

Montgomery County Employees' Retirement System

Report on 2011 Actuarial Valuation Including
Determination of County Annual Required
Contribution for 2011

HayGroup®



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for

Montgomery County Employees' Retirement Board

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May 26, 2011

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Table of Contents

<u>Section</u>	<u>Page</u>
I. Introduction	1
II. Findings	2
III. Schedules	3
<ul style="list-style-type: none"> • Schedule A – Disclosure of Pension Information as of January 1, 2011 in accordance with Statement No. 25, Statement No. 27 and Statement No. 50 of the Governmental Accounting Standards Board 	3
<ul style="list-style-type: none"> • Schedule B - Allocation of Assets and Liabilities - January 1, 2011 	10
<ul style="list-style-type: none"> • Schedule C – Certified Annual Required Contribution (ARC) 	11
<ul style="list-style-type: none"> • Schedule D - Notes for Schedule B and F and Adjustment for Market Value Fluctuation 	12
<ul style="list-style-type: none"> • Schedule E - Approximate Rate of Return for 2010 	14
<ul style="list-style-type: none"> • Schedule F - Determination of Reserve Balances 	15
<ul style="list-style-type: none"> • Schedule G - Membership History 	16
<ul style="list-style-type: none"> • Schedule H - Changes in Plan Participation From January 1, 2010 to January 1, 2011 	17
<ul style="list-style-type: none"> • Schedule I - Age, Service and Average Salary Profile 	18
<ul style="list-style-type: none"> • Schedule J - Actuarial Assumptions and Cost Method for Funding Purposes January 1, 2011 	19
<ul style="list-style-type: none"> • Schedule K - Summary of Plan Provisions 	22
<ul style="list-style-type: none"> • Schedule L - Historical Trend Information 	27

I. Introduction

The primary purpose of this report is to investigate and fully and fairly disclose the actuarial position of the System as of January 1, 2011 and to establish the proper appropriation for the 2011 plan year, in accordance with the funding standards of Section 6 of Act 96, 1971 of the Commonwealth of Pennsylvania as amended.

On the basis of the actuarial methods, assumptions and major plan provisions summarized in this report and in reliance on the member data and statement of the Fund's assets furnished by the County, to the best of our knowledge the information in this report is complete and accurate.

In our opinion, this report presents fairly the financial and actuarial position for the Montgomery County Employees' Retirement Plan as of January 1, 2011 in accordance with generally accepted actuarial principles, and on the basis of actuarial assumptions and methods which, in the aggregate, are reasonable (taking into account past experience under the System and reasonable expectations) and which in combination represent our best estimate of anticipated experience.

Respectfully submitted,

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II. Findings

Certified Annual Required Contribution (ARC)

Please note that the certified Annual Required Contribution which is reported on page 11 of this report and which must be funded in 2011 is \$9,318,649. This amount which includes \$2,950,987, the third of five payments necessary to amortize the increase in actuarial accrued liability attributable to the special early retirement incentive for the period January 1, 2008 through June 30, 2008, is required to be made by the County from the General Fund.

Actuarial Adjustments

Also note that the balances in the Reserve Accounts on page 10 reflect the following transfers which are necessary to keep the balance in the Retired Member's Reserve Account equal to the liability for the retired lives and to reflect the difference between the amount of interest credited to the respective reserves and the interest rate assumed in the valuation of the liabilities. Please make these transfers in your records:

	DEBIT	CREDIT
County Annuity Reserve Account	\$ 7,457,105	
Retired Members Annuity Reserve Account		\$ 7,457,105

III. Schedules

Schedule A

Disclosure of Pension Information in Accordance with
Statement No. 25, Statement No. 27 and Statement No. 50
of the Governmental Accounting Standards Board

