

City of Meriden Employees' Retirement System

*Actuarial Valuation and Review
as of July 1, 2002*

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October 29, 2003

City of Meriden Employees' Retirement System
c/o Robert Curry, Finance Director

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2002. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal years ending June 30, 2004 and June 30, 2005 and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by the City of Meriden and the financial information was provided by the City. That assistance is gratefully acknowledged. The actuarial calculations were completed under our supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

THE SEGAL COMPANY

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SECTION 1: Valuation Summary for the City of Meriden Employees' Retirement System

Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Meriden Employees' Retirement System as of July 1, 2002. The valuation was performed to determine if the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Board,
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of July 1, 2002, provided by the City;
- The assets of the Plan as of June 30, 2002, provided by the City;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

- This report values the liabilities and assets as of July 1, 2002. However, it is used to produce the annual required contribution (ARC) for fiscal years ending June 30, 2004 and June 30, 2005. For both of the fiscal years, the ARC remains \$0.
- This actuarial valuation reflects changes to the actuarial assumptions. The salary scale has been reduced from 6% per year to 5.5% per year. The mortality table has also been updated to the 1994 Group Annuity Mortality (GAM) Table. Previously, the 1983 GAM table was used.
- The actuarial valuation report as of July 1, 2002 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected. Declines in asset values will increase the actuarial cost of the Plan, while increases will decrease the actuarial cost of the Plan. For example, a 10% change in the current year's actuarial value of assets would produce a \$1,213,339 change to the recommended contribution level. Because the actuarial value of assets involves a smoothing method, a 10% change in market value would not be fully reflected immediately in the actuarial value of assets. Rather, that effect would be spread over a period of years. We have shown the full impact immediately so as to indicate the sensitivity of costs to market fluctuations.

SECTION 1: Valuation Summary for the City of Meriden Employees' Retirement System

- We expect that the annual required contribution (ARC) will exceed \$0 the next time an Actuarial Report is prepared. Presently, we are developing the funding recommendation based upon the actuarial smoothed assets. As of July 1, 2002, the actuarial value of assets was approximately \$118,100,000, while the market value of assets was approximately \$107,100,000. It is interesting to note that a valuation contribution of approximately \$687,000 is calculated if the market value of assets is used. For this reason, the City may want to consider making a contribution, even though the ARC through June 30, 2005 remains \$0.

SECTION 1: Valuation Summary for the City of Meriden Employees' Retirement System

Summary of Key Valuation Results

	2002	2000
Contributions for fiscal year beginning July 1:		
Recommended	\$0	\$0
Actual	--	--
Funding elements for plan year beginning July 1:		
Normal cost, including administrative expenses	\$2,755,833	\$2,473,879
Market value of assets	107,087,018	129,068,231
Actuarial value of assets	118,086,359	109,269,458
Actuarial accrued liability	95,327,362	82,598,002
Unfunded/(Overfunded) actuarial accrued liability	-22,758,997	-26,671,456
GASB 25/27 for fiscal year beginning July 1:		
Annual required contributions	\$0	\$0
Actual contributions	0	17,773
Percentage contributed	N/A	N/A
Funded ratio	123.87%	132.29%
Covered payroll	23,977,682	21,181,333
Demographic data for plan year beginning July 1:		
Number of retired participants and beneficiaries	390	407
Number of vested former participants	65	58
Number of active participants	599	582
Total payroll	\$23,977,682	\$21,181,333
Average payroll	40,030	36,394

SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographics of covered participants, including active participants, vested terminated participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

A historical perspective of how the participant population has changed over the past six valuations can be seen in this chart.

CHART 1
Participant Population: 1992 – 2002

Year Ended June 30	Active Participants	Vested Terminated Participants*	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives
1992	485	86	304	0.80
1994	567	112	319	0.76
1996	573	101	352	0.79
1998	597	72	361	0.73
2000	582	58	407	0.80
2002	599	65	390	0.76

**Excludes terminated participants due a refund of employee contributions.*

SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

Active Participants

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 599 active participants with an average age of 46.9, average years of service of 10.4 years and average payroll of \$40,030. The 582 active participants in the prior valuation had an average age of 45.8, average service of 9.8 years and average payroll of \$36,394.

Inactive Participants

In this year's valuation, there were 65 participants with a vested right to a deferred or immediate vested benefit.

In addition, there were 30 participants entitled to a return of their employee contributions.

These graphs show a distribution of active participants by age and by years of service.

