



THE CITY OF NEWPORT, RHODE ISLAND POLICE PENSION SYSTEM

ACTUARIAL VALUATION REPORT

JULY 1, 2020



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## Executive Summary

	July 1, 2020	July 1, 2019
<b>Number of members</b>		
Active employees	59	61
Terminated vested members	0	0
Retired, disabled and beneficiaries	131	129
Total	190	190
<b>Covered employee payroll</b>	4,928,237	4,959,139
<b>Average plan salary</b>	83,529	81,297
<b>Actuarial present value of future benefits</b>	117,758,404	117,130,426
<b>Actuarial accrued liability</b>	106,517,197	105,691,678
<b>Plan assets</b>		
Market value of assets	77,591,594	78,103,688
Actuarial value of assets	79,517,388	75,617,858
<b>Unfunded accrued liability</b>	26,999,809	30,073,820
<b>Funded ratio</b>	74.7%	71.5%
<b>Actuarially determined employer contribution (ADEC)</b>		
Fiscal year ending	2022	2021
ADEC	4,189,924	4,320,681





### Asset Experience During Period Under Review

The plan's assets provided the following rates of return during the past fiscal year:

	2020 Fiscal Year
Market Value Basis	0.8%
Actuarial Value Basis	6.6%

The Actuarial Value of assets, rather than the Market Value, is used to determine plan contributions. The Actuarial Value spreads the asset volatility over 5 years, thereby smoothing out fluctuations that are inherent in the Market Value.

### Assessment and Measurement of Risks

#### Financial Significance of Plan

It is important to understand the size of the pension plan compared to the size of the sponsor of that plan. Additional pension contributions may be required at inopportune times for the plan sponsor. In general, a plan sponsor with assets or revenue that are much larger than the liabilities in its pension plans will be better able to withstand increases in required pension contributions.

#### Plan Maturity Measurements

	July 1, 2020	July 1, 2019
Actuarial accrued liability for members currently in pay status as a percentage of the total actuarial accrued liability	77.3%	77.7%

- A lower percentage results in greater volatility as the investment return assumption changes.
- A higher percentage results in greater demand on cash due to a proportionately higher percentage of benefits being in pay status.

	July 1, 2020
Duration of benefit payments using an investment rate of return of 7.00%	14.2 years

- A higher duration will occur if the plan's percentage of members in pay status decreases. A plan with a higher duration will have a liability that is more sensitive to changes in the investment return assumption.

	July 1, 2020	July 1, 2019
Ratio of market value of assets to covered payroll	15.7	15.7

- A higher ratio is more typical of relatively mature plans with a larger percentage of inactive members and may cause more potential contribution volatility as pension fund assets fluctuate.



## Risks to Assess

### Overriding Minimum Contribution

	Fiscal Year Ending 2022
Actuarially determined employer contribution (ADEC)	4,189,924
Overriding minimum contribution (OMC)*	<u>3,209,752</u>
Surplus (deficit) - ADEC vs. OMC	980,172

• A deficit suggests that a plan's current funding policy contribution approach may result in little to no progress being made towards: (1) reducing the plan's unfunded liability; and (2) improving the plan's funded ratio in the near-term.

\* As defined in "Public Pension Plan Funding Policy" (Society of Actuaries, 2010).

### Estimated Impact of a 5% Reduction in Market Value of Assets

	Fiscal Year Ending 2022
Increase in actuarially determined employer contribution (ADEC)	87,236

• Plans would generally be subject to a larger amortization payment if the market value of assets were 5% smaller. As a result, the ADEC would generally be higher for up to 15 years.

Due to the asset smoothing method, the ADEC will additionally increase by the same amount in each of the next few years. Each of these additional contributions will continue for up to 15 years.

### Estimated Impact of a 1 Year Increase in Life Expectancies

	Fiscal Year Ending 2022
Increase in actuarially determined employer contribution (ADEC)	248,477

• If members live longer than expected, it generally results in larger benefits and/or additional benefit payments made. As a result, the ADEC would generally be higher for up to 15 years.



## Historical Results

<b>Valuation Year Beginning</b>	<b>Investment Return Assumption</b>	<b>Annual Effective Rate of Return on Market Value of Assets</b>	<b>Market Value of Assets as a % of Actuarial Accrued Liability</b>	<b>Benefit Payments as a % of Market Value of Assets</b>
2020	7.00%	N/A	72.8%	N/A
2019	7.25%	0.8%	73.9%	7.7%
2018	7.25%	7.1%	70.8%	8.0%
2017	7.25%	12.7%	64.5%	8.7%
2016	7.25%	13.5%	59.8%	9.3%



## Certification

This report presents the results of the July 1, 2020 Actuarial Valuation for The City of Newport, Rhode Island Police Pension System (the Plan) for the purpose of estimating the funded status of the Plan and determining the Actuarially Determined Employer Contribution (ADEC) for the fiscal year ending June 30, 2022. This report may not be appropriate for any other purpose.