MONTGOMERY COUNTY EMPLOYEES' RETIREMENT SYSTEM			
STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2010 AND 2009			
Additions			
	<u>2010 Total</u>		<u>2009 Total</u>
Contributions			
County	\$ 0	\$	0
Plan Members	\$ 8,041,279	\$	8,222,947
Total Contributions	<u>\$ 8,041,279</u>	<u>\$</u>	<u>8,222,947</u>
Investment Income			
Realized Gain	\$ 7,759,030		
Unrealized Gain	\$ 21,390,352		
Net Gain in Fair Value	\$ 29,149,382	\$	52,726,038
Interest	\$ 7,247,570	\$	8,188,572
Dividends	\$ 5,742,133	\$	4,338,233
Net Accrued Interest	\$ 236,622	\$	(110,785)
Investment Income	<u>\$ 42,375,707</u>	<u>\$</u>	<u>65,142,058</u>
Less Investment Expense	\$ 1,700,538	\$	1,816,311
Net Investment Income	<u>\$ 40,675,169</u>	<u>\$</u>	<u>63,325,747</u>
Total Additions	<u>\$ 48,716,448</u>	<u>\$</u>	<u>71,548,694</u>
Deductions			
Benefits	\$ 24,869,935	\$	24,044,688
Refunds of Member Contributions	\$ 1,499,868	\$	1,271,291
Administrative Expense	\$ 383,274	\$	392,900
Total Deductions	<u>\$ 26,753,077</u>	<u>\$</u>	<u>25,708,879</u>
Net Increase/(Decrease)	<u>\$ 21,963,371</u>	<u>\$</u>	<u>45,839,815</u>
Net Assets Held In Trust For Pension Benefits			
Beginning of Year	\$ 416,648,654	\$	370,808,839
End of Year	<u>\$ 438,612,025</u>	<u>\$</u>	<u>416,648,654</u>

Schedule A--Continued

MONTGOMERY EMPLOYEES' RETIREMENT SYSTEM		
STATEMENT OF PLAN ASSETS AS OF DECEMBER 31, 2010 AND 2009		
Assets		
	<u>2010 Total</u>	<u>2009 Total</u>
Cash and Short-Term Investments	\$ 16,888,597	\$ 29,731,236
Receivables	\$ 1,880,414	\$ 2,536,623
Investments, at fair market value		
Government Obligations	\$ 30,206,728	\$ 30,334,716
Corporate Bonds	\$ 94,196,764	\$ 84,783,994
Common Stocks	\$ 164,717,657	\$ 142,409,150
Mutual Funds	\$ 79,107,563	\$ 58,534,703
Miscellaneous	\$ 3,850,555	\$ 4,626,772
International Stocks	\$ 16,179,455	\$ 31,368,928
Other Debt Securities	\$ 31,932,173	\$ 35,012,735
Total Investments	\$ 420,190,895	\$ 387,070,998
 Total Assets	 \$ 438,959,906	 \$ 419,338,857
Liabilities		
Refunds Payable and Other	\$ 347,881	\$ 2,690,203
Net Assets Held In Trust For Pension Benefits		
	\$ 438,612,025	\$ 416,648,654

TOTAL ASSETS (MARKET VALUE 12-31-2010)

Common/Preferred Stocks	Mutual Funds	Cash/Equivalents
37.5%	18.0%	4.3%
		Government Obligations
		6.9%
Miscellaneous	International Stocks	Other Debt Securities
.9%	3.7%	7.3%
		Corporate Bonds
		21.4%

Schedule A -- Continued

Montgomery County Employees' Retirement System

Notes to the Financial Statements for the Fiscal Year Ended December 31, 2010

Summary of Significant Accounting Policies

Basis of Accounting: The Montgomery County Employees' Retirement System financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments: Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Descriptions and Contribution Information

Membership of the plan consisted of the following at December 31, 2010, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	1,630
Terminated Plan Members Entitled to but not yet Receiving Benefits	225
Active Plan Members	3,287
Total	5,142
Number of Participating Employers	1

Schedule A--Continued

Montgomery County Employees' Pension System

Plan Description: The Montgomery County Employees' Pension Plan is a single-employer defined benefit pension plan that covers all employees of the County. The plan provides retirement, disability, and death benefits to plan members and their beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Montgomery County Employees' Retirement Board. Act 96 of 1971, as amended cited as the County Pension Law provides for the creation, maintenance and operation of this plan.

