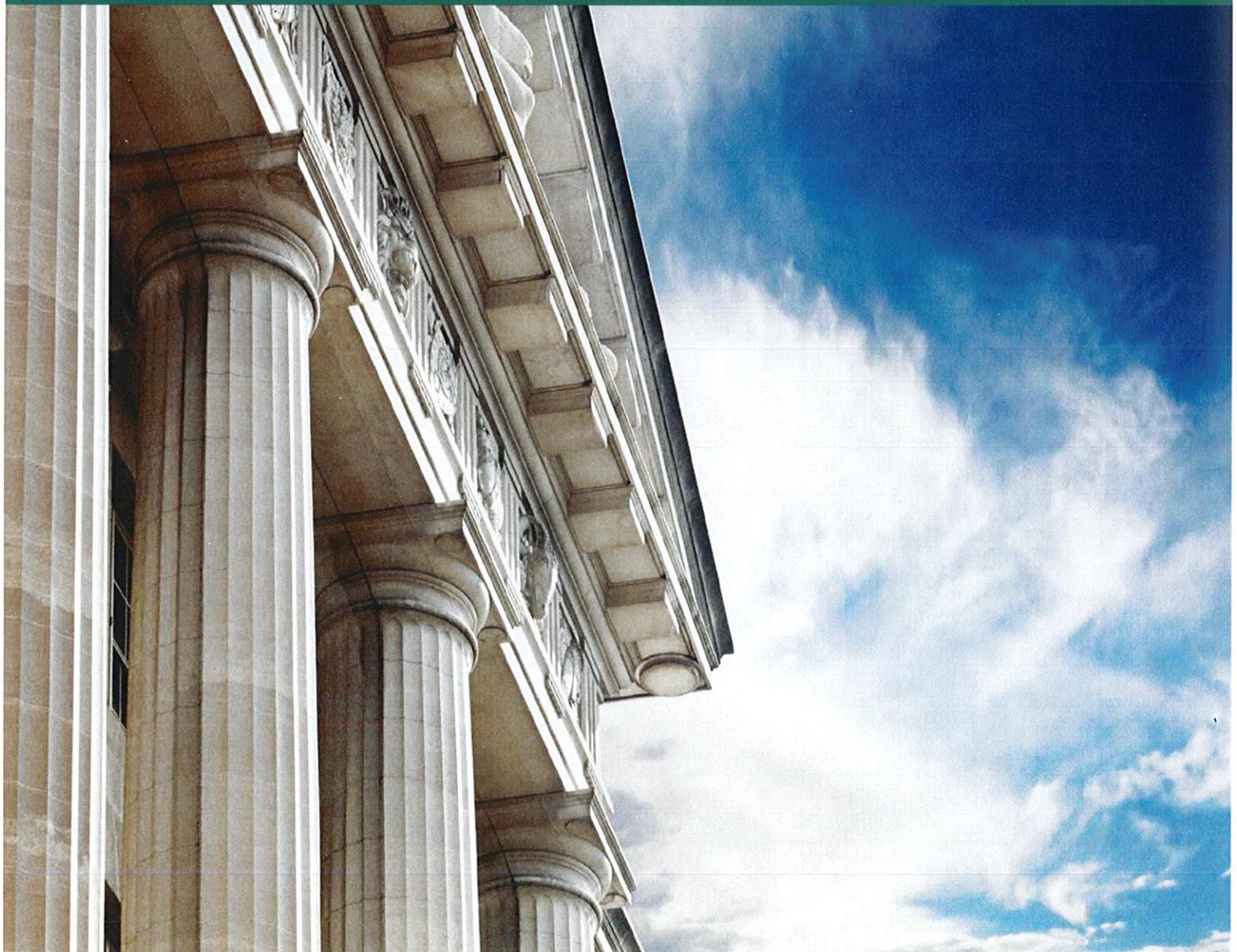




# Lancaster County Employees' Retirement System

**Report on 2019 Actuarial Valuation Including  
Determination of County Actuarially Determined  
Contribution for 2019**





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**for**

**Lancaster County Employees' Retirement Board**

Joshua G. Parsons	Commissioner/Chairman
Dennis P. Stuckey	Commissioner
Craig E. Lehman	Commissioner
Brian K. Hurter	Controller/Secretary
Amber L. Martin	Treasurer

**April 26, 2019**



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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 Lancaster County Employees' Retirement System as of January 1, 2019 and to establish the proper appropriation for the 2019 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.

