution as % of pay	66%	68%	70%	75%	8%	7%	7%	44,451

*These numbers are estimates only and are not guarantees of actual future plan costs

Projection Details – Scenario 3



Scenario #3: Forecast of Actuarial Valuation Results

Year	Payment against the ARC	Employer Normal Cost	Amortization	ARC	DB Plan Contribution	Increase	Payroll	DB Plan Contribution as a % of Payroll	Benefit Payments	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability	Funded Ratio (AVA)	DC Plan Contribution	Employer Contributions	Total Contribution as a % of Payroll
2013	100.0%	315,036	1,296,567	1,732,473	1,732,473	N/A	2,530,668	68.5%	1,584,028	9,913,949	27,812,813	17,898,864	35.6%	5,279	1,737,752	68.7%
2014	100.0%	324,343	1,330,517	1,778,975	1,778,975	2.7%	2,591,541	68.6%	1,684,999	11,076,851	28,761,030	17,684,179	38.5%	8,689	1,787,664	69.0%
2015	100.0%	297,607	1,367,108	1,789,569	1,789,569	0.6%	2,613,935	68.5%	1,744,379	12,238,404	29,676,061	17,437,657	41.2%	19,403	1,808,972	69.2%
2016	100.0%	293,934	1,416,683	1,838,913	1,838,913	2.8%	2,667,356	68.9%	1,834,368	13,265,604	30,566,098	17,300,494	43.4%	26,207	1,865,120	69.9%
2017	100.0%	261,262	1,461,335	1,851,792	1,851,792	0.7%	2,695,129	68.7%	1,870,871	14,412,822	31,417,461	17,004,639	45.9%	35,907	1,887,699	70.0%
2018	100.0%	273,215	1,507,504	1,914,272	1,914,272	3.4%	2,764,197	69.3%	1,968,612	15,622,242	32,260,179	16,637,937	48.4%	40,066	1,954,338	70.7%
2019	100.0%	240,234	1,555,077	1,929,960	1,929,960	0.8%	2,792,358	69.1%	2,044,361	16,877,182	33,068,279	16,191,097	51.0%	50,966	1,980,926	70.9%
2020	100.0%	239,334	1,604,248	1,981,851	1,981,851	2.7%	2,837,775	69.8%	2,157,429	18,159,026	33,817,632	15,658,606	53.7%	59,263	2,041,114	71.9%
2021	100.0%	211,732	1,654,948	2,006,681	2,006,681	1.3%	2,852,630	70.3%	2,284,297	19,462,573	34,493,167	15,030,594	56.4%	71,692	2,078,373	72.9%
2022	100.0%	176,450	1,707,286	2,025,016	2,025,016	0.9%	2,850,227	71.0%	2,310,107	20,744,684	35,043,721	14,299,037	59.2%	85,400	2,110,416	74.0%
2023	100.0%	170,920	1,761,409	2,077,253	2,077,253	2.6%	2,938,415	70.7%	2,357,923	22,116,792	35,572,468	13,455,676	62.2%	89,928	2,167,181	73.8%
2024	100.0%	170,504	1,817,283	2,136,871	2,136,871	2.9%	3,014,517	70.9%	2,390,049	23,595,326	36,084,155	12,488,829	65.4%	96,359	2,233,230	74.1%