CHART 2
Distribution of Active Participants by Age as of June 30, 2002

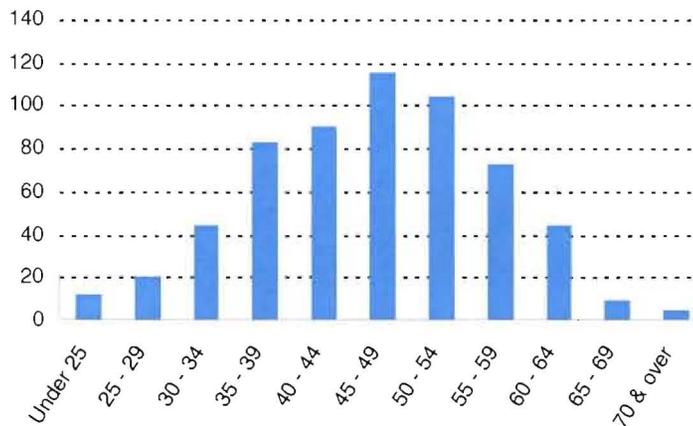
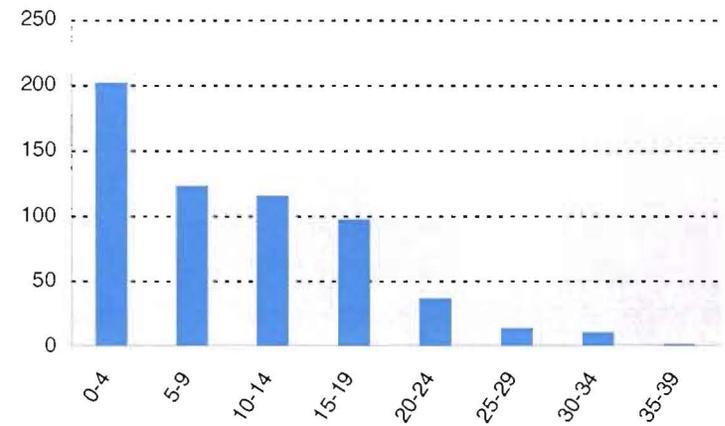


CHART 3
Distribution of Active Participants by Years of Service as of June 30, 2002



SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

Retired Participants and Beneficiaries

As of June 30, 2002, 366 retired participants and 24 beneficiaries were receiving total monthly benefits of \$392,850. For comparison, in the previous valuation, there were 389 retired participants and 18 beneficiaries receiving monthly benefits of \$363,213.

These graphs show a distribution of the current retired participants based on their monthly amount and age, by type of pension.

CHART 4
Distribution of Retired Participants by Type and by Monthly Amount as of June 30, 2002

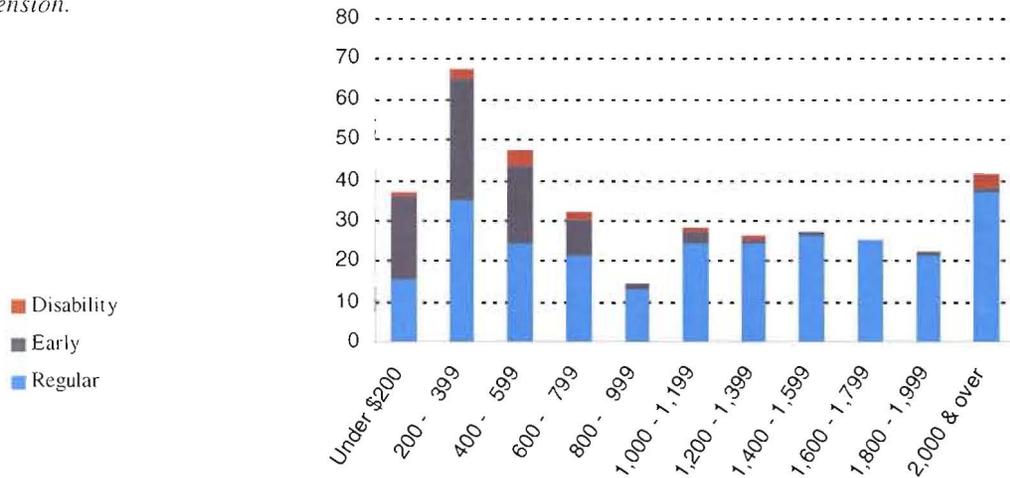
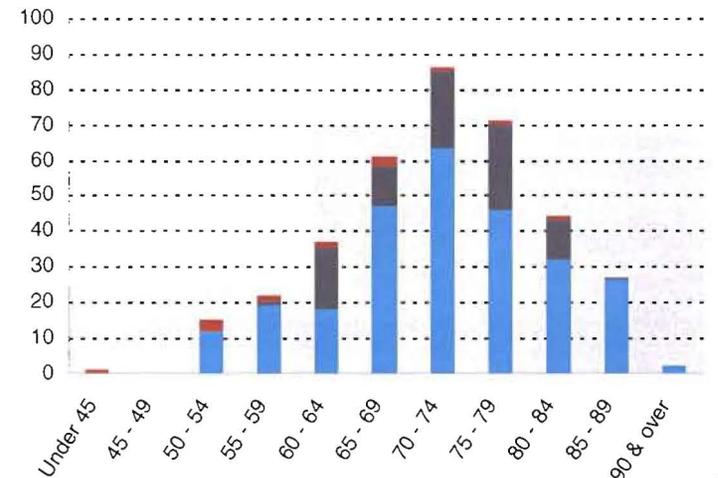


CHART 5
Distribution of Retired Participants by Type and by Age as of June 30, 2002



SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

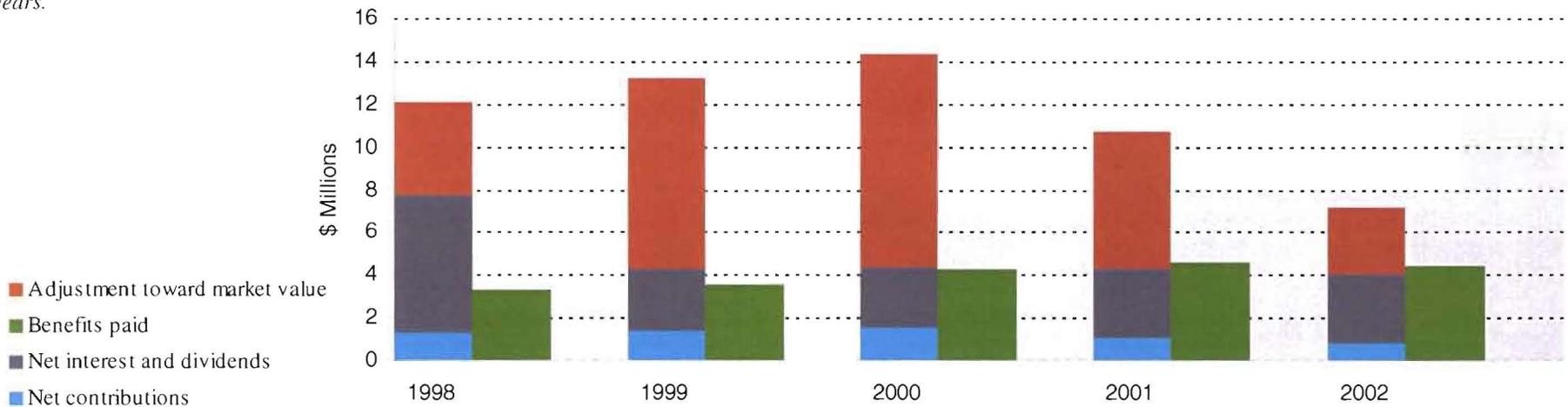
B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D, E and F.

The chart depicts the components of changes in the actuarial value of assets over the last five years.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 1998 – 2002



SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

**CHART 7
Determination of Actuarial Value of Assets for Year Ended**

	June 30, 2002	June 30, 2001
1. Actuarial value of assets at beginning of year	\$115,349,313	\$109,269,458
2. Total contributions	1,005,394	1,075,697
3. Total benefit payments and expenses	4,602,571	4,602,622
4. Average asset value: $(1) + 0.5 \times [(2) - (3)]$	113,550,725	107,505,996
5a. Expected investment income: $.08 \times (4)$	9,084,058	8,600,480
5b. Expected end of year assets: $(1) + (2) - (3) + (5a)$	120,836,194	114,343,013
6. Actual end of year assets	107,087,018	119,374,515
7. Adjustment toward market value: $20\% \times [(6) - (5b)]$	(2,749,835)	1,006,300
8. Actuarial value of assets at end of year: $(5b) + (7)$	118,086,359	115,349,313
9. Actuarial value as a percentage of market value: $(8) \div (6)$	110.27%	96.63%

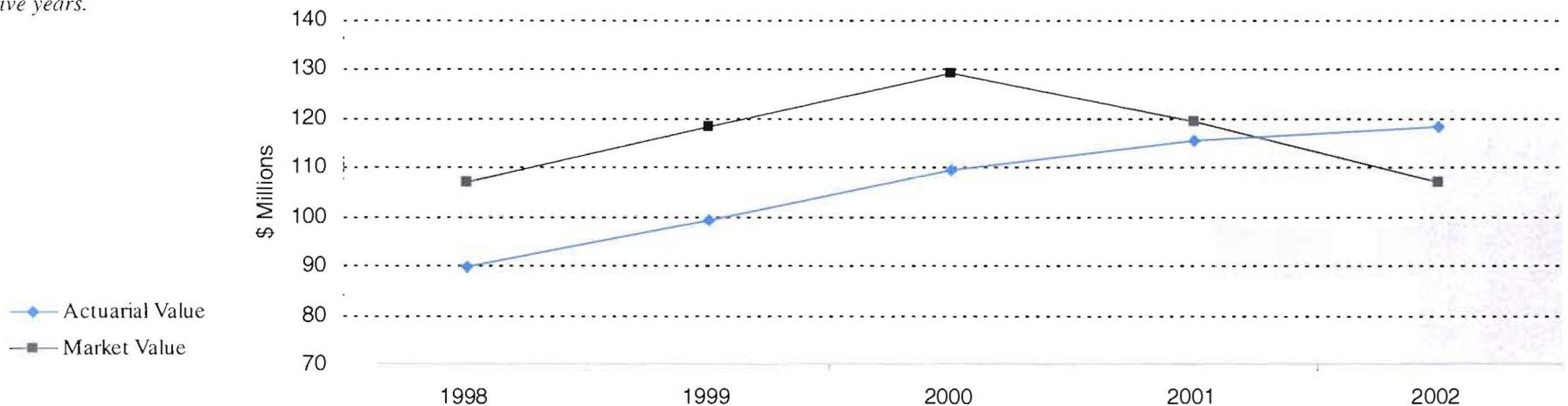
SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

Both the actuarial value and market value of assets are representations of the City of Meriden's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the City of Meriden's liabilities are compared to its assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past five years.