To the best of our knowledge, this report is complete and accurate and all costs and liabilities have been determined in conformance with generally accepted actuarial principles and on the basis of actuarial assumptions and methods which are reasonable (taking into account past experience under the plan and reasonable expectations) and which represent our best estimate of anticipated experience under the plan.

The included measurements are based on a single set of assumptions regarding the future experience of the plan's investments and participants. Future measurements and funding needs of the plan could vary significantly based on the actual experience, including differences in investment performance, and any changes in the future expectations. Estimates of the potential impact of changes in the plan's assets and liabilities are included in Schedule O.

Respectfully submitted,

**Korn Ferry (US)**

By: *Henry E. Stiehl*

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## II. Findings

### Certified Actuarially Determined Contribution

Please note that the certified actuarially determined contribution which is reported on page 12 of this report and which must be funded in 2019 is \$5,048,537. This amount is required to ensure that the fund accumulates sufficient assets to pay future benefits and should be paid by the County from the General Fund.

### Actuarial Adjustments

Also note that the balances in the Reserve Accounts on page 8 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	\$ 3,605,053.42	
Retired Members Annuity Reserve Account		\$ 3,605,053.42



### III. Schedules

#### Schedule A

##### LANCASTER COUNTY EMPLOYEES' RETIREMENT SYSTEM

##### CHANGES IN PLAN NET ASSETS FOR THE CALENDAR YEAR 2018 AND 2017

	<b>Additions</b>	
	<b><u>2018 Total</u></b>	<b><u>2017 Total</u></b>
Contributions		
County	\$ 4,399,055.00	\$ 4,424,334.00
Plan Members	\$ 5,597,884.19	\$ 5,401,676.48
Miscellaneous	\$ 0.00	\$ 64,970.86
Total Contributions	\$ <u>9,996,939.19</u>	\$ <u>9,890,981.34</u>
Investment Income		
Realized Gain	\$ <u>25,034,876.40</u>	
Unrealized Loss	\$ <u>(45,916,070.63)</u>	
Net Loss in Fair Value	\$ (20,881,194.23)	\$ 32,610,309.76
Interest/Dividends	\$ 7,340,208.51	\$ 7,140,498.23
Net Accrued Interest/Other	\$ 36,464.16	\$ 18,162.06
Investment Income	\$ <u>(13,504,521.56)</u>	\$ <u>39,768,970.05</u>
Less Investment Expense	\$ 522,830.65	\$ 494,218.91
Net Investment Income	\$ <u>(14,027,352.21)</u>	\$ <u>39,274,751.14</u>
Total Additions	\$ <u>(4,030,413.02)</u>	\$ <u>49,165,732.48</u>
	<b>Deductions</b>	
Benefits	\$ 16,140,898.07	\$ 14,872,092.78
Refunds of Member Contributions	\$ 1,038,096.75	\$ 1,086,291.19
Administrative Expense	\$ 48,412.89	\$ 47,598.80
Miscellaneous	\$ 42,173.19	\$ 18,415.84
Total Deductions	\$ <u>17,269,580.90</u>	\$ <u>16,024,398.61</u>
Net Increase/(Decrease)	\$ <u>(21,299,993.92)</u>	\$ <u>33,141,333.87</u>
	<b>Net Assets Held In Trust For Pension Benefits</b>	
Beginning of Year	\$ <u>291,030,517.15</u>	\$ <u>257,889,183.28</u>
End of Year	\$ <u>269,730,523.23</u>	\$ <u>291,030,517.15</u>



## Schedule A – Continued

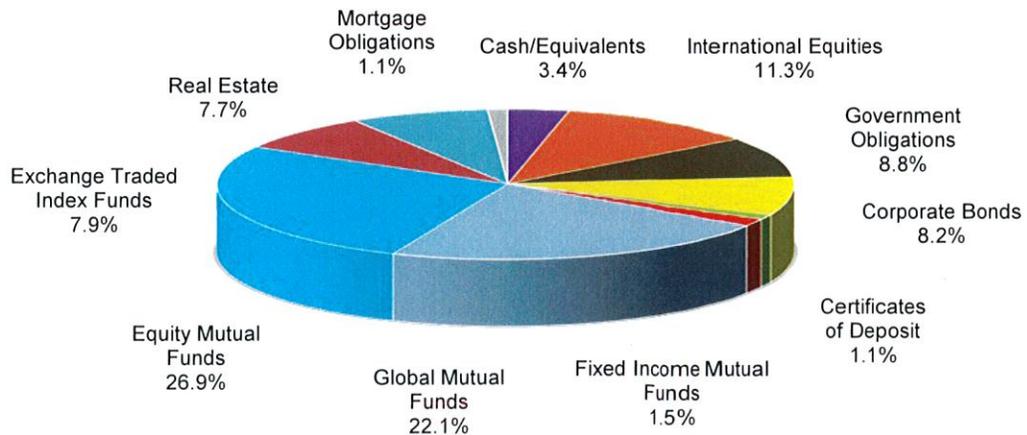
### LANCASTER COUNTY EMPLOYEES' RETIREMENT SYSTEM PLAN ASSETS AS OF DECEMBER 31, 2018 AND 2017

