

**City of Meriden Police Pension Fund**

*Actuarial Valuation and Review  
as of July 1, 2004*

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January 10, 2005

Mr. John F. Minter  
City of Meriden Police Pension Fund  
142 East Main Street  
Meriden, CT 06450

Dear Mr. Minter:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2004. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal years ending June 30, 2006 and June 30, 2007 and analyzes the preceding year's experience.

The census information on which our calculations were based was prepared by the City and the financial information was also 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

By:

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## SECTION 1: Valuation Summary for the City of Meriden Police Pension Fund

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### Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Meriden Police Pension Fund as of July 1, 2004. The valuation was performed to determine whether 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, 2004, provided by the City;
- The assets of the Plan as of June 30, 2004, 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:

- The recommended contributions for the fiscal year ending June 30, 2006 is \$3,540,516, compared to \$3,413,205 for the year ending June 30, 2004. The recommended contribution for the year ending June 30, 2007 is \$3,601,188.
- The actuarial valuation report as of July 1, 2004 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 \$439,792 change in 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.
- As indicated in Section 2, Subsection B of this report, the total unrecognized investment loss as of June 30, 2004 is \$6,653,965. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return of 8.00% per year (net of expenses) on a

**SECTION 1: Valuation Summary for the City of Meriden Police Pension Fund**

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**market value** basis will result in investment losses on the actuarial value of assets in the next few years. Therefore, if the actual market return is equal to the assumed 8.00% rate and all other actuarial assumptions are met, the contribution requirements would still increase in each of the next few years.

- For this valuation, there were a few assumption changes made. A table comparing the prior assumptions to the new assumptions is below:

	<u>New Assumption</u>		<u>Prior Assumption</u>	
Salary increase	2005	3.00%	2005	4.25%
	2006	3.00%	2006 and later	5.25%
	2007	4.25%		
	2008 and later	5.25%		
Percent married (retirees and disabled)		75%		100%

In addition, the disability rates were doubled this year. Based upon the new assumption, .62 (less than one) disability is expected this year.

If the assumptions were not changed, the valuation contribution would have been \$3,791,234. In comparison, the final valuation contribution is \$3,482,456.

- There are three future actuarial assumption changes that are worth consideration. With the trend toward longer life expectancy, an updated mortality assumption is appropriate. For this purpose, we would recommend the 1994 Group Annuity Mortality Table. Next, there has been an increase in expenses paid out of the plan. If this experience continues, we recommend a review of the expense assumption. Lastly, the current pay adjustment is 6.7% to reflect emoluments. This assumes that 90% of the participants elect health insurance coverage. If the percentage is lower, we may need to review this assumption.

**SECTION 1: Valuation Summary for the City of Meriden Police Pension Fund**

**Summary of Key Valuation Results**

	<b>2004</b>	<b>2002</b>
<b>Contributions for plan year beginning July 1:</b>		
Valuation	\$3,482,456	\$3,303,577
<b>Funding elements for plan year beginning July 1:</b>		
Normal cost, including administrative expenses	\$1,606,755	\$1,504,781
Market value of assets	42,098,399	38,795,429
Actuarial value of assets	48,752,364	46,554,515
Actuarial accrued liability	72,823,660	70,304,895
Unfunded/(overfunded) actuarial accrued liability	24,071,296	23,750,380
<b>GASB 25/27 for plan year beginning July 1:</b>		
Annual required contributions	\$3,413,205	\$2,489,520
Actual contributions	--	2,448,000
Percentage contributed	--	98.33%
Funded ratio	66.95%	66.22%
Covered payroll	\$7,039,682	\$6,771,911
<b>Demographic data for plan year beginning July 1:</b>		
Number of retired participants and beneficiaries	103	106
Number of former participants due a refund of contributions	1	1
Number of active participants	122	124
Total payroll	\$7,039,682	\$6,771,911
Average payroll	57,702	54,612

**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

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**A. PARTICIPANT DATA**

The Actuarial Valuation and Review considers the number and demographic characteristics 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 four valuations can be seen in this chart.*

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**CHART 1**  
**Participant Population: 1999 – 2004**

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<b>Year Ended June 30</b>	<b>Active Participants</b>	<b>Vested Terminated Participants*</b>	<b>Retired Participants and Beneficiaries</b>	<b>Ratio of Non-Actives to Actives</b>
1999	125	--	101	0.81
2000	127	--	103	0.81
2002	124	--	106	0.85
2004	122	--	103	0.84

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*\*Excludes terminated participants due a refund of employee contributions. There is one such participant as of July 1, 2004.*

**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

**Active Participants**

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 122 active participants with an average age of 41.2, average years of service of 14.9 years and average payroll of \$57,702. The 124 active participants in the prior valuation had an average age of 40.4, average service of 14.2 years and average payroll of \$54,612.

