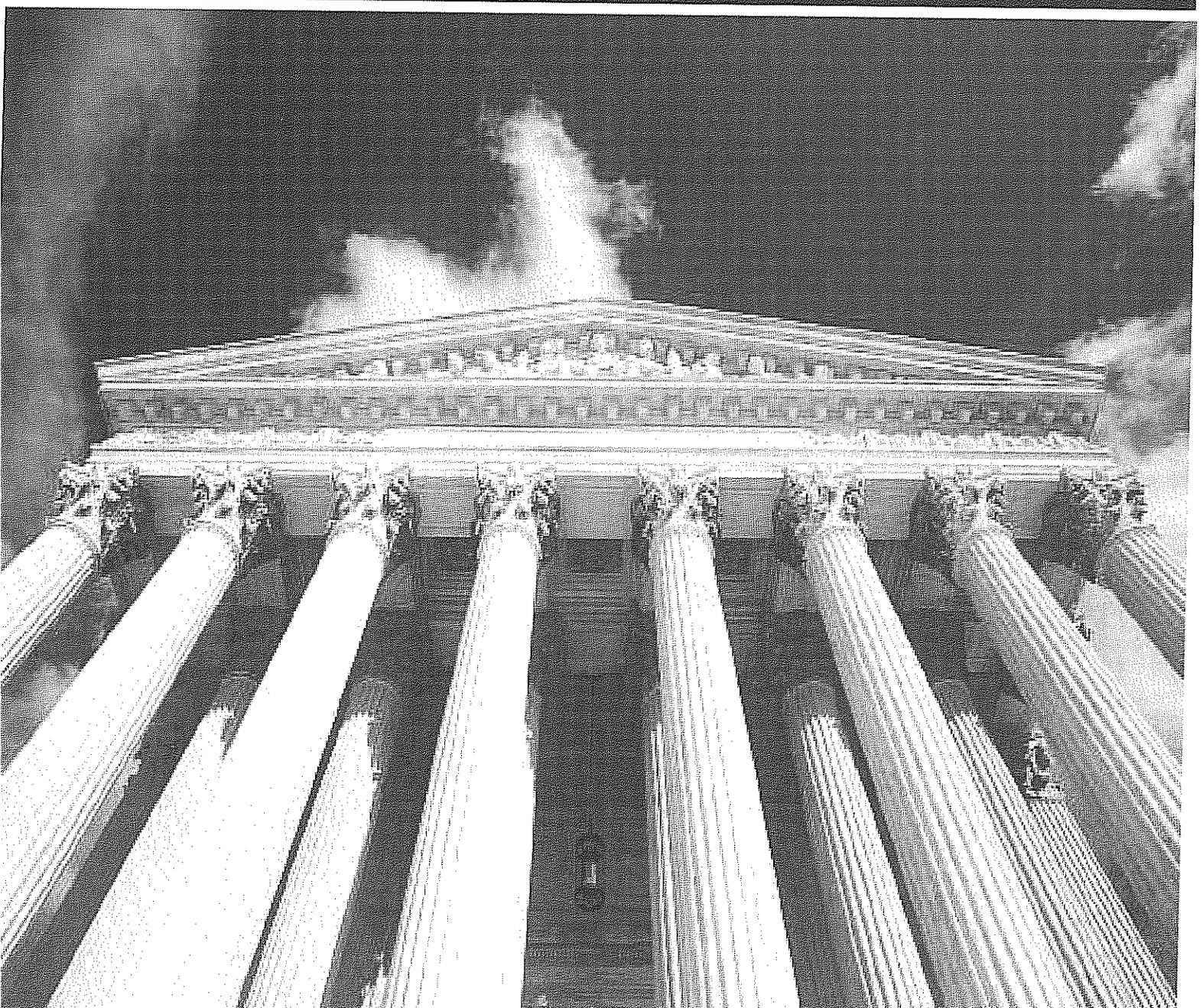


Northumberland County Employes' Retirement System

Report on 2013 Actuarial Valuation Including
Determination of County Annual Required
Contribution for 2013

HayGroup®



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for

Northumberland County Employees' Retirement Board

Vinny Clausi	Commissioner/Chairman
Stephen Bridy	Commissioner
Richard J. Shoch	Commissioner
Anthony L. Phillips	Controller/Secretary
Kevin P. Gilroy	Treasurer

April 12, 2013

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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, 2013 and to establish the proper appropriation for the 2013 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 Northumberland County Employees' Retirement Plan as of January 1, 2013 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,

HayGroup

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II. Findings

Certified Annual Required Contribution (ARC)

Please note that the certified Annual Required Contribution which is reported on page 13 of this report and which must be funded in 2013 is \$978,907.00. This amount is required to be made by the County from the General Fund.

