HOOKER & HOLCOMBE, INC.
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Confidential

June 3, 2011

Mr. Michael Lupkas
Director of Finance
City of Meriden
142 East Main Street
Meriden, CT 06450

Re: City of Meriden Employees' Retirement System

Dear Mike:

It is a pleasure to present our review of the City of Meriden Employees' Retirement System Plan as of July 1, 2010. Enclosed are twenty copies of the report.

This valuation develops the contribution for the fiscal years ending June 30, 2012 and June 30, 2013.

The important issues for you are summarized in the Executive Summary. All of the technical material is located at the end of the report. We hope you will find that this format addresses all the necessary issues in a manner that you and your advisors can easily work with.

I would be happy to meet with you to discuss this report in detail. Please let me know if you wish to do so, or if you would find it more convenient to discuss questions by telephone.

Sincerely,

Timothy Ryor, FSPA, FCA, MAAA, EA
Senior Vice President and Consulting Actuary

/mmh
Enclosure

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City of Meriden Employees' Retirement System

Actuarial Valuation Report

July 1, 2010

Timothy Ryor, FSPA, FCA, MAAA, EA
Consulting Actuary

Brian Middendorf
Pension Analyst

June 3, 2011

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Introduction

Purpose of the Valuation

The purpose of the valuation is to determine the funded status of the plan as well as the recommended cash contribution for the plan year.

The ultimate cost of a pension plan is based primarily on the level of benefits promised by the plan. The pension fund's investment earnings service to reduce the cost of plan benefits and expenses. Thus,

City's ultimate cost	=	*benefits paid*	+	*expenses incurred*	-	*investment return*	-	*employee contributions*

The actuarial cost method distributes this ultimate cost over the working lifetime of current plan participants. By means of this budgeting process, costs are allocated to both past and future years, and a cost is assigned to the current year. The current year's allocated cost, or normal cost, is the building block upon which the range of annual cash contributions is developed.

Information Available in the Valuation Report

The Executive Summary and Introduction are intended to emphasize the notable results of the valuation from the perspective of the Plan Sponsor. Supporting technical detail is documented in Valuation Results and Actuarial Basis. A concise summary of the principal provisions of the Plan is outlined in Summary of Plan Provisions.

Contribution for 2012 and 2013 Fiscal Years

The actuarial valuation as of July 1, 2010 produces the contribution for the City's 2012 and 2013 fiscal years. The actuarially calculated contribution payable (after allowing for employee contributions) is as follows:

Fiscal Year Ending	
2012	**2013**
Amount	**Amount**
$1,898,009	$2,038,150

Introduction

(continued)

Asset Performance

The plan's assets provided the following rates of return on plan assets during the past two fiscal years.

	Fiscal Year Ending	
	2009	**2010**
Market Value Basis	-20.0%	14.5%
Actuarial Value Basis	2.3%	4.0%

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

The valuation uses a long-term investment return assumption of 8.00% on the Actuarial Value of assets. Because the actual return in 2009 and 2010 was less than this assumption, there was an actuarial loss from assets.

Participant Data

The valuation incorporates assumptions anticipating changes in the demographics of the participant population. Actual experience will produce greater or smaller than expected increases in the actuarial liabilities.

There were some small liability gains which were offset by the asset losses and the net result caused an increase in the contribution.

Plan Changes

There have been no changes since the last valuation.

Assumption and Cost Method Changes

The mortality assumptions have change in conjunction with a change to retirement rates.

Changes Since The Last Valuation

The valuation has been updated to incorporate a 30 year service cap.

Certification

This report presents the results of the July 1, 2010 Actuarial Valuation for the City of Meriden Employees' Retirement System (the Plan) for the purpose of estimating the funded status of the Plan and determining the Annual Required Contribution (ARC) for the fiscal years ending June 30, 2012 and June 30, 2013. This report is intended to satisfy the requirements of Connecticut General Statute 7-450a. This report may not be appropriate for any other purpose.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.

Timothy Ryor, FSPA, FCA, MAAA, Enrolled Actuary
11-05126

June 3, 2011

Valuation Results

A. Actuarial Balance Sheet and Funded Ratio

	July 1, 2010	July 1, 2008
Actuarial Liabilities		
Accrued Liability for:		
Active Employees	$70,957,304	$65,360,167
Retirees and Beneficiaries	61,094,850	56,323,990
Terminated Vested Employees	1,860,440	1,795,975
Total	133,912,594	123,480,133
Source of Funds		
Plan Assets	$140,652,162	$140,853,727
Unfunded Accrued Liability	(6,739,568)	(17,373,594)
Total	$133,912,594	$123,480,133
Funded Ratio		
Plan Assets divided by Actuarial Accrued Liability	105%	114%

Valuation Results
(continued)