		<b>Assets</b>	
		<u>2018 Total</u>	<u>2017 Total</u>
Cash and Short-Term Investments	\$	8,837,899.96	\$ 6,772,089.04
Receivables	\$	290,611.52	\$ 157,255.42
<b>Investments, at fair market value</b>			
Government Obligations	\$	23,658,276.36	\$ 22,899,301.65
Corporate Bonds	\$	22,033,904.41	\$ 29,702,472.83
Equity Mutual Funds	\$	72,512,653.37	\$ 77,339,300.59
International Stocks	\$	30,580,982.66	\$ 58,165,624.09
Mortgage Obligations	\$	2,997,827.05	\$ 2,620,341.14
Fixed Income Mutual Funds	\$	4,044,052.55	\$ 4,025,706.94
Certificates of Deposit	\$	2,864,666.99	\$ 1,709,331.91
Real Estate	\$	20,716,784.94	\$ 13,653,774.23
Global Mutual Funds	\$	59,722,864.17	\$ 18,000,329.71
Exchange Traded Index Funds	\$	21,469,999.25	\$ 55,984,989.60
Total Investments	\$	260,602,011.75	\$ 284,101,172.69
Total Assets	\$	269,730,523.23	\$ 291,030,517.15
<b>Liabilities</b>			
Refunds Payable and Other	\$	0.00	\$ 0.00

#### Net Assets Held In Trust For Pension Benefits

\$ 269,730,523.23      \$ 291,030,517.15

#### TOTAL ASSETS (MARKET VALUE 12-31-2018)





## Schedule A - Continued

### *Lancaster County Employees' Retirement System*

#### Plan Description and Contribution Information

**Basis of Accounting:** The Lancaster 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.

Membership of the plan consisted of the following as of January 1, 2019:

Retirees and Beneficiaries Receiving Benefits	1,333
Terminated Plan Members Entitled to but not yet Receiving Benefits	232
Active Plan Members	<u>1,752</u>
Total	<u>3,317</u>
Number of Participating Employers	1



## Schedule A - Continued

### *Lancaster County Employees' Retirement System*

**Plan Description:** The Lancaster County Employees' Retirement 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 Lancaster 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.

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#### SCHEDULE OF EMPLOYER CONTRIBUTIONS

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<u>Year</u>	<u>Contribution *</u>	<u>County Contribution</u>
2009	\$ 7,171,189	\$ 7,421,189
2010	\$ 7,216,063	\$ 8,000,000
2011	\$ 7,304,873	\$ 7,554,873
2012	\$ 7,142,834	\$ 7,142,834
2013	\$ 7,001,128	\$ 7,001,128
2014	\$ 5,962,997	\$ 5,962,997
2015	\$ 5,228,813	\$ 5,228,813
2016	\$ 4,580,199	\$ 4,580,199
2017	\$ 4,424,334	\$ 4,424,334
2018	\$ 4,399,055	\$ 4,399,055

*Note:* Effective in 2010 the Entry Age Funding Method was used to determine the annual required contribution. Prior to 2010 the Aggregate Method was used.

\*Prior to 2014, contribution was described as Annual Required Contribution (ARC). After 2013, contribution was described as actuarially determined contribution (ADC).



