City of
CHAMPAIGN

REPORT TO CITY COUNCIL

FROM: **James Cross, President**

DATE: **March 1, 2013**

SUBJECT: **ANNUAL FIRE PENSION FUND REPORT – INFORMATION ONLY**

The attached report fulfills the requirements of Public Act 095-0950, which requires that the Fire Pension Board provide a report on the Fire Pension Fund to City Council. This report is supposed to be provided prior to adoption of the annual tax levy. This did not occur due to accounting staff vacancies.

The estimated amount needed during the next succeeding fiscal year (item number four on the attached report) does not come entirely from current funds. It is a combination of amounts budgeted from current funds in addition to the property tax levy that the City will receive later in this year.

Council members are encouraged to contact the Finance Director (who serves as Treasurer of the Fire Pension Fund) with any questions.

Prepared by:

Leslie J. Lundy
Financial Services Manager /
City Accountant

Reviewed by:

Richard A. Schnuer
Finance Director

Attachment

Report of the Board of Trustees of the City of Champaign Firefighters' Pension Fund
to the City of Champaign City Council
For the Fiscal Year Ended June 30, 2012

1.	Total assets in the fund's custody as of June 30, 2012	59,655,278
2.	Current market value of those assets as of October 31, 2012	62,012,603
3.	Estimated receipts during the next succeeding fiscal year from employee contributions	660,000
4.	Estimated amount needed during the next succeeding fiscal year to cover pension payments, employer contributions, & debt reserves	7,387,619
5.	Income from investment of assets for the fiscal year ended June 30, 2012	437,687
	Change in fair value of investments for the fiscal year ended June 30, 2012	(46,607)
6.	Assumed investment return for the fiscal year ended June 30, 2012	7.0%
7.	Actual investment return for the fiscal year ended June 30, 2012	0.68%
8.	Income from investment of assets for the fiscal year ended June 30, 2011	458,146
	Change in fair value of investments for the fiscal year ended June 30, 2011	6,893,956
9.	Assumed investment return for the fiscal year ended June 30, 2011	7.0%
10.	Actual investment return for the fiscal year ended June 30, 2011	14.4%
11.	Total number of active employees making contributions to the fund as of June 30, 2012	97
12.	Amount disbursed in benefits for the fiscal year ended June 30, 2012	3,754,398
13.	Number of annuitants receiving a retirement pension for the fiscal year ended June 30, 2012	53
	Amounts of retirement pensions disbursed for the fiscal year ended June 30, 2012	2,682,849
14.	Number of annuitants receiving a disability pension for the fiscal year ended June 30, 2012	12
	Amounts of disability pensions disbursed for the fiscal year ended June 30, 2012	486,503
15.	Number of annuitants receiving a survivor pension for the fiscal year ended June 30, 2012	21
	Amounts of survivor pensions disbursed for the fiscal year ended June 30, 2012	584,512
16.	Funded ratio of pension fund (as of July 1, 2011)	78.2%
17.	Total unfunded liability and actuarial explanation of unfunded liability (as of July 1, 2011) See attached actuarial valuation for explanation of unfunded liability.	16,464,274
18.	Investment policy of the pension board as defined by state statute	Attachment A
19.	Lauterbach & Amen Actuarial Valuation 07/01/2011	Attachment B

Lauterbach & Amen, LLP
27W457 Warrenville Road
Warrenville, IL 60555-3902

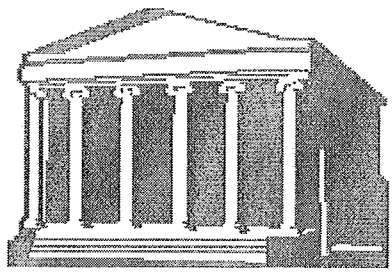
Actuarial Valuation
as of July 1, 2011

CHAMPAIGN FIREFIGHTERS' PENSION FUND

Utilizing Data as of June 30, 2011
For the Contribution Year July 1, 2011 to June 30, 2012

LAUTERBACH & AMEN, LLP

Actuarial Valuation
as of July 1, 2011



CHAMPAIGN FIREFIGHTERS' PENSION FUND

Utilizing Data as of June 30, 2011
For the Contribution Year July 1, 2011 to June 30, 2012

Submitted by:

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September 19, 2012

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INTRODUCTION

Statement of Actuarial Opinion

This report documents the results of the Actuarial valuation of the Champaign Firefighters' Pension Fund. The purpose is to report the recommended actuarial contribution for the contribution year July 1, 2011 to June 30, 2012. Determinations for purposes other than developing the employer's recommended contribution requirements may be significantly different from the results herein.

