

**The Retirement System
Of the Town of Greenwich**

Actuarial Valuation as of July 1, 2005

Prepared on
December 6, 2005

EFI^{*} Actuaries · EFI Asset/Liability Management Services, Inc.

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Table of Contents

Summary of Results.....	1
Summary of Plan Provisions, Member Statistics, and Actuarial Assumptions	8
1.1: Brief Outline of Plan Provisions	9
1.2: Participant Data as of July 1, 2005.....	19
1.3: Actuarial Methods and Assumptions.....	33
Asset Information	40
2.1: Income Statement July 1, 2004 through June 30, 2005	41
2.2: Computation of Actuarial Value of Assets	42
Actuarial Computations.....	43
3.1: Computation of Annual Contribution as of July 1, 2004.....	44
Entry Age Normal Funding Method, 8.50% Interest, 4.00% Inflation.....	44
3.2: Computation of Annual Contribution as of July 1, 2005.....	45
Entry Age Normal Funding Method, 8.50% Interest, 4.00% Inflation.....	45
Disclosure Information	46
4.1: Schedules of Funding Status and Employer Contributions Required Under GASB Statement No. 25.....	47

Summary of Results

Introduction

This Report presents the results of an actuarial valuation of the Retirement System of the Town of Greenwich as of July 1, 2005. The purposes of this actuarial valuation are:

- To perform the annual actuarial valuation in accordance with the provisions of Subsection (c) of Section 202 of the Greenwich Municipal Code,
- To compute the annual dollar contribution required to fund the Plan in accordance with actuarial principles for the year beginning July 1, 2006, and
- To present those items required for disclosure under Statement No. 25 of the Governmental Accounting Standards Board (GASB).

Organization of the Report

This Report is organized in five sections:

- This Summary presents the conclusions of the Report and discusses the reasons for changes since the last valuation.
- Section 1 below contains an outline of the Plan provisions on which our calculations are based, statistical data concerning Plan participants, and a summary of the actuarial assumptions employed to compute liabilities and costs.
- Section 2 presents information concerning Plan assets, including balance sheets, income statements and the calculation of the Actuarial Value as Assets from July 1, 2004 to June 30, 2005.
- Section 3 contains the actuarial calculation of liabilities and Plan cost.
- Section 4 contains pension plan information required under Statement No. 25 of the Governmental Accounting Standards Board.

Plan Cost

Since the last actuarial valuation was performed as of July 1, 2004, the Plan cost has increased in both dollar terms and as a percentage of active members' payroll. The table below shows a brief summary.

	<u>Cost in Dollars</u>	<u>Cost as % of Projected Payroll</u>
July 1, 2004 (FY 2005-2006 Contribution)	\$688,849	0.93%
July 1, 2005 (FY 2006-2007 Contribution)	\$3,991,790	5.19%

Costs were expected to increase, as the surplus assets are amortized and as new entrants enter the Plan. In addition, the low return on the actuarial value of assets and various benefit improvements were responsible for increasing the cost of the Plan further. These factors and others will be discussed in detail below.

Change in Plan Cost from July 1, 2004 to July 1, 2005

The table below shows the breakdown of the change in Plan cost from July 1, 2004 to July 1, 2005.

	<u>Cost as % of Projected Payroll</u>	<u>Cost as \$ Amount</u>
July 1, 2004	0.93%	\$688,849
Change in cost due to demographic gains/losses	0.08%	51,935
Change in cost due to salary gains/losses	0.28%	241,358
Change in cost due to new entrants	0.35%	314,960
Change in cost due to plan changes	3.80%	2,872,207
Change in cost due to assumption changes	(2.42%)	(1,843,593)
Change in cost due to investment experience	2.17%	1,666,074
July 1, 2005 (8.5% Interest, 4.0% Inflation)	5.19%	\$3,991,790

The computations above are based on the Plan provisions and on the current actuarial assumptions as of July 1, 2005. The above costs are also based on the actuarial value of Plan assets, which is based on a five-year asset value smoothing method.

Among the causes of the cost changes were the following:

- Demographic experience was in reasonable agreement with expectations; causing only a slight increase in cost as a percentage of pay. Demographic gains and losses occur because of status changes within the Plan: retirements, deaths, disabilities, and terminations. The overall effect of the demographic gains/losses was to increase costs by 0.08% of payroll.
- Salary increases above those assumed caused an increase in cost of about 0.28%. Some of the discrepancy in expected versus actual salaries is related to the fact that we are now being provided with the employees' rates of pay as of the valuation date – previously we were only given earnings over the most recently completed fiscal year. Therefore, some of the cost increase is due to this difference in the methodology for handling member pay data.
- The addition of new Plan members resulted in a cost increase of 0.35%.

Active participation in the Plan has decreased slightly: There were 1,476 active members on July 1, 2004, and there are 1,445 in this year's valuation. However, there was a substantial number of new or rehired employees, who replaced retiring or terminating members. Since the Plan is still overfunded on an accrued liability basis, the current Town cost is below the long-term Town Normal Cost (which is

currently 8.42% of payroll). When new members enter the Plan, they immediately add to the Normal Cost of the Plan, but have only a minor impact on the unfunded liability or surplus assets. Therefore, new entrants tend to drive the overall cost closer to the long-term Normal Cost, which in this case results in an increase in the Town contribution.

- Changes to the Plan resulted in a cost increase of 3.80%.

There were a number of changes to the Plan provisions which are reflected in the July 1, 2005 valuation. First and foremost, an ad-hoc Cost of Living Adjustment (COLA) was granted to the current retirees and beneficiaries of the Plan. This increased the cost of the Plan by approximately 1.86% of payroll.

Also, future retirees from the GMEA and Teamster bargaining units have been granted automatic future COLA increases. These COLA increases are based on the annual increase in the CPI-W (NY-NJ-CT-PA), beginning once the employee reaches age 62, and limited to a maximum annual increase of 3% and a maximum cumulative increase of 50%. These future COLAs have increased the cost of the Plan by 1.58% of payroll.

The Police Officers received a benefit improvement, granting them an additional 0.5% of final compensation per year of service beyond the 26 year and 8 month plateau at which the member is eligible to receive an amount equal to 75% of final compensation, up to a maximum of seven additional years (for an additional 3.5% of final compensation). Alternatively, members can elect to have their retirement benefits frozen once they reach 26 years and 8 months of service and then join a new defined contribution plan. However, changes to the retirement rates which may be expected to occur because of this benefit improvement may offset a portion of the cost of this benefit increase. These offsets are reflected in the assumption change section described below.

There have been a number of more modest Plan changes as well, including the lowering of vesting requirements for a deferred vested benefit for the Teamsters and Nurses, lowering of vesting requirements for pre-retirement death benefits for the Teamsters and GMEA, improvements to the pre-retirement ordinary death benefit for Police Officers, and changes to the methodology for determining the amount of the accidental disability benefit. These other changes (including the new Police retirement benefit) accounted for the remaining 0.36% increase in cost due to Plan changes.

There has been one change that although it does not affect the current cost of the Plan, it will certainly have an impact on the future growth and costs of the Plan. New hires joining the Teamster and GMEA bargaining units will not be eligible to enter the Plan – instead, they will participate in a new defined contribution plan. Because a portion of the payroll for these new members would have previously supported the amortization of the unfunded liability or surplus, the exclusion of these new members from the Plan will have an impact on future costs. We recommend that a projection of future Plan costs be performed in concert with next year's valuation, in order to more fully explore the impact of changes to the new entrant profile of the Plan.

- Assumption changes resulted in a cost reduction of 2.54% of payroll.

The Retirement Board recently approved the conclusions of an experience study completed by EFI Actuaries. This study has resulted in moderate adjustments to a number of demographic assumptions used to project the liabilities and cost of the Plan. Among these adjustments included reducing

disability rates for both safety and general service members, altering the safety retirement rates (partly as a result of recent benefit changes), establishment of a new set of termination rates for Instructional Aides, and the creation of service-related assumptions to predict the longevity-based component of salary increases for general service members.

Many of the assumptions previously being used were found to be overly conservative. Therefore the use of the new set of assumptions has reduced the anticipated cost of the Plan by 2.54% of payroll.

There has been one assumption change that was not related to the completed experience study. The recurring COLA benefit granted to the GMEA and Teamster bargaining units has been previously analyzed using the assumption that the rate of COLA increases will average 2.5%, based on a CPI assumption of 4% and COLAs which are capped at 3%. Further study of past actual inflation experience indicates that a COLA increase assumption of 2.75% is more appropriate. This change in the COLA assumption has increased the cost of the Plan by 0.12% of payroll.

The overall impact of the assumption changes (the experience study changes, plus the COLA assumption change) was to reduce cost by 2.42% of payroll.

- A large portion of the increase in Plan cost as a percentage of payroll – 2.17% – was due to an actuarial loss from Plan investments: Plan assets returned about 2.9% on an actuarial basis (but almost 10.2% on a market basis), resulting in an actuarial loss of about \$17.6 million. The low return on the actuarial value of assets results from the deferral of earlier losses under the asset-smoothing method. Amortizing this loss as a level dollar amount over a period of 28 years results in a cost increase of approximately \$1.7 million.

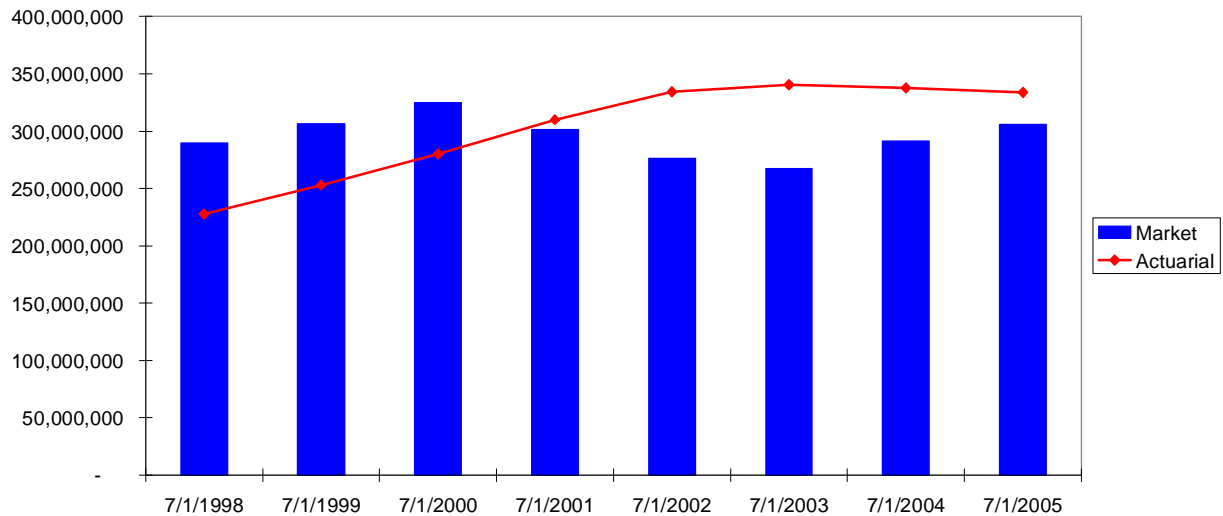
Timing of Town Contributions

The annual cost of \$3,991,790 (5.19%) is calculated based on the projected payroll of \$76,940,140 for FY 2006-2007. In the calculation it is assumed that the Town contribution is made in the form of a single sum on July 1, 2006. An interest adjustment for the timing of Town contributions should be made if the contributions will be made in equal monthly payments throughout the 2006-2007 year, or if any other payment method will be used.