## Schedule A - Continued

### SCHEDULE OF FUNDING PROGRESS

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) - Entry Age (b)</b>	<b>Unfunded AAL (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b-a)/c)</b>
1/1/2010	158,074,015	213,374,965	55,300,950	74.1%	79,444,845	69.6%
1/1/2011	169,788,390	221,658,694	51,870,304	76.6%	78,838,153	65.8%
1/1/2012	189,541,657	239,432,154	49,890,497	79.2%	76,433,494	65.3%
1/1/2013	194,240,337	241,101,765	46,861,428	80.6%	76,305,642	61.4%
1/1/2014	216,918,969	253,533,460	36,614,491	85.6%	77,867,605	47.0%
1/1/2015	236,547,831	265,716,928	29,169,097	89.0%	79,478,129	36.7%
1/1/2016	250,584,482	278,638,967	28,054,485	89.9%	81,355,686	34.5%
1/1/2017	264,742,289	292,274,553	27,532,264	90.6%	80,039,687	34.4%
1/1/2018	281,656,365	308,081,325	26,424,960	91.4%	82,059,110	32.2%
1/1/2019	287,876,891	320,067,540	32,190,649	89.9%	83,892,412	38.4%



## 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, 2019. The liabilities were determined from the actuarial valuation of the System based upon the data submitted by the County.

### ASSETS

Members' Annuity Reserve Account	\$	74,231,946.61
County Annuity Reserve Account	\$	67,666,398.66
Retired Members' Reserve Account	\$	130,332,299.00
Unrealized Appreciation of Assets	\$	(2,500,121.04)
<i>Total Assets, (Market Value) of the Lancaster County Employees' Retirement Fund</i>	\$	269,730,523.23

### LIABILITIES

Actuarial Present Value of:

Accumulated Plan Benefits		
Vested participants (1,053)	\$	60,903,616
Nonvested participants (699)	\$	698,219
Future Benefit Accruals	\$	62,257,755
Terminated Vested Benefits	\$	11,037,274
Retired Benefits	\$	130,332,299
Member Accumulated Deductions	\$	74,231,947
<i>Total Liabilities of the Lancaster County Employees' Retirement Fund</i>	\$	339,461,110



## Schedule C

### Unfunded Actuarial Liability and Normal Cost

Schedule C shows the development of the unfunded actuarial liability and the normal cost for 2019.

#### I. Unfunded Actuarial Liability January 1, 2019

1. Actuarial Liability:		
(a) Active Participants		
Retirement Benefits	\$	93,832,588
Termination Benefits		7,330,316
Death Benefits		3,303,116
Total	\$	<u>104,466,020</u>
(b) Terminated Vested Participants	\$	11,037,274
(c) Retired Members and Beneficiaries		
Retirement Benefits	\$	125,032,924
Cost-of-Living Benefits		5,299,375
Total	\$	<u>130,332,299</u>
(d) Member Accumulated Deductions	\$	<u>74,231,947</u>
(e) Total (a) + (b) + (c) + (d)	\$	320,067,540
2. Actuarial Value of Plan Assets (see page 14)	\$	287,876,891
3. Unfunded Actuarial Liability as of January 1, 2019: (1e) – (2)	\$	<u><u>32,190,649</u></u>

#### II. Normal Cost for 2019

1. Normal Cost for:		
(a) Retirement Benefits	\$	2,149,757
(b) Termination Benefits		376,050
(c) Death Benefits		83,451
(d) Normal Cost as of January 1, 2019	\$	<u>2,609,258</u>
(e) Normal Cost with interest to end of year: (d) x 1.0725	\$	2,798,429



## Schedule D

### Actuarial Gain (Loss) for One Year Period Ending December 31, 2018

Schedule D shows the development of the actuarial gain (loss) for the 2018 plan year.

1.	Unfunded Actuarial Liability as of January 1, 2018	\$	26,424,960
2.	Normal Cost as of January 1, 2018		2,574,394
3.	Interest at 7.25% Per Year to December 31, 2018 on (1) and (2)		2,102,453
4.	Employer Contributions for the 2018 Plan Year		4,399,055
5.	Change in Unfunded Actuarial Liability Due to Cost of Living Increase to Retirees		0
6.	Change in Unfunded Actuarial Liability Due to Change in Assumptions		<u>0</u>
7.	Expected Unfunded Actuarial Liability as of January 1, 2019: (1) + (2) + (3) - (4) + (5) + (6)		26,702,752
8.	Unfunded Actuarial Liability as of January 1, 2019		32,190,649
9.	Actuarial Gain (Loss) for 2018 Plan Year: (7) – (8)		(5,487,897)



## 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 25 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 15 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; increases 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; resetting the unfunded actuarial liability (UAL) due to outstanding balance becoming negative will be amortized over 15 years beginning with the January 1st coinciding with or next following when the outstanding balance becomes negative. When resetting, any previous charges or credits will be considered paid off and eliminated.