The results in this report are based on information and data submitted by the Champaign Firefighters' Pension Fund including studies performed by prior actuaries. We did not prepare the actuarial valuations for the years prior to July 1, 2011. Those Valuations were prepared by other actuaries whose reports have been furnished to us, and our disclosures are based upon those reports. An audit of the information was not performed, but high-level reviews were performed for general reasonableness, as appropriate, based on the purpose of the valuation. The accuracy of the results is dependent upon the accuracy and completeness of the underlying information. The results of the actuarial valuation and these supplemental disclosures rely on the information provided.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The Champaign Firefighters' Pension Fund and the City of Champaign selected certain assumptions, while others were the result of guidance and/or judgment. We believe that the assumptions used in this valuation are reasonable and appropriate for the purposes for which they have been used.

To the best of our knowledge, all calculations are in accordance with the applicable funding policies, and the procedures followed and presentation of results conform to generally accepted actuarial principles and practices. The undersigned of Lauterbach & Amen, LLP, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render this Actuarial Opinion. There is no relationship between the Champaign Firefighters' Pension Fund and Lauterbach & Amen, LLP that impairs our objectivity.

The information contained in this report was prepared for the use of the Champaign Firefighters' Pension Fund and the City of Champaign in connection with our actuarial valuation. It is not intended or necessarily suitable for other purposes. It is intended to be used in its entirety to avoid misrepresentations.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP

Todd A. Schroeder

Todd A. Schroeder, ASA, EA

SUMMARY OF ACTUARIAL VALUATION

Contribution Requirement

	Recommended Contribution
Contribution Requirement	$3,459,609
Expected Payroll	$7,232,821
Contribution Requirement as a Percent of Expected Payroll	47.83%

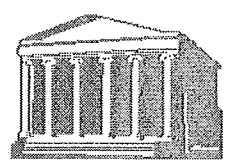
Recommended Contribution is $3,459,609.

The Recommended Contribution is based on the Funding Policy agreed upon by the City and the Board.

Funded Status

	Recommended Contribution
Normal Cost	$1,881,870
Market Value of Assets	$58,697,642
Actuarial Value of Assets	$58,887,635
Actuarial Accrued Liability	$75,351,909
Unfunded Actuarial Accrued Liability	$16,464,274
Percent Funded	
Actuarial Value of Assets	78.15%
Market Value of Assets	77.90%

Percent Funded has Increased from the Prior Valuation on Actuarial Value of Assets.



COMMENTS AND ANALYSIS

The Recommended contribution is based on the Funding Policy for the Plan. A Funding Policy has three key numerical components:

1. The Actuarial Cost Method: The Actuarial Cost Method budgets a contribution for each year of an employee's working career. Cash contributions are made according to the budget ("Normal Cost" contributions). In addition the Actuarial Cost Method can measure how well the funding is progressing compared to the budgeted contributions.

2. Amortization Policy: When Plan funding is not where expected (according to budget), procedures are put into place to pay down any shortfall. This leads to a second piece of the cash contribution (the "Amortization Payment").

3. Actuarial Value of Assets: Fluctuations in the plans assets due to short-term gains and losses may be smoothed over some period of time to minimize long-term contribution volatility.

In addition, a Funding Policy should have procedures for administering and monitoring adherence, as well as measures for judging the soundness of the Policy.

The Actuarial Cost Method under the Funding Policy is the Entry Age Normal (EAN) Cost Method (as a percent of payroll). The EAN method creates budgeted contributions that are expected to be stable as a percent of payroll over time, creating equity over generations of taxpayers.

The Funding Policy amortizes the portion of the Unfunded Liability attributable to benefit increases under PA 93-0689 on a level dollar basis over a 25 year period beginning July 1, 2004.

The remaining unfunded liability is funded on a level dollar basis over a 40 year period beginning January 1, 1980.

The actuarial value of assets under the funding policy is equal to the fair market value of assets, with unexpected gains and losses recognized over a four year period.