Actuarial Smoothing of Plan Assets

The figures above have been computed by valuing the Plan's assets at actuarial value, as do most other defined benefit pension plans. The actuarial value of Plan assets is computed in a manner designed to smooth fluctuations in the market value of Plan assets. The additional stability in the value of Plan assets translates to more predictable pension plan costs that are easier to budget.

We have computed the cost of the Plan as of July 1, 2005 using a five-year asset value smoothing method. The smoothing method spreads the recognition of investment gains and losses over five years.



The chart above compares market value and actuarial value of assets since 1998. We note that the smoothing method has the desired effect: the actuarial value line in the chart has smaller year-to-year changes than the market value, on average.

However, this comes at a price: The value of assets used to compute Plan costs can be higher than market value: As of July 1, 2005, the actuarial value of assets is 103.3% of market value. In essence, the smoothed actuarial value of assets borrows expected future gains to raise the value of assets above market value.

If the valuation were to be completed using the market value of assets, the calculated cost would be 6.45% of payroll, or \$5.0 million for FY 2005-2006.

The substantial market returns from 2004 - 2005 have resulted in the difference between the market value and actuarial value of assets being much smaller than last year. If the assets earn 8.50% on a market basis during FY 2006-2007, the actuarial value of plan assets will nearly equal the market value on July 1, 2006. However, because the actuarial value of assets is still somewhat higher than the market value, we expect that the Plan faces at least one more year of increasing costs if the assets return 8.5% on a market basis, as the deferred losses from 2001 through 2003 continue to be recognized.

Funded Ratio

The funded ratio is the ratio of the assets to the Actuarial Accrued Liability. Table 3 below summarizes the funded ratios for the past three years, expressed as a percentage of both the market value of assets and the actuarial value of assets. We note that for all valuations before July 1, 2003, the actuarial cost method used was the aggregate method. The aggregate cost method does not identify nor separately amortize an unfunded actuarial accrued liability. Accordingly, the History of Funding Status does not apply for valuations occurring before July 1, 2003.

Table 3: History of Funding Status

	Actuarial Value of Assets	Market Value of Assets	Actuarial Accrued Liability	Funded Ratio (Actuarial)	Funded Ratio (Market)
7/1/2003	\$323,022,806	\$267,369,524	\$255,123,408	126.61%	104.80%
7/1/2004	\$321,149,799	\$291,072,645	\$259,828,716	123.60%	112.02%
7/1/2005	\$316,137,276	\$305,908,295	\$289,863,860	109.06%	105.54%

Alternate Valuation Return Assumptions

The July 1, 2004 valuation was performed using a valuation return assumption of 8.50%. The comments in this Summary of Results have been based on maintaining the same valuation rate. However, we wish to show examples of the Town cost, both as a dollar amount and as a percentage of projected payroll, using a variety of return assumptions.

For the first three return scenarios, we have not altered the assumed inflation rate, therefore the real rates of return (the gross rate net of inflation) have also been lowered. We have also presented two scenarios in which the current real rate of return (approximately 4.50%) has been maintained, but the gross rate investment assumption and the inflation assumption have been reduced.

The following table shows the required FY 2006-2007 contribution under these five rate scenarios (intermediate rates can be estimated using interpolation). We have also shown the Normal Cost of the Plan under each scenario, which indicates a rough estimate of the long-term cost of the Plan.

<u>Valuation Return / Inflation Rate</u>	<u>Cost in Dollars</u>	<u>Cost as % of Projected Payroll</u>	<u>Normal Cost as % of Projected Payroll</u>
8.50% Interest, 4.0% Inflation	\$3,991,790	5.19%	8.42%
8.25% Interest, 4.0% Inflation	\$5,190,615	6.75%	9.00%
8.00% Interest, 4.0% Inflation	\$6,413,454	8.34%	9.61%
8.25% Interest, 3.75% Inflation	\$4,749,432	6.19%	8.67%
8.00% Interest, 3.50% Inflation	\$5,510,336	7.20%	8.92%

Lower return rates result in higher present values, accrued liabilities and normal costs. The return and inflation rate assumptions chosen by the Board have a large impact on the determination of the overall Plan cost. The selection of these rates should only be done after consultation with the Investment Advisor and should be based on the expected long-term rate of return on the System's assets and reflect the Plan's asset allocation policy.

Future Costs

We have made several references in this letter to factors which will impact the future costs of the Plan.



- First, and foremost, the Plan has assets which exceed the accrued liability. Therefore, the current cost of the Plan is below the Normal Cost, due to the amortization of the surplus assets. As this surplus is amortized and as new entrants enter the Plan, the cost of the Plan will approach the Normal Cost, which, as mentioned earlier, is currently 8.42% of payroll.
- As was mentioned in our discussion of the smoothing method, the actuarial value of assets is still above the market value (103.3%). If the assets were to earn 8.50% on a market basis during FY 2005-2006, the actuarial rate of return is expected to be approximately 5.10%, which would result in an actuarial loss of approximately \$10.6 million. This loss would increase the Town's annual contribution by approximately \$1.0 million. However, this potential increase will be reduced or eliminated if the assets earn more than 8.50% on a market basis.
- As was mentioned in our discussion of the changes to the Plan, future new hires joining the Teamster and GMEA bargaining units will not be eligible to enter the Plan. Because this will reduce the future payroll base which is used to amortize any unfunded liability or surplus, it is likely we will see a higher rate of fluctuation in the Town cost as a percentage of payroll. However, this will not necessarily affect the dollar amount of the Town's contribution.

Conclusion

This report has been prepared using generally accepted actuarial methods and assumptions. If there are any questions about this report, please feel free to contact us. We enjoy being of service to you and we look forward to doing so in the future.

Respectfully submitted,



Edward H. Friend, FSA



Graham A. Schmidt

Section 1

Summary of Plan Provisions, Member Statistics, and Actuarial Assumptions

1.1: Brief Outline of Plan Provisions

Definitions

Compensation

For Management Confidential, Elected Officials, certain Board of Education members, LIUNA, GMEA, Teamsters, Instructional Aides, and Public Health Nurses, Compensation denotes annual earnable compensation.

For Firemen and Police Officers, Compensation denotes annual earnable compensation, including injury and holiday pay, and shift differential. For both Firemen and Police Officers, EMT/MRT compensation is included. For Firemen, pays for dispatch stipend, handling of hazardous materials, confined space and trench rescue are also included.

Out of class pay is included for all employees.

Average Final Compensation

A Participant's Average Final Compensation is the Compensation during the one year of Creditable Service for which such Compensation was the highest.

Prior Service

Service rendered prior to 1/1/1946 for which credit is allowed by the Retirement Board

Military Service

Service purchased for prior military service in accordance with existing labor contracts. The maximum credit is four years.

Membership Service

Service rendered subsequent to 1/1/1946 and since employee last became a member.

Creditable Service

Prior service plus military service plus purchased service plus membership service.

Eligibility Service

Prior service plus membership service.

Participation

Membership is mandatory for all regular employees in the service of the Town whether appointed or elected, except employees in public schools who are eligible to participate in the Connecticut Teachers' Retirement System.

As of July 1, 2005, employees hired into the Teamster and GMEA bargaining units shall be ineligible for Retirement System membership. Instead, these employees will be eligible to participate in the Town's defined contribution retirement plan.

Retirement Benefit

Eligibility

General employees are eligible for normal service retirement upon reaching age 65, upon attaining age 60 and completing 20 or more years of Eligibility Service or upon satisfying the Rule of 80.

Police Officers are eligible for service retirement upon reaching age 55 or upon completing 20 or more years of Eligibility Service. Fire fighters are eligible for service retirement upon reaching age 50 or upon completing 20 or more years of Eligibility Service.

General employees are eligible for an early service retirement upon reaching age 60, except for Management Confidential, Elected Officials and certain Board of Education members, who can qualify for early service retirement at the earlier of age 55 with 5 years of Eligibility Service, or age 60.

Accrual Rates

For Management Confidential, Elected Officials, and certain Board of Education members, the Rate of Benefit is 1/40 for the first 20 years of Creditable Service and 1/50 thereafter.

For LIUNA, Teamsters, GMEA members, Instructional Aides, and Public Health Nurses, the Rate of Benefit is 1/50 for each year of Creditable Service.

For Police Officers and Firefighters, the Rate of Benefit is 1/40 for each year of Creditable Service. However, once a Police Officer or Firefighter has completed 26 years and 8 months of Creditable Service, the total benefit increases to a maximum of $\frac{3}{4}$ of Final Compensation.

As of July 1, 2004, Police Officers are eligible to receive an additional 0.5% of Final Compensation for each full year of Creditable Service after reaching the maximum retirement allowance, up to a maximum of seven years. Alternatively, an employee may elect, effective as of the date he or she reaches the maximum retirement allowance, to cease participation in the Retirement System and commence participation in a defined contribution plan to be established by the Town. An employee who makes this election will have his or her retirement allowance frozen as of the date of this election, and may not begin receiving this benefit until his or her actual retirement.

Benefit Amount

The normal service benefit amount is composed of two pieces:

1. An annuity which is the actuarial equivalent of the member's accumulated payroll deductions at retirement; and
2. A pension which, together with the annuity, is equal to the Rate of Benefit multiplied by Average Final Compensation, multiplied by the number of years of Creditable Service, not greater than $\frac{2}{3}$ of Average Final Compensation. For Police Officers and Firefighters, the

maximum benefit increases to $\frac{3}{4}$ of Final Compensation upon completion of 26 years and 8 months of Creditable Service.

No benefit shall be less than \$1,200 if the participant has provided 15 or more years of Eligibility Service.

In the past, members have been able to reduce their contributions by the amount of tax under the Federal Insurance Contributions Act or elect not to increase their pension rate of contribution. As of January 1, 2002, all employees must make a one time irrevocable election whether or not to contribute to the System. If an employee has contributed less than the full percentage required at any point in his career, his benefit will be reduced. The benefit shall be equal to the greater of:

1. The pension equal to the amount which such pension would have been if the member had contributed throughout membership service the full percentage of earnable compensation required without regard to such election, plus the annuity which is the actuarial equivalent of the member's accumulated payroll deductions at retirement, or
2. $\frac{2}{3}$ of the total retirement allowance set forth above, plus $\frac{1}{3}$ of the retirement allowance set forth above multiplied by a fraction the numerator of which is the actual accumulated deductions at the time of retirement based on the actual contributions made by such member, and the denominator of which is the accumulated deductions which would have existed if such member had contributed throughout his membership service the full percentage of his earnable compensation. The fraction is limited to a maximum of one and a minimum of zero.