Contributions: Plan members are required to contribute 5% of their annual covered salary. The County is required to contribute at an actuarially determined rate. Per Act 96 of 1971, as amended, contribution requirements of the plan members and the County are established and may be amended by the General Assembly of the Commonwealth of Pennsylvania. Administrative costs may be financed through investment earnings.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF EMPLOYER CONTRIBUTIONS

Year	Annual Required Contribution	County Contribution
2002	\$ 0	\$ 0
2003	\$ 0	\$ 0
2004	\$ 0	\$ 0
2005	\$ 2,747,435	\$ 2,747,435
2006	\$ 2,702,778	\$ 2,702,778
2007	\$ 2,145,964	\$ 2,145,964
2008	\$ 0	\$ 0
2009	\$ 8,155,676	\$ 0
2010	\$ 7,857,028	\$ 0
2011	\$ 9,318,649	\$

Schedule A—Continued

REQUIRED SUPPLEMENTARY INFORMATION						
SCHEDULES OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)*	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2008	518,798,929	446,293,013	(72,505,916)	116.2%	147,553,545	(49.1)%
1/1/2009	482,051,491	486,610,195	4,558,704	99.1%	148,705,412	3.1%
1/1/2010	493,262,574	496,642,246	3,379,672	99.3%	149,574,431	2.3%
1/1/2011	504,064,625	516,305,160	12,240,535	97.6%	148,777,159	8.2%

* The ARC is calculated using the aggregate actuarial cost method. Information in this schedule is calculated using the entry age actuarial cost method as a surrogate for the funding progress of the plan.

Schedule A--Continued

NOTES TO THE REQUIRED SCHEDULES

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

Valuation Date	12/31/2010
Actuarial Cost Method	Aggregate **
Asset Valuation Method	Greater of Market Value and Actuarial Value as described in Schedule J
Actuarial Assumptions:	
Investment Rate of Return *	7.5%
Projected Salary Increases *	3.5%
* Includes Inflation at	3%

** The aggregate actuarial cost method is used to determine the annual required contribution (ARC) for the plan. Because this method does not identify or separately amortize unfunded actuarial liabilities, information about funded status is prepared using the entry age actuarial cost method and is intended to serve as a surrogate for the funded status of the plan.

Schedule A--Continued

ACCOUNTING PROCEDURES FOR CALCULATING - NET PENSION OBLIGATION (NPO)							
(1) Year	(2) ARC	(3) Interest On NPO ***	(4) ARC Adjustment **	(5) Pension Cost (2+3-4)	(6) Contribution	(7) Change in NPO (5-6)	(8) NPO Balance * (BB+7)
2002	0	0	0	0	0	0	0
2003	0	0	0	0	0	0	0
2004	0	0	0	0	0	0	0
2005	2,747,435	0	0	2,747,435	2,747,435	0	0
2006	2,702,778	0	0	2,702,778	2,702,778	0	0
2007	2,145,964	0	0	2,145,964	2,145,964	0	0
2008	0	0	0	0	0	0	0
2009	8,155,676	0	0	8,155,676	0	8,155,676	8,155,676
2010	7,857,028	611,676	1,073,944	7,394,760	0	7,394,760	15,550,436
2011	9,318,649	1,166,283	2,065,778	8,419,154			

* BB = Beginning balance for the year.

** ARC Adjustment - Amortization factor based upon level percentage of projected payroll.

*** Interest on the balance of the NPO at the beginning of the year using the investment return rate assumed in determining ARC. The interest is an estimate of the investment earnings lost to the plan on any contributions that were not made (7.5% when applicable).

Schedule B

Schedule B shows the allocation of the assets among the Fund's reserve accounts (see Schedule F for Determination of Reserve Balances) and the Fund's liabilities as of January 1, 2011. The liabilities were determined from the actuarial valuation of the System based upon the data submitted by the County.

ASSETS		
Members' Annuity Reserve Account	\$	111,893,205
County Annuity Reserve Account	\$	93,011,720
Retired Members' Reserve Account	\$	190,190,426
Unrealized Appreciation of Assets	\$	43,516,674
<i>Total Assets, (Market Value) of the Montgomery County Employees' Retirement Fund</i>	<i>\$</i>	<i>438,612,025</i>
LIABILITIES		
Actuarial Present Value of:		
Accumulated Plan Benefits		
Vested (2,286)	\$	120,907,063
Nonvested (1,001)	\$	2,705,210
Future Benefit Accruals	\$	123,975,331
Terminated Vested Benefits	\$	9,974,556
Retired Benefits	\$	190,190,426
Member Accumulated Deductions	\$	111,893,205
<i>Total Liabilities of the Montgomery County Employees' Retirement Fund</i>	<i>\$</i>	<i>559,645,791</i>

Schedule C

Schedule C determines the certified Annual Required Contribution (ARC) of \$9,318,649 for 2011 for the Montgomery County Employees' Retirement System.