The primary purpose of funding benefits during an employees working career is to create a pattern of expected contributions that is equitable to taxpayers over time. The Entry Age Normal actuarial cost method (as a level percent of payroll) achieves this objective. Long-term, this method creates more stability as a percent of payroll.

The data provided includes retroactive pay increases of 2.0% and 1.0% granted during collective bargaining.

RECOMMENDED CONTRIBUTION DETERMINATION

MARKET VALUE OF ASSETS

RECOMMENDED BASIS

Market Value of Assets

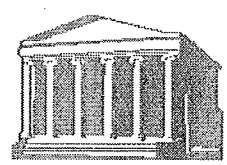
	Prior Valuation	Current Valuation
Money Market Funds		$ 60,721
Insurance Company Contracts		11,980,114
Pooled Investment Accounts		31,652,961
Equity Securities		1,578,452
Mutual Funds		13,720,565
Receivables (Net of Payables)		(295,171)
Total Market Value of Assets	$ 51,002,800	$ 58,697,642

The Total Value of Assets has Increased $7,694,842 from the Prior Valuation.

Change in Market Value of Assets

Total Market Value - Prior Valuation	$ 51,002,800
Plus - Employer Contributions	3,486,399
Plus - Employee Contributions	635,862
Plus - Return on Investments	7,242,782
Less - Benefit and Related Payments	(3,647,637)
Less - Other Expenses	(22,564)
Total Market Value - Current Valuation	$ 58,697,642

The Gain on the Actuarial Value of Assets for the Fund was Approximately 14% Net of Expenses.



ACTUARIAL VALUE OF ASSETS

RECOMMENDED BASIS

Current Year Loss/(Gain) Assets

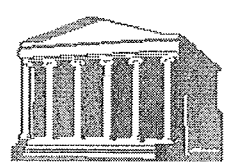
Total Market Value - Prior Valuation	$ 51,002,800
Contributions	4,122,261
Benefit Payments and Other Expenses	(3,670,201)
Expected Return on Investments	3,730,297
Expected Total Market Value - Current Valuation	55,185,157
Actual Total Market Value - Current Valuation	58,697,642
Current Market Value Loss/(Gain)	$ (3,512,485)
Expected Return on Investments	$ 3,730,297
Actual Return on Investments	7,242,782
Current Market Value Loss/(Gain)	$ (3,512,485)

The Current Year Loss/Gain is the Difference in Earnings Between the Actuarial Assumed Rate of Return on Investments and the Actual Investment Returns.

Development of the Actuarial Value of Assets

Total Market Value - Current Valuation		$ 58,697,642
Adjustment for Prior Losses/(Gains)		
	Full Amount	
First Proceeding Year	$ (3,512,485)	(2,634,364)
Second Proceeding Year	1,907,013	953,507
Third Proceeding Year	7,483,399	1,870,850
Fourth Proceeding Year	3,536,483	-
Total Deferred Loss/(Gain)		189,993
Initial Actuarial Value of Assets - Current Valuation		58,887,635
Less Contributions for the Current Year and Interest		-
Less Adjustment for the Corridor		-
Actuarial Value of Assets - Current Valuation		$ 58,887,635

The Actuarial Value of Assets is Equal to the Fair Market Value of Assets with Unexpected Gains/Losses Smoothed over Four Years Under the Funding Policy.



ACTUARIAL ACCRUED LIABILITY AND FUNDED STATUS

RECOMMENDED BASIS

Actuarial Accrued Liability

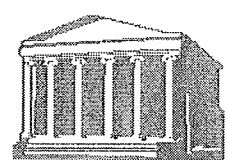
	Prior Valuation	Current Valuation
Active Employees	$ 32,590,529	$ 36,655,572
Inactive Employees		
Terminated Employees - Vested	-	-
Retired Employees	28,625,026	28,940,404
Disabled Employees	5,375,893	5,847,008
Other Beneficiaries	4,288,862	3,908,925
Total Inactive Employees	38,289,781	38,696,337
Total Actuarial Accrued Liability	$ 70,880,310	$ 75,351,909

Total Actuarial Accrued Liability has Increased $4,471,599 from the Prior Valuation.