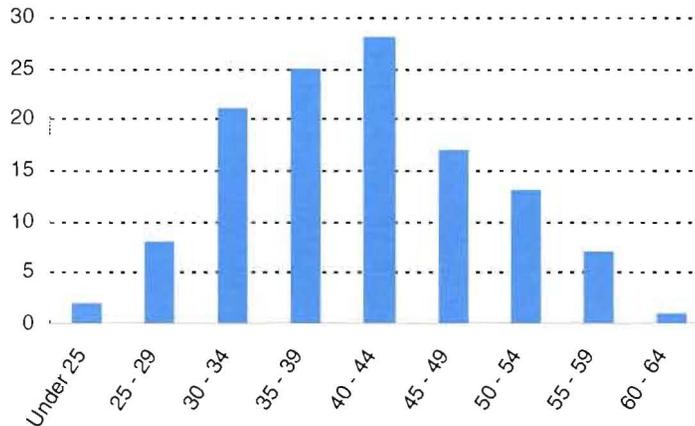
**Inactive Participants**

In this year's valuation, there were no participants with a vested right to a deferred or immediate vested benefit.

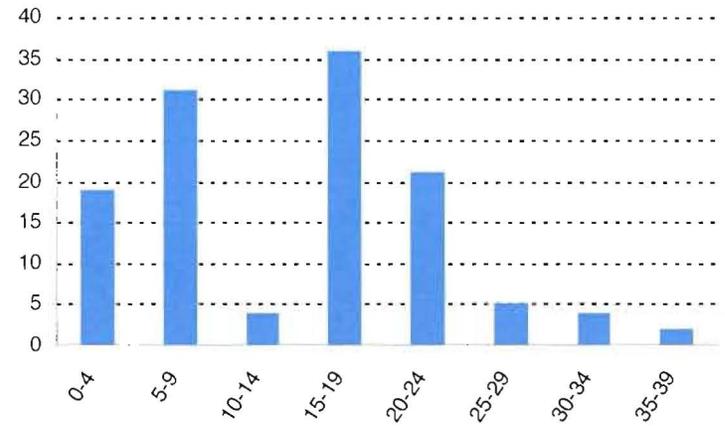
In addition, there was 1 participant entitled to a return of their employee contributions.

*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, 2004**



**CHART 3**  
**Distribution of Active Participants by Years of Service as of June 30, 2004**



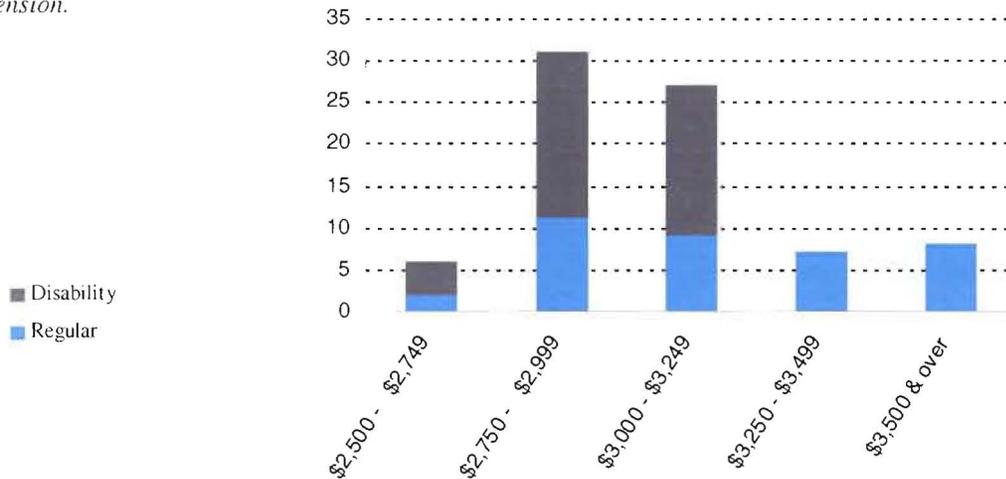
**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