The valuation has been performed in accordance with generally accepted actuarial principles and practices. It is intended to comply with all applicable Actuarial Standards of Practice.

I certify that the actuarial assumptions and methods that were selected by me and represent my best estimate of anticipated actuarial experience under the Plan.

In preparing this valuation, I have relied on employee data provided by the Plan Sponsor, and on asset and contribution information provided by the Trustee. I have audited neither the employee data nor the financial information, although I have reviewed them for reasonableness.

The results in this valuation report are based on the Plan as summarized in the *Summary of Plan Provisions* section of this report and the actuarial assumptions and methods detailed in the *Description of Actuarial Methods and Assumptions* section of this report.

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 this report, an analysis of the potential range of such future measurements has not been performed.

I have no relationship with the employer or the Plan that would impair, or appear to impair, my objectivity in performing the work presented in this report. I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.

Steve A. Lemanski, FSA, FCA, MAAA  
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October 9, 2020



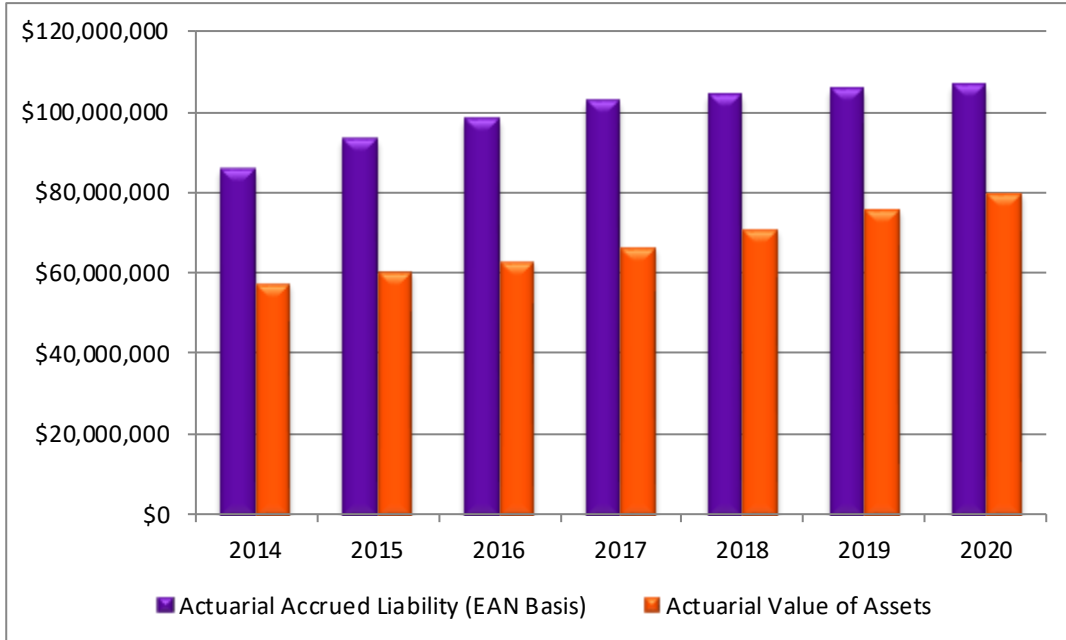


## Development of Unfunded Accrued Liability and Funded Ratio

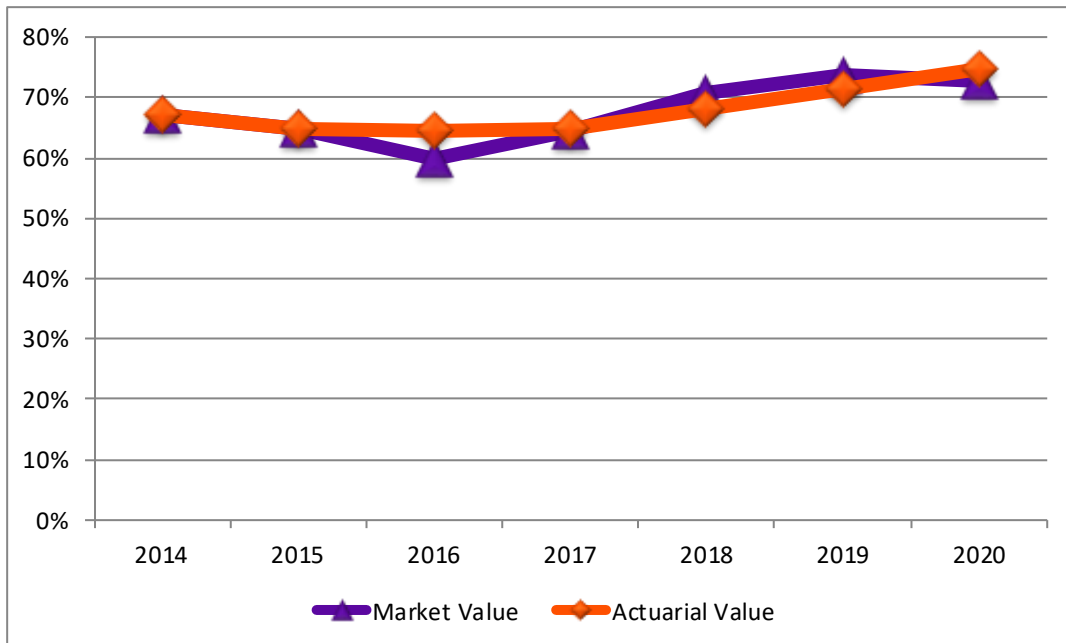
	July 1, 2020	July 1, 2019
Actuarial accrued liability for inactive members		
Retired, disabled and beneficiaries	\$82,337,804	\$82,156,579
Terminated vested members	0	0
Total	82,337,804	82,156,579
Actuarial accrued liability for active employees	24,179,393	23,535,099
Total actuarial accrued liability	106,517,197	105,691,678
Actuarial value of assets	79,517,388	75,617,858
Unfunded accrued liability	26,999,809	30,073,820
Funded ratio	74.7%	71.5%