B. Valuation Results – July 1, 2010 and Employer Contribution For Fiscal 2012 and 2013

Based on the employee data and asset information furnished us, the actuarial methods and assumptions and the plan provisions, the results of the July 1, 2010 valuation are:

	City Plan			
	City	**Fire**	**Police**	**Total**
1. a. Total normal cost	3,160,779	255,827	578,475	3,995,081
b. Employee contributions	1,186,423	79,616	162,372	1,428,411
c. Town normal cost	1,974,356	176,211	416,103	2,566,670
2. Accrued liability				
a. Active	68,171,838	866,049	1,919,417	70,957,304
b. Vested	1,857,886	-	2,554	1,860,440
c. Retirees, Beneficiaries, Disabled	60,671,626	-	423,224	61,094,850
d. Total accrued liabilitity	130,701,350	866,049	2,345,195	133,912,594
3. Market value of assets	115,645,535	766,287	2,075,046	118,486,868
4. Actuarial value of assets	137,279,302	909,636	2,463,224	140,652,162
5. Unfunded accrued liability: (2d) - (4)	(6,577,952)	(43,587)	(118,029)	(6,739,568)
6. Payment on unfunded accrued liabilty				
a. Interest rate	8.00%	8.00%	8.00%	8.00%
b. Amortization years	10	10	10	10
c. Payment	(907,693)	(6,015)	(16,287)	(929,995)
7. Estimated administrative expenses	50,087	2,802	7,111	60,000
8. Annual town cost, adjusted for timing	1,161,420	179,918	423,204	1,764,542
9. Payroll	28,367,353	1,895,615	3,865,993	34,128,961
a. Cost as a percentage of payroll	4.09%	9.49%	10.95%	5.17%
10. Budget for Fiscal Year ending June 30, 2012				
a. Normal cost	2,073,074	185,022	436,908	2,695,004
b. Amortization	(907,693)	(6,015)	(16,287)	(929,995)
c. Expenses	50,087	2,802	7,111	60,000
d. Total, adjusted for timing	1,264,087	189,081	444,841	1,898,009
11. Budget for Fiscal Year ending June 30, 2013				
a. Total, adjusted for timing	1,371,887	198,703	467,560	2,038,150

Valuation Results
(continued)

C. Assets

Development of Asset Market Values

Summary of Fund Activity		
	7/01/08 - 6/30/09	7/01/09 - 6/30/10
1. Beginning value	$ 141,626,518	$ 108,384,618
2. Contributions		
a. City contributions during year	764,137	362,432
a. Employee contributions during year	1,384,662	1,389,168
c. Total for plan year	2,148,799	1,751,600
3. Disbursements		
a. Benefit payments during year	6,202,078	6,520,799
b. Administrative expenses during year	24,604	25,801
c. Transfers to OPEB	939,524	0
d. Other	409,778	404,467
e. Total for plan year	7,575,984	6,951,067
4. Net investment return		
a. Interest and dividends	3,217,550	2,969,931
b. Realized and unrealized gain (loss)	(30,587,356)	13,037,959
c. Investment-related expenses	(444,909)	(706,173)
d. Total	(27,814,715)	15,301,717
5. Ending value	108,384,618	118,486,868
6. Approximate rate of return	-20.0%	14.5%

C. Assets

The Actuarial Value of assets is used in the determination of plan contributions. It phases in differences between the Market Value and the Expected Actuarial Value by recognizing 20% of the difference each year. A method of smoothing is used because the Market Value can swing widely from one year to the next, resulting in undesirable fluctuations in pension contributions

Determination of the Actuarial Value of Assets	
1. Actuarial value of assets at July 1, 2008	$ 140,853,727
2. Employer and employee contributions for 2009	2,148,799
3. Disbursements during 2009	(6,226,682)
4. Expected return during 2009	11,105,183
5. Expected actuarial asset value at July 1, 2009	147,881,027
6. Market value July 1, 2009	108,384,618
7. Appreciation (depreciation) recognized 20% x [(6) – (5)]	(7,899,282)
8. Actuarial asset value at July 1, 2009 (5) + (7)	139,981,745
9. Contributions for 2010	1,751,600
10. Disbursements during 2010	(6,546,600)
11. Expected return during 2010	11,006,740
12. Expected actuarial asset value at July 1, 2010	146,193,485
13. Market value July 1, 2010	118,486,868
14. Appreciation (depreciation) recognized 20% x [(13) – (12)]	(5,541,323)
15. Actuarial asset value at July 1, 2010	140,652,162
16. Actuarial value as a percent of market value	118.7%
08-09 Year return on Act. Val. Assets	2.3%
09-10 Year return on Act. Val. Assets	4.0%

Valuation Results
(continued)