2025	100.0%	165,122	1,874,969	2,193,098	2,193,098	2.6%	3,103,862	70.7%	2,440,382	25,214,221	36,601,572	11,387,351	68.9%	101,613	2,294,711	73.9%
2026	100.0%	160,192	1,934,521	2,251,816	2,251,816	2.7%	3,183,778	70.7%	2,488,971	26,969,610	37,098,672	10,139,062	72.7%	108,277	2,360,093	74.1%
2027	100.0%	164,339	1,995,989	2,322,353	2,322,353	3.1%	3,266,411	71.1%	2,509,095	28,845,524	37,576,259	8,730,735	76.8%	114,974	2,437,327	74.6%
2028	100.0%	172,694	2,059,430	2,399,533	2,399,533	3.3%	3,376,320	71.1%	2,558,000	30,927,971	38,076,126	7,148,155	81.2%	119,748	2,519,281	74.9%
2029	100.0%	155,499	2,124,871	2,451,397	2,451,397	2.2%	3,460,889	70.8%	2,659,563	33,194,337	38,569,876	5,375,539	86.1%	127,304	2,578,701	74.5%
2030	100.0%	144,952	2,192,422	2,512,677	2,512,677	2.5%	3,506,474	71.7%	2,678,952	35,570,678	38,967,717	3,397,039	91.3%	139,266	2,651,943	75.6%
2031	100.0%	147,885	2,262,174	2,590,813	2,590,813	3.1%	3,622,750	71.5%	2,698,333	38,170,955	39,366,170	1,195,215	97.0%	145,048	2,735,861	75.5%
2032	100.0%	152,000	0	163,400	163,400	-93.7%	3,742,344	4.4%	2,727,336	41,029,425	39,779,908	0	103.1%	151,087	314,487	8.4%
2033	100.0%	139,483	0	149,944	149,944	-8.2%	3,882,573	3.9%	2,813,538	41,556,398	40,200,022	0	103.4%	159,884	309,828	8.0%
2034	100.0%	125,719	0	135,148	135,148	-9.9%	3,944,305	3.4%	2,895,679	42,013,000	40,541,634	0	103.6%	171,002	306,150	7.8%
2035	100.0%	76,519	0	82,258	82,258	-39.1%	4,012,882	2.0%	3,201,499	42,396,725	40,801,688	0	103.9%	182,650	264,908	6.6%
2036	100.0%	53,306	0	57,304	57,304	-30.3%	3,926,053	1.5%	3,330,004	42,400,972	40,672,377	0	104.3%	214,184	271,488	6.9%
2037	100.0%	46,035	0	49,488	49,488	-13.6%	3,939,945	1.3%	3,363,077	42,231,346	40,358,996	0	104.6%	230,764	280,252	7.1%
2038	100.0%	38,873	0	41,788	41,788	-15.6%	4,086,135	1.0%	3,408,358	42,002,883	39,975,953	0	105.1%	244,849	286,637	7.0%
2039	100.0%	18,357	0	19,734	19,734	-52.8%	4,183,206	0.5%	3,533,038	41,696,335	39,503,057	0	105.6%	257,873	277,607	6.6%
2040	100.0%	16,205	0	17,420	17,420	-11.7%	4,251,828	0.4%	3,529,576	41,197,607	38,825,134	0	106.1%	280,326	297,746	7.0%
2041	100.0%	4,351	0	4,677	4,677	-73.2%	4,425,280	0.1%	3,594,170	40,661,169	38,096,026	0	106.7%	294,016	298,693	6.7%
2042	100.0%	0	0	0	0	-100.0%	4,530,966	0.0%	3,596,275	39,993,241	37,220,708	0	107.4%	312,872	312,872	6.9%