For Management Confidential and Elected Officials, the amount of contributions and contribution deficiency, if any, is frozen as of December 31, 1994.

For certain Board of Education members, the amount of contributions and contribution deficiency, if any, is frozen as of June 30, 1998.

The early service retirement allowance calculated in the same manner as the normal service retirement, except that the pension portion of the early retirement benefit is equal to the actuarial equivalent of the pension portion of a normal service retirement benefit commencing at the age at which the member would have completed the minimum requirements for service, computed on the basis of Average Final Compensation and Creditable Service at the date of retirement. The methods and minimums for applying a benefit reduction due to a contribution deficiency still apply.

Form of Benefit

For general employees, the normal form of benefit is a life annuity with a provision that upon the member's death the excess of accumulated deductions at retirement over the annuity payments received will be paid to the designated beneficiary or estate.

For Police Officers and Firefighters, the normal form of benefit is an annuity payable to the participant, with a survivor benefit of 50% of the pensioner's monthly allowance payable to the surviving spouse or minor children upon the death of the retiree. The surviving spouse receives the survivor's allowance until death or remarriage, whichever occurs first. If the surviving spouse dies, leaving surviving minor children, the 50% benefit passes to them in equal shares until each reaches age

18 (23 if full time student.) The benefit payable to a dependent child is payable for life (or the duration of incapacity) if the child is disabled.

Ordinary Disability Retirement Benefit

Eligibility

A participant is eligible for an ordinary disability retirement benefit if the participant is mentally or physically incapacitated for the further performance of duty, provided that such incapacity is likely to be permanent and not eligible for an accidental disability allowance. A participant must have earned 12 years of Eligibility Service (10 for Police Officers and Firefighters) to qualify for occupational disability.

Benefit Amount

The ordinary disability retirement allowance is composed of two pieces:

1. An annuity which is the actuarial equivalent of the member's accumulated deductions at retirement; and
2. A pension which, together with the annuity, provides a total retirement allowance equal to 90% of the Rate of Benefit multiplied by the number of years of Creditable Service, not greater than 90% of 2/3 of Average Final Compensation and not less than \$1,080. The minimum allowance is 30% of Average Final Compensation.

If there is a contribution deficiency at the time of retirement, the pension portion of the benefit is reduced to the amount which such pension would have been if the member had contributed throughout membership service the full percentage of earnable compensation required without regard to such election. Again, the amount of contributions and contribution deficiency, if any, is frozen for members of the Management Confidential and Elected Officials, and for certain Board of Education members.

Form of Benefit

The benefit form is the same as that for a normal service retirement benefit.

Accidental Disability Retirement Benefit

Eligibility

A participant is eligible for an accidental disability retirement benefit if the participant is totally and permanently incapacitated due to an accident occurring while in the performance of duty. Disability due to hypertension or heart disease, in the case of Police Officers and Firefighters, is presumed to have been suffered in the line of duty.

Benefit Amount

The accidental disability retirement allowance is composed of two pieces:

1. An annuity which is the actuarial equivalent of the member's accumulated deductions at retirement; and
2. A pension equal to 50% of average final compensation.

If the member has completed the minimum requirements for service retirement, he shall receive the great of the allowance calculated above or a service retirement allowance.

Form of Benefit

The benefit form is the same as that for a normal service retirement benefit.

Pre-Retirement Ordinary Death Benefit

Eligibility

Upon the death of a Policeman or Firefighter from causes not entitling his beneficiary to accidental death benefits, a benefit is payable to the member's spouse prior to remarriage; or if no surviving spouse, payable in equal share to dependent children under age 18 (23 if a full-time student) until such children attain age 18 (23). If a surviving child is mentally or physically incapacitated, for substantial gainful employment before age 18, then the portion of the survivor's benefit is payable to that child during the duration of such incapacity.

The surviving spouse of general employee is eligible to receive a benefit upon the non-accidental death of the employee if the employee has completed 10 years of Eligibility Service.

As of July 1, 2005, participants in the GMEA and Teamster bargaining units are eligible to receive this non-accidental death benefit once the employee has completed 5 years of Eligibility Service.

Benefit Amount

For Police Officers and Firefighters, the benefit is an annual pension equal to one quarter of the member's Compensation at the time of death.

For general employees, the pre-retirement death benefit is 100% of the benefit that would have been payable had the participant retired immediately prior to his or her death and elected to receive a 100% Joint and Survivor annuity.

As of July 1, 2004, Police Officers who are eligible for retirement at the time of death are eligible to receive the greater of their current death benefit or the pre-retirement death benefit described above for general employees.

Form of Benefit

For Police Officers and Firefighters, the death benefit begins when the participant dies and continues as described above. For general employees the death benefit is payable to the surviving spouse for life.

Pre-Retirement Accidental Death Benefit

Eligibility

Upon the death of a member resulting from an accident in the actual performance of duty, a benefit is payable to the member's spouse prior to remarriage; or if no spouse or if the spouse dies or remarries before the youngest child attains the age of 18 (23 if a full-time student), then to the child or children under age 18(23) until the youngest child attains age 18 (23); or if none of the foregoing exists, then to the member's dependent father or mother, as the Retirement Board in its discretion shall determine, for life. Death due to hypertension or heart disease shall only be presumed to have been accidental for Police Officers and Firefighters.

Benefit Amount

The benefit is an annual pension equal to one half of the member's Average Final Compensation at the time of death.

Form of Benefit

The benefit is payable upon the death of the member to the appropriate beneficiary, as described above.

Termination Benefit

Eligibility

LIUNA members, GMEA members, Management Confidential employees and Elected Officials are eligible for a termination benefit after earning five years of Eligibility Service. As of June 30, 2005, members of the Teamsters and Nurses bargaining units are also eligible for a termination benefit after earning five years of Eligibility Service. All other members are eligible once they have earned ten years of Eligibility Service.

Benefit Amount

The benefit amount is computed in the same manner as a service retirement, using the Average Final Compensation and Creditable Service to the date of termination.

Form of Benefit

The benefit is payable in the same form as the service retirement benefit, except that the annuity does not begin immediately. For general employees, the benefit is deferred to age 65, age 60 if the employee has 30 years of Eligibility Service, or at the earliest age at which the member is in compliance with the Rule of 80. The benefit for Police Officers is deferred to age 55. The benefit for Fire Fighters is deferred to age 50.

Return of Deductions

Upon the withdrawal of a member, the amount of his accumulated deductions, plus any earnings thereon, is payable to him on demand, and he may still receive an employer provided benefit if eligible.

Upon the death of a member prior to retirement, the amount of his accumulated deductions is paid to his beneficiary or his legal representatives.

Workmen's Compensation Benefit Offset

Any amounts payable under the provisions of any Workmen's Compensation Law or policy, or under the provisions of any similar law or policy to a member on account of disability or death are in some circumstances offset against any Retirement System benefits provided from the contributions of the Town on account of such disability or death. This provision does not apply to Fire Fighters or Police Officers.

Optional Benefit Forms

Prior to retirement, a member may elect to convert his retirement allowance into a benefit of equivalent actuarial value in accordance with one of the optional forms described below.

1. A reduced retirement allowance payable during his life with the provision that on his death the excess, if any, of his accumulated deductions at the time of retirement over the annuity payments made to him will be paid to his designated beneficiary or estate (the retirement allowances of general employees are not reduced to provide for this benefit form); or
2. A reduced retirement allowance payable during his life with the provision that after his death the reduced allowance will be continued for life to the beneficiary designated by him at the time of his retirement; or
3. A reduced retirement allowance payable during his life with the provision that after his death an allowance of one-half of his reduced allowance will be continued for life to the beneficiary designated by him at the time of his retirement (the retirement allowances of Police Officers and Fire Fighters are not reduced to provide for this benefit form.)

Post Retirement Adjustments

Commencing July 1, 1980, the retirement allowances of the then current beneficiaries were increased by an amount equal to the greater of 3% of the retirement allowance for each full year of retirement through July 1, 1979 or the amount necessary to raise the retirement allowance to the level it would have been had the formula minimum been \$200 per month at retirement.

Commencing July 1, 1987, the retirement allowances of the then current beneficiaries who were retired as of June 30, 1982 were increased by an amount based on current age and maximum allowance.

Commencing July 1, 1993, the retirement allowances of the then current beneficiaries who were retired as of June 30, 1987 were increased by an amount equal to 3% of the allowance for each full year of retirement from July 1, 1982 through June 30, 1988. The minimum increase was \$50 per month.

Commencing July 1, 1996, the retirement allowances of the then current beneficiaries who were retired as of June 30, 1994 were increased by an amount based on age and a percentage of the change in the Consumer Price Index from the June following retirement to June, 1996. The increased amount was equal to $\frac{1}{4}$ of the CPI for All Urban Consumers (CPI-U) increase for benefits payable up to age 65, and $\frac{1}{2}$ of the CPI-U increase for benefits payable at age 65.

Commencing July 1, 2000, the retirement allowances of the then current beneficiaries who were retired as of June 30, 1998 were increased by an amount based on age and a percentage of the change in the Consumer Price Index from June 1996 (or the June following retirement if retired after June 30, 1994) to June 1999. The increased amount was equal to 100% of the CPI for All Urban Consumers (CPI-U) increase. A minimum increase of \$20 per month also applied.

Commencing July 1, 2005, the retirement allowances of the then current beneficiaries who were retired as of June 30, 2003 were increased by an amount based on the percentage of the change in the Consumer Price Index from June 1999 (or the June following retirement if retired after June 30, 1999)

to June 2004. The increased amount was equal to 100% of the CPI for All Urban Consumers (CPI-U) increase.

This valuation also reflects the addition of an annual cost of living adjustment in their retirement allowance for some Teamster and GMEA retirees age 62 and over, who retired prior to July 1 of the previous calendar year. Subject to the conditions set forth below, the COLA shall be 100% of the annual increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers for the New York-Northern New Jersey-Long Island, NY-NJ-CT-PA (CPI-W), not to exceed 3%, measured from May as reported in June. In no event shall a retiree's annual retirement allowance exceed 150% of the allowance at which the employee retired. In the event the annual increase in the CPI is less than one percent (1%) no COLA shall be due. This recurring COLA shall be applicable to Teamster members who retire on or after July 1, 2004 and to GMEA members who retire on or after July 1, 2005.

Early Retirement Incentive Plans

During the 1995-96 plan year, the 1997-98 plan year, the 1999-2000 plan year, and the 2001-02 plan year, early retirement incentive plans were in effect that allowed certain eligible members to retire with enhanced benefits, payable immediately.

Funding

The Town and the employees share in the cost of the Plan.