### Actuarial Accrued Liability vs. Actuarial Value of Assets



### Funded Ratio



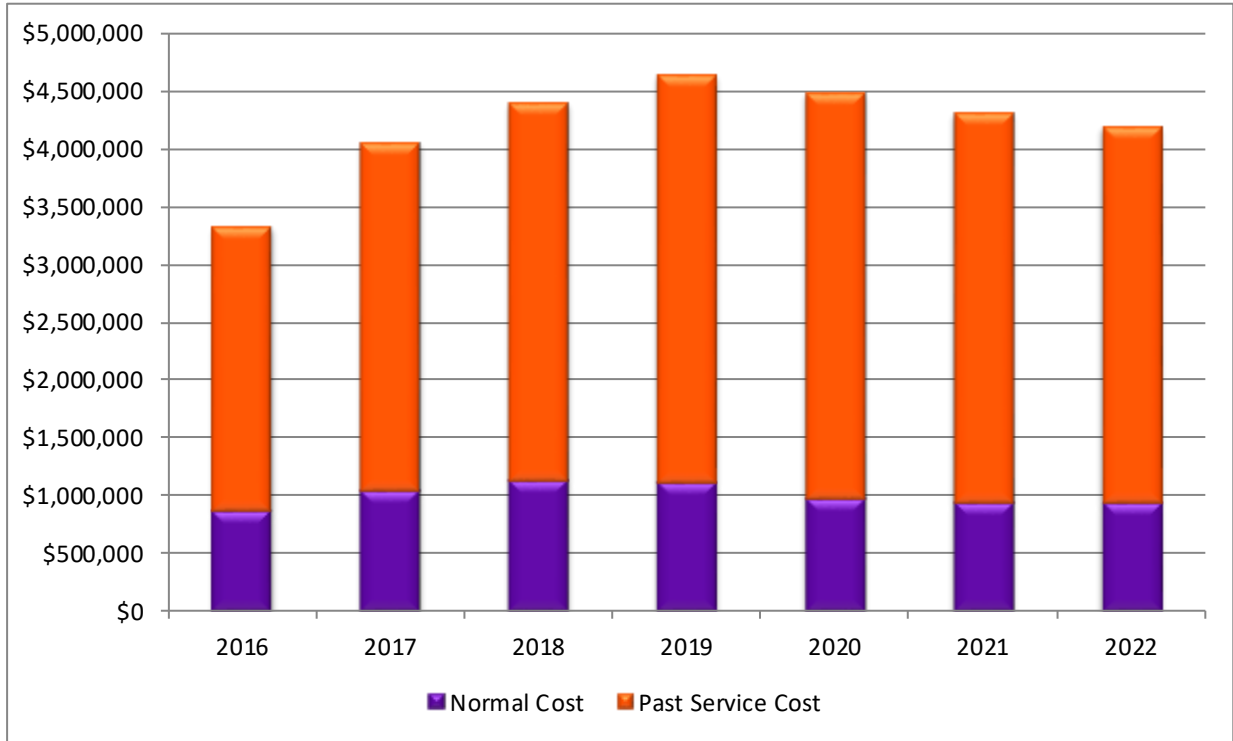


## Determination of Normal Cost and Actuarially Determined Employer Contribution

	July 1, 2020		July 1, 2019	
	Cost	Percent of payroll	Cost	Percent of payroll
Gross normal cost	\$1,220,245	26.4%	\$1,217,959	26.2%
Estimated employee contributions	(369,931)	-8.0%	(372,595)	-8.0%
Estimated administrative expenses	57,652	1.2%	65,081	1.3%
City's normal cost	907,966	19.6%	910,445	19.5%
Amortization of unfunded accrued liability	3,183,757	68.9%	3,300,745	70.9%
Contribution before adjustment as of the valuation date	4,091,723	88.5%	4,211,190	90.4%
Estimated valuation year payroll for actives not yet at 100% assumed retirement age	4,624,139		4,657,433	
Fiscal year ending	2022		2021	
Adjustment for interest and inflation	98,201		109,491	
Actuarially determined employer contribution	4,189,924		4,320,681	



### Actuarially Determined Employer Contribution





## Determination of Actuarial Gain/Loss

The Actuarial Gain/Loss is the difference between the expected unfunded accrued liability and the actual unfunded accrued liability, without regard to any changes in actuarial methods, actuarial assumptions or plan provisions. This can also be referred to an Experience Gain/Loss, since it reflects the difference between what was expected and what was actually experienced.

<b>Actuarial Gain / Loss</b>	
<b>Expected unfunded accrued liability July 1, 2020</b>	
Expected unfunded accrued liability July 1, 2020	
Unfunded accrued liability July 1, 2019	\$30,073,820
Gross normal cost July 1, 2019	1,283,040
City and employee contributions for 2019-2020	(4,892,704)
Interest at 7.25% to July 1, 2020	<u>1,946,410</u>
Expected unfunded accrued liability July 1, 2020	28,410,566
<b>Actuarial (gain) / loss July 1, 2020</b>	<u>(1,864,622)</u>