Asset Return Assumption: 7.50%

Plan Provision Changes:

- 1) Adjust active benefits to use a 5-year final average pay
- 2) Change definition of annual pay to salary, holiday and longevity
- 3) Benefit formula is changed to 2.50% of pay for first 20 years of service and an additional 2.0% of pay for service between 20 and 25 years
- 4) Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 only for current employees with less than 10 years of service at July 1, 2012
- 5) Reduce Early Retirement Benefit to 25% of average pay
- 6) Freeze COLA for 10 years with COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)
- 7) All future hires receive 7% of pay in a defined contribution plan and do not participate in the defined benefit plan

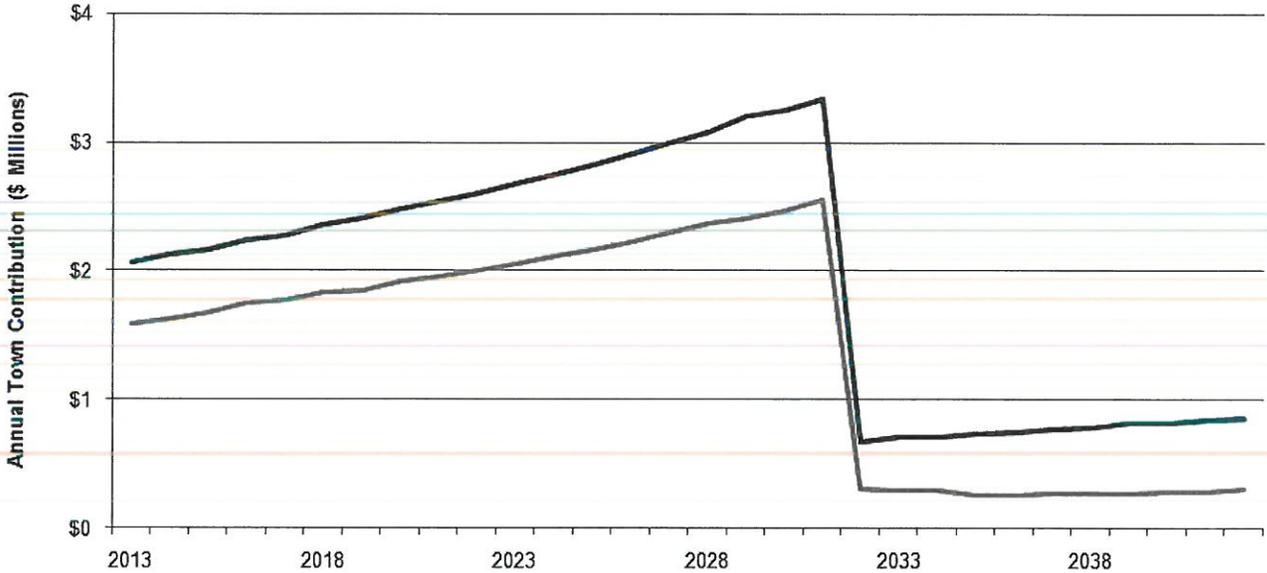
Comment: The only difference between Scenario #1 and Scenario #3 is that all future hires receive 7% of pay in a defined contribution plan and do not participate in the defined benefit plan

*These numbers are estimates only and are not guarantees of actual future plan costs

Retirement Plan Design - 03/01/2013



Projection Details – Scenario 4



	2013	2018	2023	2028	2033	2038	2042	2013-2042
Payroll (in \$000's)	2,650	2,894	3,077	3,378	3,765	4,198	4,561	
Recommended Contribution as % of pay	78%	82%	87%	91%	19%	19%	19%	58,903
Recommended Contribution as % of pay	60%	63%	67%	70%	8%	7%	7%	41,846

*These numbers are estimates only and are not guarantees of actual future plan costs