Employees of the different bargaining units contribute according to the following schedule:

- For LIUNA members, the rate of contribution is 4% as of June 30, 2002. For members hired on or after 7/1/2003, these contributions are mandatory.
- For Public Health Nurses, the rate of contribution is 4%. For Instructional Aides, the rate is 5%.
- For Police Officers and Fire Fighters, the rate of contribution is 5%. Member contributions cease once the member has completed 26 years and 8 months of Creditable Service, even for Police Officers who elect to continue earning benefits after the 26 years and 8 months period.
- For GMEA members, the rate of contribution is 4%. For members hired on or after 7/1/2003, these contributions are mandatory.
- For Teamsters, the rate of contribution is 4% as of February 9, 2002. For members hired on or after 7/1/2003, these contributions are mandatory.
- Management Confidential, Elected Officials and certain Board of Education members are not required to contribute to the System.

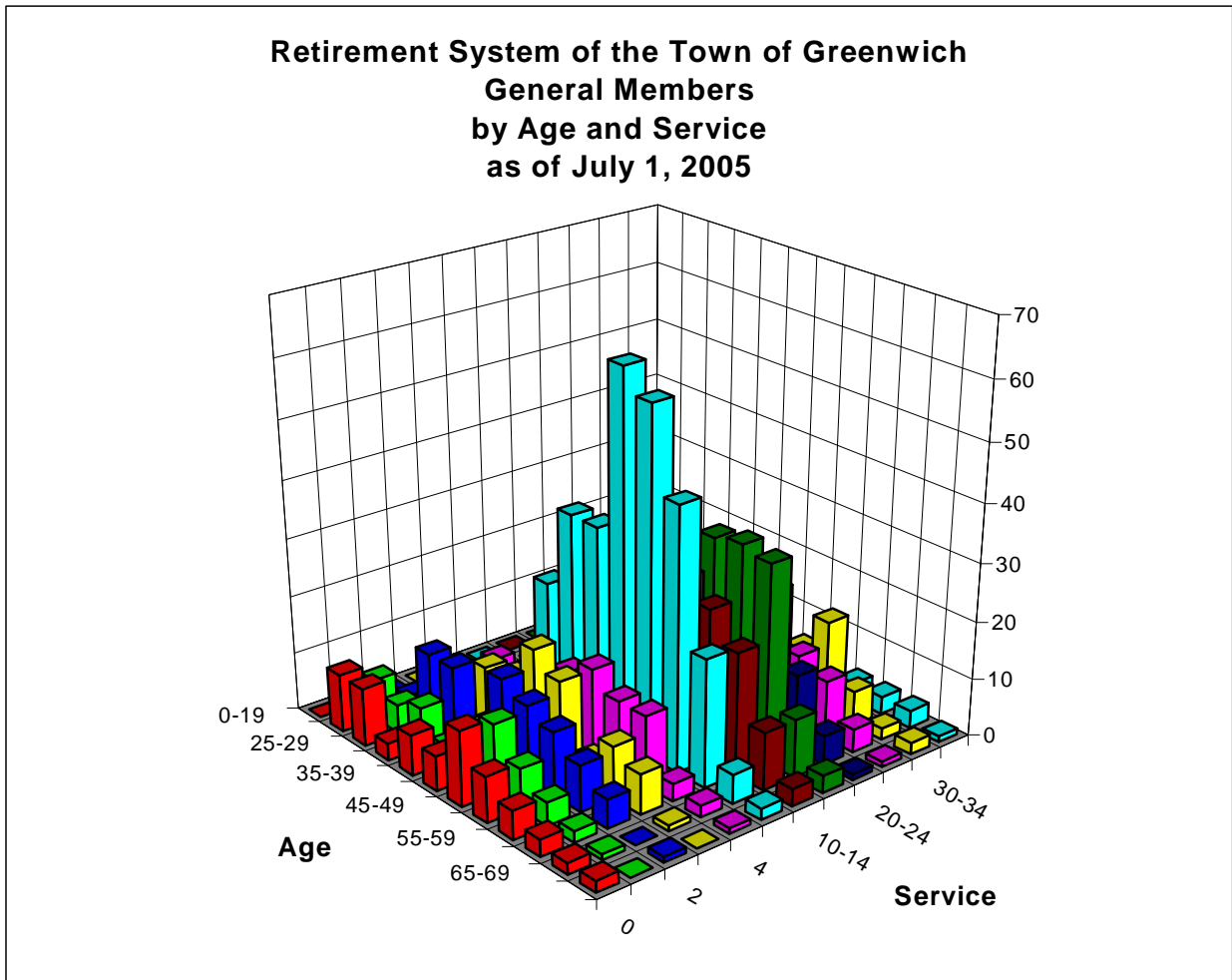
As of January 1, 2002, all employees had to make a one-time irrevocable election whether or not to contribute to the System. New members coming into the System must make the same election, with the exception of those for whom the contributions are mandatory, as mentioned above.

As of July 1, 2002, all employee contributions are made on a pre-tax basis.

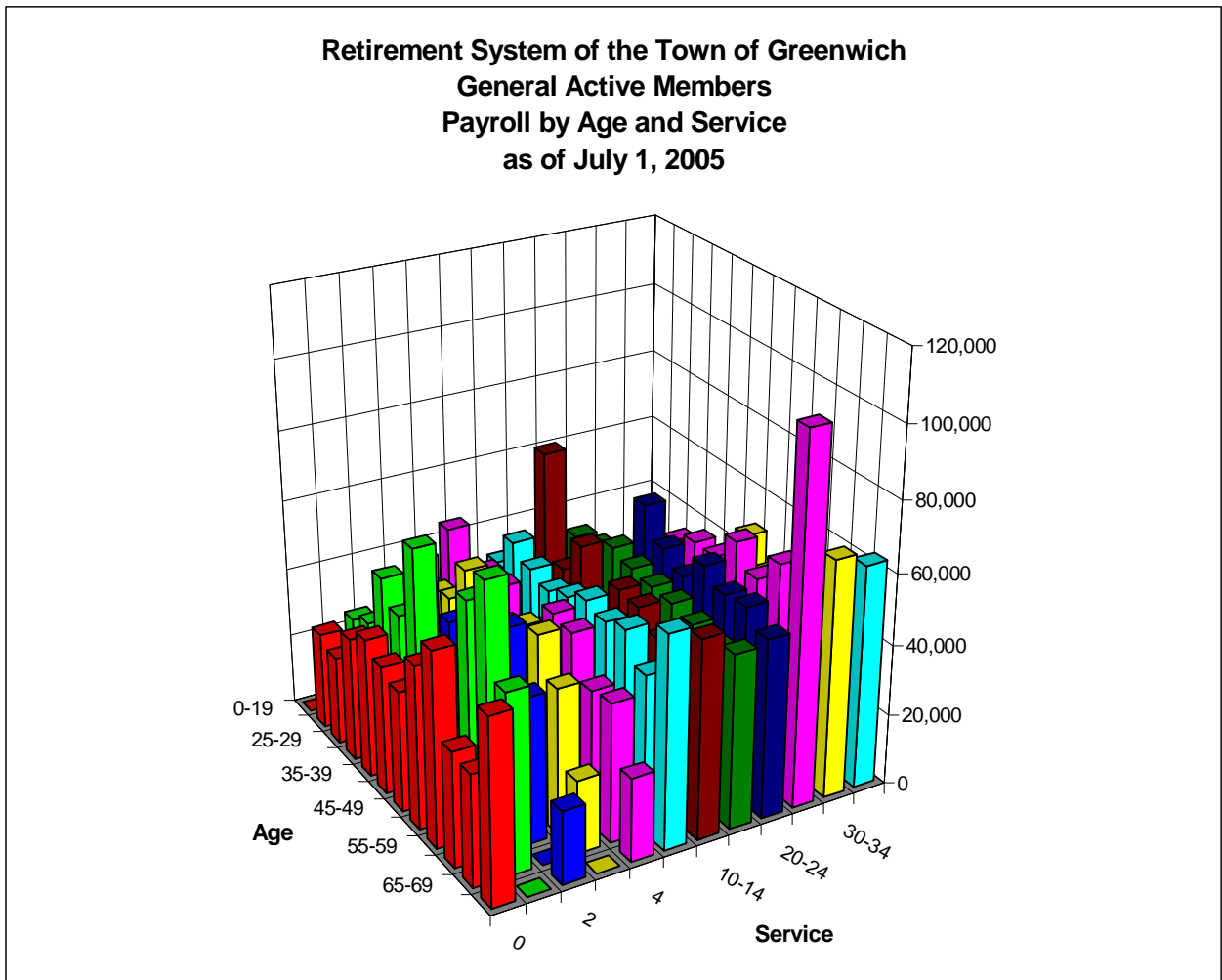
The Town makes annual contributions consisting of a normal contribution which covers liabilities on account of the creditable service of members, and a portion to amortize the unfunded accrued liability or surplus.

1.2: Participant Data as of July 1, 2005

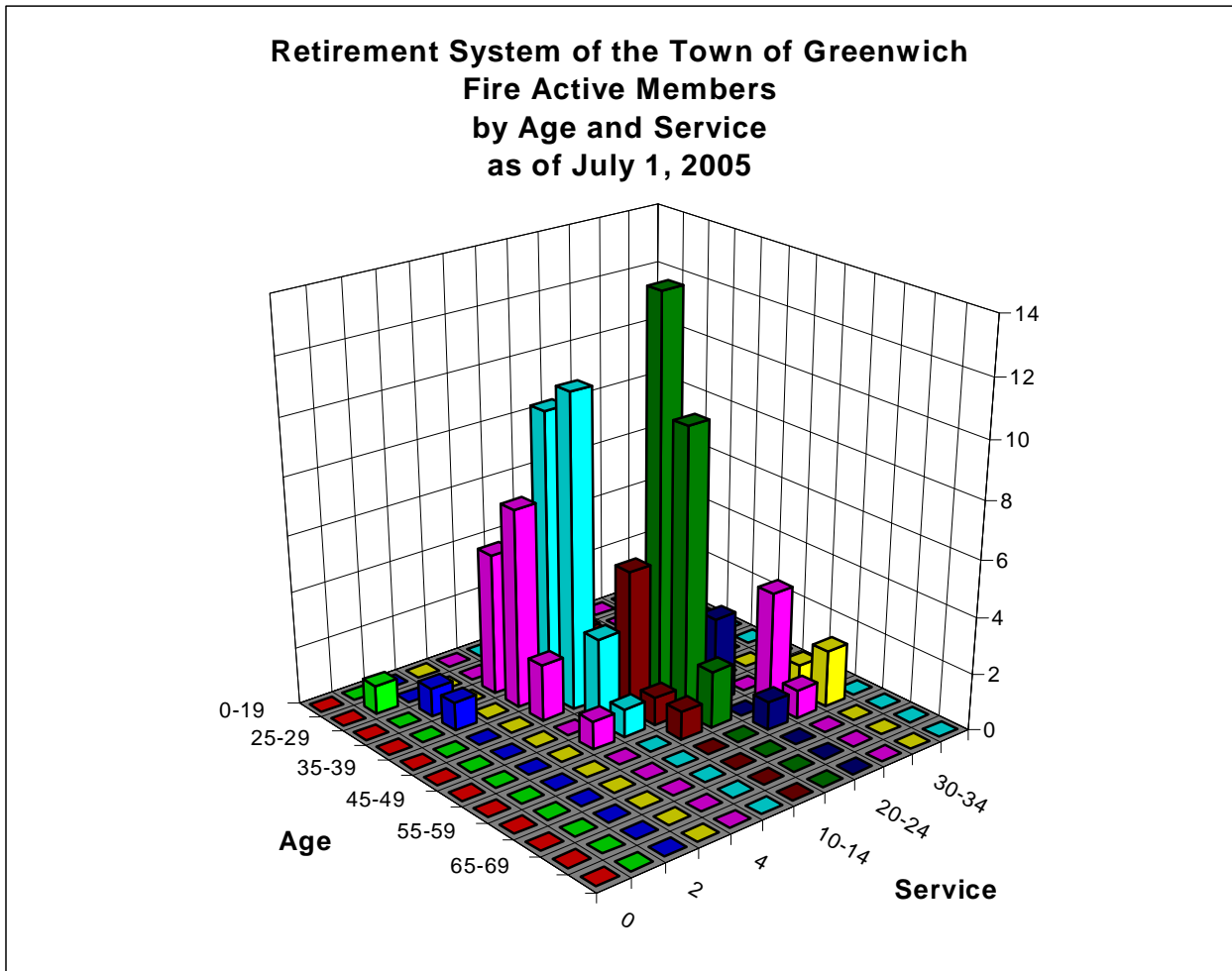
Active Participants	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Number	1,194	98	153	1,445
Vested	692	54	94	840
Non Vested	502	44	59	605
Average Age	49.30	40.54	40.02	47.72
Average Service	11.21	13.28	13.16	11.56
Average Pay	\$48,113	\$70,624	\$72,858	\$52,260
Inactive Participants	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Number of Service Retired Participants	617	41	123	781
Average Age	75.42	64.71	63.28	72.95
Average Annual Benefit	14,574	33,517	35,067	\$18,796
Number of Beneficiaries	102	15	19	136
Average Age	74.94	74.03	64.85	73.43
Average Annual Benefit	10,854	9,854	11,187	\$10,790
Number of Disabled Participants	44	8	17	69
Average Age	65.13	61.42	55.61	62.35
Average Annual Benefit	16,192	30,249	31,191	\$21,517
Number of Terminated Vested Participants	116	1	7	124
Average Age	54.21	53.83	38.48	53.32
Average Annual Benefit	8,959	7,576	15,030	\$9,291