CHART 8

Actuarial Value of Assets vs. Market Value of Assets for Years Ended June 30, 1998 – 2002



SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain/(loss) is (\$4,436,531), (\$1,743,535) from investments and (\$2,727,664) from all other sources. The net experience variation from individual sources other than investments was 2.9% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience over the past two years.

CHART 9

Actuarial Experience for Two-Year Period Ended June 30, 2001

1. Net gain/(loss) from investments*	-\$1,743,535
2. Net gain/(loss) from other experience	<u>-2,727,664</u>
3. Net experience gain/(loss): (1) + (2)	-\$4,471,199

** Details in Chart 10*

SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the City of Meriden's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00%. The smoothed actuarial return for the 2001 plan year was 5.58% and 8.94% for the 2000 year.

Since the actual return for the year was less than the assumed return, the City of Meriden experienced an actuarial loss during the two-year period ending June 30, 2002 with regard to its investments.

The actual market value returns for the last two plan years were -4.84% and -7.39%, respectively.

This chart shows the gain/(loss) due to investment experience.

**CHART 10
Investment Experience for Year Ended**

	June 30, 2002	June 30, 2001
1. Actual return	\$6,334,223	\$9,606,780
2. Average value of assets	113,550,725	107,505,996
3. Actual rate of return: (1) ÷ (2)	5.58%	8.94%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	9,084,058	8,600,480
6. Actuarial gain/(loss): (1) - (5)	<u>-\$2,749,835</u>	<u>\$1,006,300</u>

SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

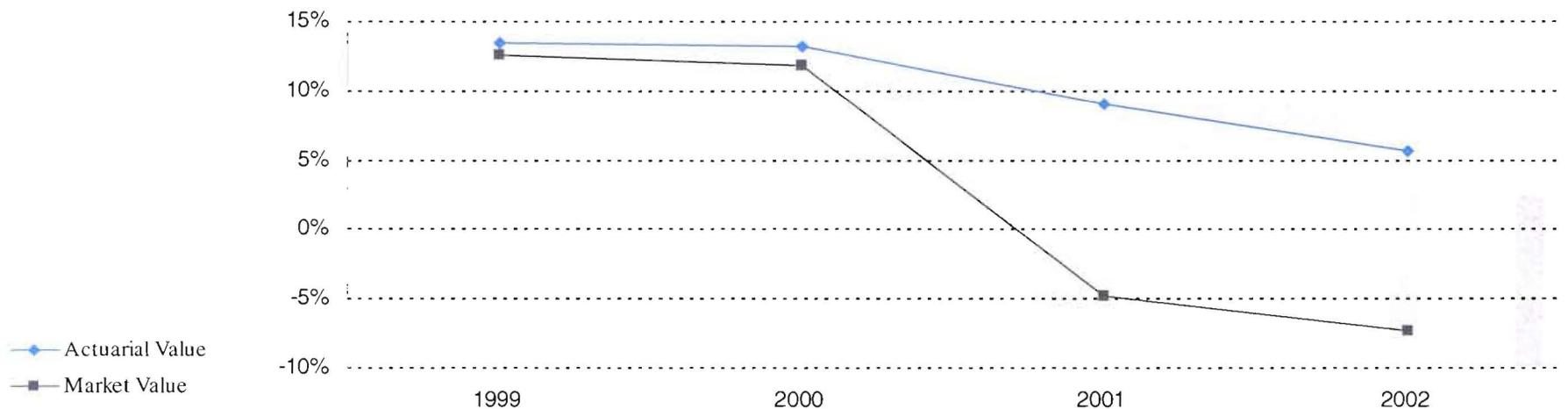
Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

Administrative Expenses

Because the administrative expenses were not identified in the audit report, we did not analyze this experience. However, based upon expected increases in the future, we increased the administrative expense assumption from \$15,000 to \$20,000 per year.

This chart illustrates how this leveling effect has actually worked over the years 1999 - 2002.

CHART 11
Market and Actuarial Rates of Return for Years Ended June 30, 1999 - 2002



SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),

- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the two-year period ending June 30, 2002 amounted to (\$2,727,664) which is 2.9% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the City of Meriden for the two-year period ending June 30, 2002 is shown in the chart below.

The chart shows elements of the experience gain/(loss) for the most recent years.

CHART 12

Experience Due to Changes in Demographics for Two-Year Period Ended June 30, 2002

1. Retirement	\$-2,044,000
2. Turnover	1,612,000
3. New Entrants/Showups	-420,000
4. Salary increases	-1,554,000
5. Miscellaneous	<u>-321,664</u>
6. Total	<u>-\$2,727,664</u>

SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded/(overfunded) actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 0.00% of payroll.

As of July 1, 2002, there are 18 years remaining on this schedule.

The recommended contribution is based on a 30-year amortization of the unfunded/(overfunded) actuarial accrued liability.

The chart compares this valuation's recommended contribution with the prior valuation.