Projection Details – Scenario 4



Scenario #4: Forecast of Actuarial Valuation Results

Year	Payment against the ARC	Employer Normal Cost	Amortization ARC	DB Plan Contribution	Increase	Payroll	DB Plan Contribution as a % of Payroll	Benefit Payments	Actuarial Value of Assets (AVA)	Accrued Liability	Unfunded Liability	Funded Ratio (AVA)	DC Plan Contribution	Total Employer Contributions	Total Contribution as a % of Payroll	
2013	100.0%	269,254	1,206,740	1,586,694	1,586,694	N/A	2,574,106	61.6%	1,507,157	9,805,082	26,464,587	16,659,505	37.0%	677	1,587,371	61.7%
2014	100.0%	277,030	1,237,971	1,628,626	1,628,626	2.6%	2,660,247	61.2%	1,517,817	10,900,012	27,354,518	16,454,506	39.8%	1,452	1,630,078	61.3%
2015	100.0%	284,880	1,271,819	1,673,452	1,673,452	2.8%	2,748,719	60.9%	1,530,240	12,091,361	28,313,700	16,222,339	42.7%	2,336	1,675,788	61.0%
2016	100.0%	303,403	1,318,500	1,743,546	1,743,546	4.2%	2,839,500	61.4%	1,625,236	13,242,900	29,345,663	16,102,763	45.1%	3,341	1,746,887	61.5%
2017	100.0%	276,600	1,360,105	1,759,458	1,759,458	0.9%	2,870,827	61.3%	1,654,110	14,541,789	30,369,987	15,828,198	47.9%	11,546	1,771,004	61.7%
2018	100.0%	290,714	1,403,122	1,820,874	1,820,874	3.5%	2,951,991	61.7%	1,724,436	15,927,694	31,415,359	15,487,665	50.7%	14,085	1,834,959	62.2%
2019	100.0%	258,358	1,447,459	1,833,754	1,833,754	0.7%	3,006,084	61.0%	1,819,146	17,405,653	32,478,363	15,072,710	53.6%	20,614	1,854,368	61.7%
2020	100.0%	265,051	1,493,281	1,890,206	1,890,206	3.1%	3,041,906	62.1%	1,837,771	18,904,487	33,482,487	14,578,000	56.5%	28,430	1,918,636	63.1%
2021	100.0%	256,960	1,540,568	1,932,343	1,932,343	2.2%	3,140,837	61.5%	1,968,669	20,559,562	34,554,533	13,994,971	59.5%	30,587	1,962,930	62.5%
2022	100.0%	242,269	1,589,339	1,968,979	1,968,979	1.9%	3,163,738	62.2%	2,109,662	22,236,848	35,551,770	13,314,922	62.5%	42,423	2,011,402	63.6%
2023	100.0%	228,186	1,639,659	2,007,934	2,007,934	2.0%	3,175,661	63.2%	2,223,385	23,920,542	36,449,725	12,529,183	65.6%	54,840	2,062,774	65.0%
2024	100.0%	214,260	1,691,595	2,048,794	2,048,794	2.0%	3,208,914	63.8%	2,289,880	25,644,847	37,273,196	11,628,349	68.8%	65,598	2,114,392	65.9%
2025	100.0%	208,652	1,745,237	2,100,431	2,100,431	2.5%	3,279,688	64.0%	2,370,361	27,469,762	38,072,282	10,602,520	72.2%	72,761	2,173,192	66.3%
2026	100.0%	201,186	1,800,599	2,151,919	2,151,919	2.5%	3,337,568	64.5%	2,449,612	29,397,531	38,837,478	9,439,847	75.7%	80,961	2,232,880	66.9%
2027	100.0%	198,686	1,857,733	2,210,651	2,210,651	2.7%	3,396,590	65.1%	2,515,888	31,437,105	39,565,202	8,128,097	79.5%	89,438	2,300,089	67.7%
2028	100.0%	207,814	1,916,693	2,283,845	2,283,845	3.3%	3,472,314	65.8%	2,562,806	33,619,097	40,273,149	6,654,052	83.5%	97,453	2,381,298	68.6%
2029	100.0%	172,786	1,977,509	2,311,567	2,311,567	1.2%	3,557,815	65.0%	2,772,703	35,990,955	40,994,065	5,003,110	87.8%	104,501	2,416,068	67.9%
2030	100.0%	144,952	2,040,270	2,349,114	2,349,114	1.6%	3,504,922	67.0%	2,903,975	38,329,524	41,489,873	3,160,349	92.4%	123,874	2,472,988	70.6%
2031	100.0%	147,885	2,105,059	2,421,914	2,421,914	3.1%	3,512,654	68.9%	2,915,106	40,733,820	41,843,316	1,109,496	97.3%	137,342	2,559,256	72.9%
2032	100.0%	152,000	0	163,400	163,400	-93.3%	3,629,177	4.5%	2,935,062	43,384,632	42,217,253	0	102.8%	143,165	306,565	8.4%
2033	100.0%	139,483	0	149,944	149,944	-8.2%	3,766,360	4.0%	3,014,875	43,872,871	42,603,993	0	103.0%	151,749	301,693	8.0%
2034	100.0%	125,719	0	135,148	135,148	-9.9%	3,830,064	3.5%	3,092,089	44,294,457	42,916,378	0	103.2%	163,005	298,153	7.8%
2035	100.0%	76,519	0	82,258	82,258	-39.1%	3,898,666	2.1%	3,393,710	44,645,649	43,150,138	0	103.5%	174,655	256,913	6.6%
2036	100.0%	53,306	0	57,304	57,304	-30.3%	3,819,770	1.5%	3,518,686	44,619,276	42,996,929	0	103.8%	206,744	264,048	6.9%
2037	100.0%	46,035	0	49,488	49,488	-13.6%	3,837,561	1.3%	3,548,932	44,420,393	42,661,530	0	104.1%	223,597	273,085	7.1%
2038	100.0%	38,873	0	41,788	41,788	-15.6%	3,983,180	1.0%	3,592,469	44,163,410	42,257,757	0	104.5%	237,642	279,430	7.0%
2039	100.0%	18,357	0	19,734	19,734	-52.8%	4,081,286	0.5%	3,715,278	43,828,011	41,764,387	0	104.9%	250,739	270,473	6.6%
2040	100.0%	16,205	0	17,420	17,420	-11.7%	4,153,222	0.4%	3,712,574	43,300,208	41,066,402	0	105.4%	273,423	290,843	7.0%
2041	100.0%	4,351	0	4,677	4,677	-73.2%	4,328,073	0.1%	3,780,647	42,731,728	40,314,934	0	106.0%	287,211	291,888	6.7%
2042	100.0%	0	0	0	0	-100.0%	4,444,295	0.0%	3,785,995	42,025,748	39,411,956	0	106.6%	306,805	306,805	6.9%

