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December 28, 2017

PERSONAL & CONFIDENTIAL

Ms. Janet Murphy
Director of Finance
Town of Newington
131 Cedar Street
Newington, CT 06111

Re: Town of Newington Pension Plans
Actuarial Reports for Fiscal Year 2018-2019

Dear Janet:

We are pleased to provide these actuarial reports for the Town of Newington Pension Plans. The reports show the financial status of the plans as of July 1, 2017 and present the cost figures for 2018-2019. A summary of the principal results of each valuation can be found at the end of Section I.

The Actuarially Determined Contributions for FY 2018-2019 are shown below:

	Administrative Plan	**Municipal Plan**	**Police Plan**	**Total**
Town	$438,468	$791,826	$3,496,092	$4,726,386
Board of Education	78,104	961,187	0	1,039,291
Total	516,572	1,753,013	3,496,092	5,765,677

Please let me know if you have any questions.

Sincerely,

Becky

Rebecca A. Sielman, FSA
Consulting Actuary

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TOWN OF NEWINGTON
ADMINISTRATIVE EMPLOYEES' PENSION PLAN

Actuarial Valuation as of July 1, 2017
For Fiscal Year 2018-19

Prepared by

Rebecca A. Sielman, FSA
Consulting Actuary

Teresa M. Medeiros, FSA
Consulting Actuary

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Certification

We have performed an actuarial valuation of the Plan as of July 1, 2017 for fiscal year 2018-19. This report presents the results of our valuation.

The ultimate cost of a pension plan is the total amount needed to provide benefits for plan members and beneficiaries and to pay the expenses of administering the plan. Pension costs are met by contributions and by investment return on plan assets. The principal purpose of this report is to set forth an actuarial recommendation of the contribution, or range of contributions, which will properly fund the plan, in accordance with applicable government regulations. In addition, this report provides:

- A valuation of plan assets and liabilities to review the year-to-year progress of funding.
- Information needed to meet disclosure requirements.
- Review of plan experience for the previous year to ascertain whether the assumptions and methods employed for valuation purposes are reflective of actual events and remain appropriate for prospective application.
- Assessment of the relative funded position of the plan, i.e., through a comparison of plan assets and projected plan liabilities.
- Comments on any other matters which may be of assistance in the funding and operation of the plan.

This report may not be used for purposes other than those listed above without Milliman's prior written consent. If this report is distributed to other parties, it must be copied in its entirety, including this certification section.

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In preparing this report, we relied on employee census data and financial information as of the valuation date, furnished by the Town. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

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The calculations reported herein have been made on a basis consistent with our understanding of ERISA and the related sections of the tax code. Additional determinations may be needed for purposes other than meeting funding requirements, such as judging benefit security at plan termination or meeting employer accounting requirements. On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices.

We further certify that, in our opinion, each actuarial assumption, method and technique used is reasonable taking into account the experience of the Plan and reasonable expectations or would, in the aggregate, result in a total contribution equivalent to that which would be determined if each such assumption, method, or technique were reasonable. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of such future measurement.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuary is independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Rebecca A. Sielman, FSA
Consulting Actuary

Teresa M. Medeiros, FSA
Consulting Actuary

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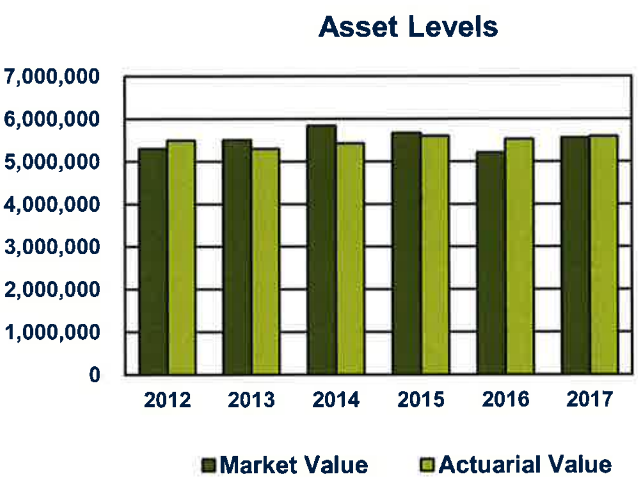
Section I - Executive Summary
A. Highlights

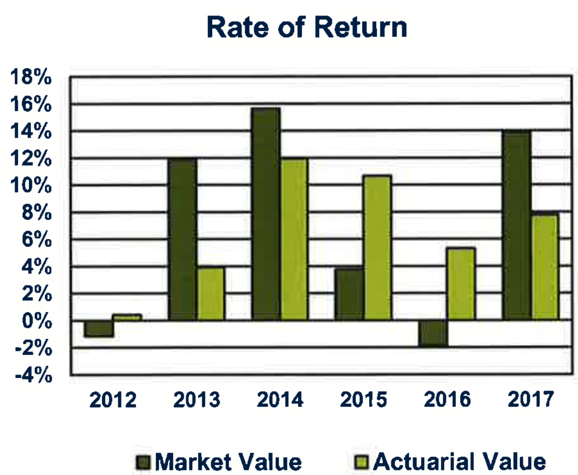
Assets

There are two different measures of the plan's assets that are used throughout this report. The **Market Value** is a snapshot of the plan's investments as of the valuation date. The **Actuarial Value** is a smoothed asset value designed to temper the volatile fluctuations in the market by recognizing investment gains or losses over five years.