Funded Status

	Prior Valuation	Current Valuation
Total Actuarial Accrued Liability	$ 70,880,310	$ 75,351,909
Total Actuarial Value of Assets	57,058,880	58,887,635
Unfunded Actuarial Accrued Liability	$ 13,821,430	$ 16,464,274
Total Market Value of Assets	$ 51,002,800	$ 58,697,642
Percent Funded		
Actuarial Value of Assets	80.50%	78.15%
Market Value of Assets	71.96%	77.90%

The Current Funding Policy is for the Pension Fund to be 100% Funded on an Actuarial Basis (Entry Age Normal Cost Method) by the Year 2029.



NORMAL COST AND CONTRIBUTION REQUIREMENT

RECOMMENDED BASIS

Development of the Normal Cost

	Prior Valuation	Current Valuation
Total Normal Cost	$ 2,048,842	$ 1,881,870
Estimated Employee Contributions	(680,468)	(683,863)
Employer Normal Cost	$ 1,368,374	$ 1,198,007

At a 100% Funding Level, the Normal Cost Contribution is Still Required.

Normal Cost as a Percentage of Expected Payroll

	Prior Valuation	Current Valuation
Expected Payroll	$ 7,196,912	$ 7,232,821
Employee Normal Cost Rate	9.455%	9.455%
Employer Normal Cost Rate	19.01%	16.56%
Total Normal Cost Rate	28.47%	26.02%

Ideally the Employer Normal Cost Rate will Remain Stable.

Contribution Requirement

	Prior Valuation	Current Valuation
Employer Normal Cost	$ 1,368,374	$ 1,198,007
Amortization of Unfunded Accrued Liability/(Surplus)	2,081,302	1,990,534
Interest for One Year	289,110	271,068
Funding Requirement	$ 3,738,786	$ 3,459,609

The Recommended Contribution has Decreased 7.5% from the Prior Valuation.

Actuarial Method and Assumptions Utilized

Actuarial Valuation Date	July 1, 2011
Actuarial Cost Method	Entry Age Normal (Level % Pay)
Amortization Method	Level Dollar (Multiple)
Amortization Target	100% Funded in year 2029
Asset Valuation Method	Smoothed Market Value (4 years)
Actuarial Assumptions	
Investment Rate of Return	7.00%
Projected Salary Increases	4.00%
Aggregate Payroll Increases	4.00%
Inflation Rate Included	3.00%

A Summary of the Key Actuarial Assumptions and Funding Policy Decisions used in the Determination of the Recommended Contribution are Shown. More Detail is Available Later.

Actuarial assumptions are based upon per year compounded annually.

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost methods described. The actuarial cost and amortization method allocates the projected obligations of the plan over the working lifetimes of the plan participants.

Valuation data provided includes provision for retroactive pay increases for the past 2 years of 1.0% and 2.0% respectively.

ALTERNATIVE CONTRIBUTION DETERMINATION

SUMMARY OF ACTUARIAL VALUATION

Alternative Contribution

	Recommended Contribution
Contribution Requirement	$3,868,870
Expected Payroll	$7,232,821
Contribution Requirement as a Percent of Expected Payroll	53.49%

The Alternative Contribution Has Been Determined Using a 6.75% Long-Term Rate of Return

The Alternative Contribution is based on a 6.75% expected return on assets with all other assumptions and methods being the same as the Recommended Contribution. The results have been shown for sensitivity purposes.

Funded Status

	Recommended Contribution
Normal Cost	$1,999,512
Market Value of Assets	$58,697,642
Actuarial Value of Assets	$58,787,716
Actuarial Accrued Liability	$77,457,868
Unfunded Actuarial Accrued Liability	$18,670,152
Percent Funded	
Actuarial Value of Assets	75.90%
Market Value of Assets	75.78%

STATUTORY MINIMUM CONTRIBUTION DETERMINATION

SUMMARY OF ACTUARIAL VALUATION

Statutory Minimum Contribution Requirement

	Minimum Contribution
Contribution Requirement	$1,940,637
Expected Payroll	$7,232,821
Contribution Requirement as a Percent of Expected Payroll	26.83%

The Statutory Minimum Contribution has been Determined Under Illinois State Statute Funding Policies.

The Statutory Minimum Contribution has been determined using the Funding Policies mandated by the State of Illinois effective January 1, 2011.