Asset Return Assumption: 7.50%

Plan Provision Changes:

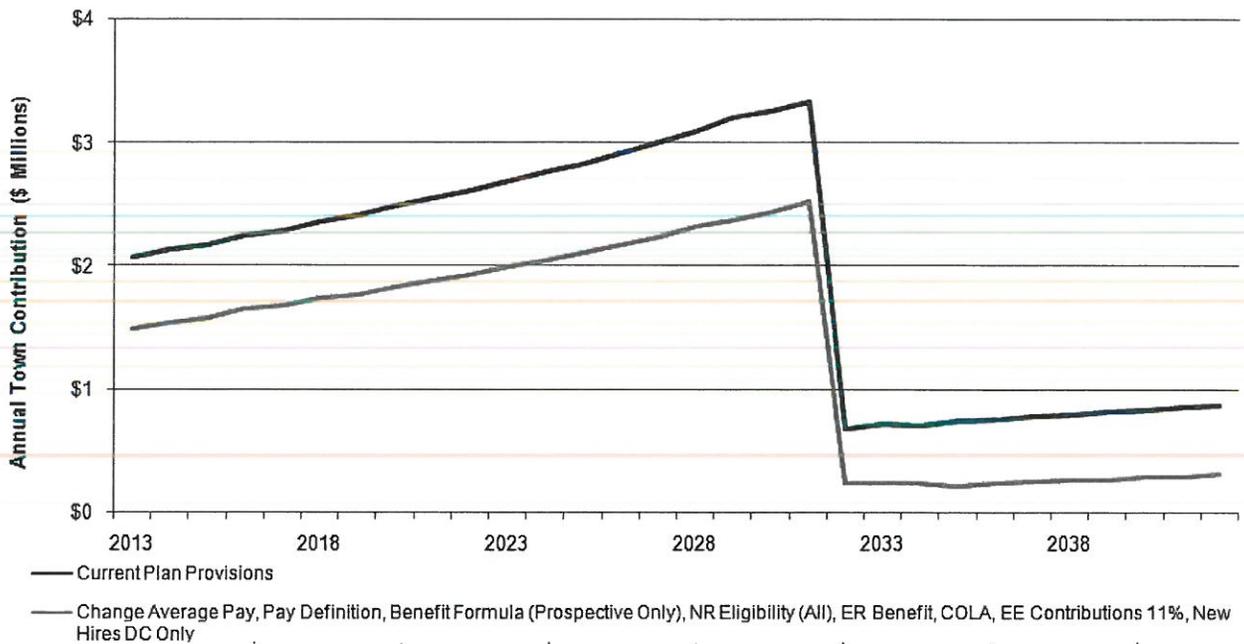
- 1) Adjust active benefits to use a 5-year final average pay
- 2) Change definition of annual pay to salary, holiday and longevity
- 3) Benefit formula is changed to 2.50% of pay for first 20 years of service and an additional 2.0% of pay for service between 20 and 25 years
- 4) Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 for all current employees
- 5) Reduce Early Retirement Benefit to 25% of average pay
- 6) Freeze COLA for 10 years with COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)
- 7) All future hires receive 7% of pay in a defined contribution plan and do not participate in the defined benefit plan