Cost-of-Living Funding Requirements

The amount required to fund the cost of living increase granted effective January 1, 2013 is \$2,942,480. This funding requirement increases the present value of future benefits for retired lives. The amount may be funded through direct appropriations or will be amortized over ten years and be reflected as an increase in the Annual Required Contribution (ARC).

Actuarial Adjustments

Also note that the balances in the Reserve Accounts on page 9 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	\$ 1,685,156.33	
Retired Members Annuity Reserve Account		\$ 1,685,156.33

Assumption Changes

Effective January 1, 2013, the asset valuation method and the mortality table have been changed. The effect of these changes is an increase in actuarial asset value of \$578,946 and an increase in the actuarial accrued liability of \$921,810.

III. Schedules

Schedule A

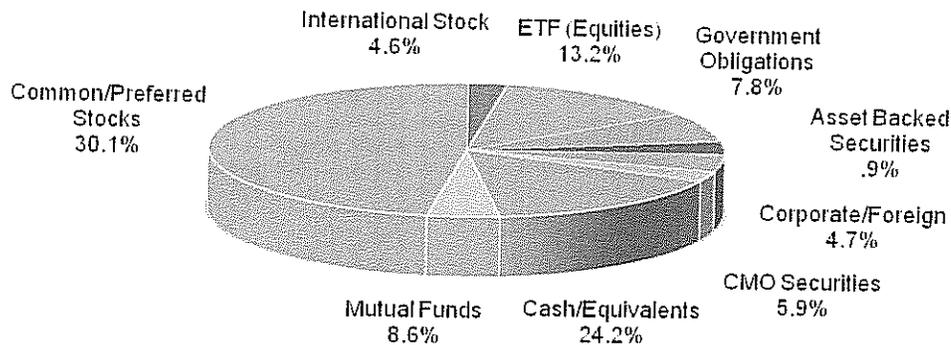
Disclosure of Pension Information in Accordance with
Statement No. 25, Statement No. 27 and Statement No. 50 of
the Governmental Accounting Standards Board

NORTHUMBERLAND COUNTY EMPLOYES' RETIREMENT SYSTEM				
STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2012 AND 2011				
Additions				
	2012 Total		2011 Total	
Contributions				
County	\$	806,725.15	\$	1,306,328.67
Plan Members	\$	1,111,580.45	\$	1,134,145.67
Miscellaneous	\$	8,683.92	\$	6,250.89
Total Contributions	\$	<u>1,926,989.52</u>	\$	<u>2,446,725.23</u>
Investment Income				
Realized Gain	\$	<u>3,430,619.97</u>		
Unrealized Gain	\$	<u>2,977,828.66</u>		
Net Gain in Fair Value	\$	6,408,448.63	\$	(2,994,236.64)
Interest	\$	247,377.24	\$	466,216.99
Dividends	\$	1,565,936.62	\$	2,114,428.02
Net Accrued Interest	\$	237,707.51	\$	(162,017.11)
Investment Income	\$	<u>8,459,470.00</u>	\$	<u>(575,608.74)</u>
Less Investment Expense	\$	268,428.47	\$	330,831.91
Net Investment Income	\$	<u>8,191,041.53</u>	\$	<u>(906,440.65)</u>
Total Additions	\$	<u>10,118,031.05</u>	\$	<u>1,540,284.58</u>
Deductions				
Benefits	\$	5,036,795.05	\$	4,404,203.27
Refunds of Member Contributions	\$	472,489.84	\$	349,037.43
Administrative Expense	\$	83,740.12	\$	85,819.09
Total Deductions	\$	<u>5,593,025.01</u>	\$	<u>4,839,059.79</u>
Net Increase/(Decrease)	\$	<u>4,525,006.04</u>	\$	<u>(3,298,775.21)</u>
Net Assets Held In Trust For Pension Benefits				
Beginning of Year	\$	69,089,950.77	\$	72,388,725.98
End of Year	\$	<u>73,614,956.81</u>	\$	<u>69,089,950.77</u>