1. Actuarial Present Value of Projected Future Benefits:		
a. Active Participants		\$ 247,587,604
Retirement Benefits	\$ 213,008,137	
Termination Benefits	\$ 19,880,089	
Death Benefits	\$ 14,699,378	
b. Terminated Vested Participants		\$ 9,974,556
c. Retired Members and Beneficiaries		\$ 190,190,426
Retirement Benefits	\$ 171,582,856	
Cost-of-Living Benefits	\$ 18,607,570	
d. Member Accumulated Deductions		\$ 111,893,205
e. Total (a) + (b) + (c) + (d)		\$ 559,645,791
2. Actuarial Accrued Liability Increase (attributable to early retirement incentive)		\$ 7,674,118
3. Valuation Assets		
Actuarial Value of Plan Assets (see page 13)		\$ 504,064,625
4. Present Value of Future County Normal Costs (1e) - (2) - (3)		\$ 47,907,048
5. Present Value of Future Compensation of Active Members		\$ 1,119,941,261
6. County Normal Cost Accrual Rate (4) / (5)		4.28%*
7. Estimated 2011 Compensation Rate of Members		\$ 148,777,159
8. County Normal Cost for 2011 (6) x (7)		\$ 6,367,662
9. Annual Cost to Amortize Increase in Actuarial Accrued Liability (due to early retirement incentive payable over five years - Acts 96, Section 14.1(c) (third of five payments))		\$ 2,950,987
10. County Normal Cost for 2011 (8) + (9) (Annual Required Contribution (ARC) for 2011)		\$ 9,318,649
Notes:		
*The equivalent normal cost accrual rate to be applied to actual 2010 salaries to determine reimbursable expenses is 4.43%.		

Schedule D

The following are notes to Schedules B and F:

Members' Annuity Reserve Account

The balance of \$111,893,205 in this account is the total of the contributions deducted from the salaries of the active and terminated vested members of the retirement system and the IRC 414(h)(2) pickup contributions together with the interest additions as of January 1, 2011. Since these accumulations represent the present value as of January 1, 2011, of future benefits, the reserve balance and liability are identical.

County Annuity Reserve Account

The balance of \$93,011,720 in this account as of January 1, 2011 and the amounts expected to be credited in the future, plus investment earnings, represent the reserves set aside for the payment of the county's share of the retirement allowances.

This is the account out of which regular interest is credited to the member's annuity and retired members' reserve account, administrative expenses may be paid and the pension obligations of the County are funded.

When a County Annuity is scheduled to commence for a particular member, sufficient monies are transferred from the County Annuity Reserve Account to the Retired Members' Reserve Account to provide for such County Annuities actually entered upon.

Retired Members' Reserve Account

This is the account out of which monthly retirement allowances including cost-of-living increases and death benefits are paid.

The assets allocated to this reserve account as of January 1, 2011 amount to \$190,190,426. The corresponding liability for those annuitants on the roll is identical.

Schedule D--Continued

Adjustment for Market Value Fluctuation

In order to reduce the fluctuations in the County normal cost which can result from full recognition of the unrealized appreciation or depreciation of the Fund's securities each year, the value of assets used to determine costs was determined by using the greater of the market value of assets as of the valuation date and adjusting the actuarial value of assets as of the prior valuation date: increased by contributions and other deposits except investment income; decreased by benefit payments and administrative expenses or other payments; and credited with interest at 1% less than the plan's assumed rate to the valuation date. The actuarial value of assets will be limited to a maximum of 120% and a minimum of 80% of the market value of assets as of the valuation date.

1. Actuarial Value of Assets as of 01/01/2010	\$ 493,262,574
2. Contributions and other deposits except investment income	\$ 8,041,279
3. Benefit Payments and Administrative Expenses of Other Payments	\$ 28,453,615
4. Interest at 1% less than the plan's assumed rate to the valuation date 01/01/2011: $0.065 \times [(1) + 0 \times (2) - 11/24 \times (3)]$	\$ 31,214,387
5. Preliminary Actuarial Value of Assets: (1) + (2) - (3) + (4)	\$ 504,064,625
6. Market Value of Assets as of 01/01/2011	\$ 438,612,025
7. 80% of Market Value: $.8 \times (6)$	\$ 350,889,620
8. 120% of Market Value: $1.2 \times (6)$	\$ 526,334,430
9. Actuarial Value of Assets as of 01/01/2011: Greater of (5) and (6) but not less than (7) nor more than (8)	\$ 504,064,625