	Market	Actuarial
Value as of July 1, 2016	$5,211,593	$5,528,790
Contributions	498,209	498,209
Investment Income	700,782	416,650
Benefit Payments and Administrative Expenses	(852,718)	(852,718)
Value as of July 1, 2017	5,557,866	5,590,931

For fiscal year 2016-17, the plan's assets earned 13.92% on a Market Value basis and 7.79% on an Actuarial Value basis. The actuarial assumption for this period was 7.250%; the result is an asset gain of $335,800 on a Market Value basis and a gain of $28,900 on an Actuarial Value basis. Historical asset values are shown in the graph below to the left; historical returns are shown in the graph below to the right.





Please note that the Actuarial Value currently exceeds the Market Value by $33,100. This figure represents investment losses that will be gradually recognized over the next five years. This process will exert upward pressure on the Town's contribution, unless there are offsetting market gains.

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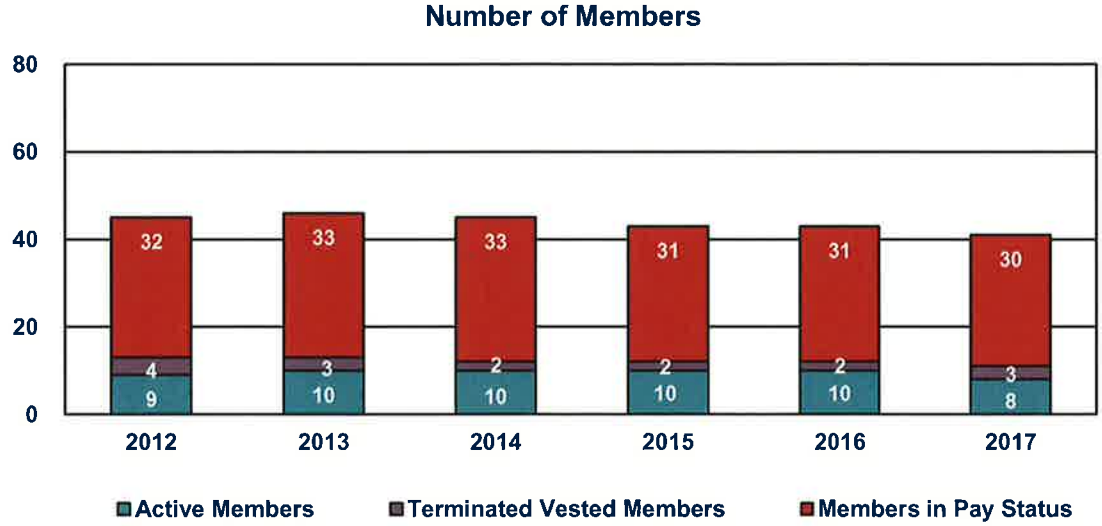
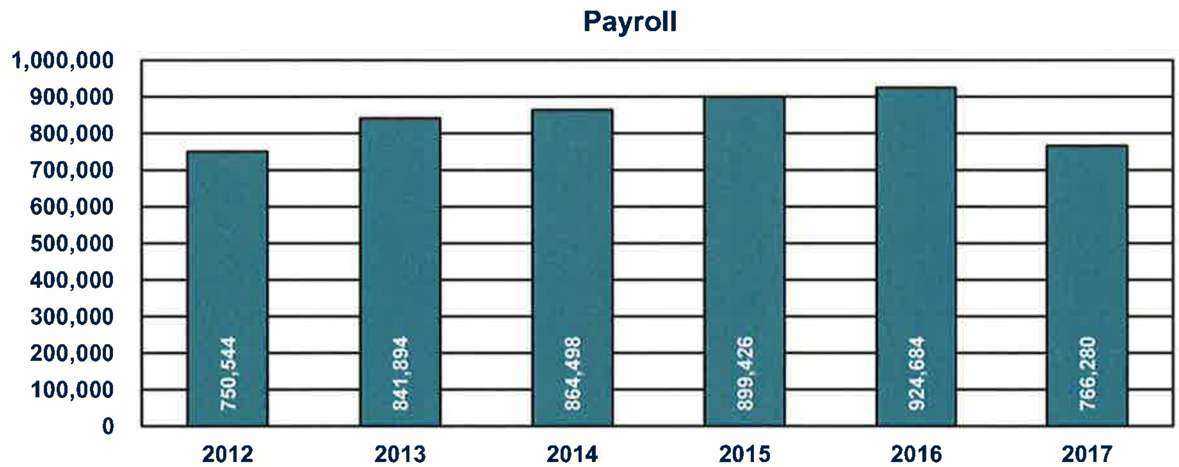
Section I - Executive Summary
A. Highlights

Membership

There are three basic categories of plan members included in the actuarial valuation: (1) active employees who have met the eligibility requirements for membership, (2) former employees who have a vested right to benefits but have not yet started collecting, and (3) members who are receiving monthly pension benefits.



From July 1, 2016 to July 1, 2017, the overall membership decreased from 43 to 41. During this period, one member terminated with a vested benefit, one member retired, and two retirees died.



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Section I - Executive Summary
A. Highlights

Plan Changes

None.

Changes in Actuarial Methods or Assumptions

In order to better anticipate future market returns, we have lowered the interest rate assumption from 7.25% to 7.125%. This change increased the Unfunded Accrued Liability by $131,000 and increased the Actuarially Determined Contribution by $7,100. We will continue to reduce the interest rate assumption by increments over the next several years.