### Amortization Record for 2019

						As of January 1, 2019
						Amortization
						Charge or
						(Credit)
						(Credit)
	Initial Amount	Effective Date	Remaining Period	Outstanding Balance		
Amortization of Liability for:						
(a) Initial UAAL	\$ 55,300,950	1/1/2010	21 Years	\$48,712,991	\$4,586,388	
(b) Experience gain	(4,579,291)	1/1/2011	7 Years	(2,743,580)	(513,526)	
(c) Experience loss	7,917,254	1/1/2012	8 Years	5,245,813	887,035	
(d) Mort. tbl. chg.	4,026,526	1/1/2012	8 Years	2,667,895	451,125	
(e) Asset val method chg.	(12,790,377)	1/1/2012	8 Years	(8,474,653)	(1,433,011)	
(f) Salary assump chg.	(5,699,929)	1/1/2013	9 Years	(4,113,139)	(638,042)	
(g) Experience loss	3,606,647	1/1/2013	9 Years	2,602,600	403,723	
(h) Experience gain	(9,321,112)	1/1/2014	10 Years	(7,238,145)	(1,042,491)	
(i) Experience gain	(6,807,012)	1/1/2015	11 Years	(5,633,667)	(760,671)	
(j) Experience gain	(688,973)	1/1/2016	12 Years	(602,964)	(76,929)	
(k) Experience gain	(4,419,512)	1/1/2017	13 Years	(4,063,247)	(493,083)	
(l) Interest assmp chg.	3,718,617	1/1/2017	13 Years	3,418,851	414,884	
(m) Experience gain	(6,033,755)	1/1/2018	14 Years	(5,798,229)	(672,973)	
(n) Interest assmp chg.	2,606,055	1/1/2018	14 Years	2,504,328	290,666	
(o) Salary assmp chg.	2,106,271	1/1/2018	14 Years	2,024,054	234,922	
(p) Experience loss	5,487,897	1/1/2019	15 Years	5,487,897	612,091	
(q) Total				\$33,996,805	\$2,250,108	



## Schedule F

Schedule F determines the certified actuarially determined contribution of \$5,048,537 for 2019 for the Lancaster County Employees' Retirement System.

1.	Total Amortization Charge/(Credit) (page 11 (q))	\$ 2,250,108
2.	Normal Cost with interest to end of year (page 9 II 1(e))	\$ 2,798,429
3.	Total Funding Requirement for 2019 (actuarially determined contribution for 2019): (1) + (2), but not less than 0	\$ 5,048,537

**Notes:**

The actuarially determined contribution for 2019 as a percentage of the estimated 2019 compensation (\$83,892,412) for active members is 6.02%.

The equivalent normal cost accrual rate to be applied to actual 2018 salaries to determine reimbursable expenses is 6.26%.



## Schedule G

The following are notes to Schedules B and I:

**Members' Annuity Reserve Account:** The balance of \$74,231,946.61 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, 2019. Since these accumulations represent the present value as of January 1, 2019, of future benefits, the reserve balance and liability are identical.

**County Annuity Reserve Account:** The balance of \$67,666,398.66 in this account as of January 1, 2019 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, 2019 amount to \$130,332,299.00. The corresponding liability for those annuitants on the roll is identical.



## Schedule G - Continued

**Actuarial Value of Assets:** The Actuarial Value of Assets equals the Market Value of Assets adjusted for unrecognized gains and losses from prior years. Gains and losses are determined by calculating the expected asset return based on Plan assumptions and subtracting the actual Plan return. Gains and losses are phased in 20% per year over a 5-year period. The Actuarial Value of Assets is adjusted, if necessary, to fall within a corridor of 80% to 120% of Market Value of Assets.

1.	Market Value of Assets as of 1/1/2018		\$	291,030,517
2.	Contributions for 2018		\$	9,996,939
3.	Disbursements during 2018		\$	17,792,412
4.	Expected Return at 7.25% Interest		\$	20,817,127
5.	Actual Return for 2018		\$	(13,504,521)
6.	Gain/(Loss) for 2018		\$	(34,321,648)
7.	Amount Unrecognized for 2018: (34,321,648) x .8		\$	(27,457,318)
8.	Gain/(Loss) Unrecognized for Prior Years:			
	(a) 2017	21,057,682 x .6	\$	12,634,609
	(b) 2016	1,099,308 x .4	\$	439,723
	(c) 2015	(18,816,910) x .2	\$	(3,763,382)
	(d) Total of (a) + (b) + (c)		\$	9,310,950
9.	Market Value of Assets as of January 1, 2019		\$	269,730,523
10.	Actuarial Value of Assets as of January 1, 2019 equals (9) – (7) – (8d)		\$	287,876,891
11.	Value must be not less than 80% and not greater than 120% of Market Value		\$	287,876,891