CHART 13
Recommended Contribution

	Year Beginning July 1			
	2002		2000	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$2,735,833	11.41%	\$2,458,879	11.61%
2. Administrative expenses	20,000	0.08%	15,000	0.07%
3. Expected employee contributions	<u>-933,223</u>	<u>-3.89%</u>	<u>-829,469</u>	<u>-3.92%</u>
4. Employer normal cost: (1) + (2) + (3)	1,822,610	7.60%	1,644,410	7.76%
5. Actuarial accrued liability	95,327,362		82,598,002	
6. Actuarial value of assets	<u>118,086,359</u>		<u>109,269,458</u>	
7. Unfunded/(overfunded) actuarial accrued liability: (5) – (6)	-22,758,997		-26,671,456	
8. Payment on unfunded/(overfunded) actuarial accrued liability	-2,248,549	-9.38%	-2,515,321	-11.88%
9. Total recommended contribution: (4) + (8), adjusted for timing*, but not less than zero	<u>0</u>	<u>0.00%</u>	<u>0</u>	<u>0.00%</u>
10. Projected payroll	\$23,977,682		\$21,181,333	

**Recommended contributions are assumed to be paid halfway through the year, on average.*

SECTION 2: Valuation Results for the City of Meriden Employees' Retirement System

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded on an actuarially sound basis and in accordance with the GASB funding requirements. Chart 14 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the assets of the plan to the liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 14
Required Versus Actual Contributions

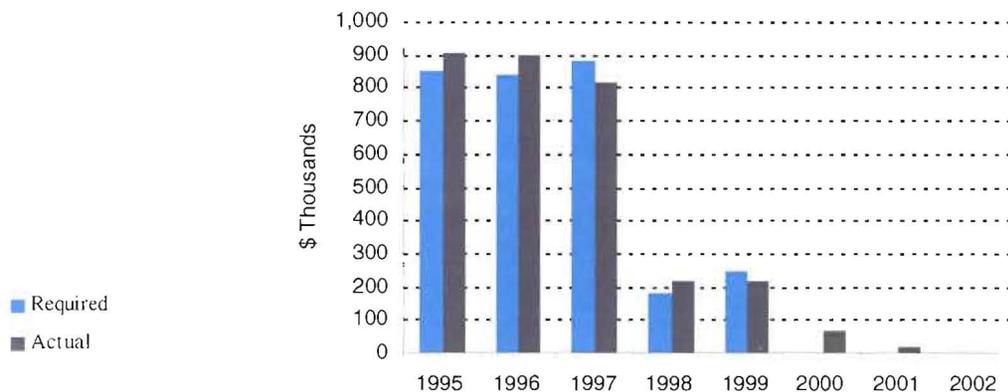
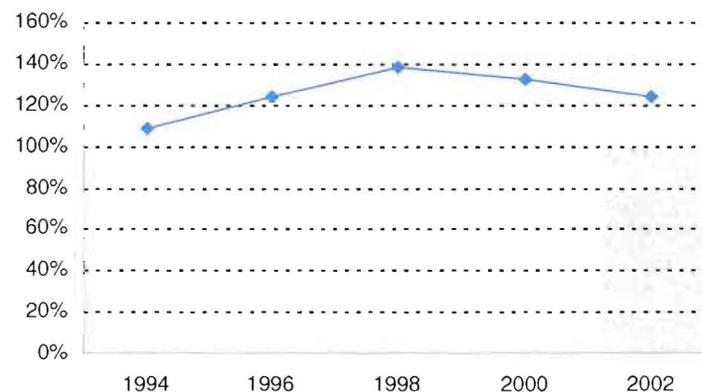


CHART 15
Funded Ratio



SECTION 3: Supplemental Information for the City of Meriden Employees' Retirement System

EXHIBIT A
Table of Plan Coverage

Category	Year Ended June 30		Change From Prior Year
	2002	2000	
Active participants in valuation			
Number	599	582	2.9%
Average age	46.9	45.8	N/A
Average service	10.4	9.8	N/A
Total payroll	\$23,977,682	\$21,181,333	13.2%
Average payroll	40,030	36,394	10.0%
Account balances	11,607,299	9,779,825	18.7%
Total active vested participants	298	294	1.4%
Vested terminated participants	65	58	12.1%
Retired and disabled participants			
Number in pay status	366	389	-5.9%
Average age	72.0	71.3	N/A
Average monthly benefit	\$1,033	\$905	14.1%
Beneficiaries in pay status	24	18	33.3%
Inactive Non-Vested participants	29	13	123.1%

SECTION 3: Supplemental Information for the City of Meriden Employees' Retirement System