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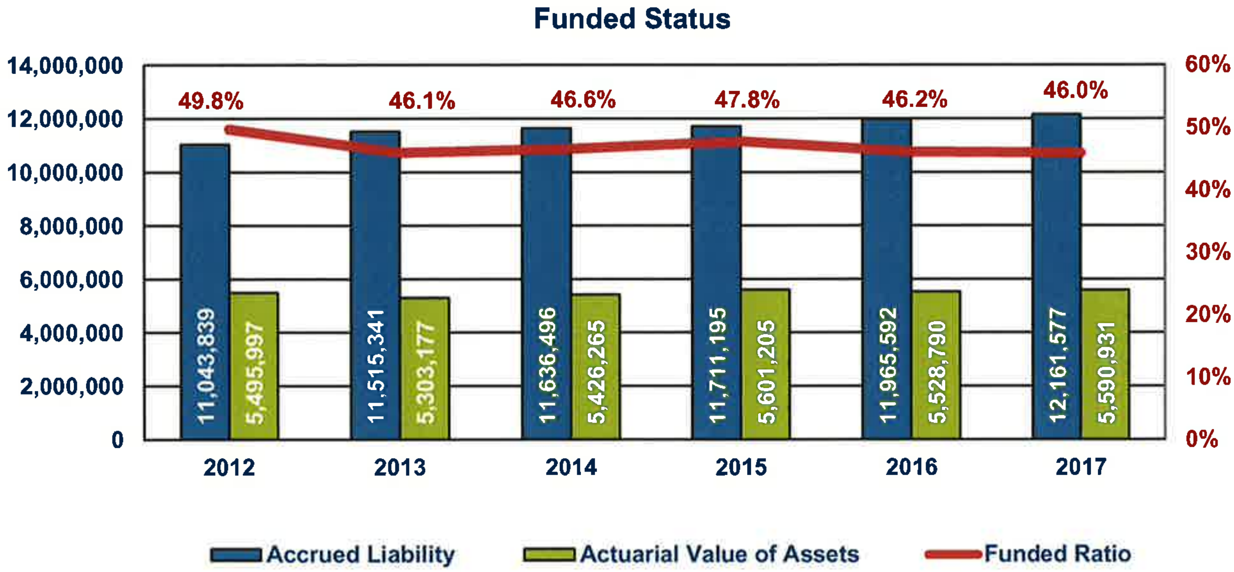
Section I - Executive Summary
A. Highlights

Funded Status

The chart below shows the plan's Accrued Liability and Actuarial Value of Assets for the past few years.



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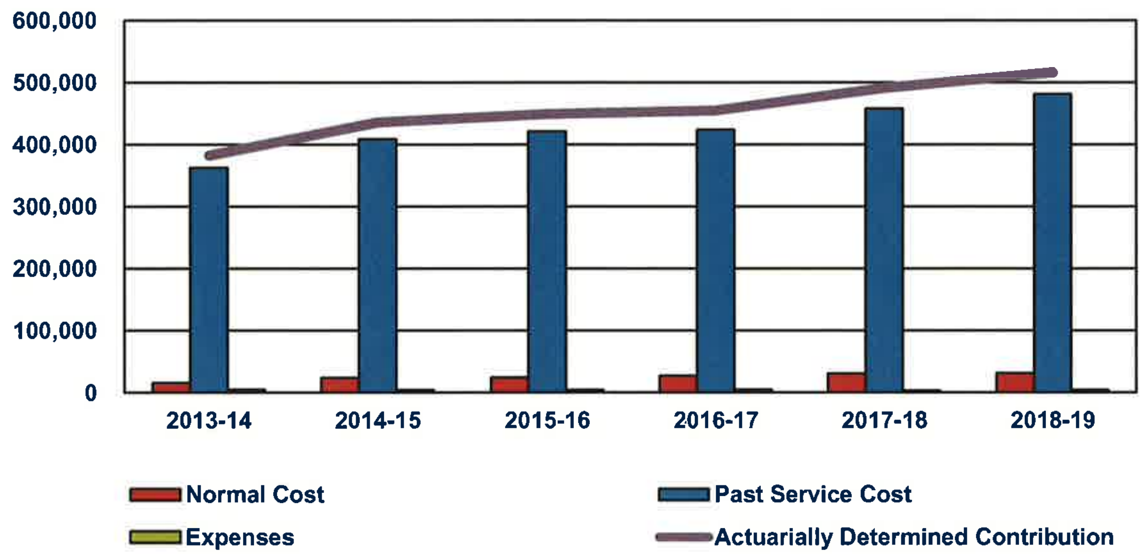
Section I - Executive Summary
A. Highlights

Actuarially Determined Contribution

The Actuarially Determined Contribution consists of three pieces: a **Normal Cost** payment to fund the benefits earned each year, a **Past Service Cost** to gradually reduce any unfunded or surplus liability, and **Expenses** expected to be paid from plan assets. If the plan has a sufficiently large surplus, the Past Service Cost may be large enough to cover the Normal Cost, in which case no contribution is required.

Contribution levels for the current year and the past few fiscal years are shown below.



