TOWN OF NORTH PROVIDENCE, RHODE ISLAND
POLICE PENSION PLAN

Actuarial Valuation as of July 1, 2014
For Fiscal Year 2015-16

Prepared by

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January 2, 2015

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Certification

We have performed an actuarial valuation of the Plan as of July 1, 2014 for fiscal year 2015-16. 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.

Certification

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.

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.

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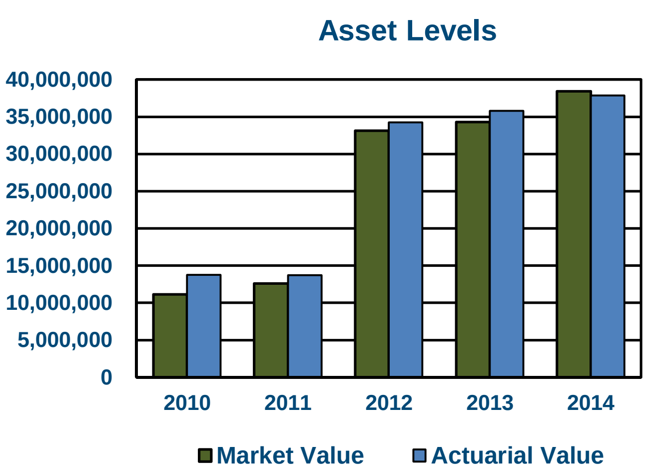
Section I - Executive Summary
A. Highlights

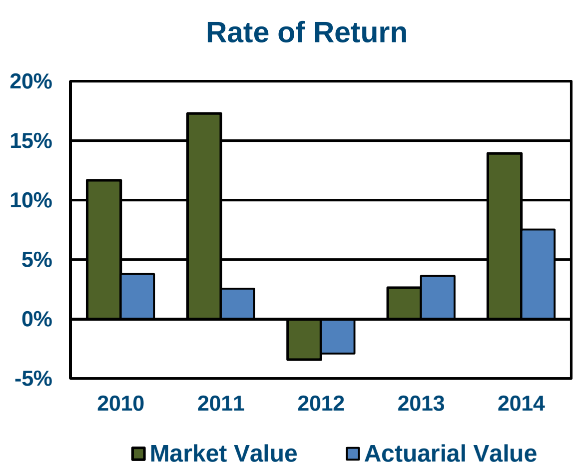
Assets

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, 2012	$33,134,489	$34,253,447
Contributions	3,031,648	3,031,648
Investment Income	5,612,587	3,921,833
Benefit Payments and Administrative Expenses	(3,352,488)	(3,352,488)
Value as of July 1, 2014	38,426,236	37,854,440

The plan's assets earned 2.63% in 2012-13 and 13.94% in 2013-14. The actuarial assumption for this period was 7.25%; the result is a combined asset gain. Historical asset values are shown in the graph below to the left; historical returns are shown in the graph below to the right.