Funded Status

	Minimum Contribution
Normal Cost	$2,472,761
Market Value of Assets	$58,697,642
Actuarial Value of Assets	$58,697,642
Actuarial Accrued Liability	$64,775,422
Unfunded Actuarial Accrued Liability	$6,077,780
Percent Funded	
Actuarial Value of Assets	90.62%
Market Value of Assets	90.62%

Actuarial Method and Assumptions Utilized

Actuarial Valuation Date	July 1, 2011
Actuarial Cost Method	Projected Unit Credit (Level % of Pay)
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	90% Funded in year 2040
Asset Valuation Method	Market Value
Actuarial Assumptions	
Investment Rate of Return	7.00%
Projected Salary Increases	4.00%
Aggregate Payroll Increases	4.00%
Inflation Rate Included	3.00%

A Summary of the Key Actuarial Assumptions and Funding Policy Decisions used in the Determination of the Statutory Minimum Contribution are Shown. More Detail is Available Later.

Actuarial assumptions are based upon per year compounded annually.

The calculations under the Statutory Minimum Contribution are determined under the methods as shown above. The actuarial assumptions are the same as used for the Recommended Contribution.

VALUATION DATA AND PROCEDURES

SUMMARY OF PLAN PARTICIPANTS

Active Employees

	Prior Valuation	Current Valuation
Vested	61	77
Nonvested	41	20
Total Active Employees	102	97
Total Prior Payroll	$ 7,196,912	$ 7,091,001

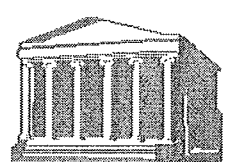
Inactive Employees

	Prior Valuation	Current Valuation
Terminated Employees - Vested	0	0
Retired Employees	46	46
Disabled Employees	10	10
Other Beneficiaries	23	20
Total Inactive Employees	79	76

Inactive Employees – Summary of Monthly Benefits

	Prior Valuation	Current Valuation
Terminated Employees - Vested	$ -	$ -
Retired Employees	191,430	211,504
Disabled Employees	34,672	38,091
Other Beneficiaries	46,558	47,911
Total Inactive Employees	$ 272,659	$ 297,505

Benefits shown for terminated employees under deferred retirement are not currently in pay status.



ACTUARIAL METHODS AND ASSUMPTIONS

Nature of Actuarial Calculations

The results documented in this report are estimates based on data that may be imperfect and on assumptions about future events. Certain plan provisions may be approximated or deemed immaterial, and, therefore, are not valued. Assumptions may be made about participant data or other factors. Reasonable efforts were made in this valuation to ensure that significant items in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately.

Actual future experience will differ from the assumptions used in the calculations. As these differences arise, the expense for accounting purposes will be adjusted in future valuations to reflect such actual experience.

A range of results different from those presented in this report could be considered reasonable. The numbers are not rounded, but this is for convenience only and should not imply precision which is not inherent in actuarial calculations.

Actuarial Cost Methods

The actuarial cost method allocates the projected obligations of the plan over the working lifetimes of the plan participants.

In accordance with the Pension Fund's Funding Policy the actuarial cost method for the recommended contribution basis is Entry Age Normal (Level Percent of Pay).The Entry Age Normal Cost Method is a method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called normal cost. The portion of the actuarial present value not provided at a valuation date by the actuarial present value of future normal costs is called the actuarial liability.

Financing of Unfunded Actuarial Accrued Liabilities

The Unfunded Actuarial Accrued Liability may be amortized over a period either in level dollar amounts or as a level percentage of projected payroll.

In accordance with the Pension Fund's Funding Policy for the recommended contribution the portion of the Unfunded Liability attributable to benefit increases under PA 93-0689 on a level dollar basis over a 25 year period beginning July 1, 2004.

The remaining unfunded liability is funded on a level dollar basis over a 40 year period beginning January 1, 1980.

Asset Valuation Method

The actuarial value of assets under the funding policy is equal to the fair market value of assets, with unexpected gains and losses recognized over a four year period.

Actuarial Assumptions in the Valuation Process

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost methods described in the previous section.

The principal areas of financial risk which require assumptions about future experience are:

- Long-term Rates of Investment Return
- Patterns of Pay Increases for Members
- Rates of Mortality Among Members and Beneficiaries
- Rates of Withdrawal of Active Members
- Rates of Disability Among Members
- Age Patterns of Actual Retirement

Actual experience of the Pension Fund will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution requirement.