Schedule A--Continued

NORTHUMBERLAND EMPLOYEES' RETIREMENT SYSTEM			
STATEMENT OF PLAN ASSETS AS OF DECEMBER 31, 2012 AND 2011			
Assets			
	<u>2012 Total</u>		<u>2011 Total</u>
Cash and Short-Term Investments	\$ 17,852,975.69	\$	2,334,542.72
Receivables	\$ 57.42	\$	1,384,141.52
Investments, at fair market value			
Government Obligations	\$ 5,724,616.68	\$	4,430,692.94
Corporate/Foreign Bonds	\$ 3,420,331.11	\$	4,249,863.25
Common/Preferred Stocks	\$ 22,169,830.34	\$	8,240,732.10
Mutual Funds	\$ 6,357,846.60	\$	48,593,270.51
International Stock	\$ 3,368,375.92	\$	0.00
CMO Securities	\$ 4,376,013.47	\$	0.00
Asset Backed Securities	\$ 676,426.25	\$	0.00
ETF (Equities)	\$ 9,746,240.00	\$	0.00
Total Investments	\$ 55,839,680.37	\$	65,514,558.80
Total Assets	\$ 73,692,713.48	\$	69,233,243.04
Liabilities			
Refunds Payable and Other	\$ 77,756.67	\$	143,292.27
Net Assets Held In Trust For Pension Benefits			
	\$ 73,614,956.81	\$	69,089,950.77

TOTAL ASSETS (MARKET VALUE 12-31-2012)



Schedule A -- Continued

Northumberland County Employees' Retirement System

Notes to the Financial Statements for the Fiscal Year Ended December 31, 2012

Summary of Significant Accounting Policies

Basis of Accounting: The Northumberland 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, 2012, the date of the latest actuarial valuation:

Retirees and Beneficiaries Receiving Benefits	664
Terminated Plan Members Entitled to but not yet Receiving Benefits	109
Active Plan Members	510
Total	1,283
Number of Participating Employers	1

Schedule A--Continued

Northumberland County Employees' Pension System

Plan Description: The Northumberland 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 Northumberland 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
2004	\$ 152,619	\$ 0
2005	\$ 543,852	\$ 551,473
2006	\$ 242,171	\$ 254,338
2007	\$ 0	\$ 0
2008	\$ 0	\$ 0
2009	\$ 1,839,850	\$ 1,826,128
2010	\$ 2,080,118	\$ 2,096,091
2011	\$ 1,306,185	\$ 1,306,329
2012	\$ 806,725	\$ 806,725
2013	\$ 978,907	\$

Note: Effective in 2011 the Entry Age Funding Method was used to determine the annual required contribution. Prior to 2011 the Aggregate Method was used.

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	83,272,050	73,966,261	(9,305,789)	112.6%	22,420,223	(41.5%)
1/1/2009	70,405,801	77,926,877	7,521,076	90.3%	23,832,258	31.6%
1/1/2010	68,576,221	79,439,247	10,863,026	86.3%	20,274,058	53.6%
1/1/2011	67,643,099	75,894,935	8,251,836	89.1%	16,758,234	49.2%
1/1/2012	74,240,152	78,105,342	3,865,190	95.1%	16,708,408	23.1%
1/1/2013	74,956,675	79,845,288	4,888,613	93.9%	17,436,210	28.0%

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	12/31/2012
Actuarial Cost Method	Entry Age
Asset Valuation Method	Greater of Market Value and Actuarial Value as described in Schedule G
Actuarial Assumptions:	
Investment Rate of Return *	7.5%
Projected Salary Increases *	3.5%
* Includes Inflation at	3%

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)
2004	152,619	0	0	152,619	0	152,619	152,619
2005	543,852	11,446	18,460	536,838	551,473	(14,635)	137,984
2006	242,171	10,348	16,778	235,742	254,338	(18,596)	119,388
2007	0	8,954	14,606	(5,652)	0	(5,652)	113,736
2008	0	8,530	14,171	(5,641)	0	(5,641)	108,095
2009	1,839,850	8,107	13,659	1,834,298	1,826,128	8,170	116,265
2010	2,080,118	8,720	14,651	2,074,187	2,096,091	(21,904)	94,361
2011	1,306,185	7,077	12,522	1,300,740	1,306,329	(5,589)	88,772
2012	806,725	6,658	11,933	801,450	806,725	(5,275)	83,497
2013	978,907	6,262	11,214	973,955			

* 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 I for Determination of Reserve Balances) and the Fund's liabilities as of January 1, 2013. The liabilities were determined from the actuarial valuation of the System based upon the data submitted by the County.