D. Membership Data

Employee Participation: July 1, 2008 – July 1, 2010

Participant Data					
		Terminated Vested			
	Active	With Monthly Benefit	Contributions Only	Retired and Beneficiaries	Total
Total Participants 7/01/08	641*	46	54	427	1,168
Adjustments	0	0	0	1	1
Retirements	-27	-5	N/A	32	0
Terminations					
With vested benefit	-6	6	N/A	0	0
Vested in contributions only	-10	N/A	10	0	0
Lump sum settlements	-29	-3	-5	-1	-38
Deaths					
Without beneficiary	0	0	N/A	-30	-30
With beneficiary	-1	-1	N/A	-3	-5
New beneficiaries	0	0	N/A	5	5
Rehires	3	0	-1	0	2
New entrants	77	N/A	0	0	77
Total Participants 7/01/10	648*	43	58	431	1,180
Average age					
7/1/2008	48.1				
7/1/2010	48.7				
Average service					
7/1/2008	12.3				
7/1/2010	12.9				
Total annual plan salaries					
7/1/2008	$31,405,160				
7/1/2010	34,128,961				
Total monthly benefits					
7/1/2008		$27,796		$497,341	
7/1/2010		27,001		544,611	

* *As of 7/01/08: 587 City, 18 Fire, 36 Police*
As of 7/01/10: 573 City, 26 Fire, 49 Police

Actuarial Basis

A. Actuarial Cost Methods

Asset Valuation Method

The Actuarial Value of assets used in the development of plan contributions phases in differences between the Market Value and the Expected Actuarial Value by recognizing 20% of the difference each year.

Actuarial Funding Method

The actuarial valuation method used in the cost calculations is the Entry Age Normal Actuarial Cost Method. Recommended annual contributions until the actuarial accrued liability is completely funded will consist of two pieces:

a. Normal Cost - The actuarial cost to fund benefit units earned during the year.

b. Amortization Payments of Unfunded Actuarial Accrued Liability - The actuarial cost to amortize the unfunded portion of the actuarial liability.

Process

The valuation is performed as of the first day of a plan year. The valuation is used to determine the City contributions for the following two fiscal years. To accomplish this objective, we apply the City's Normal Cost Accrual Rate from the valuation year, to the estimated payroll for the target year to determine the Normal Cost for that year. We assume the dollar amount of the amortization payments on the unfunded liability will remain unchanged between the two years.

Actuarial Basis
(continued)

B. Actuarial Assumptions

The actuarial assumptions used in the determination of costs and liabilities are as follows:

Interest: 8% compounded annually, net of investment expenses.

Salary Scale: It is assumed that salaries will increase by 5% per annum (compounded).

Mortality: Current Valuation:

City - RP2000 No Collar Fully Projected Table.
Fire - RP2000 Blue Collar Fully Projected Table.
Police - RP2000 Blue Collar Fully Projected Table.

Prior Valuation: 1994 Group Annuity Mortality Table.

Termination prior to retirement:

City Employees — Sample rates are as follows:

Age	Disability*	Withdrawal
20	0.03%	5.44%
25	0.03	5.29
30	0.03	5.07
35	0.03	4.07
40	0.05	4.19
45	0.09	3.54
50	0.20	2.48
55	0.43	0.00
60	0.87	0.00

**25% of disabilities are considered service connected*

B. Actuarial Assumptions (continued)

Fire

Sample rates are as follows:

Age	Disability*	Withdrawal
20	0.06%	0.00%
25	0.09	0.00
30	0.11	0.00
35	0.15	0.00
40	0.22	0.00
45	0.36	0.00
50	0.61	0.00
55	1.01	0.00
60	1.63	0.00

**100% of deaths prior to retirement and 100% of disabilities are considered service connected*

Police

Sample rates are as follows:

Age	Disability*	Withdrawal
20	0.12%	0.00%
25	0.17	0.00
30	0.22	0.00
35	0.29	0.00
40	0.44	0.00
45	0.72	0.00
50	1.21	0.00
55	2.02	0.00
60	3.25	0.00

**100% of deaths prior to retirement and 100% of disabilities are considered service connected*

Retirement Rates:

City Employees

Current: Age and service based table developed from experience from prior years.

Sample rates are as follows:

	Years of Service				
Age	**10**	**15**	**20**	**25**	**30+**
50	6.25%	6.25%	6.25%	6.25%	12.50%
55	6.25%	6.25%	6.25%	6.25%	12.50%
60	15.00%	15.00%	15.00%	15.00%	30.00%
65	25.00%	25.00%	25.00%	25.00%	25.00%
70	20.00%	20.00%	20.00%	20.00%	20.00%
75	100.00%	100.00%	100.00%	100.00%	100.00%

B. Actuarial Assumptions (continued)

Previous: Sample rates are as follows:

Age	Retirement
55	10%
56	2
57	3
58	4
59	3
60	6
61	7
62	13
63	9
64	9
65	100

Fire

Sample rates are as follows:

Age	Retirement
50	23%
51	5
52	5
53	8
54	3
55	10
56	8
57	3
58	10
59	3
60	5
61	5
62	2
63	3
64	2
65	100

B. Actuarial Assumptions (continued)

Police

Sample rates are as follows:

Age	Retirement
50	30%
51	5
52	5
53	11
54	2
55	14
56	11
57	5
58	2
59	2
60	2
61	3
62	3
63	3
64	2
65	100

Percent Married: 75% of male participants and 65% of female participants.