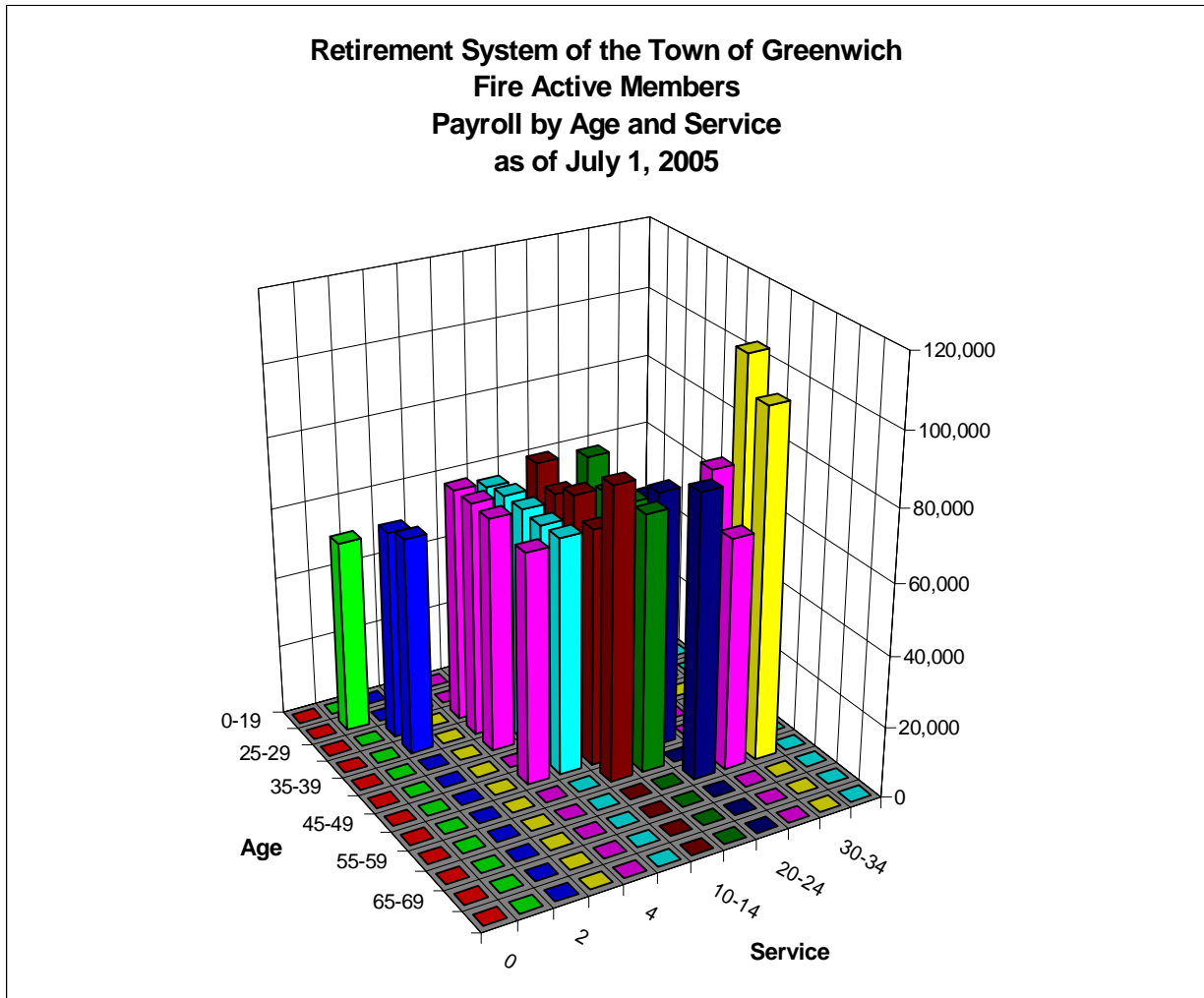
Service Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	10	7	2	2	1	0	0	0	0	0	0	0	22
25-29	10	5	12	6	7	3	0	0	0	0	0	0	43
30-34	3	7	12	10	7	21	1	1	0	0	0	0	62
35-39	7	3	4	11	9	35	18	14	0	0	0	0	101
40-44	6	8	15	18	12	35	23	20	14	1	0	0	152
45-49	13	12	13	15	15	63	26	23	22	9	0	0	211
50-54	8	7	11	4	12	59	29	34	19	21	9	0	213
55-59	5	4	8	9	12	45	26	35	24	12	16	3	199
60-64	3	2	5	7	3	22	21	34	13	10	6	3	129
65-69	2	1	0	1	2	5	10	10	5	4	2	3	45
70+	2	0	1	0	1	2	3	3	1	1	2	1	17
Total	69	56	83	83	81	290	157	174	98	58	35	10	1,194



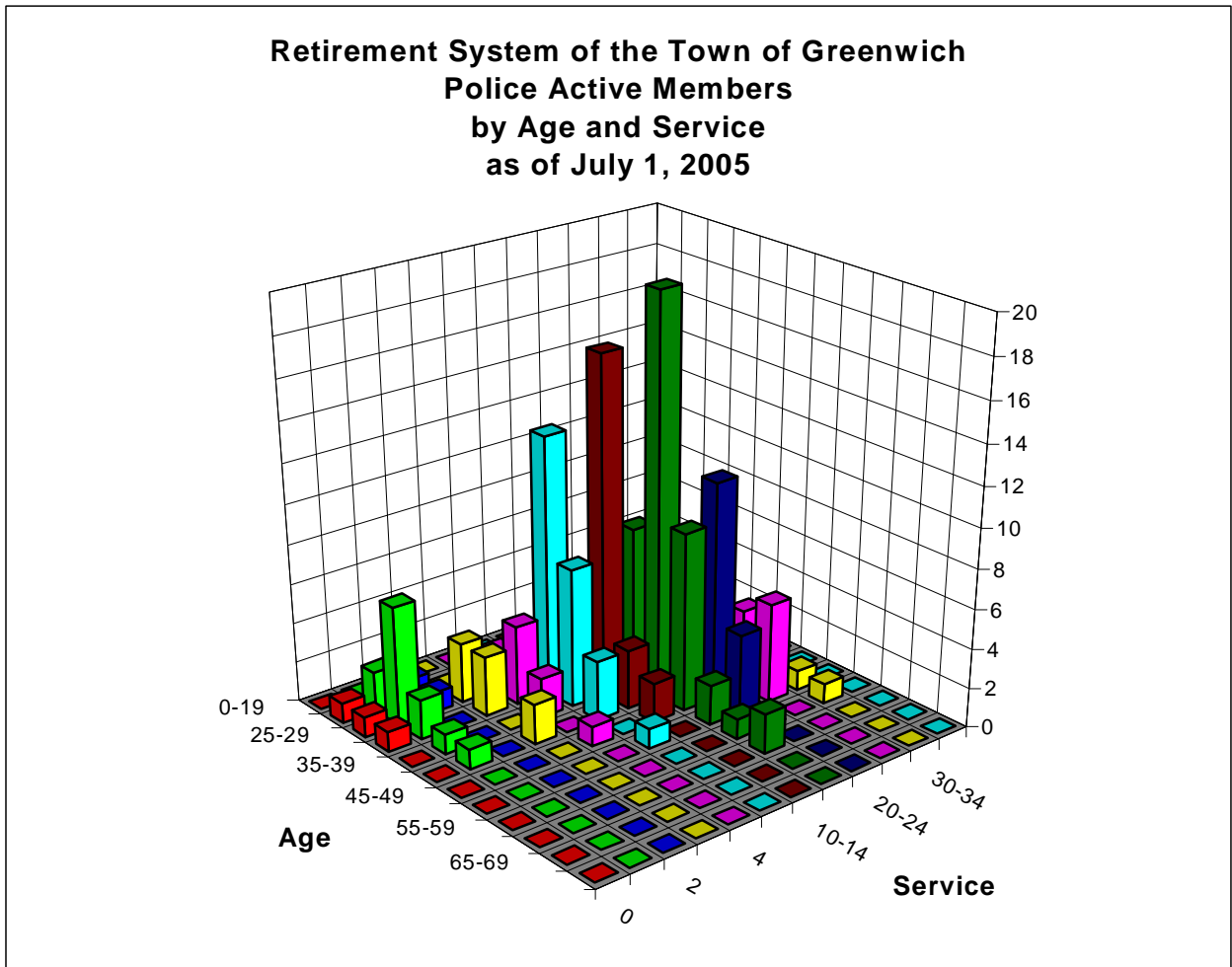
Service	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
Age													
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	27,556	29,599	20,669	42,452	49,155	0	0	0	0	0	0	0	29,916
25-29	25,178	32,966	39,095	37,005	36,481	41,178	0	0	0	0	0	0	34,574
30-34	35,241	50,223	44,947	39,638	44,663	51,019	74,277	48,063	0	0	0	0	46,765
35-39	39,622	43,994	37,036	51,921	44,695	47,442	44,966	49,258	0	0	0	0	46,439
40-44	36,433	66,943	43,953	35,655	36,116	45,285	55,705	52,920	62,801	50,328	0	0	48,308
45-49	34,146	37,039	46,119	44,649	41,141	47,987	42,092	51,265	54,561	53,913	0	0	46,242
50-54	46,157	32,006	43,718	49,192	50,285	51,477	51,778	50,273	50,562	53,962	57,495	0	50,393
55-59	55,033	65,724	55,572	51,367	49,303	49,772	51,243	49,856	57,942	62,159	50,887	45,972	52,473
60-64	32,493	75,332	41,227	41,219	37,929	52,151	46,758	48,243	54,007	56,004	48,612	55,141	49,189
65-69	31,585	50,593	0	20,677	39,237	44,184	48,367	46,333	55,032	64,282	39,093	54,517	47,886
70+	52,001	0	20,677	0	23,542	60,002	55,983	49,245	50,619	104,067	67,193	63,157	55,067
Total	35,971	45,067	43,483	42,822	42,973	49,064	49,215	49,889	55,701	57,515	52,454	53,005	48,113