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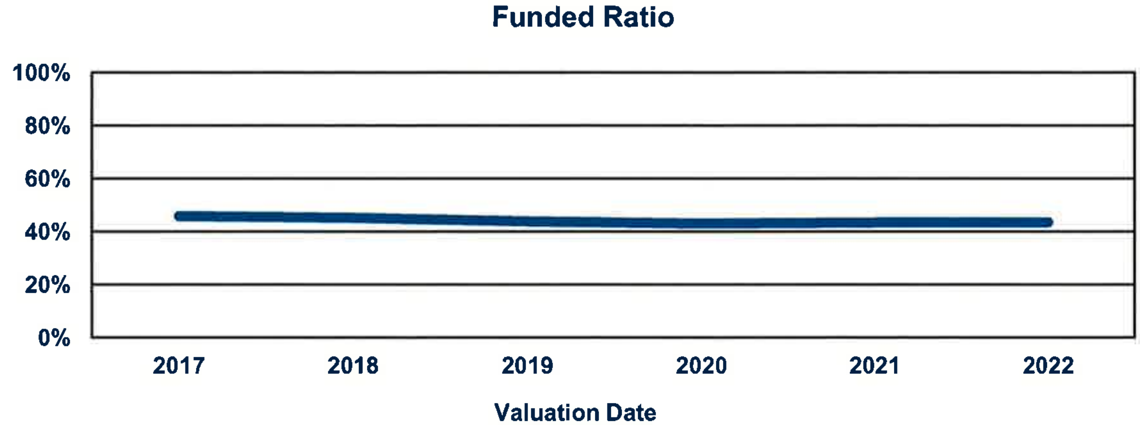
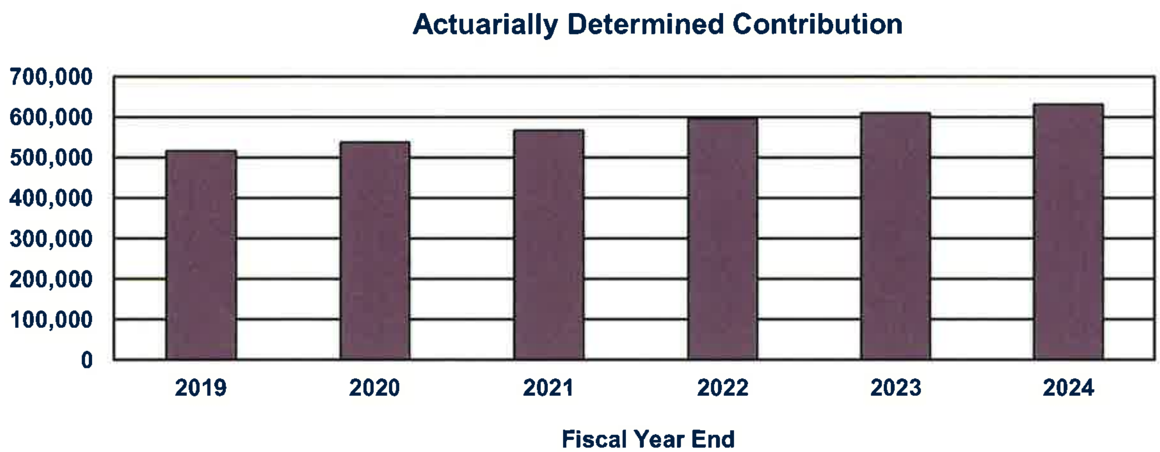
Section I - Executive Summary
A. Highlights

Long Range Forecast

The Town intends to reduce the interest rate assumption gradually over the next several years. This will depress the funded ratio and increase the Actuarially Determined Contribution while that process is underway.





To the extent that there are future investment or liability gains or losses, changes in the actuarial assumptions or methods, or plan changes, the actual valuation results will differ from these forecasts. Please see Section III C for more details of the long range forecast.

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Section I - Executive Summary
B. Summary of Principal Results

Membership	July 1, 2016	July 1, 2017
Active Members	10	8
Terminated Vested Members	2	3
Members in Pay Status	31	30
Payroll	$924,684	$766,280

Assets and Liabilities	July 1, 2016	July 1, 2017
Market Value of Assets	$5,211,593	$5,557,866
Actuarial Value of Assets	5,528,790	5,590,931
Accrued Liability for Active Members	$3,391,256	$2,998,170
Accrued Liability for Terminated Vested Members	438,753	578,370
Accrued Liability for Members in Pay Status	8,135,583	8,585,037
Total Accrued Liability	11,965,592	12,161,577
Unfunded Accrued Liability	6,436,802	6,570,646
Funded Ratio	46.2%	46.0%

Actuarially Determined Contribution for Fiscal Year	2017-18	2018-19
Normal Cost	$30,401	$30,967
Past Service Cost	457,940	481,405
Expenses	3,100	4,200
Actuarially Determined Contribution	491,441	516,572

Breakdown of Actuarially Determined Contribution	2017-18	2018-19
Board of Education	$70,387	$78,104
Town	421,054	438,468
Total	491,441	516,572

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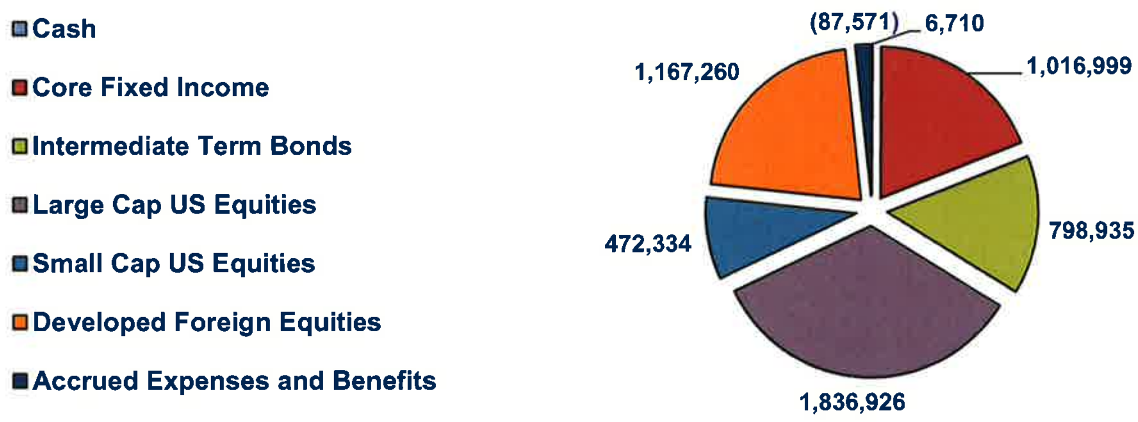
Section II - Plan Assets
A. Summary of Fund Transactions