## Schedule H

### APPROXIMATE RATE OF RETURN FOR 2018 PLAN YEAR

		<u>Actuarial Value</u>		<u>Market Value</u>
1.	Value as of December 31, 2017	\$ 281,656,365.00	\$	291,030,517.15
2.	Contributions Received During Year	\$ 9,996,939.19	\$	9,996,939.19
3.	Benefits and Expenses Paid During Year	\$ 17,792,411.55	\$	17,792,411.55
4.	Value as of December 31, 2018	\$ 287,876,891.00	\$	269,730,523.23
5.	Non-Investment Increment: (2) - (3)	\$ (7,795,472.36)	\$	(7,795,472.36)
6.	Investment Increment: (4) - (1) - (5)	\$ 14,015,998.36	\$	(13,504,521.56)
7.	Time Weighted Value of Assets: (1) + .5 x (5)	\$ 277,758,628.82	\$	287,132,780.97
8.	Approximate Rate of Return for 2018: (6) / (7)			
		5.05%		(4.70%)

### HISTORY OF RATE OF RETURNS

<u>Plan Year</u>	<u>Actuarial Value Rate of Return</u>	<u>Market Value Rate of Return</u>
2018	5.05%	(4.70%)
2017	9.01%	15.62%
2016	8.18%	7.95%
2015	7.64%	(0.12%)
2014	10.35%	6.22%
2013	12.16%	19.50%
2012	3.21%	11.68%
2011	13.08%	0.54%
2010	5.29%	12.17%
2009	(2.07%)	20.56%
Five Year Average (2014 - 2018):	8.03%	4.76%
Ten Year Average (2009 - 2018):	7.10%	8.64%



## Schedule I

### Determination of Reserve Balances

	<u>M.A.R.A.</u>	<u>C.A.R.A.</u>	<u>R.M.R.A.</u>	<u>TOTAL</u>
Balance 1/1/2018	\$ 74,787,609.19	\$ 55,821,598.37	\$ 117,005,360.00	\$ 247,614,567.56
County Appropriations		4,399,055.00		4,399,055.00
Member Contributions	5,579,053.69			5,579,053.69
Member Purchases		18,830.50		18,830.50
Net Investment Income		32,411,549.07		32,411,549.07
Investment Expenses		(522,830.65)		(522,830.65)
Member Contributions Refunded	(1,038,096.75)			(1,038,096.75)
Pension Payments			(15,772,784.97)	(15,772,784.97)
Death Benefits			(368,113.10)	(368,113.10)
Retiree and Death Benefit Transfers	(8,046,020.59)	(13,216,110.24)	21,262,130.83	0.00
Cost of Living Funding Requirement				0.00
Administrative Expenses		(48,412.89)		(48,412.89)
Miscellaneous		(42,173.19)		(42,173.19)
Miscellaneous	82,454.37	95,963.51	(178,417.88)	0.00
Balance Before Interest	71,364,999.91	78,917,469.48	121,948,174.88	272,230,644.27
Interest Allocated in 2018	2,866,946.70	(7,646,017.40)	4,779,070.70	
Balance Before Actuarial Adjustments	74,231,946.61	71,271,452.08	126,727,245.58	272,230,644.27
Actuarial Adjustments		(3,605,053.42)	3,605,053.42	
Ending Balance 12/31/2018	74,231,946.61	67,666,398.66	130,332,299.00	272,230,644.27
Unrealized Appreciation				(2,500,121.04)
Total Assets (12/31/2018) (Market Value)				269,730,523.23



## 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
2019	741	1,243	1,984	432	901	1,333
2018	743	1,243	1,986	415	866	1,281
2017	748	1,224	1,972	403	854	1,257
2016	747	1,198	1,945	398	823	1,221
2015	750	1,214	1,964	373	809	1,182
2014	745	1,206	1,951	358	777	1,135
2013	731	1,214	1,945	346	770	1,116
2012	731	1,205	1,936	345	753	1,098
2011	756	1,272	2,028	300	682	982
2010	754	1,281	2,035	297	666	963



## Schedule K

### Changes in Plan Participation From January 1, 2018 to January 1, 2019

#### ACTIVE PARTICIPANTS

Number as of January 1, 2018		1,755
Changes During Plan Year:		
Retired	(-)	72
Terminated and Vested	(-)	19
Terminated	(-)	168
Died	(-)	1
New Participants	(+)	257
Number as of January 1, 2019		1,752