ASSETS	
Members' Annuity Reserve Account	\$ 16,360,196.79
County Annuity Reserve Account	\$ 17,419,844.47
Retired Members' Reserve Account	\$ 39,802,991.00
Unrealized Appreciation of Assets	\$ 31,924.55
<i>Total Assets, (Market Value) of the Northumberland County Employees' Retirement Fund</i>	<i>\$ 73,614,956.81</i>
LIABILITIES	
Actuarial Present Value of:	
Accumulated Plan Benefits	
Vested (303)	\$ 12,180,103.00
Nonvested (207)	\$ 311,531.00
Future Benefit Accruals	\$ 12,389,999.00
Terminated Vested Benefits	\$ 3,484,005.00
Retired Benefits	\$ 39,802,991.00
Member Accumulated Deductions	\$ 16,360,196.79
<i>Total Liabilities of the Northumberland County Employees' Retirement Fund</i>	<i>\$ 84,528,825.79</i>

Schedule C

Unfunded Actuarial Liability and Normal Cost

Schedule C shows the development of the unfunded actuarial liability and the normal cost for 2013.

I. Unfunded Actuarial Liability January 1, 2013

1. Actuarial Liability:		
(a) Active Participants		
Retirement Benefits	\$	18,232,934
Termination Benefits		1,365,974
Death Benefits		599,187
Total	\$	20,198,095
(b) Terminated Vested Participants	\$	3,484,005
(c) Retired Members and Beneficiaries		
Retirement Benefits	\$	37,629,505
Cost-of-Living Benefits		2,173,486
Total	\$	39,802,991
(d) Member Accumulated Deductions	\$	16,360,197
(e) Total (a) + (b) + (c) + (d)	\$	79,845,288
2. Actuarial Value of Plan Assets (see page 15)	\$	74,956,675
3. Unfunded Actuarial Liability as of January 1, 2013: (1e) – (2)	\$	4,888,613

II. Normal Cost for 2013

1. Normal Cost for:		
(a) Retirement Benefits	\$	519,806
(b) Termination Benefits		76,456
(c) Death Benefits		18,740
(d) Normal Cost as of January 1, 2013	\$	615,002
(e) Normal Cost with interest to end of year: (d) x 1.075	\$	661,127

Schedule D

**Actuarial Gain(Loss) for One Year Period Ending
December 31, 2012**

Schedule D shows the development of the actuarial gain (loss) for the 2012 plan year.

1.	Unfunded Actuarial Liability as of January 1, 2012	\$	3,865,190
2.	Normal Cost as of January 1, 2012		554,350
3.	Interest at 7.50% Per Year to December 31, 2012 on (1) and (2)		331,466
4.	Employer Contributions for the 2012 Plan Year		806,725
5.	Change in Unfunded Actuarial Liability Due to change in asset valuation		(578,946)
6.	Change in Unfunded Actuarial Liability Due to change in mortality table		921,810
7.	Expected Unfunded Actuarial Liability as of January 1, 2013: (1) + (2) + (3) - (4) + (5) + (6)		4,287,145
8.	Unfunded Actuarial Liability as of January 1, 2013		4,888,613
9.	Actuarial Gain (Loss) for 2012 Plan Year: (7) - (8)		(601,468)

Schedule E

Amortization Schedule

Schedule E provides a record of the amortization amounts. Actuarial gains (losses) will be amortized over 15 years from the date determined; increases or decreases created by pension plan establishing an unfunded actuarial accrued liability will be amortized over 30 years from the effective establishment date; increases or decreases created by a modification in the benefit plan applicable to active members will be amortized over 20 years beginning with the January 1st coinciding with or next following the effective date of change; increases or decreases created by a modification in the benefit plan applicable to retired members will be amortized over 10 years beginning with the January 1st coinciding with or next following the effective date of change; increase in actuarial accrued liability attributable to the special early retirement provision will be amortized over 5 years beginning with the January 1st coinciding with or next following the end of the early retirement period; and increases or decreases created by changes in actuarial assumptions will be amortized over 15 years from the effective date of change.