<b>Actual unfunded accrued liability July 1, 2020, prior to plan provision, assumption and method changes</b>	26,545,944
<b>Sources of (gain) / loss</b>	
Assets	499,000
Liabilities	<u>(2,364,000)</u>
Total (gain) / loss (rounded to nearest \$1,000)	(1,865,000)
<b>Assumption and method changes since prior valuation</b>	<u>453,865</u>
<b>Actual unfunded accrued liability July 1, 2020, after plan provision, assumption and method changes</b>	26,999,809



## Development of Asset Values

Summary of Fund Activity		
	Market Value	Actuarial Value
<b>1. Beginning value of assets July 1, 2019</b>		
Trust assets	\$78,146,944	\$75,661,114
Accrued contribution	0	0
Benefits payable	0	0
Administrative expenses payable	(43,256)	(43,256)
Net total	78,103,688	75,617,858
<b>2. Contributions</b>		
City contributions during year	4,485,691	4,485,691
Employee contributions during year	407,013	407,013
Change in accrued contribution	0	0
Total for plan year	4,892,704	4,892,704
<b>3. Disbursements</b>		
Benefit payments during year	6,003,582	6,003,582
Administrative expenses during year	57,652	57,652
Change in benefits payable	0	0
Change in administrative expenses payable	7,908	7,908
Total for plan year	6,069,142	6,069,142
<b>4. Net investment return</b>		
Interest and dividends	814,130	N/A
Change in accrued income	0	N/A
Realized and unrealized gain / (loss)	0	N/A
Expected return	N/A	5,755,558
Recognized gain / (loss)	N/A	(679,590)
Required adjustment due to corridor	N/A	0
Reversal of prior year required adjustment	N/A	0
Investment-related expenses	(149,786)	N/A
Total for plan year	664,344	5,075,968
<b>5. Ending value of assets July 1, 2020</b>		
Trust assets	77,642,758	79,568,552
Accrued contribution	0	0
Benefits payable	0	0
Administrative expenses payable	(51,164)	(51,164)
Net total: (1) + (2) - (3) + (4)	77,591,594	79,517,388
<b>6. Approximate rate of return</b>	0.8%	6.6%