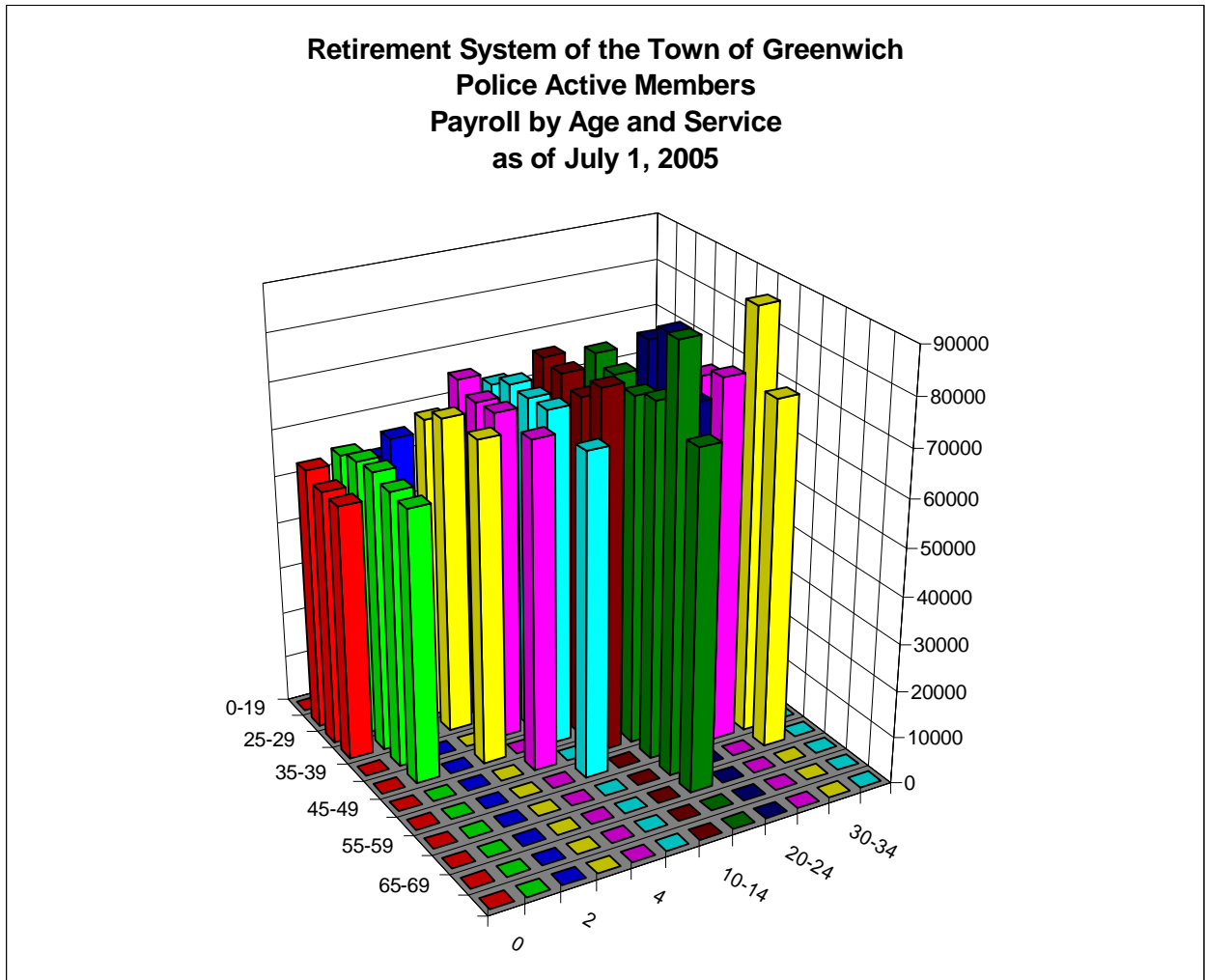
Service	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
Age													
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	0	1	0	0	0	0	0	0	0	0	0	0	1
25-29	0	0	1	0	5	1	0	0	0	0	0	0	7
30-34	0	0	1	0	7	10	2	0	0	0	0	0	20
35-39	0	0	0	0	2	11	1	4	0	0	0	0	18
40-44	0	0	0	0	0	3	5	14	2	0	0	0	24
45-49	0	0	0	0	1	1	1	10	3	0	0	0	16
50-54	0	0	0	0	0	0	1	2	0	4	1	0	8
55-59	0	0	0	0	0	0	0	0	1	1	2	0	4
60-64	0	0	0	0	0	0	0	0	0	0	0	0	0
65-69	0	0	0	0	0	0	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	1	2	0	15	26	10	30	6	5	3	0	98



Service	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
Age													
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	0	54,470	0	0	0	0	0	0	0	0	0	0	54,470
25-29	0	0	59,223	0	66,639	65,323	0	0	0	0	0	0	65,392
30-34	0	0	61,426	0	66,889	66,789	73,579	0	0	0	0	0	67,235
35-39	0	0	0	0	66,553	66,876	68,791	76,960	0	0	0	0	69,187
40-44	0	0	0	0	0	66,301	72,360	70,624	66,927	0	0	0	70,137
45-49	0	0	0	0	65,323	66,918	66,927	71,760	72,455	0	0	0	70,883
50-54	0	0	0	0	0	0	82,663	72,728	0	80,215	109,040	0	82,252
55-59	0	0	0	0	0	0	0	0	80,253	65,545	98,795	0	85,847
60-64	0	0	0	0	0	0	0	0	0	0	0	0	0
65-69	0	0	0	0	0	0	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	54,470	60,325	0	66,656	66,718	72,734	71,988	71,912	77,281	102,210	0	70,624



Service Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	1	2	1	0	0	0	0	0	0	0	0	0	4
25-29	1	6	1	3	2	1	0	0	0	0	0	0	14
30-34	1	2	0	3	4	13	1	0	0	0	0	0	24
35-39	0	1	0	0	2	7	17	8	0	0	0	0	35
40-44	0	1	0	2	0	3	3	20	3	0	0	0	32
45-49	0	0	0	0	1	0	2	9	11	4	0	0	27
50-54	0	0	0	0	0	1	0	2	4	5	1	0	13
55-59	0	0	0	0	0	0	0	1	0	0	1	0	2
60-64	0	0	0	0	0	0	0	2	0	0	0	0	2
65-69	0	0	0	0	0	0	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	3	12	2	8	9	25	23	42	18	9	2	0	153



Service Age	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
0-19	0	0	0	0	0	0	0	0	0	0	0	0	0
20-24	56063	57549	55506	0	0	0	0	0	0	0	0	0	56,667
25-29	54381	59036	62235	64594	71416	68877	0	0	0	0	0	0	62,595
30-34	54381	59628	0	67437	69286	71482	75577	0	0	0	0	0	69,081
35-39	0	58534	0	0	69651	71151	74777	77391	0	0	0	0	73,892
40-44	0	58062	0	68601	0	71459	72529	75561	81186	0	0	0	74,438
45-49	0	0	0	0	69805	0	76932	73892	84904	74951	0	0	78,609
50-54	0	0	0	0	0	68647	0	75490	73329	77134	89908	0	76,040
55-59	0	0	0	0	0	0	0	89678	0	0	73987	0	81,833
60-64	0	0	0	0	0	0	0	71736	0	0	0	0	71,736
65-69	0	0	0	0	0	0	0	0	0	0	0	0	0
70+	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	54,942	58,764	58,871	66,662	69,898	71,169	74,706	75,703	81,712	76,164	81,948	0	72,858

Town of Greenwich Service Retired Participants and Beneficiaries

Number of Participants by Age

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
0-29	2	0	0	2
30-34	1	0	0	1
35-39	0	0	0	0
40-44	1	0	1	2
45-49	1	2	7	10
50-54	3	5	16	24
55-59	25	6	29	60
60-64	56	15	29	100
65-69	111	9	27	147
70-74	139	6	11	156
75-79	157	4	21	182
80-84	109	6	1	116
85-89	75	1	0	76
90-94	30	2	0	32
95+	9	0	0	9
Total Participants	719	56	142	917

Average Monthly Benefit by Age

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
0-29	\$ 1,187	\$ 0	\$ 0	\$ 1,187
30-34	566	0	0	566
35-39	0	0	0	0
40-44	566	0	897	732
45-49	2,633	2,885	2,768	2,778
50-54	2,295	4,250	3,613	3,581
55-59	1,823	2,323	3,256	2,565
60-64	1,934	2,557	3,137	2,376
65-69	1,367	2,395	2,402	1,620
70-74	1,225	1,951	1,766	1,291
75-79	1,151	1,431	1,374	1,183
80-84	894	985	553	896
85-89	686	1,575	0	698
90-94	618	526	0	612
95+	500	0	0	500
Average Benefit	\$ 1,171	\$ 2,265	2,656	1,467

Town of Greenwich Disabled Participants

Number of Participants by Age

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
25-29	0	0	0	0
30-34	0	0	0	0
35-39	0	0	1	1
40-44	0	0	0	0
45-49	2	1	4	7
50-54	7	1	3	11
55-59	2	1	5	8
60-64	11	2	1	14
65-69	11	1	2	14
70-74	5	2	1	8
75-79	2	0	0	2
80-84	3	0	0	3
85-89	1	0	0	1
90-94	0	0	0	0
95+	0	0	0	0
Total Participants	44	8	17	69

Average Monthly Benefit by Age

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
25-29	\$ 0	\$ 0	\$ 0	\$ 0
30-34	0	0	0	0
35-39	0	0	2,159	2,159
40-44	0	0	0	0
45-49	1,900	2,705	2,390	2,295
50-54	1,271	2,507	2,371	1,684
55-59	757	3,234	3,466	2,760
60-64	1,449	2,291	2,256	1,627
65-69	1,440	2,447	1,867	1,573
70-74	1,724	2,346	2,037	1,919
75-79	1,490	0	0	1,490
80-84	465	0	0	465
85-89	381	0	0	381
90-94	0	0	0	0
95+	0	0	0	0
Average Benefit	\$ 1,349	\$ 2,521	2,599	1,793