Market Value as of July 1, 2016	$5,211,593
Employer Contributions	455,458
Employee Contributions	42,751
Benefit Payments	(848,650)
Interest and Dividends	77,488
Capital Gains/(Losses)	651,699
Investment Expenses	(28,405)
Administrative Expenses	(4,068)
Market Value as of July 1, 2017	5,557,866
Approximate Rate of Return	13.92%

Note: The rate shown here is not the dollar or time weighted investment yield rate which measures investment performance. It is an approximate net return assuming all activity occurred on average midway through the fiscal year.

Asset Allocation



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Section II - Plan Assets
B. Development of Actuarial Value of Assets

In order to minimize the impact of market fluctuations on the contribution level, we use an Actuarial Value of Assets that recognizes gains and losses over a five year period. The Actuarial Value of Assets as of July 1, 2017 is determined below.

1.	Expected Market Value of Assets:	
	a. Market Value of Assets as of July 1, 2016	$5,211,593
	b. Employer and Employee Contributions	498,209
	c. Benefit Payments and Administrative Expenses	(852,718)
	d. Expected Investment Return Based on 7.250% Interest	364,991
	e. Expected Market Value of Assets as of July 1, 2017	5,222,075
2.	Actual Market Value of Assets as of July 1, 2017	5,557,866
3.	Market Value (Gain)/Loss: (1e) - (2)	(335,791)
4.	Delayed Recognition of Market (Gains)/Losses:	

Plan Year End	(Gain)/Loss	Percent Not Recognized	Amount Not Recognized	
06/30/2017	($335,791)	80%	($268,633)	
06/30/2016	505,167	60%	303,100	
06/30/2015	210,674	40%	84,270	
06/30/2014	(428,358)	20%	(85,672)	
				33,065

5.	Actuarial Value of Assets as of July 1, 2017: (2) + (4)	5,590,931
6.	Approximate Rate of Return on Actuarial Value of Assets	7.79%
7.	Actuarial Value (Gain)/Loss	(28,882)

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Section III - Development of Contribution
A. Past Service Cost

For determining the Past Service Cost, the Unfunded Accrued Liability is amortized as a level percent over a period of 30 years starting on July 1, 2005.

	July 1, 2016	July 1, 2017
1. Accrued Liability		
Active Members	$3,391,256	$2,998,170
Terminated Vested Members	438,753	578,370
Retired Members	7,206,109	8,024,082
Disabled Members	0	0
Beneficiaries of Deceased Members	929,474	560,955
Total	11,965,592	12,161,577
2. Actuarial Value of Assets (see Section II B)	5,528,790	5,590,931
3. Unfunded Accrued Liability: (1) - (2)	6,436,802	6,570,646
4. Funded Ratio: (2) / (1)	46.2%	46.0%
5. Amortization Period	19	18
6. Amortization Growth Rate	3.50%	3.50%
7. Past Service Cost: (3) amortized over (5)	457,940	481,405

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Section III - Development of Contribution
B. Actuarially Determined Contribution

	Fiscal Year 2017-18	Fiscal Year 2018-19
1. Total Normal Cost	$70,436	$63,444
2. Expected Employee Contributions	40,035	32,477
3. Expected Expenses	3,100	4,200
4. Net Normal Cost: (1) - (2) + (3)	33,501	35,167
5. Past Service Cost (see Section III A)	457,940	481,405
6. Actuarially Determined Contribution: (4) + (5)	491,441	516,572

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Section III - Development of Contribution
C. Long Range Forecast

This forecast is based on the results of the July 1, 2017 actuarial valuation and assumes that the Town will pay the Actuarially Determined Contribution each year, the assets will return the assumed interest rate on a market value basis each year, and there are no future changes in the actuarial methods or assumptions or in the plan provisions. Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets.