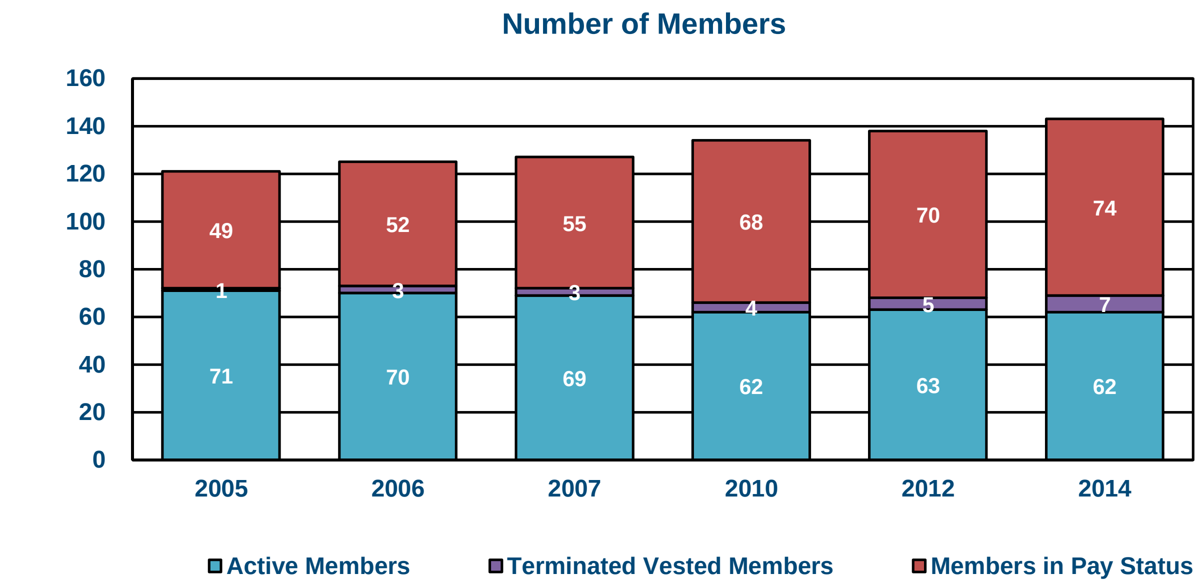


Please note that the Actuarial Value currently is less than the Market Value by $572,000. This figure represents investment gains that will be gradually recognized over the next five years. This process will exert downward pressure on the Town's contribution, unless there are offsetting market losses.

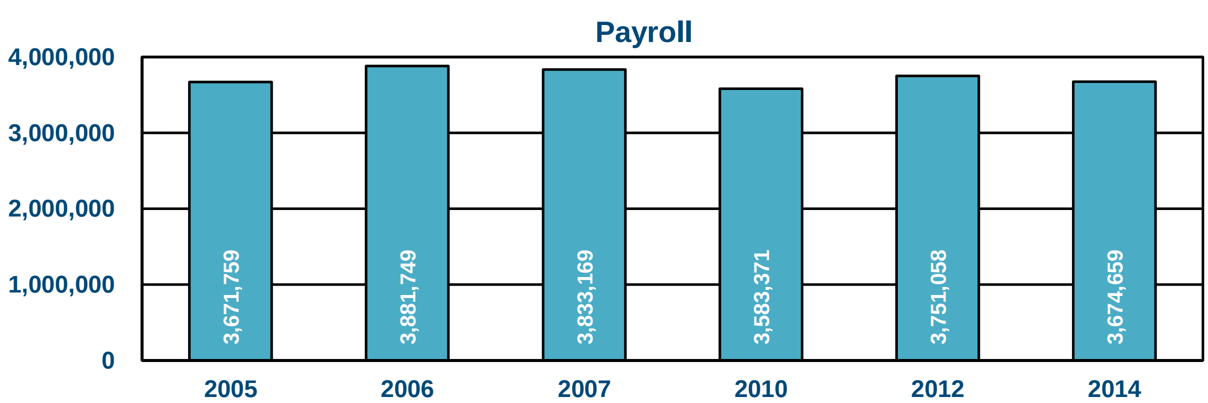
Section I - Executive Summary
A. Highlights

Membership

Actuarial valuations are currently performed every other year. On each valuation date, updated membership data is collected and analyzed. 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, 2012 to July 1, 2014, the overall membership increased from 138 to 143. During this period, there were 4 retirements, 1 deferred disability, 1 vested termination and 5 new active members.



Section I - Executive Summary
A. Highlights

Plan Changes

None.