EXHIBIT B

**Participants in Active Service During Year Ended June 30, 2002
By Age, Years of Service, and Average Payroll**

Age	Years of Service								
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39
Under 25	12	12	--	--	--	--	--	--	--
	\$30,322	\$30,322	--	--	--	--	--	--	--
25 - 29	20	17	3	--	--	--	--	--	--
	31,445	29,475	\$42,606	--	--	--	--	--	--
30 - 34	44	26	11	7	--	--	--	--	--
	35,140	28,618	45,971	\$42,345	--	--	--	--	--
35 - 39	83	42	14	15	12	--	--	--	--
	39,631	30,085	50,555	47,247	\$50,778	--	--	--	--
40 - 44	90	28	25	20	15	2	--	--	--
	41,736	28,667	40,627	50,389	54,027	\$59,869	--	--	--
45 - 49	115	36	27	21	16	7	5	3	--
	39,268	26,632	32,952	46,379	51,353	52,532	\$62,385	\$64,032	--
50 - 54	104	18	23	18	24	11	6	4	--
	45,639	30,230	37,119	53,801	46,719	59,917	53,610	69,546	--
55 - 59	73	11	9	18	20	11	2	2	--
	40,704	25,471	56,255	39,132	40,434	42,893	28,667	71,365	--
60 - 64	44	10	6	11	8	6	1	1	1
	36,862	29,393	35,522	39,511	39,740	39,419	--	--	--
65 - 69	9	1	3	3	1	--	--	--	1
	40,727	--	19,956	35,809	--	--	--	--	--
70 & over	5	--	1	2	1	--	--	1	--
	34,184	--	--	46,498	--	--	--	--	--
Total	599	201	122	115	97	37	14	11	2
	\$40,030	\$28,684	\$40,253	\$46,041	\$47,288	\$50,132	\$51,895	\$62,879	\$73,332

SECTION 3: Supplemental Information for the City of Meriden Employees' Retirement System

EXHIBIT C

Reconciliation of Participant Data

	Active Participants	Vested Former Participants	Inactive Non- Vested Participants	Pensioners and Disableds	Beneficiaries	Total
Number as of July 1, 2000	582	58	13	389	18	1,060
New participants	96	N/A	1	N/A	N/A	97
Terminations – with vested rights	-13	13	0	0	0	0
Terminations – without vested rights	-18	N/A	18	N/A	N/A	0
Retirements	-10	-6	0	16	N/A	0
Died with beneficiary	-3	0	0	-4	7	0
Died without beneficiary	-3	0	0	-36	-1	-40
Lump sum payoffs	-31	0	-2	0	0	-33
Data adjustments	<u>-1</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>
Number as of July 1, 2002	599	65	30	366	24	1,084

SECTION 3: Supplemental Information for the City of Meriden Employees' Retirement System

EXHIBIT D

Summary Statement of Income and Expenses

	Year Ended June 30, 2002	Year Ended June 30, 2001
Contribution income:		
Employer contributions	\$0	\$17,773
Employee contributions	965,394	1,057,924
Other contributions	40,000	0
Less administrative expenses	<u>0</u>	<u>0</u>
Net contribution income	\$833,438	\$1,075,697
Investment income:		
Interest, dividends and other income	\$3,945,138	\$4,040,762
Adjustment toward market value	3,132,750	6,450,266
Less investment fees	<u>-743,665</u>	<u>-884,248</u>
Net investment income	6,334,223	9,606,780
Total income available for benefits	\$7,167,661	\$10,682,477
Less benefit payments:		
Benefit Payments	\$4,602,571	\$4,602,622
Net benefit payments	4,602,571	4,602,622
Change in actuarial asset method	0	0
Change in reserve for future benefits	\$2,737,046	\$6,079,855

SECTION 3: Supplemental Information for the City of Meriden Employees' Retirement System

EXHIBIT E

Table of Financial Information

	Year Ended June 30, 2002	Year Ended June 30, 2001
Cash equivalents	\$7,218,114	\$19,852,181
Accounts receivable:		
Employer contribution receivables	\$0	\$0
Employee contribution receivables	0	0
Other	<u>111,782</u>	<u>2,747</u>
Total accounts receivable	111,782	2,747
Investments:		
Corporate bonds	\$0	\$22,473,724
Corporate stocks	0	61,421,998
Treasury bills	0	15,623,865
U.S. government obligations	18,941,994	0
Corporate debt	22,537,095	0
Common and preferred equities	<u>58,278,033</u>	<u>0</u>
Total investments at market value	99,757,122	99,519,587
Total assets	\$107,087,018	\$119,374,515
Less accounts payable:	0	0
Net assets at market value	<u>\$107,087,018</u>	<u>\$119,374,515</u>
Net assets at actuarial value	<u>\$118,086,359</u>	<u>\$115,349,313</u>

SECTION 3: Supplemental Information for the City of Meriden Employees' Retirement System

EXHIBIT F

Development of the Fund Through June 30, 2002

Year Ended June 30	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return*	Administration Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
1998	\$215,379	\$1,095,092	\$0	\$10,734,641	\$0	\$3,260,799	\$89,530,600
1999	213,999	1,165,870	0	11,785,291	0	3,503,856	99,191,904
2000	67,116	1,475,825	0	12,776,683	0	4,242,070	109,269,458
2001	17,773	1,057,924	0	9,606,780	0	4,602,622	115,349,313
2002	0	965,394	40,000	6,334,223	0	4,602,571	118,086,359

* Net of investment expenses

SECTION 3: Supplemental Information for the City of Meriden Employees' Retirement System