Comment: The only difference between Scenario #3 and Scenario #4 is that the Normal Retirement eligibility applies to all current employees

*These numbers are estimates only and are not guarantees of actual future plan costs

Retirement Plan Design - 03/01/2013

Projection Details – Scenario 5



	2013	2018	2023	2028	2033	2038	2042	2013-2042
Payroll (in \$000's)	2,650	2,894	3,077	3,378	3,765	4,198	4,561	
Recommended Contribution as % of pay	78%	82%	87%	91%	19%	19%	19%	58,903
Recommended Contribution as % of pay	56%	60%	65%	69%	6%	6%	7%	40,055

*These numbers are estimates only and are not guarantees of actual future plan costs

Projection Details – Scenario 5



Scenario #5: Forecast of Actuarial Valuation Results

Year	Payment against the ARC	Employer Normal Cost	Amortization	ARC	DB Plan Contribution	Increase	Payroll	DB Plan Contribution as a % of Payroll	Benefit Payments	Actual Value of Assets (AVA)	Accrued Liability	Unfunded Liability	Funded Ratio (AVA)	DC Plan Contribution	Total Employer Contributions	Total Contribution as a % of Payroll
2013	100.0%	168,084	1,215,194	1,487,024	1,487,024	N/A	2,574,106	57.8%	1,507,209	9,796,746	26,573,146	16,776,400	36.9%	4,938	1,491,962	58.0%
2014	100.0%	172,923	1,247,223	1,526,656	1,526,656	2.7%	2,660,247	57.4%	1,517,870	10,882,990	27,461,243	16,578,253	39.6%	5,849	1,532,505	57.6%
2015	100.0%	177,808	1,281,910	1,569,197	1,569,197	2.8%	2,748,718	57.1%	1,530,265	12,065,337	28,418,115	16,352,778	42.5%	6,872	1,576,069	57.3%
2016	100.0%	199,410	1,329,471	1,643,547	1,643,547	4.7%	2,839,500	57.9%	1,626,956	13,207,597	29,447,277	16,239,680	44.9%	8,019	1,651,566	58.2%
2017	100.0%	170,308	1,371,969	1,657,947	1,657,947	0.9%	2,870,827	57.8%	1,655,921	14,495,628	30,466,468	15,970,840	47.6%	16,369	1,674,316	58.3%
2018	100.0%	185,725	1,415,916	1,721,764	1,721,764	3.8%	2,951,991	58.3%	1,727,166	15,869,708	31,505,323	15,635,615	50.4%	19,055	1,740,819	59.0%
2019	100.0%	155,281	1,461,206	1,737,723	1,737,723	0.9%	3,006,084	57.8%	1,822,846	17,334,750	32,559,958	15,225,208	53.2%	25,734	1,763,457	58.7%
2020	100.0%	159,256	1,507,996	1,792,296	1,792,296	3.1%	3,041,907	58.9%	1,841,251	18,818,722	33,552,853	14,734,131	56.1%	33,703	1,825,999	60.0%
2021	100.0%	156,559	1,556,298	1,841,321	1,841,321	2.7%	3,140,836	58.6%	1,971,323	20,458,497	34,612,625	14,154,128	59.1%	36,015	1,877,336	59.8%
2022	100.0%	146,543	1,606,086	1,884,076	1,884,076	2.3%	3,163,738	59.6%	2,118,242	22,121,449	35,597,222	13,475,773	62.1%	48,008	1,932,084	61.1%