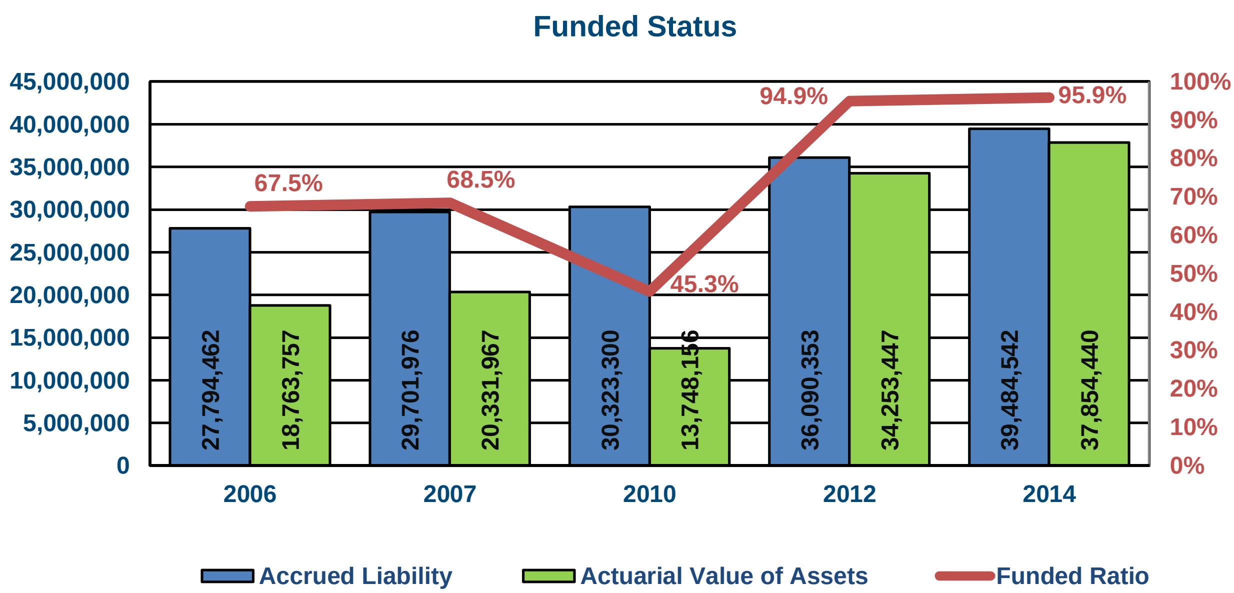
Changes in Actuarial Methods or Assumptions

None.

Section I - Executive Summary
A. Highlights

Funded Status

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



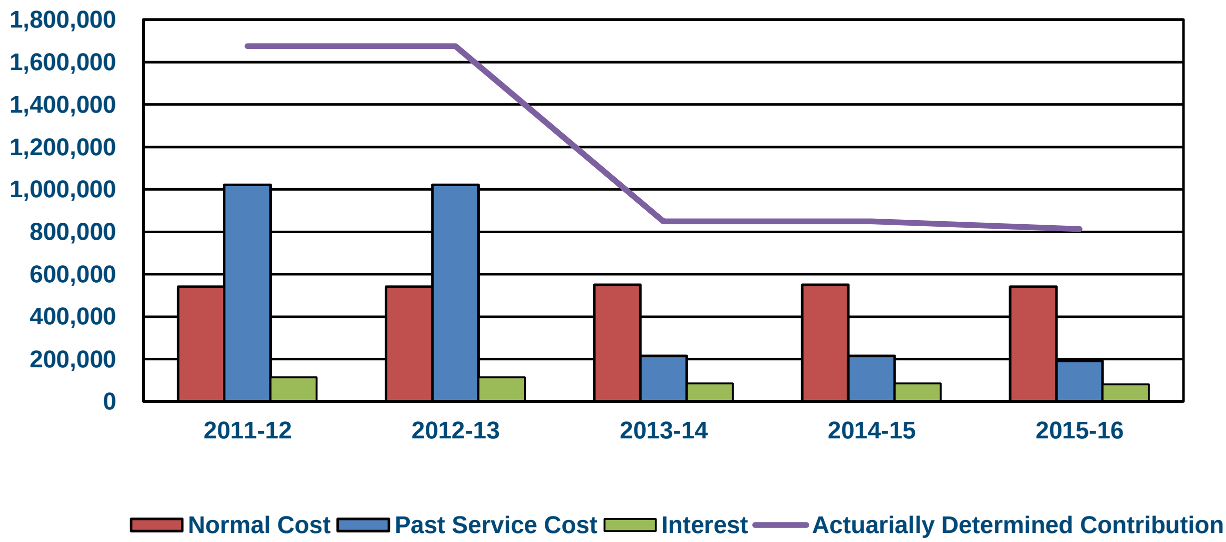
The significant improvement in the plan's funded status in 2012 is due to the infusion of $20.6 million in Town contributions.

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 Interest to the end of the year. 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.