EXHIBIT G

Development of Unfunded/(Overfunded) Actuarial Accrued Liability

	Year Ended June 30, 2002	Year Ended June 30, 2001
1. Unfunded/(Overfunded) actuarial accrued liability at beginning of year	-\$27,268,308	-\$26,671,456
2. Normal cost at beginning of year	2,606,412	2,458,879
3. Total contributions	-1,005,394	-1,075,697
4. Interest		
(a) For whole year on (1) + (2)	-\$1,972,952	-\$1,937,006
(b) For half year on (3)	-40,216	-43,028
(c) Total interest	<u>-2,013,168</u>	<u>-1,980,034</u>
5. Expected unfunded/(overfunded) actuarial accrued liability	-\$27,680,458	-\$27,268,308
6. Changes due to:		
(a) (Gain)/Loss	\$4,471,199	--
(b) Assumptions	450,262	--
(c) Funding method	--	--
(d) Plan provisions	--	--
(e) Total changes	<u>4,921,461</u>	<u>--</u>
7. Unfunded/(Overfunded) actuarial accrued liability at end of year	<u>-\$22,758,997</u>	<u>-\$27,268,308</u>

SECTION 3: Supplemental Information for the City of Meriden Employees' Retirement System

EXHIBIT H

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or Actuarial

Assumptions:

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield which the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Turnover rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal Cost:

The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial Accrued Liability

For Actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial Accrued Liability

For Pensioners:

The single sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and of the interest which the sum is expected to earn before it is entirely paid out in benefits.

Unfunded Actuarial Accrued

Liability:

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

SECTION 3: Supplemental Information for the City of Meriden Employees' Retirement System

Amortization of the Unfunded

Actuarial Accrued Liability: Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

Investment Return:

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

SECTION 4: Reporting Information for the City of Meriden Employees' Retirement System

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Pensioners as of the valuation date (including 23 beneficiaries in pay status)		389
2. Participants inactive during year ended June 30, 2002 with vested rights		65
3. Participants active during the year ended June 30, 2002		599
Fully vested	298	
Not vested	301	
4. Inactive Non-Vested participants as of June 30, 2002		29

The actuarial factors as of the valuation date are as follows:

1. Normal cost, including administrative expenses		\$2,755,833
2. Present value of future benefits		121,665,165
3. Present value of future normal costs		26,337,802
4. Actuarial accrued liability		95,327,362
Pensioners and beneficiaries	\$45,508,462	
Inactive participants with vested rights	2,260,159	
Active participants	47,485,744	
Inactive Non-Vested	72,997	
5. Actuarial value of assets (\$107,087,018 at market value)		118,086,359
6. Overfunded actuarial accrued liability		-\$22,758,997

SECTION 4: Reporting Information for the City of Meriden Employees' Retirement System

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1. Total normal cost	\$2,735,833
2. Administrative expenses	20,000
3. Expected employee contributions	-933,223
4. City normal cost: (1) + (2) + (3)	1,822,610
5. Payment on unfunded/(overfunded) actuarial accrued liability	-2,248,549
6. Total recommended contribution: (4) + (5), adjusted for timing, but not less than zero	0
7. Projected payroll	23,977,682
8. Total recommended contribution as a percentage of payroll	0.00%
9. Expected City normal cost as of July 1, 2003: (4) x 1.055	1,922,854
10. Payment on unfunded/(overfunded) actuarial accrued liability: (5)	-2,248,549
11. Annual Required Contribution (ARC) for year ending June 30, 2004: (9) + (10), adjusted for timing, but not less than zero	\$0
12. Expected City normal cost as of July 1, 2004: (9) x 1.055	2,028,610
13. Payment on unfunded/(overfunded) actuarial accrued liability: (5)	-2,248,549
14. Annual Required Contribution (ARC) for year ending June 30, 2005: (12) + (13), adjusted for timing, but not less than zero	\$0

SECTION 4: Reporting Information for the City of Meriden Employees' Retirement System

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
1995	\$850,800	\$901,578	106.0%
1996	841,200	897,658	106.7%
1997	879,100	811,867	92.4%
1998	181,700	215,379	118.5%
1999	245,900	213,999	87.0%
2000	0	67,116	N/A
2001	0	17,773	N/A
2002	0	0	N/A
2003	0	0	N/A
2004	0	--	--

SECTION 4: Reporting Information for the City of Meriden Employees' Retirement System

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a) / (c)]
07/01/1994	\$58,933,900	\$54,579,600	-4,354,300	107.98%	\$17,126,500	(25.42%)
07/01/1995	N/A	N/A	N/A	N/A	N/A	N/A
07/01/1996	72,100,300	58,546,000	-13,554,300	123.15%	18,990,000	(71.38%)
07/01/1997	N/A	N/A	N/A	N/A	N/A	N/A
07/01/1998	89,530,600	64,878,200	-24,652,400	138.00%	20,752,300	(118.79%)
07/01/1999	N/A	N/A	N/A	N/A	N/A	N/A
07/01/2000	109,269,458	82,598,002	-26,671,456	132.29%	21,181,333	(125.92%)
07/01/2001	N/A	N/A	N/A	N/A	N/A	N/A
07/01/2002	118,086,359	95,327,362	-22,758,997	123.87%	23,977,682	(94.92%)