		Values as of the Valuation Date					Cash Flows Projected to the Following Fiscal Year			
Valuation Date	Interest Rate	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio	Fiscal Year Ending	Town Contributions	Employee Contributions	Benefit Payments	Net Cash Flows
7/1/2017	7.125%	$12,161,577	$5,590,931	$6,570,646	46.0%	2019	$516,572	$29,000	($987,000)	($441,428)
7/1/2018	7.000%	12,226,000	5,547,000	6,679,000	45.4%	2020	538,000	25,000	(1,012,000)	(449,000)
7/1/2019	6.875%	12,240,000	5,395,000	6,845,000	44.1%	2021	567,000	23,000	(1,027,000)	(437,000)
7/1/2020	6.750%	12,204,000	5,265,000	6,939,000	43.1%	2022	596,000	20,000	(1,038,000)	(422,000)
7/1/2021	6.750%	12,007,000	5,236,000	6,771,000	43.6%	2023	610,000	18,000	(1,044,000)	(416,000)
7/1/2022	6.750%	11,779,000	5,149,000	6,630,000	43.7%	2024	631,000	16,000	(1,049,000)	(402,000)
7/1/2023	6.750%	11,525,000	5,062,000	6,463,000	43.9%	2025	653,000	14,000	(1,055,000)	(388,000)
7/1/2024	6.750%	11,241,000	4,983,000	6,258,000	44.3%	2026	678,000	11,000	(1,062,000)	(373,000)
7/1/2025	6.750%	10,928,000	4,913,000	6,015,000	45.0%	2027	702,000	9,000	(1,062,000)	(351,000)
7/1/2026	6.750%	10,580,000	4,853,000	5,727,000	45.9%	2028	729,000	7,000	(1,053,000)	(317,000)
7/1/2027	6.750%	10,205,000	4,812,000	5,393,000	47.2%	2029	759,000	5,000	(1,040,000)	(276,000)
7/1/2028	6.750%	9,811,000	4,804,000	5,007,000	49.0%	2030	792,000	4,000	(1,021,000)	(225,000)
7/1/2029	6.750%	9,400,000	4,836,000	4,564,000	51.4%	2031	827,000	4,000	(996,000)	(165,000)
7/1/2030	6.750%	8,978,000	4,923,000	4,055,000	54.8%	2032	868,000	3,000	(967,000)	(96,000)
7/1/2031	6.750%	8,554,000	5,079,000	3,475,000	59.4%	2033	916,000	2,000	(969,000)	(51,000)
7/1/2032	6.750%	8,130,000	5,316,000	2,814,000	65.4%	2034	973,000	2,000	(938,000)	37,000
7/1/2033	6.750%	7,674,000	5,616,000	2,058,000	73.2%	2035	1,052,000	1,000	(904,000)	149,000
7/1/2034	6.750%	7,219,000	6,025,000	1,194,000	83.5%	2036	1,200,000	1,000	(886,000)	315,000
7/1/2035	6.750%	6,769,000	6,578,000	191,000	97.2%	2037	198,000	1,000	(848,000)	(649,000)
7/1/2036	6.750%	6,306,000	7,341,000	(1,035,000)	116.4%	2038	0	0	(809,000)	(809,000)

For purposes of this forecast the amortization period declines to 1 year to illustrate the progress of the plan towards becoming fully funded; in actual practice the amortization period will not be less than 10 years in order to shield the Town from contribution volatility.

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Section IV - Accounting Information
A. Notes to Required Supplementary Information

The information presented in Section IV has been determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation Date	July 1, 2017
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent
Amortization Period	Closed 30 years from July 1, 2005
Asset Valuation Method	5 Year Smoothed Market Value
Actuarial Assumptions	
Investment Rate of Return	7.125%
Projected Salary Increases	3.50%
Amortization Growth Rate	3.50%
Inflation	2.75%
Cost-of-Living Adjustments	None

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Section IV - Accounting Information

B. Historical Schedule of Funding Progress

Actuarial Valuation Date	For Fiscal Year	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
07/01/2008	2009-10	$7,368,038	$9,392,878	$2,024,840	78.4%	$1,131,299	179.0%
07/01/2009	2010-11	7,026,255	9,941,593	2,915,338	70.7%	885,459	329.2%
07/01/2010	2011-12	6,563,152	10,057,455	3,494,303	65.3%	814,867	428.8%
07/01/2011	2012-13	6,017,893	10,774,341	4,756,448	55.9%	761,442	624.7%
07/01/2012	2013-14	5,495,997	11,043,839	5,547,842	49.8%	750,544	739.2%
07/01/2013	2014-15	5,303,177	11,515,341	6,212,164	46.1%	841,894	737.9%
07/01/2014	2015-16	5,426,265	11,636,496	6,210,231	46.6%	864,498	718.4%
07/01/2015	2016-17	5,601,205	11,711,195	6,109,990	47.8%	899,426	679.3%
07/01/2016	2017-18	5,528,790	11,965,592	6,436,802	46.2%	924,684	696.1%
07/01/2017	2018-19	5,590,931	12,161,577	6,570,646	46.0%	766,280	857.5%

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Section IV - Accounting Information
C. Schedule of Employer Contributions

Fiscal Year Ending June 30	(1) Actuarially Determined Contribution	(2) Contribution in Relation to the Actuarially Determined Contribution	(3) Contribution Deficiency/ (Excess) (1) - (2)	(4) Covered Payroll	(5) Contribution as a Percentage of Covered Payroll (2) / (4)
2010	$196,104	$196,104	$0	$1,131,299	17.3%
2011	237,105	237,105	0	885,459	26.8%
2012	286,830	286,830	0	814,867	35.2%
2013	323,910	422,081	(98,171)	761,442	55.4%
2014	382,657	382,657	0	750,544	51.0%
2015	436,353	436,353	0	841,894	51.8%
2016	449,398	449,398	0	864,498	52.0%
2017	455,458	455,458	0	899,426	50.6%
2018	491,441	TBD	TBD	924,684	TBD
2019	516,572	TBD	TBD	766,280	TBD

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Section IV - Accounting Information
D. Accrued and Vested Benefits

The actuarially computed Value of Accrued Benefits represents the present value of (a) the benefits based on earnings and service to date expected to become payable at future dates to present employees, (b) the benefits expected to become payable to former employees who have terminated service with vested rights or who have become inactive, and (c) the benefits currently payable to retired participants and beneficiaries.