Age of Spouse: Males are assumed to be three years older than their spouses.

Administrative Expense: We have included estimated administrative expenses in the development of the normal cost.

Summary of Plan Provisions

This summary outlines the major features of the Plan. It does not give full details or cover all aspects of the Plan. The actual terms and conditions of the Plan are stated in documents with the City.

Effective date	Originally effective July, 1972. Amended March 18, 2003 and May 1, 2003, respectively, to include police officers and firefighters hired after those dates. Amended and restated as of July 1, 2006.
Eligibility for Participation	Regular full-time employees (other than Members of the State Teachers' Retirement System), including elected and appointed officials, are eligible at hire.
Years of Service	Year and months (rounded) of employment during which employee has made required contributions.
Pay	Salary or wages including elective deferrals under 401(k) or Sec. 125, limited by IRC 401(a)(17).
Average Annual Pay	Average of three highest paid calendar years out of the last ten years.
Accrued Benefit	2% of Average Final Pay times Years of Service with a maximum of 30 years.
Normal Retirement	
Age & Service Requirements	City Employees: Earlier of • later of 10 Years of Service and age 65 • any combination of Years of Service and age equaling 80, with a minimum of 10 Years of Service

	Police Officers: Earlier of • completion of 25 Years of Service • any combination of Years of Service and age equaling 80, with a minimum of 10 Years of Service • age 65
	Firefighters: Earlier of • completion of 25 Years of Service • age 65
Benefit	Accrued Benefit
Early Retirement	
Eligibility	City and Police: completion of 10 Years of Service and age 55
	Firefighters: None
Benefit	Accrued Benefit reduced by the following percentages: • City: 6.67% per year for each year between 65 and 60, plus 3.33% for each year between 60 and 55. • Police: 5% per year for years between early retirement date and date Member would have completed 25 Years of Service.
Termination	
Prior to completion of 10 Years of Service	Return of employee contributions plus regular interest.
After completion of 10 Years of Service	Member may elect to receive either • Return of employee contributions plus regular interest, or • Accrued Benefit.
Disability	
Eligibility	None if service-related; otherwise completion of 10 Years of Service

Benefit	City and Firefighters: • Service-related: greater of Accrued Benefit, or 50% of annual rate of Pay at time of disability. • Non-Service related: Accrued Benefit. Police: • Service-related – if disabled from employment as police officer: 50% of annual rate of Pay at time of disability. • Service-related – if disabled from any gainful employment: Accrued Benefit as if Officer had no less than 25 Years of Service. • Non-Service related: Accrued Benefit as if Officer had no less than 20 Years of Service.
Death Prior to Retirement	
Prior to completion of 10 Years of Service	Return of employee contributions plus regular interest.
City Employees after eligibility for Early or Normal Retirement	Surviving spouse may elect to receive either • Return of employee contributions plus regular interest, or • 50% of benefit Member would have received if retired day before death and elected 50% Joint and Survivor option.
Police Officer and Firefighter Service-related death	Surviving spouse receives 100% of Accrued Benefit as if Officer had at least 25 Years of Service. Upon attainment of date Officer or Firefighter would have attained 25 Years, spouse's benefit decreases to 50% of the pension amount. Payable until death or remarriage.
Death After Retirement and after age 65	$1000 lump sum payable to beneficiary in addition to any other benefits under plan.
Normal Form of Retirement Benefit	Single life annuity.

Optional Forms of Benefits	Actuarial equivalent of Normal Form paid as • Ten year certain and continuous annuity • Joint and Survivor annuity with 100%, 66-2/3%, or 50% of pension continued to designated beneficiary
Employee Contributions	4% of Pay. (In addition, 2% of Pay is contributed to the Retiree Health Insurance Fund.)
COLA	Retirement prior to July 1, 1989: none Retirement after July 1, 1989 and prior to July 1, 2000: 3% every other year, beginning after the later of 3 years from retirement date or age 65. Retirement after July 1, 2000: 2% every year, beginning after the later of 2 years from retirement date or age 62. For Police and Firefighters with 25 Years of Service, beginning 1 year from retirement. Lifetime cap of 50% of original pension.
Retirement windows	Retirement windows were offered in 1999 and 2007.

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