<b>Relationship of Actuarial Value to Market Value</b>	
1. Market value 7/1/2020	\$77,591,594
2. Gain / (loss) not recognized in actuarial value 7/1/2020	<u>(1,925,794)</u>
3. Preliminary actuarial value 7/1/2020: (1) - (2)	79,517,388
4. Preliminary actuarial value as a percentage of market value: (3) ÷ (1)	102.5%
5. Gain / (loss) recognized for corridor minimum / maximum	N/A
6. Actuarial value 7/1/2020 after corridor minimum / maximum: (3) + (5)	79,517,388
7. Actuarial value as a percentage of market value: (6) ÷ (1)	102.5%

<b>Development of Market Value Gain / Loss for 2019-2020 Plan Year</b>	
1. Market value 7/1/2019	\$78,103,688
2. City contributions	4,485,691
3. Employee contributions	407,013
4. Benefit payments	6,003,582
5. Administrative expenses	65,560
6. Expected return at 7.25%	<u>5,755,558</u>
7. Expected value 7/1/2020: (1) + (2) + (3) - (4) - (5) + (6)	82,682,808
8. Market value 7/1/2020	<u>77,591,594</u>
9. Market value gain / (loss) for 2019-2020 plan year: (8) - (7)	(5,091,214)

<b>Recognition of Gain / Loss in Actuarial Value</b>					
Year	(a) Gain / (loss)	(b) Total recognized as of 7/1/2019	(c) Recognized in current year: 20% of (a)	(d) Total recognized as of 7/1/2020: (b) + (c)	(e) Not recognized as of 7/1/2020: (a) - (d)
2015-2016	(\$5,537,408)	(\$4,429,928)	(\$1,107,480)	(\$5,537,408)	\$0
2016-2017	3,649,947	2,189,967	729,989	2,919,956	729,991
2017-2018	3,656,246	1,462,498	731,249	2,193,747	1,462,499
2018-2019	(75,523)	(15,105)	(15,105)	(30,210)	(45,313)
2019-2020	(5,091,214)	0	<u>(1,018,243)</u>	(1,018,243)	<u>(4,072,971)</u>
Total			(679,590)		(1,925,794)



<b>Rate of Return on Market Value of Assets</b>					
<b>Period Ending</b>	<b>Average Annual Effective Rate of Return</b>				
	<b>June 30</b>	<b>1 Year</b>	<b>3 Years</b>	<b>5 Years</b>	<b>10 Years</b>
2011	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2013	12.6%	N/A	N/A	N/A	N/A
2014	18.7%	N/A	N/A	N/A	N/A
2015	5.4%	12.1%	N/A	N/A	N/A
2016	-1.7%	7.1%	N/A	N/A	N/A
2017	13.5%	5.6%	9.5%	N/A	N/A
2018	12.7%	7.9%	9.5%	N/A	N/A
2019	7.1%	11.1%	7.2%	N/A	N/A
2020	0.8%	6.8%	6.3%	N/A	N/A





## Target Allocation and Expected Rate of Return July 1, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
Large Cap Equity	20.00%	5.25%	1.05%
Mid Cap Equity	15.00%	5.75%	0.86%
Small Cap Equity	15.00%	5.75%	0.86%
International Equity	15.00%	5.75%	0.86%
Fixed Income	20.00%	1.25%	0.25%
Real Estate and Timber	15.00%	5.75%	0.86%
	100.00%		4.74%
Long-Term Inflation Expectation			2.40%
Long-Term Expected Nominal Return			7.14%

*\*Long-Term Real Returns are provided by Hooker & Holcombe Investment Advisors. The returns are geometric means.*

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation.

The information above is based on geometric means and does not reflect additional returns through investment selection, asset allocation and rebalancing. The results support a rate between 7.00% and 7.50%. An expected rate of return of 7.00% was used.