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

Actuarial Assumptions Utilized

Investment Return	Are Described in the Prior Sections of this Report
Salary Increases	Are Described in the Prior Sections of this Report
Inflation Rate Included	Are Described in the Prior Sections of this Report
Cost-of-Living Adjustments	Are Described in the Prior Sections of this Report

Actuarial Assumptions Utilized - Continued

Retirement Rates

Sample Rates are as follows:

Age	Rate	Age	Rate
50	0.137	65	0.264
55	0.135	66	1.000
60	0.301		

Withdrawal Rates

Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.018	40	0.001
30	0.011	45	0.007
35	0.005		

Disability Rates

In accordance with the State Department of Insurance. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.002	45	0.010
30	0.003	50	0.016
35	0.004	55	0.030
40	0.007	60	0.042

Married Participants

80% of Active Participants are Assumed to be Married. Spouses are Assumed to be four years younger.

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Establishment of the Fund

The Firefighters' Pension Fund is established and administered as prescribed by "Article 4. Firefighters' Pension Fund – Municipalities 500,000 and Under" of the Illinois Pension Code.

Administration

The Firefighters' Pension Fund is administered by a Board of Trustees located in each municipality maintaining a pension fund for its firefighters. Its duties are to control and manage the pension fund, to hear and determine applications for pensions, to authorize payment of pensions, to establish rules, to pay expenses, to invest funds, and to keep records.

Creditable Service

Time served by a firefighter, excluding furloughs and leaves of absence in excess of 30 days, but including leaves of absence for illness or accident and periods of disability where no disability pension payments are received and also including up to 3 years during which disability payments have been received provided contributions are made.

Salary

Annual salary, including longevity, attached to a firefighter's rank, as established by the municipality, excluding over-time pay and bonus pay.

Normal Retirement Pension Benefit

Hired Prior to January 1, 2011

Eligibility: Age 50 with at least 20 years of creditable service and no longer a firefighter.

Benefit: 50% of final salary is payable commencing at retirement for 20 years of service. An additional 2.5% of final salary is added for each additional year of service (prorated monthly) in excess of 20 years of service (not to exceed 75% of final salary). "Final salary" is based on the pay rate for the firefighter at retirement.

Annual Increase in Benefit: A firefighter is entitled to an initial pension increase equal to 1/12 of 3% of the original monthly benefit for each full month that has passed since the pension began. The initial increase date will be the later of the first day of the month following the attainment of age 55, or the first anniversary of the date of retirement. Subsequent increases of 3% of the current pension amount will be provided in each January thereafter.

Normal Retirement Pension Benefit - Continued

Hired on or After January 1, 2011

Eligibility: Age 55 with at least 10 years of creditable service and no longer a firefighter.

Benefit: 2.5% of final average salary for each year of service is payable at retirement (not to exceed 75% of final average salary). "Final average salary" is determined by dividing the highest total salary over 96 consecutive months of service in the last 120 months of service by the total number of months of service in the period. Annual salary for this purpose will not exceed $106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

Early Retirement Pension Benefit

Hired Prior to January 1, 2011

None

Hired on or After January 1, 2011

Eligibility: Age 50 with at least 10 years of creditable service and no longer a firefighter.

Benefit: The normal retirement pension benefit reduced by ½ of 1% for each month that the firefighter's age is under age 55.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

Pension to Survivors

Hired Prior to January 1, 2011

Death - Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the firefighter on the last day of service, payable immediately.

Death - Non-Duty

Current Pensioners (Including Disabled Pensioners): Surviving spouse to receive continuation of the pension at the time of death or 54% of pensionable salary at the time pension began, if greater.

Active Employee with 20+ Years of Service: Surviving spouse is entitled to the full pension earned by the firefighter at the time of death, or 54% of the pensionable salary at death if greater.

Active Employee with 10-20 Years of service: Surviving spouse is entitled to 54% of the salary attached to the rank of the firefighter on the last day of service, payable immediately

Annual Increase in Benefit: None.

Hired on or After January 1, 2011

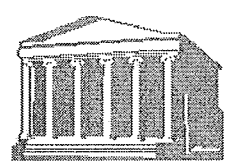
Death - Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the firefighter on the last day of service, payable immediately.

Death - Non-Duty

Current Pensioners (Including Disabled Pensioners), Active Employee with 20+ Years of Service, and Active Employee with 10-20 Years of service: Surviving spouse to receive 66 ⅔% of the firefighter's earned pension at the date of death.