Town of Greenwich Terminated Vested Participants

Number of Participants by Age

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
25-29	0	0	0	0
30-34	2	0	0	2
35-39	4	0	6	10
40-44	6	0	1	7
45-49	19	0	0	19
50-54	30	1	0	31
55-59	32	0	0	32
60-64	17	0	0	17
65-69	3	0	0	3
70-74	1	0	0	1
75-79	2	0	0	2
80-84	0	0	0	0
85-89	0	0	0	0
90-94	0	0	0	0
95+	0	0	0	0
Total Participants	116	1	7	124

Average Monthly Benefit by Age

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
25-29	\$ 0	\$ 0	\$ 0	\$ 0
30-34	338	0	0	338
35-39	393	0	1,172	860
40-44	875	0	1,738	998
45-49	745	0	0	745
50-54	997	631	0	985
55-59	850	0	0	850
60-64	389	0	0	389
65-69	130	0	0	130
70-74	504	0	0	504
75-79	165	0	0	165
80-84	0	0	0	0
85-89	0	0	0	0
90-94	0	0	0	0
95+	0	0	0	0
Average Benefit	\$ 747	\$ 631	1,253	774

Town of Greenwich Benefit Form Elections

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Retired Participants				
Straight Life Annuity	0	0	0	0
Changing Life Annuity	0	0	0	4
Life Annuity with Cash Refund	435	21	36	447
Full Joint and Survivor	50	0	11	126
Half Joint and Survivor	126	20	76	199
Other	0	0	0	1
Not Assigned or Reported	6	0	0	1
Total Retired Participants	617	41	123	778
Disabled Participants				
Straight Life Annuity	0	0	0	0
Changing Life Annuity	0	0	0	11
Life Annuity with Cash Refund	33	5	5	27
Full Joint and Survivor	2	0	0	5
Half Joint and Survivor	9	3	12	27
Other	0	0	0	0
Not Assigned or Reported	0	0	0	1
Total Disabled Participants	44	8	17	71

**Changes in Plan Membership
General**

	Active	Vested Terminated	Accidental Disability	Ordinary Disability	Retired	Beneficiaries	Total Participants
Members on July 1, 2004	1,224	103	28	17	618	95	2,085
New July 2, 2004 through July 1, 2005	71						71
Terminated with Vested Benefits	(18)	18					0
Became Disabled	(1)		1	2	(2)		0
Retired	(19)	(5)			24		0
Died or Terminated without a Vested Benefit	(58)	(2)	(2)	(2)	(17)	(1)	(82)
Died with Beneficiary Payable	(4)				(5)	9	0
Transfers							0
QDRO Commenced							0
Miscellaneous Adjustments	(1)	2			(1)	(1)	(1)
Members on July 1, 2005	1,194	116	27	17	617	102	2,073

Changes in Plan Membership Fire

	Active	Vested Terminated	Accidental Disability	Ordinary Disability	Retired	Beneficiaries	Total Participants
Members on July 1, 2004	99	1	9	0	40	14	163
New July 2, 2004 through July 1, 2005							0
Terminated with Vested Benefits							0
Became Disabled							0
Retired	(1)				1		0
Died or Terminated without a Vested Benefit							0
Died with Beneficiary Payable			(1)		(1)	1	(1)
Transfers							0
QDRO Commenced							0
Miscellaneous Adjustments					1		1
Members on July 1, 2005	98	1	8	0	41	15	163

Changes in Plan Membership Police

	Active	Vested Terminated	Accidental Disability	Ordinary Disability	Retired	Beneficiaries	Total Participants
Members on July 1, 2004	152	8	17	0	120	16	313
New July 2, 2004 through July 1, 2005	5						5
Terminated with Vested Benefits							0
Became Disabled							0
Retired	(3)	(1)			4	2	2
Died or Terminated without a Vested Benefit	(1)						(1)
Died with Beneficiary Payable					(1)	1	0
Transfers							0
QDRO Commenced							0
Miscellaneous Adjustments							0
Members on July 1, 2005	153	7	17	0	123	19	319

1.3: Actuarial Methods and Assumptions

Actuarial Method

The annual actuarial contribution to pay for the retirement benefits provided to retired employees of the Town of Greenwich is computed under the Entry Age Normal Actuarial Cost Method. Under this Cost Method:

- A Total Normal Cost for the plan is calculated as a dollar amount. The Town Normal Cost is the Total Normal Cost minus the expected employee contributions to the Plan. The payment is expressed as a percentage of active member payroll.
- The liability for all future pension benefits payable by the Town to current and future retired employees is computed. This is called the Fully Projected Liability.
- A portion of this liability is assigned to service earned to the date of the valuation. This portion is called the Actuarial Accrued Liability. The difference between the Fully Projected Liability and the Actuarial Accrued Liability is to be funded by future Total Normal Costs.
- The actuarial value of the assets on hand to pay these benefits is subtracted from the Actuarial Accrued Liability, producing the Unfunded Actuarial Accrued Liability.
- The Unfunded Actuarial Accrued Liability is amortized in level dollar payments over a fixed period. The payment for the next year is expressed as a percentage of projected active member payroll during that year. This year, the amortization period is 28 years.

The Town's contribution to the Plan to be paid one year after the Valuation Date is determined by multiplying the projected active payroll by the Town Normal Cost as a percentage of pay determined above, and then adding the amortization of the Unfunded Actuarial Accrued Liability.

Valuation Date	All assets and liabilities are computed as of July 1, 2005.
Rate of Return	The annual rate of return on the actuarial value of Plan assets is assumed to be 8.50%.
Contribution Earnings Rate	Employee contribution and deficiency balances accumulate at an annual interest rate of 7.00%, except for those Management Confidential and Elected Officials whose balances are frozen.
Plan Expenses	Expenses are netted in the assumed rate of return.
Cost of Living	The cost of living as measured by the Consumer Price Index (CPI) is assumed to increase at the rate of 4.00% per year.
COLA Increases	The annual increase for the GMEA and Teamster recurring COLA adjustment is assumed to be 2.75%, based on the annual increase in the CPI, capped at 3%.

Increases in Pay

Assumed pay increases for active Participants consist of increases due to cost of living adjustments and those due to longevity and promotion. The rates listed below include the general pay increase due to the cost of living of 4.00%

Rates of assumed annual rates of future pay increases among fire fighters and police officers depend on service and are given by the following table.

<u>Service</u>	<u>Annual Rate</u>
0	11.50%
1	10.50%
2	9.500%
3	8.50%
4	7.50%
5	6.50%
6	6.10%
7	5.70%
8	5.30%
9	4.90%
10 and over	4.50%

Rates of assumed annual rates of future pay increases among general employees depend on service and are given by the following table.

<u>Service</u>	<u>Annual Rate</u>
0 - 9	6.00%
10 - 25	5.00%
25 and over	4.50%

In previous valuations, rates of pay increases among general employees were assumed to depend on age.

Retired Employee Mortality

Rates of mortality for retired employees and their beneficiaries are based on the age of the employee. Representative rates are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
45	0.236%	0.123%
50	0.382%	0.172%
55	0.592%	0.273%
60	0.967%	0.461%
65	1.659%	0.792%
70	2.798%	1.387%
75	4.465%	2.416%
80	6.981%	4.028%

85	10.677%	6.523%
90	15.489%	10.222%
95	20.528%	15.846%
100	26.509%	24.182%

Disabled Employee Mortality

Rates of mortality for all disabled employees are given by the Mortality Table for Disabled Participants Not Receiving Social Security Benefits published by the Pension Benefit Guaranty Corporation (PBGC) for use in pension plan terminations prior to 1993.

Active Employee Mortality

Rates of ordinary and accidental mortality are based on the age of the employee. Representative rates for active fire fighters and police officers are as follows:

<u>Age</u>	<u>Ordinary</u>	<u>Accidental</u>
20	0.022%	0.032%
25	0.025%	0.064%
30	0.036%	0.080%
35	0.054%	0.080%
40	0.086%	0.080%
45	0.126%	0.119%
50	0.194%	0.144%
55	0.302%	0.144%
59	0.402%	0.144%

Representative mortality rates for active general employees are as follows:

<u>Age</u>	<u>Ordinary</u>	<u>Accidental</u>
20	0.017%	0.004%
25	0.019%	0.008%
30	0.027%	0.008%
35	0.041%	0.008%
40	0.065%	0.004%
45	0.095%	0.004%
50	0.159%	0.004%
55	0.230%	0.004%
60	0.362%	0.004%
65	0.602%	0.004%
70	0.926%	0.004%

Service Retirement

Rates of service retirement among fire fighters and police officers eligible to retire are assumed to depend on service and are given by the following table.

<u>Service</u>	<u>Annual Rate</u>
20	10%

21	5%
22	5%
23	5%
24	5%
25	5%
26	0%
27	40%
28 – 33	25%
34 and over	100%

All police and fire fighters are assumed to retire once they reach age 60 or attain 34 years of service. These rates have been adjusted since the last valuation as a result of the recently completed experience study.

Rates of early and normal service retirement among general employees eligible to retire are assumed to depend on age and are given by the following table. Again, these rates have been adjusted since the last valuation as a result of the recently completed experience study.

<u>Age</u>	<u>Early</u>	<u>Normal</u>
50	0.00%	4.00%
51	0.00%	4.00%
52	0.00%	5.00%
53	0.00%	5.00%
54	0.00%	5.00%
55	0.00%	5.00%
56	0.00%	5.00%
57	0.00%	6.00%
58	0.00%	6.00%
59	0.00%	7.00%
60	4.00%	15.00%
61	4.00%	15.00%
62	9.00%	15.00%
63	7.00%	15.00%
64	5.00%	5.00%
65	0.00%	20.00%
66	0.00%	15.00%
67	0.00%	15.00%
68	0.00%	20.00%
69	0.00%	25.00%
70	0.00%	100.00%

Disability

Rates of ordinary and accidental disability are based on the age of the employee. Representative rates for fire fighters and police officers are as follows:

<u>Age</u>	<u>Ordinary</u>	<u>Accidental</u>
20	0.084%	0.21%
25	0.096%	0.24%
30	0.120%	0.30%
35	0.156%	0.39%
40	0.204%	0.51%
45	0.300%	2.25%
50	0.504%	2.25%
55	0.888%	2.25%
59	1.224%	0.00%

The accidental disability rates for safety employees have been reduced by 50% since the last valuation as a result of the recently completed experience study. Also, no disabilities are assumed to occur once a member is eligible for normal retirement.