## Amortization of Unfunded Liability

Schedule of Amortization Bases					
	Date established	Original amount	Amortization installment	Years remaining	Present value of remaining installments as of July 1, 2020
Initial base	July 1, 2018	\$33,236,941	\$3,612,785	11	\$30,825,959
2019 base	July 1, 2019	(2,044,069)	(224,605)	14	(1,964,279)
2020 base	July 1, 2020	(1,861,871)	<u>(204,423)</u>	15	<u>(1,861,871)</u>
<b>Total</b>			3,183,757		26,999,809



## Member Data

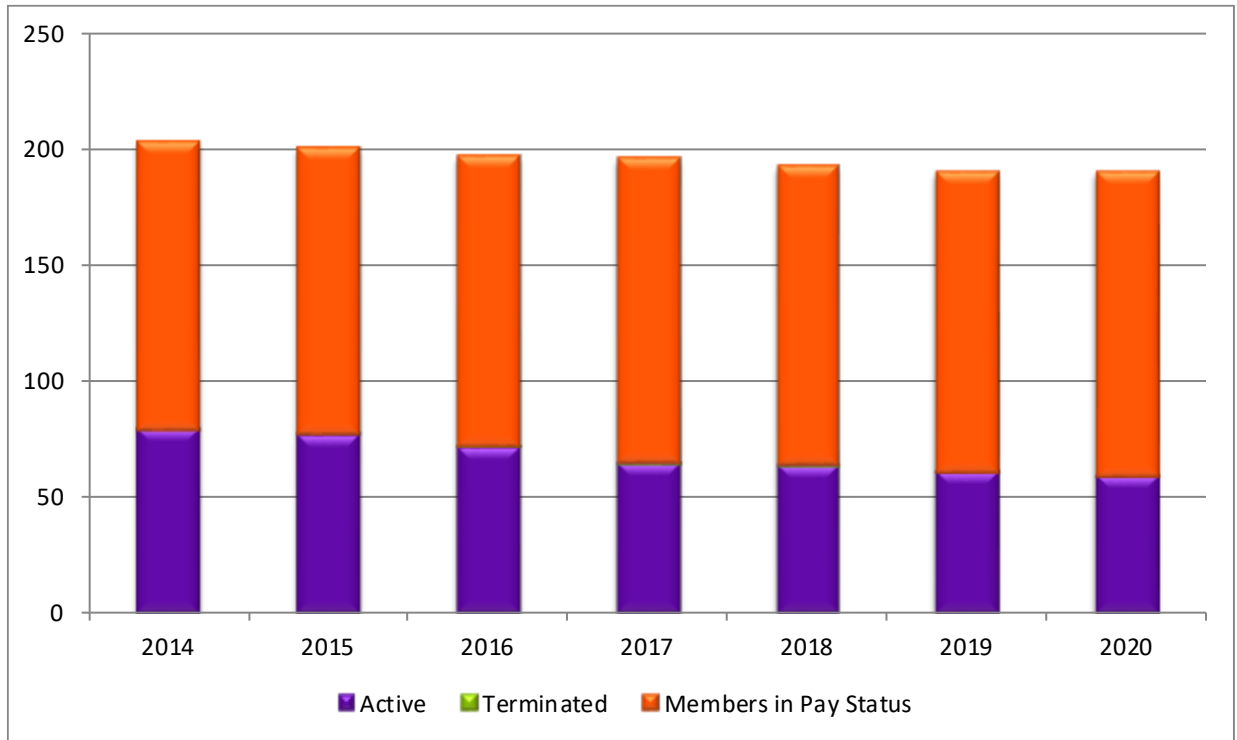
The data reported by the Plan Sponsor for this valuation includes 59 active employees who met the Plan's minimum age and service requirements as of July 1, 2020.

Member Data				
	Active	Terminated vested	Members in pay status	Total
<b>Total members July 1, 2019</b>	61	0	129	190
Adjustments	0	0	0	0
Retirements	-2	0	+2	0
Disabilities	0	N/A	0	0
Terminations				
Vested	0	0	N/A	0
Lump sum payments	0	0	N/A	0
Deaths				
With death benefit	0	0	0	0
Without death benefit	0	0	-2	-2
Transfers	0	0	N/A	0
Rehires	0	0	N/A	0
New beneficiaries	N/A	N/A	+2	+2
New entrants	0	N/A	N/A	0
<b>Total members July 1, 2020</b>	59	0	131*	190

*\* Includes 8 alternate payees receiving benefits*



### Member Counts by Status





<b>Member Data</b>			
	<b>Active</b>	<b>Terminated vested</b>	<b>Members in pay status</b>
<b>Average age</b>			
July 1, 2019	42.2	N/A	67.5
July 1, 2020	42.9	N/A	67.7
<b>Average service</b>			
July 1, 2019	14.2	N/A	N/A
July 1, 2020	14.8	N/A	N/A
<b>Covered employee payroll</b>			
July 1, 2019	\$4,959,139	N/A	N/A
July 1, 2020	4,928,237	N/A	N/A
<b>Total annual benefits</b>			
July 1, 2019	N/A	N/A	\$5,983,947
July 1, 2020	N/A	N/A	6,027,220