Amortization Record for 2013

						As of January 1, 2013	
		<u>Initial Amount</u>	<u>Effective Date</u>	<u>Remaining Period</u>	<u>Outstanding Balance</u>	<u>Amortization Charge or (Credit)</u>	
1. Amortization of Liability for:							
(a)	Initial unfunded liability	\$ 8,251,836	1/1/2011	28 years	\$ 8,086,241	\$ 698,693	
(b)	Experience gain	\$ (4,306,697)	1/1/2012	14 years	\$ (4,141,805)	\$ (487,894)	
(c)	Experience loss	\$ 601,468	1/1/2013	15 years	\$ 601,468	\$ 68,139	
(d)	Chg. mort. table	\$ 921,810	1/1/2013	15 years	\$ 921,810	\$ 104,429	
(e)	Chg. asset val. meth.	\$ (578,946)	1/1/2013	15 years	\$ (578,946)	\$ (65,587)	
(f)	Total				\$4,888,768	\$ 317,780	

Schedule F

Schedule F determines the certified Annual Required Contribution (ARC) of \$978,907 for 2013 for the Northumberland County Employees' Retirement System.

1.	Total Amortization Charge/(Credit) (page 12 I(f))	317,780
2.	Normal Cost with interest to end of year (page 10 II 1(e))	\$661,127
3.	Total Funding Requirement for 2013 (Annual Required Contribution (ARC) for 2013): (1) + (2)	\$978,907

Notes:

The Annual Required Contribution (ARC) for 2013 as a percentage of the estimated 2013 compensation (\$17,436,210) for active members is 5.61%.

The equivalent normal cost accrual rate to be applied to actual 2012 salaries to determine reimbursable expenses is 5.81%.

Schedule G

The following are notes to Schedules B and I:

Members' Annuity Reserve Account

The balance of \$16,360,196.79 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, 2013. Since these accumulations represent the present value as of January 1, 2013, of future benefits, the reserve balance and liability are identical.

County Annuity Reserve Account

The balance of \$17,419,844.47 in this account as of January 1, 2013 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, 2013 amount to \$39,802,991.00. The corresponding liability for those annuitants on the roll is identical.

Schedule G--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 01/01/2012	\$ 74,240,152.04
2. Contributions and other deposits except investment income	\$ 1,926,989.52
3. Benefit Payments and Administrative Expenses of Other Payments	\$ 5,861,453.48
4. Interest at 1% less than the plan's assumed rate to the valuation date 01/01/2012: $0.065 \times [(1) + 0 \times (2) - 11/24 \times (3)]$	\$ 4,650,987.41
5. Preliminary Actuarial Value of Assets: (1) + (2) - (3) + (4)	\$ 74,956,675.49
6. Market Value of Assets as of 01/01/2013	\$ 73,614,956.81
7. 80% of Market Value: $.8 \times (6)$	\$ 58,891,965.45
8. 120% of Market Value: $1.2 \times (6)$	\$ 88,337,948.17
9. Actuarial Value of Assets as of 01/01/2013: Greater of (5) and (6) but not less than (7) nor more than (8)	\$ 74,956,675.49

Schedule H

APPROXIMATE RATE OF RETURN FOR 2012 PLAN YEAR			
	<u>Actuarial Value</u>		<u>Market Value</u>
1. Value as of December 31, 2011	\$	74,240,152.04	\$ 69,089,950.77
2. Contributions Received During Year	\$	1,926,989.52	\$ 1,926,989.52
3. Benefits and Expenses Paid During Year	\$	5,861,453.48	\$ 5,861,453.48
4. Value as of December 31, 2012	\$	74,956,675.49	\$ 73,614,956.81
5. Non-Investment Increment: (2) - (3)	\$	(3,934,463.96)	\$ (3,934,463.96)
6. Investment Increment: (4) - (1) - (5)	\$	4,650,987.41	\$ 8,459,470.00
7. Time Weighted Value of Assets: (1) + .5(5)	\$	72,272,920.06	\$ 67,122,718.79
8. Approximate Rate of Return for 2012: (6) / (7)		6.44%	12.60%

HISTORY OF RATE OF RETURNS

Plan Year	Actuarial Value Rate of Return	Market Value Rate of Return
2011	14.06 %	(0.81) %
2010	6.71 %	11.75 %
2009	(1.09) %	23.35 %
2008	(12.20) %	(26.83) %
2007		5.80 %
2006		11.74 %
2005		7.11 %
2004		9.23 %
2003		23.08 %
Five Year Average:	2.38 %	2.41 %
Ten Year Average:		6.73 %