Schedule E

APPROXIMATE RATE OF RETURN FOR 2010 PLAN YEAR

	<u>Actuarial Value</u>	<u>Market Value</u>
1. Value as of December 31, 2009	\$ 493,262,574	\$ 416,648,654
2. Contributions Received During Year	\$ 8,041,279	\$ 8,041,279
3. Benefits and Expenses Paid During Year	\$ 28,453,615	\$ 28,453,615
4. Value as of December 31, 2010	\$ 504,064,625	\$ 438,612,025
5. Non-Investment Increment: (2) - (3)	\$ (20,412,336)	\$ (20,412,336)
6. Investment Increment: (4) - (1) - (5)	\$ 31,214,387	\$ 42,375,707
7. Time Weighted Value of Assets: (1) + .5(5)	\$ 483,056,406	\$ 406,442,486
8. Approximate Rate of Return for 2010: (6) / (7)	6.46%	10.43%

HISTORY OF RATE OF RETURNS

Plan Year	Actuarial Value Rate of Return	Market Value Rate of Return
2009	6.46 %	18.04 %
2008	(3.14) %	(19.06) %
2007		4.92 %
2006		10.44 %
2005		5.74 %
2004		8.90 %
2003		20.04 %
2002		(6.54) %
2001		(4.09) %
Five Year Average:		4.10%
Ten Year Average:		4.24%

Schedule F

Determination of Reserve Balances

	M.A.R.A.	C.A.R.A	R.M.R.A.	TOTAL
Balance 1/1/2010	\$ 104,524,925	\$ 100,278,660	\$ 189,718,747	\$ 394,522,332
County Appropriations		0		
Member Contributions	8,041,279			
Net Investment Income		20,985,355		
Investment Expenses		(1,700,538)		
Member Contributions Refunded	(1,499,868)			
Pension Payments			(23,254,111)	
Death Benefits			(1,615,824)	
Retiree and Death Benefit Transfers	(3,417,735)	(7,163,792)	10,581,527	
Administrative Expenses		(383,274)		
Balance Before Interest	107,648,601	112,016,411	175,430,339	395,095,351
Interest Allocated in 2010	4,244,604	(11,547,586)	7,302,982	
Balance Before Actuarial Adjustments	111,893,205	100,468,825	182,733,321	395,095,351
Actuarial Adjustments		(7,457,105)	7,457,105	
Ending Balance 12/31/2010	111,893,205	93,011,720	190,190,426	395,095,351
Unrealized Appreciation				43,516,674
Total Assets (12/31/2010) (Market Value)				438,612,025

Schedule G

Membership History

Below is a ten-year history of the Retirement System's membership.

ACTIVE MEMBERS AND VESTED TERMINATED MEMBERS				RETIRED MEMBERS AND BENEFICIARIES		
January 1	Male	Female	Total	Male	Female	Total
2011	1,375	2,137	3,512	629	1,001	1,630
2010	1,356	2,153	3,509	624	978	1,602
2009	1,358	2,185	3,543	633	974	1,607
2008	1,382	2,174	3,556	521	833	1,354
2007	1,378	2,158	3,536	501	801	1,302
2006	1,383	2,183	3,566	486	778	1,264
2005	1,402	2,153	3,555	477	754	1,231
2004	1,347	2,102	3,449	481	743	1,224
2003	1,356	2,082	3,438	486	722	1,208
2002	1,348	2,039	3,387	479	726	1,205

Schedule H

Changes in Plan Participation From January 1, 2010 to January 1, 2011

ACTIVE PARTICIPANTS		
Number as of January 1, 2010		3,304
Changes During Plan Year:		
Retired	(-)	68
Terminated and Vested	(-)	35
Terminated	(-)	195
Died	(-)	4
New Participants	(+)	285
Number as of January 1, 2011		3,287

RETIRED PARTICIPANTS		
Number as of January 1, 2010		1,602
Changes During Plan Year:		
Returned to Active Service	(-)	0
Died	(-)	52
New Retirements from Active Service	(+)	68
New Surviving Annuitants	(+)	1
Vested Terminated Participants Whose Benefits Commenced	(+)	9
Additions	(+)	2
Number as of January 1, 2011		1,630

TERMINATED VESTED PARTICIPANTS		
Number as of January 1, 2010		205
Changes During Plan Year:		
Terminated	(-)	6
Benefits Commenced	(-)	9
Died	(-)	0
New Termination's with Vesting	(+)	35
Number as of January 1, 2011		225

Schedule I

Age, Service and Average Salary Profile of the Active Members on January 1, 2011.

MALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2011									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	1	0	0	0	0	0	0	1	\$ 2,825
20-24	52	5	0	0	0	0	0	57	\$ 34,898
25-29	85	62	1	0	0	0	0	148	\$ 40,732
30-34	43	73	44	1	0	0	0	161	\$ 44,600
35-39	18	30	46	18	2	0	0	114	\$ 49,251
40-44	18	22	33	27	32	3	0	135	\$ 55,016
45-49	13	21	21	23	35	27	1	141	\$ 57,458
50-54	21	28	29	19	17	28	18	160	\$ 53,837
55-59	31	28	29	14	19	10	17	148	\$ 50,412
60-64	26	23	27	23	16	7	13	135	\$ 53,039
65 +	16	28	35	9	8	1	3	100	\$ 42,286
Total	324	320	265	134	129	76	52	1,300	\$ 49,083

Average Age: 45.56
Average Service: 11.65

FEMALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2011									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	3	0	0	0	0	0	0	3	\$ 17,631
20-24	74	13	0	0	0	0	0	87	\$ 30,625
25-29	108	68	8	0	0	0	0	184	\$ 36,201
30-34	59	67	56	2	0	0	0	184	\$ 40,352
35-39	49	58	59	20	6	0	0	192	\$ 41,183
40-44	48	51	48	29	34	4	0	214	\$ 42,860
45-49	46	46	51	27	45	28	8	251	\$ 46,635
50-54	50	63	58	40	45	29	25	310	\$ 46,183
55-59	36	54	61	41	40	17	19	268	\$ 46,427
60-64	27	39	54	31	30	12	8	201	\$ 44,140
65 +	3	20	20	15	16	9	10	93	\$ 41,722
Total	503	479	415	205	216	99	70	1,987	\$ 42,828

Average Age: 45.82
Average Service: 11.44

Schedule J

Actuarial Assumptions and Actuarial Cost Method for Funding Purposes, January 1, 2011.

Actuarial Assumptions

Mortality Rates: The life expectancy of all members (active and retired) is determined in accordance with the mortality rates set forth in the 1983 Group Annuity Mortality Table.

Withdrawal Rates: Members not eligible to retire are assumed to terminate employment in accordance with a percentage of the withdrawal rates set forth in Table T-7 of the Actuary's Handbook. The applicable percentage depends on the member's years of service as follows:

YEARS OF SERVICE	PERCENTAGE
less than 1	300 %
1 but less than 2	275 %
2 but less than 3	250 %
3 but less than 4	225 %
4 but less than 5	200 %
5 but less than 6	175 %
6 or more	100 %

It is further assumed that a percentage of members who terminate after having met the Plan's five year vesting requirement will elect an immediate refund of their own contributions with interest thus forfeiting the County -- provided pension. The applicable percentage is 100% for termination ages up to age 30. After age 30 the applicable percentage is determined as 100% less $(age - 30) \times 3 \frac{1}{3}\%$. Illustrative percentages are as follows:

AGE	PERCENTAGE
30 or less	100.0 %
35	83.3 %
40	66.7 %
45	50.0 %
50	33.3 %
55	16.7 %

Schedule J--Continued

The following tables set forth illustrative withdrawal rates as determined in accordance with the methodology described on the previous page.

Probability of Withdrawing During Year:

LESS THAN FIVE YEARS OF SERVICE					
Age at Hire	Years of Service				
	0	1	2	3	4
20	.2982	.2720	.2460	.2202	.1947
30	.2791	.2532	.2275	.2021	.1770
40	.2326	.2067	.1814	.1570	.1335
50	.1267	.1013	.0781	.0577	.0407
59	.0086	-	-	-	-

FIVE OR MORE YEARS OF SERVICE		
Age at Beginning of Year	Probability of Withdrawing and Forfeiting County Pension	Probability of Withdrawing and Retaining County Pension
30	.0930	.0000
40	.0517	.0258
50	.0141	.0281
59	.0001	.0028

Schedule J--Continued

Retirement Rates

Members eligible to retire are assumed to retire in accordance with the following rates:

AGE AT BEGINNING OF YEAR	PROBABILITY OF RETIRING DURING YEAR
55-59	.07
60-61	.08
62-64	.15
65	.34
66-70	.23
71-79	.21
80	1.00

Disability Rates

Disability rates are not used.