### Active Member Count by Age and Years of Service

Attained age	Completed Years of Credited Service										All years
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 and over	
Under 25											
25 to 29											
30 to 34			13								13
35 to 39			4	5	2						11
40 to 44			4	1	5						10
45 to 49			1	1	7	1					10
50 to 54					3	6	1				10
55 to 59							2	1			3
60 to 64				1					1		2
65 to 69											
70 & over											
<b>All ages</b>			<b>22</b>	<b>8</b>	<b>17</b>	<b>7</b>	<b>3</b>	<b>1</b>	<b>1</b>		<b>59</b>



## Description of Actuarial Methods

### Asset Valuation Method

The Actuarial Value of assets used in the development of plan contributions phases in the recognition of differences between the actual return on Market Value and expected return on Market Value over a 5-year period at 20% per year.

### Actuarial Cost Method

Changes in Actuarial Cost Method: None.

Description of Current Actuarial Cost Method: Entry Age Normal (level percentage of salary)

Normal Cost: Under this method, the total normal cost is the sum of amounts necessary to fund each active member's normal retirement benefit if paid annually from entry age to assumed retirement age. Entry age is the age at which the employee would have been first eligible for the plan, if it had always been in effect. The normal cost for each participant is expected to remain a level percentage of the employee's salary. The normal cost for the plan is the difference between the total normal cost for the year and the anticipated member contributions for that year.

Past Service Liability: The present value of future benefits that relates to service before the valuation date is the total past service liability. The unfunded past service liability is the difference between the total past service liability and any assets (including accumulated member contributions). Unfunded accrued liabilities as of July 1, 2018 were amortized over a closed 13-year period assuming a 2.40% amortization increase rate. Effective with the July 1, 2019 valuation, future changes in the unfunded accrued liability will be amortized separately, assuming a new 15-year amortization each valuation with level dollar payments.

Experience Gains and Losses: All experience gains and losses (the financial effect of the difference between the actual experience during the prior period and the result expected by the actuarial assumptions for that prior period) appear directly in the past service liability and are amortized at the same rate the plan is amortizing the remaining unfunded past service liability.



## Description of Actuarial Assumptions

### Changes in Actuarial Assumptions

The valuation reflects changes in the actuarial assumptions listed below. (The assumptions used before and after these changes are more fully described in the next section.)

- Investment rate of return
- Rate of compensation increases
- Inflation
- Mortality
- Cost of living increases
- Amortization increase rate
- Payroll growth

The assumptions indicated were changed to represent the Enrolled Actuary's current best estimate of anticipated experience of the plan.

#### **Investment rate of return** (net of investment-related and administrative expenses)

7.00%. (Prior: 7.25%)

#### **Rate of compensation increase** (including inflation)

2.40% per year plus longevity increases of 3.00% after seventh year of employment and 0.50% for each year of employment thereafter through the thirty-first year of employment. No longevity increases are assumed after the thirty first year of employment.

Prior: 2.60% per year plus longevity increases of 3.00% after seventh year of employment and 0.50% for each year of employment thereafter through the thirty-first year of employment. No longevity increases are assumed after the thirty first year of employment.

The assumption is based on input from the plan sponsor regarding future expectations, as well as our review of long-term inflation expectations.

#### **Inflation**

2.40%. (Prior: 2.60%)

This assumption is consistent with the Social Security Administration's current best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2020 OASDI Trustees Report.

The assumption was changed to better reflect anticipated experience.

#### **Mortality**

Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables for Public Safety employees, for non-annuitants and annuitants, projected to the valuation date with Scale MP-2019.

Prior: Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables for Public Safety employees, for non-annuitants and annuitants, projected to the valuation date with Scale MP-2018.

#### **Mortality Improvement**

Projected to date of decrement using Scale MP-2019 (generational).

Prior: Projected to date of decrement using Scale MP-2018 (generational).

We have selected this mortality assumption because it is based on the latest published public retirement mortality study released by the Society of Actuaries.

The mortality assumption was updated to better reflect anticipated experience.





### Retirement rates

Years of Credited Service	Rate
20	10%
21-24	2%
25	50%
26-29	10%
30	50%
31-34	20%
35+	100%

### Termination prior to retirement

Years of Credited Service	Rate
0	3.00%
1	2.25%
2	2.00%
3	1.75%
4	1.50%
5	1.25%
6	1.00%
7	0.75%
8	0.50%
9	0.25%
10+	0.00%

### Disability

Sample Rates	
Age	Rate
25	0.17%
35	0.29
45	0.72
55	1.21

90% of disabilities are assumed to be service related.