Schedule I

Determination of Reserve Balances

	M.A.R.A.	C.A.R.A.	R.M.R.A.	TOTAL
Balance 1/1/2012	\$ 16,123,904.82	\$ 17,317,323.06	\$ 38,594,627.00	\$ 72,035,854.88
County Appropriations		806,725.15		
Member Contributions	1,110,140.30			
Member Purchases		1,440.15		
Net Investment Income		5,481,641.34		
Investment Expenses		(268,428.47)		
Member Contributions Refunded	(472,489.84)			
Pension Payments			(4,847,266.94)	
Death Benefits			(189,528.11)	
Retiree and Death Benefit Transfers	(1,252,679.06)	(1,803,157.74)	3,055,836.80	
Miscellaneous		8,683.92		
Administrative Expenses		(83,740.12)		
Balance Before Interest	15,508,876.22	21,460,487.29	36,613,668.75	73,583,032.26
Interest Allocated in 2012	851,320.57	(2,355,486.49)	1,504,165.92	
Balance Before Actuarial Adjustments	16,360,196.79	19,105,000.80	38,117,834.67	73,583,032.26
Actuarial Adjustments		(1,685,156.33)	1,685,156.33	
Ending Balance 12/31/2012	16,360,196.79	17,419,844.47	39,802,991.00	73,583,032.26
Unrealized Appreciation				31,924.55
Total Assets (12/31/2012) (Market Value)				73,614,956.81

Schedule J

Membership History

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

January 1	ACTIVE MEMBERS AND VESTED TERMINATED MEMBERS			RETIRED MEMBERS AND BENEFICIARIES		
	Male	Female	Total	Male	Female	Total
2013	220	399	619	205	459	664
2012	237	409	646	204	451	655
2011	264	401	665	197	443	640
2010	281	479	760	181	358	539
2009	290	588	878	187	342	529
2008	275	564	839	176	335	511
2007	278	555	833	174	328	502
2006	281	566	847	185	321	506
2005	280	559	839	185	307	492
2004	288	612	900	174	287	461

Schedule K

Changes in Plan Participation From January 1, 2012 to January 1, 2013

ACTIVE PARTICIPANTS		
Number as of January 1, 2012		532
Changes During Plan Year:		
Retired	(-)	23
Terminated and Vested	(-)	7
Terminated	(-)	56
Died	(-)	2
New Participants	(+)	66
Number as of January 1, 2013		510

RETIRED PARTICIPANTS		
Number as of January 1, 2012		655
Changes During Plan Year:		
Returned to Active Service	(-)	0
Died	(-)	23
New Retirements from Active Service	(+)	23
New Surviving Annuitants	(+)	7
Vested Terminated Participants Whose Benefits Commenced	(+)	1
Additions	(+)	1
Number as of January 1, 2013		664

TERMINATED VESTED PARTICIPANTS		
Number as of January 1, 2012		114
Changes During Plan Year:		
Terminated	(-)	14
Returned to Active Service	(-)	1
Benefits Commenced	(-)	1
Died	(-)	2
New Termination's with Vesting	(+)	7
Additions	(+)	6
Number as of January 1, 2013		109

Schedule L

Age, Service and Average Salary Profile of the Active Members on January 1, 2013.

MALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2013									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	2	0	0	0	0	0	0	2	\$ 18,872
20-24	11	1	0	0	0	0	0	12	\$ 24,575
25-29	19	9	0	0	0	0	0	28	\$ 31,029
30-34	10	10	0	0	0	0	0	20	\$ 32,970
35-39	6	5	6	5	0	0	0	22	\$ 41,526
40-44	4	3	3	7	1	0	0	18	\$ 46,988
45-49	5	1	2	2	6	0	0	16	\$ 37,024
50-54	3	0	3	2	6	3	1	18	\$ 43,076
55-59	3	10	0	4	1	1	5	24	\$ 43,192
60-64	5	1	1	4	2	0	2	15	\$ 41,736
65 +	3	5	0	1	0	0	2	11	\$ 15,981
Total	71	45	15	25	16	4	10	186	\$ 36,701