2023	100.0%	136,260	1,657,424	1,928,210	1,928,210	2.3%	3,175,661	60.7%	2,233,208	23,783,299	36,473,573	12,690,274	65.2%	60,582	1,988,792	62.6%
2024	100.0%	122,858	1,710,388	1,970,739	1,970,739	2.2%	3,208,915	61.4%	2,301,301	25,483,310	37,271,538	11,788,228	68.4%	71,497	2,042,236	63.6%
2025	100.0%	118,534	1,765,086	2,024,891	2,024,891	2.7%	3,279,687	61.7%	2,384,141	27,280,721	38,040,590	10,759,869	71.7%	78,818	2,103,709	64.1%
2026	100.0%	113,019	1,821,526	2,079,636	2,079,636	2.7%	3,337,568	62.3%	2,463,117	29,176,656	38,769,804	9,593,148	75.3%	87,176	2,166,812	64.9%
2027	100.0%	111,122	1,879,762	2,140,200	2,140,200	2.9%	3,396,590	63.0%	2,531,506	31,182,826	39,458,490	8,275,664	79.0%	95,811	2,236,011	65.8%
2028	100.0%	120,566	1,939,852	2,214,949	2,214,949	3.5%	3,472,315	63.8%	2,577,900	33,326,987	40,121,124	6,794,137	83.1%	103,982	2,318,931	66.8%
2029	100.0%	97,390	2,001,831	2,256,663	2,256,663	1.9%	3,557,815	63.4%	2,788,505	35,659,510	40,793,358	5,133,848	87.4%	111,185	2,367,848	66.6%
2030	100.0%	75,239	2,065,726	2,301,538	2,301,538	2.0%	3,504,922	65.7%	2,924,040	37,956,594	41,235,387	3,278,793	92.0%	130,711	2,432,249	69.4%
2031	100.0%	76,668	2,131,650	2,373,942	2,373,942	3.1%	3,512,654	67.6%	2,934,278	40,312,106	41,525,055	1,212,949	97.1%	144,330	2,518,272	71.7%
2032	100.0%	78,077	0	83,933	83,933	-96.5%	3,629,177	2.3%	2,944,942	42,912,057	41,830,851	0	102.6%	150,299	234,232	6.5%
2033	100.0%	72,518	0	77,957	77,957	-7.1%	3,766,361	2.1%	3,025,527	43,324,933	42,153,520	0	102.8%	157,717	235,674	6.3%
2034	100.0%	63,254	0	67,998	67,998	-12.0%	3,830,064	1.8%	3,098,111	43,668,577	42,399,679	0	103.0%	169,059	237,057	6.2%
2035	100.0%	33,915	0	36,459	36,459	-46.4%	3,898,667	0.9%	3,378,748	43,941,884	42,567,846	0	103.2%	180,795	217,254	5.6%
2036	100.0%	23,962	0	25,759	25,759	-29.3%	3,819,770	0.7%	3,501,950	43,857,364	42,368,324	0	103.5%	211,270	237,029	6.2%
2037	100.0%	21,032	0	22,609	22,609	-12.2%	3,837,561	0.6%	3,522,167	43,604,002	41,990,330	0	103.8%	228,105	250,714	6.5%
2038	100.0%	17,216	0	18,507	18,507	-18.1%	3,983,180	0.5%	3,565,206	43,303,032	41,555,189	0	104.2%	241,183	259,690	6.5%
2039	100.0%	7,660	0	8,235	8,235	-55.5%	4,081,286	0.2%	3,674,848	42,921,044	41,028,537	0	104.6%	254,352	262,587	6.4%
2040	100.0%	7,857	0	8,446	8,446	2.6%	4,153,221	0.2%	3,658,232	42,361,951	40,312,923	0	105.1%	275,277	283,723	6.8%
2041	100.0%	2,062	0	2,217	2,217	-73.8%	4,328,073	0.1%	3,727,095	41,778,838	39,561,537	0	105.6%	287,211	289,428	6.7%
2042	100.0%	0	0	0	0	-100.0%	4,444,295	0.0%	3,732,976	41,056,738	38,657,779	0	106.2%	306,805	306,805	6.9%