SECTION 4: Reporting Information for the City of Meriden Employees' Retirement System

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation Date	July 1, 2002
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level dollar, closed
Remaining Amortization Period	18 years as of July 1, 2002
Asset Valuation Method	5 year smoothing of investment returns greater/(less) than expected
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Projected Salary Increases	5.50%
Membership of the Plan	
Retirees and Beneficiaries receiving benefits	390
Terminated plan members entitled to, but not yet receiving benefits	65
Active plan members	<u>599</u>
Total	1,053

SECTION 4: Reporting Information for the City of Meriden Employees' Retirement System

EXHIBIT V

Development of the Net Pension Obligation and the Annual Pension Cost Pursuant to GASB 27

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed (b)	Interest on NPO (h)* 8.00% (c)	ARC Adjustment (h) / (e) (d)	Amortization Factor (e)	Pension Cost (a) + (c) - (d) (f)	Change in NPO (f) - (b) (g)	NPO Balance NPO + (g) (h)
1995	\$850,800	\$901,578	-\$22,861	-\$24,196	11.8100	\$852,136	-\$49,442	-\$335,202
1996	841,200	897,658	-26,816	-28,712	11.6748	843,095	-54,563	-389,764
1997	879,100	811,867	-31,181	-33,808	11.5229	881,727	69,860	-319,904
1998	181,700	215,379	-25,592	-28,133	11.3711	184,241	-31,138	-351,042
1999	245,900	213,999	-28,083	-32,699	11.2007	250,516	36,517	-314,525
2000	0	67,116	-25,162	-29,787	10.5596	4,625	-62,491	-377,016
2001	0	17,773	-30,161	-36,360	10.3692	6,199	-11,574	-388,590
2002	0	0	-31,087	-38,235	10.1635	7,148	7,148	-381,442
2003	0	0	-30,515	-38,370	9.9414	7,855	7,855	-373,587
2004	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A

SECTION 4: Reporting Information for the City of Meriden Employees' Retirement System

EXHIBIT VI

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates: 1994 Group Annuity Mortality Table (previously, 1983 GAM)

Termination Rates before Retirement:

Age	Rate (%)					
	Mortality		Disability		Withdrawal	
	Male	Female	Male	Female	Male	Female
20	0.05	0.03	0.03	0.03	5.44	5.44
25	0.07	0.03	0.03	0.03	5.29	5.29
30	0.08	0.04	0.03	0.03	5.07	5.07
35	0.09	0.05	0.03	0.03	4.70	4.70
40	0.11	0.07	0.05	0.05	4.19	4.19
45	0.16	0.10	0.09	0.09	3.54	3.54
50	0.26	0.14	0.20	0.20	2.48	2.48
55	0.44	0.23	0.43	0.43	0.00	0.00
60	0.80	0.44	0.87	0.87	0.00	0.00

*25% of disabilities are service connected

Retirement Age: 60, or completion of 30 years of service, if later, but not after age 65

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

Net Investment Return: 8.00%

SECTION 4: Reporting Information for the City of Meriden Employees' Retirement System

Salary Increases: 5.50% (previously, 6.00% per year). The 5.5% assumption includes a 1.5% allowance for promotional increases.

Administrative Expenses: \$20,000, added to plan normal cost (previously, \$15,000)

Actuarial Value of Assets: Sum of actuarial value at beginning of year, contributions and expected investment earnings based on the actuarial interest assumption less benefit payments plus 20% of market value at end of year in excess of that sum, plus additional adjustment toward market value as necessary so that final actuarial value is within 20% of market value.

Actuarial Cost Method: Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant would have commenced participation if the plan had always been in existence. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service, with Normal Cost determined as if the current benefit accrual rate had always been in effect.

Changes in Assumptions: The following actuarial assumptions were changed for this valuation:

- The mortality table was updated to the 1994 Group Annuity Mortality Table (previously, the 1983 GAM).
- The salary scale assumption was lowered to 5.5% per year (previously, 6.0% per year).
- The expense assumption was increases to \$20,000 per year, added to plan normal cost (previously, \$15,000 per year).

SECTION 4: Reporting Information for the City of Meriden Employees' Retirement System

EXHIBIT VII

Summary of Plan Provisions

This exhibit summarizes the major provisions of the City of Meriden included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year: July 1 through June 30

Normal Retirement:

<i>Age and service requirement</i>	Age 65 with 10 years of service or Rule of 80
<i>Amount</i>	2% of final average salary per year of service, to a maximum benefit of 60% of salary. Final average salary is defined as the average of the three highest consecutive years of salary during the 10 years prior to retirement.

Early Retirement:

<i>Age requirement</i>	55
<i>Service requirement</i>	10 years
<i>Amount</i>	Normal pension accrued, actuarially reduced
<i>Window</i>	An early retirement window was offered to participants that elected to retire on or after July 1, 1999 and before January 1, 2000.

Disability:

Non-service connected

<i>Age requirement</i>	None
<i>Service requirement</i>	10 years
<i>Amount</i>	Normal pension accrued. Minimum annual benefit of \$360.