Investment Return

7.5% per annum, compounded annually.

Salary Increases

3.5% per annum.

Valuation Assets

The greater of the market value of assets as of the valuation date and the actuarial value of assets as of the prior valuation date plus contributions and other deposits except investment income minus benefit payments and administrative expenses or other payments plus credited interest at 1% less than the plans' assumed rate to the valuation date. The Actuarial Value of Assets will be limited to a maximum of 120% and a minimum of 80% of the market value of assets as of the valuation date.

Administrative Expenses

Assumed to be paid from the County's general fund and not from plan assets. However, administrative expenses may from year to year be paid from the fund unless it is determined by the actuary that such payment will impair the actuarial soundness of the fund.

Actuarial Cost Method

The Aggregate Actuarial Cost Method of funding was used to determine costs. Under this method, the valuation assets of the plan are subtracted from the present value of all projected benefits. The result, when divided by the present value of future compensation, gives a percentage normal cost factor which is applied to the estimated 2011 compensation of all members to arrive at the normal cost at the beginning of the plan year.

Schedule K

Summary of Plan Provisions

- 1. Effective Date** The effective date of this plan is January 1, 1938.
- 2. Eligibility for Plan Membership** An employee shall be eligible to become a participant immediately upon becoming an employee.
- 3. Accrued Benefit** The Retirement Board has authorized benefits equal to a percentage of the members Final Average Salary for each year of service the member has participated in the following Classes:

<u>CLASS</u>	<u>PERCENTAGE</u>	<u>EFFECTIVE</u>
1/120	0.833%	01/01/1938
1/100	1.000%	01/01/1953
1/80	1.250%	01/01/1963
1/60	1.667%	07/01/1993

- 4. Normal Retirement (Superannuation)** *Eligibility:* Retirement occurs at age 60 or at age 55 if the participant has completed 20 years of service.

Pension: A monthly pension equal to (a) and (b), as follows:

- (a) 0.833% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/120 Class,
 1.000% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/100 Class,
 1.250% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/80 Class,
 1.667% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/60 Class,

PLUS

- (b) a monthly annuity based on the actuarial equivalent of the member's accumulated contributions with credited interest.

Schedule K--Continued

- 5. Final “Average” Salary** The average of the member’s annual compensation received for the three years which produce the highest such average.
- 6. Compensation** Pick-up contributions plus remuneration received as a county employee excluding refunds for expenses, contingency and accountable expense allowances and excluding severance payments or payments for unused vacation or sick leave.
- 7. Early Retirement**
- Eligibility:***
- Voluntary:*** Upon completion of 20 years of service.
- Involuntary:*** Upon completion of 8 years of service.
- Pension:***
- (a) a monthly pension equal to the actuarial equivalent of the benefits calculated in 4(a),
- PLUS
- (b) a monthly annuity based on the actuarial equivalent of the member’s accumulated contributions with credited interest.
- 8. Vesting** One Hundred Percent (100%) upon completion of five years of credited service. A member who terminates employment after five years of credited service will receive a deferred annuity commencing at age 60 (or at age 55 if the member has at least 20 years of service at termination). The deferred benefit shall be calculated using the normal retirement pension formula but based on credited service, final average salary and accumulated contributions at termination.
- If a member terminates employment prior to entitlement to Plan benefits, he will receive his accumulated contributions with interest.
- 9. Postponed Retirement** A member may work past normal retirement age and continue to accrue pension credits.

Schedule K--Continued

10. Disability Retirement

Eligibility: Total and permanent disability prior to Superannuation (Normal Retirement) age and after completion of five years of credited service.

Pension: A total monthly pension commencing on the last day of the month following disability retirement equal to 25% of the 1/12th of Final Average Salary at time of retirement. Such total monthly pension shall include the monthly disability that is actuarially equivalent to the member's accumulated contributions at retirement.

11. Normal Form of Pension

Benefits are payable in the form of a modified cash refund life annuity, that is for the member's lifetime only, except that disability benefits shall cease upon cessation of disability.