#### RETIRED PARTICIPANTS

Number as of January 1, 2018		1,281
Changes During Plan Year:		
Returned to Active Service	(-)	0
Died	(-)	41
New Retirements from Active Service	(+)	72
New Surviving Annuitants	(+)	5
Vested Terminated Participants Whose Benefits Commenced	(+)	16
Number as of January 1, 2019		1,333

#### TERMINATED VESTED PARTICIPANTS

Number as of January 1, 2018		231
Changes During Plan Year:		
Terminated	(-)	2
Returned to Active Service	(-)	1
Benefits Commenced	(-)	16
Died	(-)	0
New Termination's with Vesting	(+)	19
Additions	(+)	1
Number as of January 1, 2019		232



## Schedule L

### Age, Service and Average Salary Profile of the Active Members on January 1, 2019.

#### MALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2019

<u>Age</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	<u>Total</u>	<u>Average Salary</u>
0-19	0	0	0	0	0	0	0	0	\$ 0
20-24	48	0	0	0	0	0	0	48	\$ 40,245
25-29	73	33	3	0	0	0	0	109	\$ 43,398
30-34	32	43	8	2	0	0	0	85	\$ 46,835
35-39	16	20	13	15	0	0	0	64	\$ 51,901
40-44	6	8	18	18	10	0	0	60	\$ 58,146
45-49	9	10	10	12	24	9	0	74	\$ 64,700
50-54	15	10	7	11	14	23	7	87	\$ 65,188
55-59	10	8	7	4	11	8	15	63	\$ 65,742
60-64	4	4	7	6	4	3	12	40	\$ 69,756
65 +	6	8	7	8	2	0	7	38	\$ 51,242
<b>Total</b>	<b>219</b>	<b>144</b>	<b>80</b>	<b>76</b>	<b>65</b>	<b>43</b>	<b>41</b>	<b>668</b>	<b>\$ 55,078</b>

Average Age: 42.44  
Average Service: 11.56

#### FEMALES -- FULL YEARS OF SERVICE TO JANUARY 1, 2019

<u>Age</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	<u>Total</u>	<u>Average Salary</u>
0-19	2	0	0	0	0	0	0	2	\$ 27,868
20-24	71	0	0	0	0	0	0	71	\$ 33,496
25-29	127	34	0	0	0	0	0	161	\$ 36,724
30-34	57	39	20	0	0	0	0	116	\$ 37,906
35-39	36	25	34	30	0	0	0	125	\$ 43,987
40-44	18	23	21	39	23	4	0	128	\$ 47,074
45-49	20	15	15	23	37	31	0	141	\$ 47,609
50-54	18	14	16	10	18	20	17	113	\$ 50,151
55-59	16	8	15	13	8	15	22	97	\$ 47,560
60-64	15	9	16	10	10	7	13	80	\$ 49,228
65 +	6	7	8	5	6	13	5	50	\$ 39,589
<b>Total</b>	<b>386</b>	<b>174</b>	<b>145</b>	<b>130</b>	<b>102</b>	<b>90</b>	<b>57</b>	<b>1,084</b>	<b>\$ 43,523</b>

Average Age: 42.60  
Average Service: 11.69



## Schedule M

### Actuarial Assumptions and Actuarial Cost Method for Funding Purposes, January 1, 2019.

#### 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%

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  $(\text{age} - 30) \times 3 \frac{1}{3}\%$ . Illustrative percentages are as follows:

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

Once member reaches retirement eligibility, a withdrawal rate of zero is assumed.



## 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 the Year:

#### LESS THAN FIVE YEARS OF SERVICE

<b>Age at Hire</b>	<b>Years of Service</b>				
	<b><u>0</u></b>	<b><u>1</u></b>	<b><u>2</u></b>	<b><u>3</u></b>	<b><u>4</u></b>
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

<b><u>Age at Beginning of Year</u></b>	<b><u>Probability of Withdrawing and Forfeiting County Pension</u></b>	<b><u>Probability of Withdrawing and Retaining County Pension</u></b>
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:

<u>AGE AT BEGINNING OF YEAR</u>	<u>PROBABILITY OF RETIRING DURING YEAR</u>
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:** 7.25% per annum, compounded annually.