Section I - Executive Summary
B. Summary of Principal Results

Membership	July 1, 2012	July 1, 2014
Active Members	63	62
Terminated Vested Members	5	7
Members in Pay Status	70	74
Total Payroll	$3,751,058	$3,674,659
Average Payroll	59,541	59,269

Assets and Liabilities	July 1, 2012	July 1, 2014
Market Value of Assets	$33,134,489	$38,426,236
Actuarial Value of Assets	34,253,447	37,854,440
Accrued Liability for Active Members	$13,642,757	$14,491,347
Accrued Liability for Terminated Vested Members	895,435	1,046,397
Accrued Liability for Members in Pay Status	21,552,161	23,946,798
Total Accrued Liability	36,090,353	39,484,542
Unfunded Accrued Liability	1,836,906	1,630,102
Funded Ratio	94.9%	95.9%

Actuarially Determined Contribution for Fiscal Years	2013-14 2014-15	2015-16 2016-17
Normal Cost	$550,009	$541,150
Past Service Cost	214,475	190,329
Interest	84,627	80,973
Actuarially Determined Contribution	849,111	812,452

Section II - Plan Assets
A. Summary of Fund Transactions

	Market Value	Accruals	Adjusted Market Value of Assets
Balance as of July 1, 2012	$12,426,721	$20,707,768	$33,134,489
Employer Contributions	22,318,088	(20,710,851)	1,607,237
Employee Contributions	290,986	0	290,986
Net Investment Income	720,614	152,998	873,612
Benefit Payments	(1,600,498)	(14,093)	(1,614,591)
Balance as of July 1, 2013	34,155,911	135,822	34,291,733
Employer Contributions	849,111	0	849,111
Employee Contributions	284,314	0	284,314
Net Investment Income	4,848,952	(109,977)	4,738,975
Benefit Payments	(1,612,665)	(125,232)	(1,737,897)
Balance as of July 1, 2014	38,525,623	(99,387)	38,426,236
Approximate Rate of Return			
2012-13			2.63%
2013-14			13.94%

We have relied on the asset statements prepared by the Town.

Note: The rates of return shown above are not the dollar or time weighted investment yield rate which measures investment performance. They are approximate net returns assuming all activity occurred on average midway through the fiscal year.

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, 2014 is determined below.

1.	Expected Market Value of Assets as of July 1, 2013:	
	a. Market Value of Assets as of July 1, 2012	$33,134,489
	b. Employer and Employee Contributions	1,898,223
	c. Benefit Payments	(1,614,591)
	d. Expected Investment Return Based on 7.25% Interest	2,408,246
	e. Expected Market Value of Assets as of July 1, 2013	35,826,367
2.	Actual Market Value of Assets as of July 1, 2013	34,291,733
3.	Market Value (Gain)/Loss for 2012-13: (1e) - (2)	1,534,634
4.	Expected Market Value of Assets as of July 1, 2014:	
	a. Market Value of Assets as of July 1, 2013	34,291,733
	b. Employer and Employee Contributions	1,133,425
	c. Benefit Payments	(1,737,897)
	d. Expected Investment Return Based on 7.25% Interest	2,464,675
	e. Expected Market Value of Assets as of July 1, 2014	36,151,936
5.	Actual Market Value of Assets as of July 1, 2014	38,426,236
6.	Market Value (Gain)/Loss for 2013-14: (4e) - (5)	(2,274,300)
7.	Delayed Recognition of Market (Gains)/Losses:	

Plan Year End	(Gain)/Loss	Percent Not Recognized	Amount Not Recognized	
06/30/2014	($2,274,300)	80%	($1,819,440)	
06/30/2013	1,534,634	60%	920,780	
06/30/2012	1,366,050	40%	546,420	
06/30/2011	(1,097,779)	20%	(219,556)	
				(571,796)

8.	Actuarial Value as of July 1, 2014: (5) + (7)	37,854,440
9.	Approximate Rate of Return on Actuarial Value	
	2012-13	3.62%
	2013-14	7.54%

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 fixed period of 10 years.

		July 1, 2012	July 1, 2014
1.	Accrued Liability		
	Active Members	$13,642,757	$14,491,347
	Terminated Vested Members	895,435	1,046,397
	Retired Members	15,510,928	17,962,568
	Beneficiaries of Deceased Members	326,908	317,753
	Disabled Members	5,714,325	5,666,477
	Total	36,090,353	39,484,542
2.	Actuarial Value of Assets (see Section II)	34,253,447	37,854,440
3.	Unfunded Accrued Liability: (1) - (2)	1,836,906	1,630,102
4.	Funded Ratio: (2) / (1)	94.9%	95.9%
5.	Amortization Period	10	10
6.	Amortization Growth Rate	3.50%	3.50%
7.	Past Service Cost: (3) amortized over (5)	214,475	190,329