Representative rates for general employees are as follows:

<u>Age</u>	<u>Ordinary</u>		<u>Accidental</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20	0.025%	0.013%	0.025%	0.013%
25	0.029%	0.015%	0.029%	0.015%
30	0.036%	0.018%	0.036%	0.018%
35	0.046%	0.023%	0.046%	0.023%
40	0.060%	0.030%	0.060%	0.030%
45	0.089%	0.045%	0.089%	0.045%
50	0.151%	0.076%	0.151%	0.076%
55	0.273%	0.137%	0.273%	0.137%
60	0.539%	0.270%	0.539%	0.270%
65+ over	0.000%	0.000%	0.000%	0.000%

The accidental and ordinary disability rates for female general service employees have been reduced by 50% since the last valuation as a result of the recently completed experience study. Also, no disabilities are assumed to occur once a member is eligible for normal retirement.

Termination

Rates of termination for all employees from causes other than death, disability, and service retirement are based on the employee's age and service.

Representative rates of withdrawal for fire fighters and police officers are shown in the following table:

<u>Age</u>	<u>Annual Rate</u>
20	6.57%
25	2.48%
30	1.59%
35	0.77%
40	0.53%
45	0.31%
50	0.07%
52 and over	0.0%

Representative rates of withdrawal for most general service employees are shown in the following table:

<u>Age</u>	<u>0</u> <u>Years</u>	<u>1</u> <u>Years</u>	<u>2-3</u> <u>Years</u>	<u>4</u> <u>Years</u>	<u>5-9</u> <u>Years</u>	<u>10+</u> <u>Years</u>
20	15.4%	13.1%	16.7%	5.8%	11.5%	7.7%
25	15.4%	13.1%	16.7%	5.8%	11.5%	7.7%
30	12.2%	10.3%	13.2%	4.6%	9.1%	6.1%
35	7.6%	6.4%	8.2%	2.8%	5.7%	3.8%
40	4.9%	4.2%	5.3%	1.8%	3.7%	2.4%
45	4.1%	3.5%	4.5%	1.6%	3.1%	2.1%
50	3.7%	3.1%	4.0%	1.4%	2.8%	1.8%
55	3.2%	2.7%	3.5%	1.2%	2.4%	1.6%
60+	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The rates for the general service employees have been adjusted since the last valuation as a result of the recently completed experience study. Also, for all members, no terminations are assumed to occur once a member is eligible for normal retirement.

A new set of termination rates was constructed for the Instructional Aides, which can be obtained by increasing the above rates by 150% within the select period (i.e. less than ten years of experience.)

Family Composition

All Participants are assumed to have beneficiaries eligible for pre-retirement death benefits (and post-retirement benefits for Police Officers and Firefighters.) Male spouses are assumed to be three years older than their wives.

Actuarial Value of Plan Assets

Actuarial gains and losses from Plan investments over the five years prior to the valuation date are recognized at the rate of 20% per year in computing the actuarial value of Plan assets.

Participant Data

Data on active and inactive Participants and their beneficiaries as of the valuation date was supplied by the Plan Administrator on electronic media. As is usual in studies of this type, Participant data was neither verified nor audited. However, various checks for consistency with the prior year's data were made.

Section 2

Asset Information

2.1: Income Statement
July 1, 2004 through June 30, 2005

	<u>Actual</u>	<u>Expected</u>
Market / Actuarial Value at July 1, 2004	\$ 291,072,645	\$ 321,149,799
Contributions		
Employee Contributions	\$ 2,100,096	\$ 2,100,096
Employer Contributions	660,072	660,072
Other Receipts	<u>0</u>	<u>0</u>
Total Contributions	\$ 2,760,168	\$ 2,760,168
Investment Income		
Interest and Dividends	\$ 15,758,357	\$ -
Asset Appreciation	14,042,878	-
Other Investment Income	0	-
Investment Expenses	<u>(859,335)</u>	-
Total Investment Income	\$ 28,941,900	\$ 26,698,217
Disbursements		
Benefit Payments	(15,644,963)	(15,644,963)
Refunds	(362,120)	(362,120)
Expenses	(859,335)	(859,335)
Other Expenses	<u>0</u>	<u>0</u>
Total Disbursements	\$ (16,866,418)	\$ (16,866,418)
Market / Expected Value at June 30, 2005	\$ 305,908,295	\$ 333,741,766
Approximate Market / Assumed Return	10.2%	8.5%

2.2: Computation of Actuarial Value of Assets

<u>Year Ended</u>	<u>Assumed Earnings¹</u>	<u>Actual Earnings</u>	<u>Unexpected Difference</u>	<u>Phase-In Factor</u>	<u>Phase-In Adjustment</u>
	(1)	(2)	(3) = (2) - (1)	(4)	(5) = (3) x (4)
June 30, 2005	26,698,218	28,941,900	2,243,683	20%	448,737
June 30, 2004	26,940,647	35,851,162	8,910,515	20%	1,782,103
June 30, 2003	27,152,202	3,424,091	(23,728,111)	20%	(4,745,622)
June 30, 2002	26,663,648	(12,731,321)	(39,394,969)	20%	(7,878,994)
June 30, 2001	24,755,246	(11,298,328)	(36,053,574)	20%	<u>(7,210,715)</u>
Total Adjustment					(17,604,491)
(1) Actuarial Value 7/1/2004					321,149,799
(2) Cash Flow					
Contributions					2,760,168
Benefit Payments					<u>(16,866,418)</u>
Net					(14,106,250)
(3) Assumed Income					26,698,218
(4) Total Adjustment					(17,604,491)
(5) Actuarial Value 7/1/2005 ((1)+(2)+(3)+(4))					316,137,276
Rate of Return based on Actuarial Value					2.9%
Ratio of Actuarial Value to Market Value					103.3%

¹ Computed assuming 8.5% return on market value, all income and expenses assumed to occur mid-year.

Section 3

Actuarial Computations

3.1: Computation of Annual Contribution as of July 1, 2004
Entry Age Normal Funding Method, 8.50% Interest, 4.00% Inflation

(1)	Total Entry Age Normal Cost	8,091,580
(2)	Estimated Employee Contributions	1,936,234
(3)	Town Normal Cost	6,155,346
	((1)-(2))	
(4)	Current Payroll	70,591,041
(5)	Town Normal Cost as a Percentage of Payroll ((3)÷(4))	8.72%
(6)	Active Accrued Liabilities	121,187,824
(7)	Inactive Accrued Liabilities	
	Retirees & Beneficiaries	134,772,918
	Vested Deferred	3,867,973
	Total	138,640,891
(8)	Total Accrued Liability	259,828,715
	((6)+(7))	
(9)	Actuarial Value of Assets (Section 2.2)	321,149,799
(10)	Net Unfunded Liability (Surplus)	(61,321,084)
	((8)-(9))	
(11)	Amortization of Net Unfunded Liability (Surplus) Over 30 Years as a Level Dollar Amount	(5,752,271)
(12)	Projected FY 2004-05 Payroll	73,868,360
(13)	Estimated FY 2004-05 Normal Cost Contribution ((5)x(12))	6,441,120
(14)	Estimated FY 2004-05 Total Contribution	688,849
	((11)+(13), not less than 0)	
(15)	Total Cost as a Percentage of Projected Payroll ((14)÷(12))	0.93%

3.2: Computation of Annual Contribution as of July 1, 2005
Entry Age Normal Funding Method, 8.50% Interest, 4.00% Inflation

(1)	Total Entry Age Normal Cost	8,454,838
(2)	Estimated Employee Contributions	2,096,555
(3)	Town Normal Cost	6,358,283
	((1)-(2))	
(4)	Current Payroll	75,514,945
(5)	Town Normal Cost as a Percentage of Payroll ((3)÷(4))	8.42%
(6)	Active Accrued Liabilities	136,814,918
(7)	Inactive Accrued Liabilities	
	Retirees & Beneficiaries	148,954,233
	Vested Deferred	4,094,709
	Total	153,048,942
(8)	Total Accrued Liability	289,863,860
	((6)+(7))	
(9)	Actuarial Value of Assets (Section 2.2)	316,137,276
(10)	Net Unfunded Liability (Surplus)	(26,273,416)
	((8)-(9))	
(11)	Amortization of Net Unfunded Liability (Surplus) Over 29 Years as a Level Dollar Amount	(2,486,493)
(12)	Projected FY 2005-06 Payroll	76,940,140
(13)	Estimated FY 2005-06 Normal Cost Contribution ((5)x(12))	6,478,283
(14)	Estimated FY 2005-06 Total Contribution	3,991,790
	((11)+(13), not less than 0)	
(15)	Total Cost as a Percentage of Projected Payroll ((14)÷(12))	5.19%

Section 4

Disclosure Information

4.1: Schedules of Funding Status and Employer Contributions Required Under GASB Statement No. 25

The Governmental Accounting Standards Board (GASB) Statements No. 25 and 27 relate to the disclosure of pension liabilities on a public employer's financial statements. For accounting periods beginning after June 15, 1996, information required under these statements must be prepared for a public employer who seeks compliance with generally accepted accounting principles (GAAP) on behalf of its public employee retirement system.

GASB Statement No. 25 requires preparation of schedules of funding status and employer contributions, as well as the disclosure of plan provisions, actuarial assumptions, and other information.

The required schedules are shown below. In each case, we have relied upon information from our files and contained in the reports of prior actuaries employed by the Town in completing the schedules. While we have no reason to believe the information in our files or in prior actuaries' reports is inaccurate, we strongly recommend that Town personnel verify the schedules below before they are included in Plan or Town financial statements.

Schedule of Funding Status

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percent of Payroll
7/1/2003	\$323,022,806	\$255,123,408	(\$67,899,398)	127%	\$67,939,345	-100%
7/1/2004	\$321,149,799	\$259,828,716	(\$61,321,084)	124%	\$70,591,041	-87%
7/1/2005	\$316,137,276	\$289,863,860	(\$26,273,415)	109%	\$75,514,945	-35%

We note that for all valuations before July 1, 2003, the actuarial cost method used was the aggregate method. The aggregate cost method does not identify nor separately amortize an unfunded actuarial accrued liability. Accordingly, the Schedule of Funding Status does not apply for valuations occurring before July 1, 2003.

Schedule of Town Contributions

Fiscal Year Ending	Annual Required Contribution	Actual Contribution	Percentage Contributed
6/30/95	\$2,718,000	\$2,718,000	100%
6/30/96	2,328,000	2,335,528	100%
6/30/97	788,000	788,000	100%
6/30/98	783,000	0	0%
6/30/99	69,000	0	0%
6/30/00	0	0	100%
6/30/01	0	0	100%
6/30/02	0	0	100%
6/30/03	0	0	100%
6/30/04	660,012	1,752,594	100%
6/30/05	688,849	660,072	96%

The table below summarizes certain information about this actuarial report.

Valuation date	July 1, 2005
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
Remaining amortization period	28 Years
Asset valuation method	Market value less unrecognized investment gains or losses phased in over a closed 5 year period.
Actuarial assumptions:	
Investment rate of return*	8.50%
Projected salary increases*	4.50% – 6.00% for General members 4.50% - 11.50% for Safety members
*Includes inflation at	4.00%
Cost of living adjustments	2.75% for some Teamster & GMEA members (beginning at age 62, limited to 150% cumulative max increase)