Average Age: 43.30
Average Service: 10.15

FEMALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2013									
Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Average Salary
0-19	0	0	0	0	0	0	0	0	\$ 0
20-24	14	0	0	0	0	0	0	14	\$ 27,005
25-29	33	6	0	0	0	0	0	39	\$ 29,210
30-34	15	15	6	0	0	0	0	36	\$ 30,429
35-39	13	9	10	7	0	0	0	39	\$ 32,844
40-44	9	5	5	11	6	1	0	37	\$ 34,987
45-49	5	6	5	6	7	5	0	34	\$ 35,785
50-54	6	8	4	5	5	5	4	37	\$ 35,855
55-59	4	9	10	7	4	2	8	44	\$ 33,800
60-64	5	5	4	8	5	3	4	34	\$ 32,868
65 +	2	1	0	3	2	0	2	10	\$ 28,439
Total	106	64	44	47	29	16	18	324	\$ 32,780

Average Age: 44.29
Average Service: 11.38

Schedule M

Actuarial Assumptions and Actuarial Cost Method for Funding Purposes, January 1, 2013.

Actuarial Assumptions

Mortality Rates: 2013 RP Annuitant and Non-Annuitant Mortality Tables for males and females with no projected improvement.

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) x 3 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 M--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 M--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 actuarial cost method used to determine the plan's funding requirements is the entry age normal method. Under this method, an actuarial accrued liability is determined as the actuarial present value of projected benefits for all participants minus the actuarial present value of future normal costs. The normal cost is determined as the annual amount required to fund between entry age and assumed exit age the actuarial present value of projected benefits for each active participant under the assumed retirement age.

Schedule N

Summary of Plan Provisions

- 1. Effective Date** The effective date of this plan is January 1, 1942.
- 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%	01/01/1942
1/100	1.000%	01/01/1950
1/80	1.250%	01/01/1966
1/70	1.429%	01/01/1973

- 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,
- 1.429% of 1/12th of Final "Average" Salary multiplied by years of credited service on the 1/70 Class,

PLUS

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

- 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.

Schedule N--Continued

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.

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.

Schedule N--Continued**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.

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.

Schedule N—Continued

15. Deposit Administrator

Investment Managers:

- Reinhart
- Spectrum
- Fayez
- Madison
- Kayne
- NFJ
- Vanguard
- Scout
- PIMCO

Custodian:

Wells Fargo

Financial Consultant:

Wells Fargo Advisors

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 twelve times in the past from January, 1972 through January, 1995 and since then as follows:

PERCENTAGE CHANGE IN C.P.I.	EFFECTIVE DATE OF INCREASE
85 %	1/1/1997
85 %	1/1/1998
100 %	1/1/1999
100 %	1/1/2000
100 %	1/1/2001
100 %	1/1/2002
100 %	1/1/2003
100 %	1/1/2004
95 %	1/1/2007
85 %	1/1/2013

**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>
20%	10/1/1996-9/30/1997
20%	10/1/2001-9/30/2002

Schedule O

Historical Trend Information

REVENUES BY SOURCE					
Fiscal Year	Employee Contributions	Employer Contributions	Investment Income	Miscellaneous	Total
2003	\$ 1,533,656	\$ 0	\$ 1,942,366	\$ 530	\$ 3,476,552
2004	1,415,732	0	2,857,684	0	4,273,416
2005	1,349,629	551,474	5,866,305	0	7,767,408
2006	1,410,755	254,338	7,240,075	28,278	8,933,446
2007	1,490,371	0	6,320,930	22,099	7,833,400
2008	1,543,926	0	(6,083,313)	2,797	(4,536,590)
2009	1,526,361	1,826,128	52,264	51,004	3,455,757
2010	1,109,462	2,096,091	4,196,032	11,154	7,412,739
2011	1,134,146	1,306,329	11,202,600	6,251	13,649,326
2012	1,111,580	806,725	5,481,641	8,684	7,408,630

EXPENSES BY TYPE				
Fiscal Year	Benefits	Refunds	Administrative/ Miscellaneous	Total
2003	\$ 2,525,484	\$ 407,710	\$ 385,436	\$ 3,318,630
2004	3,135,174	523,409	429,128	4,087,711
2005	3,128,035	180,652	508,388	3,817,075
2006	3,561,743	305,019	444,544	4,311,306
2007	3,759,569	450,324	448,761	4,658,654
2008	3,550,891	403,837	472,279	4,427,007
2009	3,781,897	233,950	453,149	4,468,996
2010	7,109,707	937,380	522,094	8,569,181
2011	4,404,203	349,037	416,651	5,169,891
2012	5,036,795	472,490	352,168	5,861,453