Section III - Development of Contribution
B. Actuarially Determined Contribution

		Fiscal Years 2013-14 2014-15	Fiscal Years 2015-16 2016-17
1.	Normal Cost	$845,089	$828,290
2.	Expected Employee Contributions	295,080	287,140
3.	Town Normal Cost: (1) - (2)	550,009	541,150
4.	Past Service Cost (see Section III A)	214,475	190,329
5.	Interest on (3) + (4) to middle of fiscal year	84,627	80,973
6.	Actuarially Determined Contribution: (3) + (4) + (5)	849,111	812,452
7.	Payroll	3,751,058	3,674,659
8.	Actuarially Determined Contribution as a Percentage of Payroll: (6) / (7)	22.6%	22.1%

Section III - Development of Contribution
C. Long Range Forecast

This forecast is based on the results of the July 1, 2014 actuarial valuation and assumes that the Town will pay the Actuarially Determined Contribution each year, the assets will return 7.25% 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	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio	Fiscal Year Ending	Town Contributions	Employee Contributions	Benefit Payments	Net Cash Flows
7/1/2014	$39,484,542	$37,854,440	$1,630,102	95.9%	2016	$812,452	$286,000	($2,015,000)	($916,548)
7/1/2015	41,211,000	39,963,000	1,248,000	97.0%	2017	786,000	286,000	(2,183,000)	(1,111,000)
7/1/2016	42,980,000	41,819,000	1,161,000	97.3%	2018	777,000	289,000	(2,337,000)	(1,271,000)
7/1/2017	44,696,000	43,891,000	805,000	98.2%	2019	730,000	291,000	(2,485,000)	(1,464,000)
7/1/2018	46,379,000	46,243,000	136,000	99.7%	2020	645,000	295,000	(2,598,000)	(1,658,000)
7/1/2019	48,027,000	48,079,000	(52,000)	100.1%	2021	633,000	298,000	(2,717,000)	(1,786,000)
7/1/2020	49,686,000	49,846,000	(160,000)	100.3%	2022	629,000	303,000	(2,832,000)	(1,900,000)
7/1/2021	51,370,000	51,610,000	(240,000)	100.5%	2023	619,000	307,000	(2,946,000)	(2,020,000)
7/1/2022	53,057,000	53,382,000	(325,000)	100.6%	2024	622,000	309,000	(3,070,000)	(2,139,000)
7/1/2023	54,767,000	55,159,000	(392,000)	100.7%	2025	614,000	313,000	(3,183,000)	(2,256,000)
7/1/2024	56,473,000	56,942,000	(469,000)	100.8%	2026	615,000	312,000	(3,323,000)	(2,396,000)
7/1/2025	58,186,000	58,733,000	(547,000)	100.9%	2027	624,000	309,000	(3,508,000)	(2,575,000)
7/1/2026	59,903,000	60,510,000	(607,000)	101.0%	2028	617,000	308,000	(3,687,000)	(2,762,000)
7/1/2027	61,571,000	62,228,000	(657,000)	101.1%	2029	599,000	309,000	(3,845,000)	(2,937,000)
7/1/2028	63,157,000	63,878,000	(721,000)	101.1%	2030	589,000	308,000	(3,998,000)	(3,101,000)
7/1/2029	64,695,000	65,465,000	(770,000)	101.2%	2031	590,000	309,000	(4,156,000)	(3,257,000)
7/1/2030	66,199,000	66,999,000	(800,000)	101.2%	2032	583,000	308,000	(4,308,000)	(3,417,000)
7/1/2031	67,636,000	68,480,000	(844,000)	101.2%	2033	585,000	310,000	(4,458,000)	(3,563,000)
7/1/2032	69,037,000	69,904,000	(867,000)	101.3%	2034	578,000	310,000	(4,605,000)	(3,717,000)
7/1/2033	70,370,000	71,281,000	(911,000)	101.3%	2035	576,000	312,000	(4,746,000)	(3,858,000)

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, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percent
Amortization Period	Open 10 years
Asset Valuation Method	5 Year Smoothed Market Value
Actuarial Assumptions	
Investment Rate of Return	7.25%
Projected Salary Increases	Varies by age, 3.5% to 4.5%
Amortization Growth Rate	3.50%
Inflation	2.75%
Cost-of-Living Adjustments	Varies based on date of retirement