		As of July 1, 2016	As of July 1, 2017
1.	Value of Vested Benefits		
	Active Members	$2,490,673	$2,290,345
	Terminated Vested Members	438,753	578,370
	Retired Members	7,206,109	8,024,082
	Disabled Members	0	0
	Beneficiaries of Deceased Members	929,474	560,955
	Total Value of Vested Benefits	11,065,009	11,453,752
2.	Value of Non-Vested Benefits	21,798	17,687
3.	Total Value of Accrued Benefits: (1) + (2)	11,086,807	11,471,439
4.	Market Value of Assets	5,211,593	5,557,866
5.	Vested Funded Ratio: (4) / (1)	47.1%	48.5%
6.	Accrued Funded Ratio: (4) / (3)	47.0%	48.4%

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Section IV - Accounting Information
E. Statement of Changes in Accrued Plan Benefits

Increase/(Decrease) during the 2016-2017 plan year attributable to:

Increase for interest due to the decrease in the discount period	$773,568
Benefits Accumulated/(Forfeited)	339,126
Benefit Payments	(848,650)
Plan Amendments	0
Changes in Actuarial Assumptions	120,588
Net Increase/(Decrease)	384,632

Value of Accrued Plan Benefits:

July 1, 2017	$11,471,439
July 1, 2016	11,086,807
Net Increase/(Decrease)	384,632

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Section V - Membership Data
A. Reconciliation of Membership from Prior Valuation

Details of the changes in the Plan membership since the last valuation are shown below. Additional details on the Plan membership are provided in the remainder of Section V.

	Active	Term. Vested	Retirees	Disabled	Bene-ficiaries	Total
Count as of July 1, 2016	10	2	27	0	4	43
Terminated not vested	-	-	-	-	-	0
Terminated, benefits due	(1)	1	-	-	-	0
Retired	(1)	-	1	-	-	0
Died, with beneficiary	-	-	-	-	-	0
Died, no beneficiary	-	-	(1)	-	(1)	(2)
Transfer in from other plan	-	-	-	-	-	0
New member	-	-	-	-	-	0
New beneficiary	-	-	-	-	-	0
Correction	-	-	1	-	(1)	0
Count as of July 1, 2017	8	3	28	0	2	41

As of July 1, 2017, the active membership included 3 Board of Education members with payroll of $274,924 and 5 Town members with payroll of $491,356.

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Section V - Membership Data
B. Statistics of Membership

	As of July 1, 2016	As of July 1, 2017
Active Members		
Number	10	8
Average Age	55.9	57.6
Average Service	22.0	22.8
Total Payroll	$924,684	$766,280
Average Payroll	92,468	95,785
Terminated Vested Members		
Number	2	3
Total Annual Benefit	$40,584	$70,858
Average Annual Benefit	20,292	23,619
Average Age	58.5	56.3
Retired Members		
Number	27	28
Total Annual Benefit	$742,022	$835,547
Average Annual Benefit	27,482	29,841
Average Age	72.0	71.9
Disabled Members		
Number	0	0
Total Annual Benefit	$0	$0
Average Annual Benefit	0	0
Average Age	0.0	0.0
Beneficiaries of Deceased Members		
Number	4	2
Total Annual Benefit	$106,807	$58,173
Average Annual Benefit	26,702	29,087
Average Age	77.8	77.0

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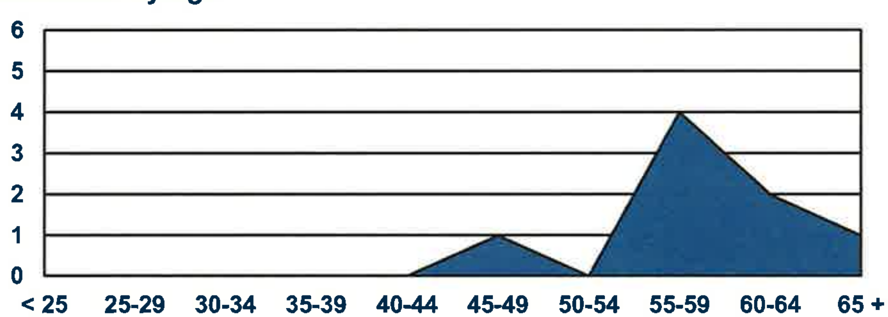
Section V - Membership Data

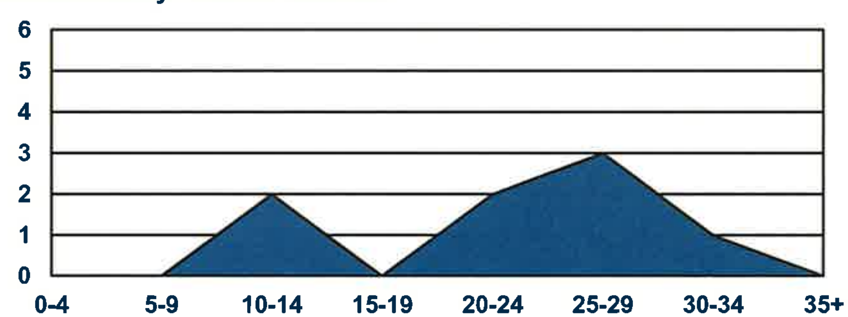
C. Distribution of Active Members as of July 1, 2017 - Count

	Years of Service								
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
< 25	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0	0
45-49	0	0	0	0	0	1	0	0	1
50-54	0	0	0	0	0	0	0	0	0
55-59	0	0	2	0	1	1	0	0	4
60-64	0	0	0	0	1	0	1	0	2
65 +	0	0	0	0	0	1	0	0	1
Total	0	0	2	0	2	3	1	0	8

Distribution By Age



Distribution by Years of Service



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Section V - Membership Data
D. Distribution of Inactive Members as of July 1, 2017