Asset Return Assumption: 7.50%

Plan Provision Changes:

- 1) Adjust active benefits to use a 5-year final average pay
- 2) Change definition of annual pay to salary, holiday and longevity
- 3) Benefits accrued as of 7/1/2011 are locked in with future accruals changed to 2.50% of pay for first 20 years of service and an additional 1.0% of pay for service between 20 and 30 years
- 4) Change the Normal Retirement eligibility to the later of reaching 20 years of service or attaining age 55 for all current participants
- 5) Reduce Early Retirement Benefit to 25% of average pay which is payable upon reaching 15 years of service
- 6) Freeze COLA for 10 years with COLA returning tied to Northeast Urban CPI with a cap of 3.0% (for future retirees only)
- 7) All hires after 7/1/2011 receive 7% of pay in a defined contribution plan and do not participate in the defined benefit plan
- 8) Employee Contribution rate changed to 11% of pay

*These numbers are estimates only and are not guarantees of actual future plan costs

Retirement Plan Design - 03/01/2013

Current Plan Provisions

Base Formula	Normal Retirement Eligibility	COLA	Participant Contributions	Early Retirement Benefit	Vesting	Normal Form of Payment
Target 60% of AME*				Eligible after 15 Years of Service		
2.75% x Service (up to 20 Years) x AME + 1.00% x Service (up to 5 more Years) x AME	Completion of 20 Years of Service regardless of age	3.0% non-compounded from age 57 for participants retiring on or after July 1, 1992	7.0% of pay	35.0% x AME starting when participant would have completed 20 Years of Service	15 Years of Service	67.5% Joint & Survivor Annuity with guaranteed return of contributions

Disability Benefit	Pre-retirement Death Benefit	Post-retirement Death Benefit
<p>Duty Related : $\frac{2}{3} \times \text{AME}$</p> <p>Non Duty Related (completing 12 or more Years) – Accrued Benefit reduced by 40% at 12 Years with the reduction decreasing by 5% for each Year up to 17 Years; after 18 or more Years, 100% of Accrued Benefit is payable</p>	<p>After 15 Years of Service and officer married – spouse receives monthly pension equal to amount which would have been payable if officer had retired with 67.5% Joint & Survivor Annuity</p> <p>Prior to 15 Years of Service – beneficiary receives a refund of member's contributions with 5% interest</p>	<p>A spouse's pension equal to 67.5% of participant's pension is payable until earlier of spouse's death or remarriage, or to surviving dependent children under age 18</p>

*Average Monthly Earnings (AME) is the average of the three highest consecutive years of pension compensation.

Assumptions for Cost Projections

Category	Assumption
Asset Return	Plan assets earn 7.50% annually
Active Population	The number of active employees stays constant at 45 throughout the 30-year projection period
Town Contributions	The Town contributes the full Annual Required Contribution (ARC) each year
ARC Calculation	GASB rules in effect as of July 1, 2012 are used
Contributions Shown	Include both Employer Defined Benefit and Employer Defined Contribution money when applicable. The Employer Defined Contribution amounts assume that all eligible employees will receive the full match from the Town if applicable
Annual Contribution	Consists of 2 pieces – benefits being earned during the current year and the amount to cover the amortization of the unfunded liability
Future New Entrants	Modeled after actual new entrant data from 2005-2011
Northeast Urban CPI	2.5% per year
Inflation	2.0% per year
Salary Growth	3.5% per year
Mortality	RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection per Scale AA
Retirement Rates, Withdrawal Rates, Disability Rates, COLA, Married Percentage	Unless explicitly stated in a given scenario, all other assumptions match those used in the July 1, 2012 valuation

*All items mentioned above are assumptions only and are no guarantee of actual demographic or economic experience