Section IV - Accounting Information
B. Historical Schedule of Funding Progress

Actuarial Valuation Date	(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)
July 1, 2006	$18,763,757	$27,794,462	$9,030,705	67.5%	$3,881,749	232.6%
July 1, 2007	20,331,967	29,701,976	9,370,009	68.5%	3,833,169	244.4%
July 1, 2010	13,748,156	30,323,300	16,575,144	45.3%	3,583,371	462.6%
July 1, 2012	34,253,447	36,090,353	1,836,906	94.9%	3,751,058	49.0%
July 1, 2014	37,854,440	39,484,542	1,630,102	95.9%	3,674,659	44.4%

Notes:
An actuarial valuation was not performed on July 1, 2008, July 1, 2009, July 1, 2011 or July 1, 2013.

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 Percent of Covered Payroll (2) / (4)
2007	[1]	$1,255,035	$967,426	$287,609	$3,671,759	34.2%
2008		1,525,120	606,159	918,961	3,881,749	39.3%
2009	[2]	1,529,633	820,963	708,670	3,833,169	39.9%
2010	[2]	1,529,633	746,432	783,201	3,833,169	39.9%
2011	[2]	1,529,633	787,295	742,338	3,833,169	39.9%
2012	[3]	1,675,153	1,568,508 [5]	106,645	3,583,371	46.7%
2013	[3]	1,675,153	22,318,088	(20,642,935)	3,583,371	46.7%
2014	[4]	849,111	849,111	0	3,751,058	22.6%
2015	[4]	849,111	TBD	TBD	3,751,058	TBD
2016		812,452	TBD	TBD	3,674,659	TBD

[1] The July 1, 2005 valuation was used to determine the Actuarially Determined Contribution for the 2005-06 and 2006-07 fiscal years.

[2] The July 1, 2007 valuation was used to calculate the contributions for the 2008-09, 2009-10 and 2010-11 fiscal years.

[3] The July 1, 2010 valuation was used to calculate the contributions for the 2011-12 and 2012-13 fiscal years.

[4] The July 1, 2012 valuation was used to calculate the contributions for the 2013-14 and 2014-15 fiscal years.

[5] Does not include the $20.6 million accrued contribution.

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, 2012	As of July 1, 2014
1.	Value of Vested Benefits		
	Active Members	$9,855,892	$10,764,164
	Terminated Vested Members	895,435	1,046,397
	Retired Members	15,510,928	17,962,568
	Beneficiaries of Deceased Members	326,908	317,753
	Disabled Members	5,714,325	5,666,477
	Total Value of Vested Benefits	32,303,488	35,757,359
2.	Value of Non-Vested Benefits	760,834	887,785
3.	Total Value of Accrued Benefits: (1) + (2)	33,064,322	36,645,144
4.	Market Value of Assets	33,134,489	38,426,236
5.	Vested Funded Ratio: (4) / (1)	102.6%	107.5%
6.	Accrued Funded Ratio: (4) / (3)	100.2%	104.9%

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

Increase/(Decrease) during 2012-2014 attributable to:

Increase for interest due to the decrease in the discount period	$4,725,066
Benefits Accumulated/(Forfeited)	2,208,244
Benefit Payments	(3,352,488)
Plan Amendments	0
Changes in Actuarial Assumptions	0
Net Increase/(Decrease)	3,580,822

Value of Accrued Plan Benefits:

July 1, 2014	$36,645,144
July 1, 2012	33,064,322
Net Increase/(Decrease)	3,580,822

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	Bene- ficiaries	Disabled	Total
Count as of July 1, 2012	63	5	51	3	16	138
Terminated not vested	-	-	-	-	-	0
Terminated, benefits due	(1)	1	-	-	-	0
Retired	(4)	-	4	-	-	0
Disability	(1)	1	-	-	-	0
Died, with beneficiary	-	-	-	-	-	0
Died, no beneficiary	-	-	-	-	-	0
Transfer in from other plan	-	-	-	-	-	0
New member	5	-	-	-	-	5
New beneficiary	-	-	-	-	-	0
Correction	-	-	-	-	-	0
Count as of July 1, 2014	62	7	55	3	16	143