**Salary Increases:** 4.0% per annum.

**Valuation Assets:** Market value adjusted for unrecognized gains and losses from prior years.

**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.

**Changes Since Prior Valuation:** None.



## Schedule N

### Summary of Plan Provisions

- 1. Effective Date** - The effective date of this plan is January 1, 1961.
- 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:

Class	Percentage	Effective
1/120	0.833%	01/01/1961
1/100	1.000%	01/01/1973
1/80	1.250%	01/01/1977

#### 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:

- 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,

PLUS

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



## Schedule N - Continued

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



## Schedule N - Continued

### 10. Disability Retirement

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

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

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

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

### 13. Death Benefits

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

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



## Schedule N - Continued

### 14. Employee Contributions

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

### 15. Deposit Administrator

Investment Managers:

C.S. McKee  
Emerald Advisors  
Acadian Asset Management  
EmStone Advisors  
Federated Investors  
JP Morgan  
Morgan Stanley

Custodian:

Fulton Financial Advisors

Investment Consultant:

Marquette Associates

**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. Prior to 2017, a percentage of the CPI could be granted. After 2016, the annual CPI could be granted. The Board has granted cost-of-living increases twenty four times in the past from January, 1972 through January, 1999 and since then as follows:

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



## Schedule N - Continued

**18. Early Retirement Provision** - The Retirement Board has authorized the following Early Retirement Provisions:

<u>Percent of Additional Service</u>	<u>Early Retirement Period</u>
15%	7/1/95-12/31/95
15%	7/1/00-12/31/00
15%	11/1/2010-12/20/2010



## Schedule O

### Historical Trend Information

#### REVENUES BY SOURCE

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>Employer Contributions</u>	<u>Investment Income</u>	<u>Miscellaneous</u>	<u>Total</u>
2009	\$ 4,531,248	\$ 7,421,189	\$ (1,462,817)	\$ 72,880	\$ 10,562,500
2010	4,599,397	8,000,000	7,366,685	9,687	19,975,769
2011	4,392,243	7,554,873	12,364,395	3,963	24,315,474
2012	4,699,968	7,142,834	7,152,224	3,006	18,998,032
2013	4,800,503	7,001,128	12,541,365	3,119	24,346,115
2014	5,034,095	5,962,997	21,872,509	4,345	32,873,946
2015	4,973,865	5,228,813	25,324,460	3,098	35,530,236
2016	5,110,678	4,580,199	9,317,840	88,836	19,097,553
2017	5,401,676	4,424,334	18,603,873	64,871	28,494,754
2018	5,597,884	4,399,055	32,411,549	0	42,408,488

#### EXPENSES BY TYPE

<u>Fiscal Year</u>	<u>Benefits</u>	<u>Refunds</u>	<u>Administrative/ Miscellaneous</u>	<u>Total</u>
2009	\$ 8,614,456	\$ 592,483	\$ 559,551	\$ 9,766,490
2010	7,858,725	819,402	662,681	9,340,808
2011	12,478,620	1,031,011	746,676	14,256,307
2012	11,840,410	684,001	678,940	13,203,351
2013	10,980,918	987,404	716,898	12,685,220
2014	11,792,083	1,163,160	739,201	13,694,444
2015	12,168,438	1,187,981	730,425	14,086,844
2016	14,092,700	1,085,032	688,080	15,865,812
2017	14,872,093	1,086,291	560,234	16,518,618
2018	16,140,898	1,038,097	613,417	17,792,412



## Schedule O - Continued

### Plan Maturity Measures

Assets are accumulated over participants' careers to pay future benefits. The natural growth of liabilities and assets is referred to as plan maturity. As the plan matures, the size of the plan grows relative to the active members' payroll and will cause changes in the assets or liabilities to have a larger effect on the Actuarially Determined Contribution (ADC). The following table shows a history of the plan's maturity and the effect of a 1% change in plan assets or liabilities on the ADC.

<u>Fiscal Year</u>	<u>Actives Per Retirees</u>	<u>Ratio of Assets to Payroll</u>	<u>Effect on ADC of a 1% Change in Assets</u>	<u>Ratio of Actuarial Liability to Payroll</u>	<u>Effect on ADC of a 1% Change in Liability</u>
2018	1.3	3.2	\$ 300,000	3.8	\$ 360,000

The Society of Actuaries' Retirement Plans Experience Committee (RPEC) has released the final report of the Pub-2010 Public Retirement Plans Mortality Tables. The primary focus of this study was a comprehensive review of recent mortality experience of public retirement plans in the United States. There are separate tables for teachers, safety employees, and general employees. The effect of changing to the Pub-2010 for General on the ADC is an increase of \$2,300,000.