Annual Increase in Benefit: The initial increase date will be the January 1st after the attainment of age 60 by the recipient of the survivor's pension. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original survivor's pension amount.



Termination Benefit

Hired Prior to January 1, 2011

Eligibility: At least 10 years but less than 20 years of creditable service.

Benefit: An accrual factor times final salary for each year of service is payable beginning at age 60. "Accrual Factor" is a factor of 1.5% at 10 years of service, increasing ratably up to 2.4% at 19 years of service. "Final salary" is based on the pay rate for the firefighter on the date of separation.

Annual Increase in Benefit: A firefighter will receive an initial increase of 3% on the first anniversary of the date of start of payments. Subsequent increases of 3% of the current pension amount will be provided in each January thereafter.

Hired on or After January 1, 2011

Eligibility: At least 10 years but less than 20 years of creditable service.

Benefit: An accrual factor times final salary for each year of service is payable beginning at age 60. "Accrual Factor" is a factor of 1.5% at 10 years of service, increasing ratably up to 2.4% at 19 years of service. "Final salary" is based on the greater of salary during the last year of service prior to termination of employment or the pay rate for the firefighter at termination of employment. Annual salary for this purpose will not exceed $106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

Annual Increase in Benefit: The initial increase date will be the January 1st following the first payment. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

Disability Benefit

Hired Prior to January 1, 2011

Eligibility: Disability (duty; or non-duty with 7 years of service).

Benefit: A firefighter who becomes disabled on duty is entitled to receive a pension equal to the greater of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the firefighter is entitled to 50% of final salary. "Final salary" is based on the pay rate for the firefighter at retirement.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60. Subsequent increases will occur on each subsequent January 1st. The first increase is 3% of the original benefit for each full year that has passed since the pension began. Subsequent increases are 3% of the original pension benefit amount.

Hired on or after January 1, 2011

Eligibility: Disability (duty; or non-duty with 7 years of service).

Benefit: A firefighter who becomes disabled on duty is entitled to receive a pension equal to the greater of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the firefighter is entitled to 50% of final salary. "Final salary" is based on the pay rate for the firefighter at last day of service.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

Financing of Pension Benefits

Pension benefits are to be funded by "employee" deductions from wages and salaries of firefighters, and by a property tax levied by the Municipality. The annual recommendation to be provided by such tax levy is equal to:

- The normal cost of the pension fund for the year involved

plus

- An amount paid towards unfunded liability.

Employee Contributions

Employees contribute 9.455% of salary.

Funding Policy

The Funding Policy is a set of procedures that outlines the "best practices" for funding the pension benefits based on the goals of the Pension Board. A funding policy discusses items such as assumptions, actuarial cost method, asset valuation and other parameters that will best help the Pension Board meet their goal of working in the best interest of the plan participants.

GLOSSARY OF TERMS

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Actuarial Accrued Liability –The actuarial present value of future benefits based on employees' service rendered to the measurement date using the selected actuarial cost method. It is that portion of the Actuarial Present Value of plan benefits and expenses allocated to prior years of employment. It is not provided for by future Normal Costs.

Actuarial Cost Method – The method used to allocate the projected obligations of the plan over the working lifetimes of the plan participants.

Actuarial Value of Asset – The value of the assets used in the determination of the Unfunded Actuarial Accrued Liability. The Actuarial Value of Assets is related to Market Value of Assets, with adjustments made to spread unanticipated gains and losses for a given year over a period of several years. Actuarial Value of Assets is generally equally likely to fall above or below the Market Value of Assets, and generally does not experience as much volatility over time as the Market Value of Assets.

Asset Valuation Method – A valuation method designed to smooth random fluctuations in asset values. The objective underlying the use of an asset valuation method is to provide for the long-term stability of employer contributions.

Funding Policy – A set of procedures for a Pension Fund that outlines the "best practices" for funding the pension benefits based on the goals of the plan sponsor. A Funding Policy discusses items such as assumptions, Actuarial Cost Method, assets, and other parameters that will best help the sponsor meet their goal of working in the best interest of the plan participant.

Market Value of Assets – The value of the cash, bonds, securities and other assets held in the pension trust as of the measurement date.

Normal Cost –The present value of future benefits earned by employees during the current fiscal year. It is that portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Unfunded Actuarial Accrued Liability – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The Unfunded Actuarial Accrued Liability is amortized over a period either in level dollar amounts or as a level percentage of projected payroll.