Section V - Membership Data
B. Statistics of Membership

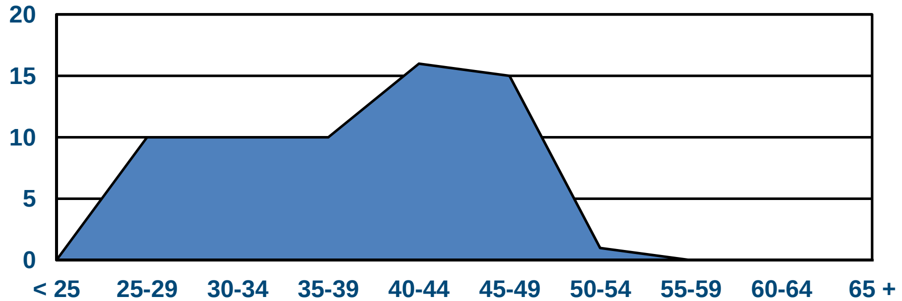
	As of July 1, 2012	As of July 1, 2014
Active Members		
Number	63	62
Total Annual Compensation	$3,751,058	$3,674,659
Average Compensation	59,541	59,269
Average Age	37.9	38.6
Average Service	10.8	11.3
Terminated Vested Members		
Number	5	7
Total Annual Benefit	$74,912	$95,749
Average Annual Benefit	14,982	13,678
Average Age	46.2	44.7
Retired Members*		
Number	51	55
Total Annual Benefit	$960,705	$1,096,878
Average Annual Benefit	18,837	19,943
Average Age	59.1	60.1
Beneficiaries of Deceased Members		
Number	3	3
Total Annual Benefit	$20,952	$20,952
Average Annual Benefit	6,984	6,984
Average Age	64.3	66.3
Disabled Members		
Number	16	16
Total Annual Benefit	$437,849	$437,849
Average Annual Benefit	27,366	27,366
Average Age	51.9	53.9

* Includes retirees whose guaranteed benefits have been purchased through John Hancock; the Plan continues to pay COLA benefits to these individuals.

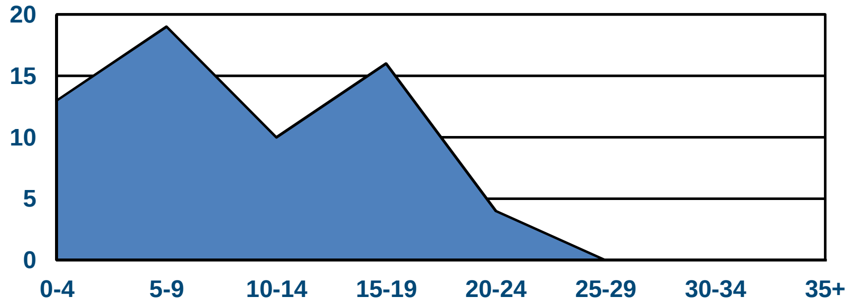
Section V - Membership Data
C. Distribution of Active Members as of July 1, 2014

	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	9	1	0	0	0	0	0	0	10
30-34	3	6	1	0	0	0	0	0	10
35-39	0	8	2	0	0	0	0	0	10
40-44	0	2	5	8	1	0	0	0	16
45-49	1	2	2	7	3	0	0	0	15
50-54	0	0	0	1	0	0	0	0	1
55-59	0	0	0	0	0	0	0	0	0
60-64	0	0	0	0	0	0	0	0	0
65 +	0	0	0	0	0	0	0	0	0
Total	13	19	10	16	4	0	0	0	62

Distribution By Age



Distribution by Years of Service



Section V - Membership Data
D. Distribution of Inactive Members as of July 1, 2014

	Age	Number	Annual Benefits
Terminated Vested Members	< 30	0	$0
	30 - 39	2	20,837
	40 - 49	4	69,742
	50 - 59	0	0
	60 - 64	1	5,169
	65 +	0	0
	Total	7	95,748
Retired Members	< 50	12	$354,332
	50 - 59	17	577,173
	60 - 69	12	131,535
	70 - 79	10	26,602
	80 - 89	4	7,234
	90 +	0	0
	Total	55	1,096,876
Beneficiaries of Deceased Members	< 50	0	$0
	50 - 59	1	11,661
	60 - 69	1	9,064
	70 - 79	1	228
	80 - 89	0	0
	90 +	0	0
	Total	3	20,953
Disabled Members	< 50	5	$140,666
	50 - 59	8	212,281
	60 - 69	2	69,329
	70 - 79	1	15,575
	80 - 89	0	0
	90 +	0	0
	Total	16	437,851

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 Accrued Liability less the Actuarial Value of Assets. The payment towards the Unfunded Accrued Liability is determined by amortizing the Unfunded Accrued Liability as a level percent over a period of 10 years beginning July 1, 2012.