The actuarial assumptions in regards to rates of decrement shown above are based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor.

### Administrative expenses

The estimate is based on actual administrative expenses paid from the trust in the prior year.

### Cost of living increases

2.40% per year. (Prior: 2.60% per year)

The assumption was changed to remain consistent with the inflation assumption.



**Amortization increase rate**

2.40% per year. (Prior: 2.60% per year)

The assumption was changed to remain consistent with the inflation assumption.

**Payroll growth**

2.40% per year. (Prior: 2.60% per year)

The assumption was changed to remain consistent with the inflation assumption.

**Percent of active employees married**

75%.

**Spouse's age**

Husbands are assumed to be 3 years older than wives.

The assumption changes increased liabilities by approximately 0.5%.



## 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. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.*

### Plan identification

Single-employer pension plan.

### Effective data

Most recent amendment: July 1, 2014.

### Eligibility

All members of the police department who contribute to the pension fund and who were hired before July 1, 2014 (or enrolled in the Police Academy as of September, 2014). All other police hires on or after July 1, 2014 will be covered by the State of Rhode Island Municipal Employees' Retirement System.

### Retirement

Eligibility: Members who have completed 20 years of service may retire.

Benefit formula: The annual benefit at retirement is equal to the percentage of final annual salary specified in the table below, plus \$100 per year for each year of service over 25 (maximum \$1,000). For pension purposes, annual salary includes regular and longevity pay.

Years of Service	Benefit as a Percentage of Final Annual Salary
20	50.0%
21	52.5%
22	55.0%
23	57.5%
24	60.0%
25	65.0%
26	66.0%
27	67.0%
28	68.0%
29	69.0%
30+	70.0%

The benefit levels shown above payable at years of service 25 through 29 were increased as a result of negotiated benefit formula changes that became effective July 1, 2014.

Commencement date: Retirement benefits commence as of the first payroll period after retirement.

Form of payment: The annual benefit calculated in accordance with the formula above is payable monthly for the remainder of the retired member's life, with 67.5% of the member's benefit payable for the lifetime of the member's surviving spouse.



### **Vested termination**

Eligibility: Upon termination of employment after 10 years of service, a member is eligible for a benefit deferred to retirement age.

Benefit formula: 2.5% of final annual salary multiplied by full years of service at termination.

Commencement date: 20<sup>th</sup> anniversary of employment.

Form of payment: The annual benefit calculated in accordance with the formula above is payable monthly for the remainder of the retired member's life, with 67.5% of the member's benefit payable for the lifetime of the member's surviving spouse.

### **Disability retirement**

Eligibility:

Non-service related: No benefit prior to completion of 7 years of service. A member who is disabled with between 7 and 20 years of service is eligible to receive disability retirement benefits.

Service related: Retirement because of a job-related mental or physical incapacity.

Benefit formula:

Non-service related: 50% of final annual salary.

Service related: 66-2/3% of final annual salary.

Commencement date: Benefits commence as of first payroll period after disability.

Form of payment: The annual benefit calculated in accordance with the formula above is payable monthly for the remainder of the retired member's life, with 67.5% of the member's benefit payable for the lifetime of the member's surviving spouse.

### **Non-vested termination of employment**

A member who leaves employment prior to completing 10 years of service will receive a lump sum payment of accumulated contributions.

### **Death before retirement – survivor annuity benefits**

Eligibility: Death while actively employed.

Benefit formula: Surviving spouse (or, if none, dependent children) receives benefit of 67.5% of final annual salary, reduced pro rata if the deceased member had less than 20 years of service.

Commencement date: Benefits commence as of the first payroll period after death.

Form of payment: Monthly life annuity.



### **Retiree cost of living increase**

For retirements before July 1, 2014: Pensions for retirees (but not disabled retirees or beneficiaries) are indexed to the negotiated pay increases for active police. Terminated vested members receive 3% annual increases after benefit commencement.

For retirements on or after July 1, 2014: Pensions for retirees with at least 20 years of service are indexed to the negotiated pay increases for active police. For retirees with 20 to 25 years of service, the indexing begins when the retiree would have attained 25 years of service. Retirements with less than 20 years of service do not get indexed except for job related disability retirements. Job related disability retirement benefits are indexed using the Bureau of Labor Statistics CPI for Northeast Urban Wage Earners, but will not exceed 3.00% nor be lower than 1.00% per year.

### **Employee contributions**

8% of salary.