	Age	Number	Annual Benefits
Terminated Vested Members / Members Due Refunds	< 30	0	$0
	30 - 39	0	0
	40 - 49	0	0
	50 - 59	2	62,633
	60 - 64	1	8,225
	65 +	0	0
	Total	3	70,858
Retired Members	< 50	0	$0
	50 - 59	1	52,731
	60 - 69	10	281,899
	70 - 79	11	369,540
	80 - 89	6	131,377
	90 +	0	0
	Total	28	835,547
Disabled Members	< 50	0	$0
	50 - 59	0	0
	60 - 69	0	0
	70 - 79	0	0
	80 - 89	0	0
	90 +	0	0
	Total	0	0
Beneficiaries of Deceased Members	< 50	0	$0
	50 - 59	0	0
	60 - 69	1	50,060
	70 - 79	0	0
	80 - 89	1	8,113
	90 +	0	0
	Total	2	58,172

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Appendix A - Actuarial Funding Method

The actuarial funding method used in the valuation of this Plan is known as the **Entry Age Normal Cost Method**. Recommended annual contributions until the accrued liability is completely funded will consist of two pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability.

The **Normal Cost** is determined by calculating the present value of future benefits for present active Members that will become payable as the result of death, disability, retirement or termination. This cost is then spread as a level percentage of earnings from entry age to termination as an Active Member. If Normal Costs had been paid at this level for all prior years, a fund would have accumulated. Because this fund represents the portion of benefits that would have been funded to date, it is termed the **Accrued Liability**. In fact, it is calculated by adding the present value of benefits for Retired Members and Terminated Vested Members to the present value of benefits for Active Members and subtracting the present value of future Normal Cost contributions.

The funding cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

The unfunded liability for the plan is the excess of the Accrued Liability over the assets which have been accumulated for the plan. This Unfunded Accrued Liability is amortized as a level percent. Beginning on July 1, 2005, the amortization period is 30 years; the amortization period will decrease each year until it reaches 10 years, after which point it will remain at 10 years.

The **Actuarial Value of Assets** is determined by recognizing asset gains and losses over **five** years.

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Appendix B - Actuarial Assumptions

Each of the assumptions used in this valuation was set based on industry standard published tables and data, the particular characteristics of the plan, relevant information from the plan sponsor or other sources about future expectations, and our professional judgment regarding future plan experience. We believe the assumptions are reasonable for the contingencies they are measuring, and are not anticipated to produce significant cumulative actuarial gains or losses over the measurement period.

Interest

Current: 7.125%

Prior: 7.25%

Salary Scale

3.50%

Amortization Growth Rate

3.50%

Expenses

Administrative expenses paid in the prior year, increased by 3% and rounded to the nearest $100.

Healthy Mortality

RP-2000 Combined Healthy Mortality Table, Male and Female, with generational projection of future mortality improvements per Scale AA. This assumption includes a margin for improvements in longevity beyond the valuation date.

Turnover

Rates according to the following table:

Age	Rate
20	11.9%
25	11.8%
30	11.0%
35	10.6%
40	9.5%
45	7.5%
50	5.1%
55	1.2%
60	0.3%

Retirement

Rates according to the following table:

Age	Rate
55-59	5%
60-61	10%
62-64	25%
65	35%
66-69	50%
70	100%

Disability

11th Railroad Retirement Board Disability Rates.

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Appendix B - Actuarial Assumptions

Disabled Mortality	RP-2000 Disabled Mortality Table, Male and Female. This assumption does not include a margin for improvements in longevity beyond the valuation date.
Marital Status	80% of members are assumed to be married with wives 3 years younger than husbands.

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Appendix C - Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan. It is not intended to be, nor should it be interpreted as a complete statement of all plan provisions. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

Eligibility	Employed for twenty or more hours a week for more than 5 months per calendar year. Employees hired after July 1, 1997 are not covered by this plan.
Final Average Earnings	Highest average earnings received in any three consecutive full calendar years.
Continuous Service	Period of continuous employment with the Town beginning with the first of the month following date of employment.
Aggregate Service	The sum of all periods of Continuous Service.
Member Contributions	4.5% of after tax Earnings. Interest is credited at 4% per annum. Refund of Employee Contributions with interest to date of termination of employment or death, unless the employee is eligible for a deferred retirement income.
Normal Form of Benefit	Modified Cash Refund.
Normal Retirement Date	Earlier of age 65, or age 55 with completion of 30 years of service.
Normal Retirement Benefit	1.75% of Final Average Earnings not in excess of $10,000 plus 2% of Final Average Earnings in excess of $10,000 multiplied by years of Aggregate Service with a minimum of $750 per year.
Early Retirement Date	Age 55 and 10 years of Continuous Service or 15 years of Aggregate Service.
Early Retirement Benefit	Accrued Benefit, actuarially reduced if payments begin prior to the member's 58th birthday.
Death Benefit Eligibility	Married Member (of at least one year) or with minor children. Age 30 with 5 years of Continuous Service.
Death Benefit	35% of benefit accrued to date of death.

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Appendix C - Summary of Plan Provisions

Disability Retirement Eligibility	Ten years of Aggregate Service and not eligible for benefits under the Long Term Disability Contract.
Disability Retirement Benefit	Accrued Benefit, not less than $1,000 per year, payable to the earlier of the end of disability, death or Normal Retirement Date.
Vesting	Prior to July 1, 1989 - Ten years of Continuous Service or 15 years of Aggregate Service. Effective July 1, 1989 - Five years of Continuous Service or 15 years of Aggregate Service.
Termination Benefit	Benefit accrued to date of termination with payment commencing on Normal Retirement Date.

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