The Actuarial Value of Assets is determined by recognizing future market gains and losses over a five year period.

Appendix B - Actuarial Assumptions

Interest Rate

7.25%

Salary Increases

Age	Rate
25	4.50%
30	4.00
35	3.75
40+	3.50

Amortization Growth Rate

3.50%

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.

Disabled Mortality

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

Retirement

Service	Rate
20	40%
21-22	30
23-25	40
26-27	5
28	100

Turnover

Age	Rate
20-30	2.90%
35	1.90
40	1.70
45	0.00

Disability

50% of the 1985 Pension Disability Table (DP-85) Class 4. 50% of disabilities are assumed to be duty related.

Survivors

70% of active members are assumed to be married, with wives one year younger than husbands. 100% of active members are assumed to have one dependent child.

Plan Expenses

None.

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.

Effective Date	July 1, 1978
Eligibility	All Police Officers working 1000 hours or more in a plan year and contributing to the Plan.
Average Compensation	Average of 3 highest non-consecutive years during the last 10 years of base annual pay including longetivity pay and excluding overtime.
Vesting Service	Full years based on 1000 hours during the plan year.
Credited Service	Full years and completed months from date of hire.
Early Retirement	None.
Normal Retirement Date	20 years of service.
Normal Retirement Benefit	2.5% of Average Compensation for each year of Credited Service up to 20 plus 2.0% of Average Compensation for each year of Credited Service in excess of 20, with a maximum of 75% of Average Compensation. Benefit is payable as an unreduced 67.5% Joint & Survivor Annuity.
Disability Retirement	Occupational: Permanent and total disability; benefit equal to 66 2/3% of Average Compensation. Non-Occupational: 7 years of service; eligible for Social Security Disability; benefit equal to 50% of Average Compensation.
Employee Contributions	Prior to January 1, 2007: 7% of Compensation Effective January 1, 2007: 8% of Compensation Contributions are accumulated with 5% interest.
Vesting	10 years of Vesting Service.
Pre-Retirement Spouse's Death Benefit	Immediate eligibility. 40% of Final Average Salary plus 10% for dependent children, subject to a maximum of 50%. If no surviving spouse, 15% of Final Average Salary for each dependent child, subject to a maximum of 45%, and ceasing when the last child has attained his 18th birthday. Benefit is payable immediately following the participant's death.

Appendix C - Summary of Plan Provisions

Additional Death Benefit

Prior to Retirement Date: $400 times years of service, subject to a minimum of $2,000 and a maximum of $8,000, but no less than the Employee Accumulation. If death occurs after termination date only the Employee Accumulation is payable.

Subsequent to Retirement Date: Amount determined above reduced by ¼ for each year subsequent to Retirement Date. Minimum of $2,000, or Employee Accumulation less annuity payments received. If the Participant's Termination Date occurs prior to their Retirement Date, only the Employee Accumulation less payments received is payable.

Cost of Living Increases

For those retiring between July 1, 1986 and July 1, 2004, with 20 years of service, a lump sum payment will be made on each January 1st. The payment is initially 3% of the annual retirement allowance, increasing each year by 1%, to a maximum of 12%.

For those retiring between July 1, 2004 and July 1, 2007, with 20 years of service, a lump sum payment will be made on each January 1st beginning January 1, 2008. The payment is 3% of the initial annual retirement allowance, not compounded, for a period of 15 years. Those retiring after July 1, 2004 but prior to January 1, 2007 shall receive the COLA set forth above until January 1, 2008 at which time the 3% COLA will commence.

For those retiring after July 1, 2007, with 20 years of service, a lump sum payment will be made on each January 1st next following retirement and each January 1st thereafter for 25 years. The payment is 3% per year of the original benefit, not compounded. At the end of 25 years, the COLA will not increase, but the final benefit will continue to be paid thereafter.