12. Optional Retirement Benefits

A member may elect to receive the actuarial equivalent of his retirement benefit as a full cash refund annuity (Option One) or a reduced joint and survivor pension payable for the remainder of his life, with either 100% or 50% of the member's pension continuing after death to the designated beneficiary. A member may also elect to receive, in one payment, the full amount of his accumulated deductions and continue to receive the annuity provided by the county.

13. Death Benefits

(a) Pre-Retirement. If a member dies after having attained age 60 or having completed ten years of credited service, his beneficiary will receive a lump sum equal to the actuarially determined present value of the benefits calculated in (7a) based on the member's Final Average Salary and credited service at time of death plus the member's accumulated contributions with interest at time of death.

(b) Post-Retirement. Upon the death of a terminated or retired member, his beneficiary will receive survivor benefits, if any, in accordance with the form under which benefits were being paid to the member. In any event, the total amount of benefits paid to the deceased member and beneficiary must, at least, equal the member's accumulated contributions with interest.

Schedule K--Continued

14. Employee Contributions The Retirement Board has authorized each member of the retirement system to individually elect to contribute between 5% and 15% of his salary.

15. Deposit Administrator Investment Managers:
 Alex Brown Advisory
 J. P. Morgan Investment Management
 Valley Forge Asset Management
 PMG Advisors
 Goldman Sachs Asset Management
 Emerald Advisers
 ING Clarion Partners
 Swarthmore Group, Inc.
 NWQ International
 Sterling Capital Management
 Logan Capital Management, Inc.

Custodian:
 Wells Fargo Bank
 RBC Wealth Management

Financial Consultants:
 Cornerstone Advisors Asset Management, Inc.

16. Administration Retirement Board as designated in Act 96 of 1971, the County Pension Law.

17. Cost-of-Living The cost-of-living increase shall be reviewed at least once in every three years by the Retirement Board. The Board has granted cost-of-living increases eighteen times in the past from January, 1972 through January, 1999 and since then as follows:

PERCENTAGE CHANGE IN C.P.I.	EFFECTIVE DATE OF INCREASE
100 %	1/1/2000
100 %	1/1/2001
100 %	1/1/2002
100 %	1/1/2003
100 %	1/1/2004
100 %	1/1/2005
100 %	1/1/2006
100 %	1/1/2007
100 %	1/1/2008
95 %	1/1/2009

Schedule K--Continued

18. Early Retirement Provision

The Retirement Board has authorized the following Early Retirement Provisions:

<u>Percent of Additional Service</u>	<u>Early Retirement Period</u>
15%	2/1/95 - 12/31/95
20%	2/1/00 - 12/31/00
20%	1/1/08 - 06/30/08

Schedule L

Historical Trend Information

REVENUES BY SOURCE					
Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Miscellaneous	Total
2001	\$ 5,812,129	\$ 0	\$ 4,601,558	\$ 0	\$ 10,413,687
2002	6,191,324	0	(9,387,809)	0	(3,196,485)
2003	6,541,894	0	11,634,327	0	18,176,221
2004	7,283,783	0	29,328,853	0	36,612,636
2005	7,453,024	2,747,435	28,661,412	29,022	38,890,893
2006	7,723,760	2,702,778	32,549,004	50,884	43,026,426
2007	8,057,607	2,145,964	60,906,377	15,231,429	86,341,377
2008	8,279,585	0	(14,457,452)	0	(6,177,867)
2009	8,222,947	0	(10,403,277)	0	(2,180,330)
2010	8,041,279	0	20,985,355	0	29,026,634

EXPENSES BY TYPE				
Fiscal Year	Benefits	Refunds	Administrative/ Miscellaneous	Total
2001	\$ 12,287,418	\$ 1,800,052	\$ 1,639,651	\$ 15,727,121
2002	11,369,719	1,419,052	1,359,498	14,148,269
2003	11,341,036	1,724,206	1,330,394	14,395,636
2004	12,795,967	1,640,468	1,759,454	16,195,889
2005	13,691,498	1,207,837	1,918,990	16,818,325
2006	13,708,197	1,646,229	2,036,243	17,390,669
2007	16,796,419	1,997,474	2,546,038	21,339,931
2008	25,241,628	1,602,316	2,230,391	29,074,335
2009	24,044,688	1,271,291	2,209,211	27,525,190
2010	24,869,935	1,499,868	2,083,812	28,453,615