**Retired Participants and Beneficiaries**

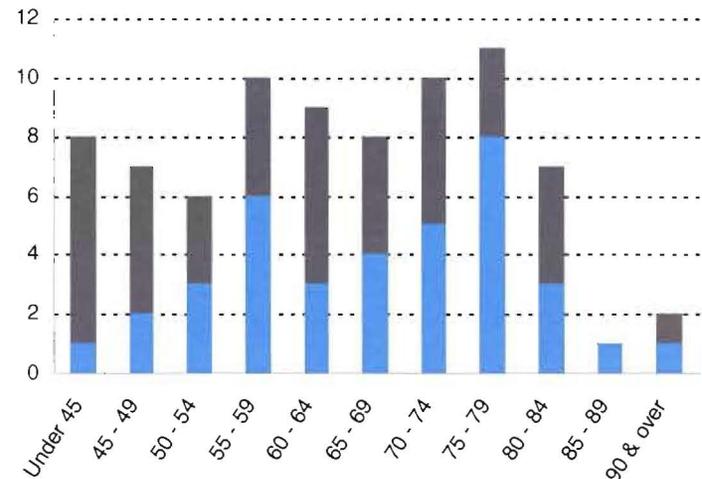
As of June 30, 2004, 79 retired participants and 24 beneficiaries were receiving total monthly benefits of \$277,880. For comparison, in the previous valuation, there were 77 retired participants and 29 beneficiaries receiving monthly benefits of \$259,916.

*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, 2004**



**CHART 5**  
**Distribution of Retired Participants by Type and by Age as of June 30, 2004**



**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

**B. FINANCIAL INFORMATION**

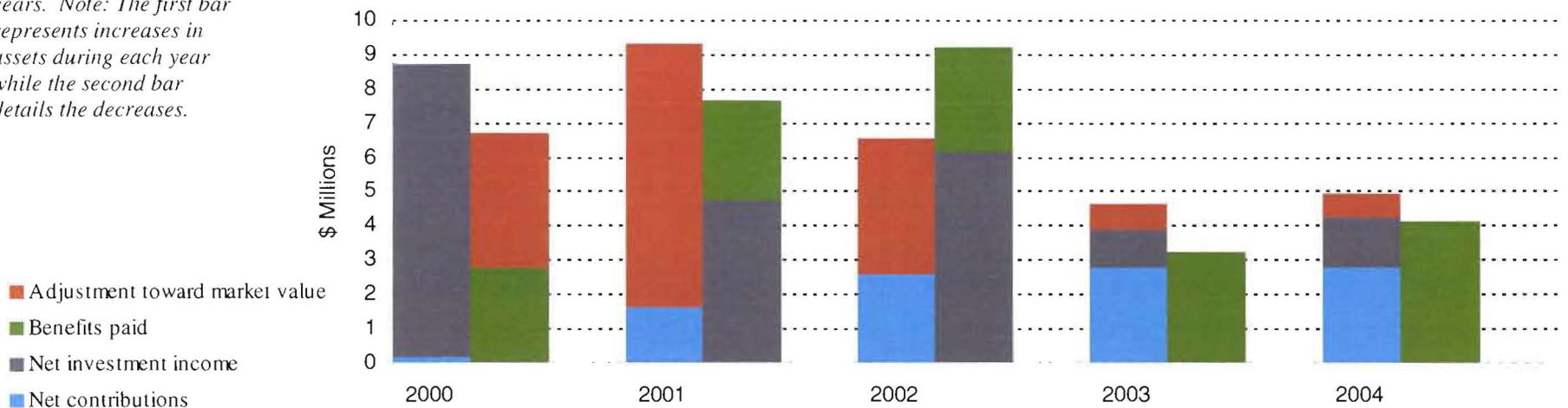
Retirement plan funding anticipates that, over the long term, both net contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

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. Note: The first bar represents increases in assets during each year while the second bar details the decreases.*

**CHART 6**

**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2000 – 2004**



**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

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**

	Year Ended	
	June 30, 2004	June 30, 2003
1. Actuarial value of assets at beginning of year	\$47,962,962	\$46,554,515
2. Total contributions (City and employee)	2,822,642	2,853,686
3. Total benefit payments and expenses	4,153,550	3,329,801
4. Average asset value: $(1) + 0.5 \times [(2) - (3)]$	47,297,508	46,316,457
5a. Expected investment income: $.08 \times (4)$	3,783,801	3,705,316
5b. Expected end of year assets: $(1) + (2) - (3) + (5a)$	50,415,855	49,783,716
6a. Actual investment income	2,749,360	2,360,633
6b. Actual end of year assets	42,098,399	40,679,947
7. Adjustment toward market value: $20\% \times [(6b) - (5b)]$	(1,663,491)	(1,820,754)
8. Actuarial value of assets at end of year: $(5b) + (7)$ , but not less than 80% of (6b), nor more than 120% of (6b)	<u>\$48,752,364</u>	<u>\$47,962,962</u>
9. Actuarial value as a percentage of market value: $(8) \div (6b)$	115.81%	117.90%

**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

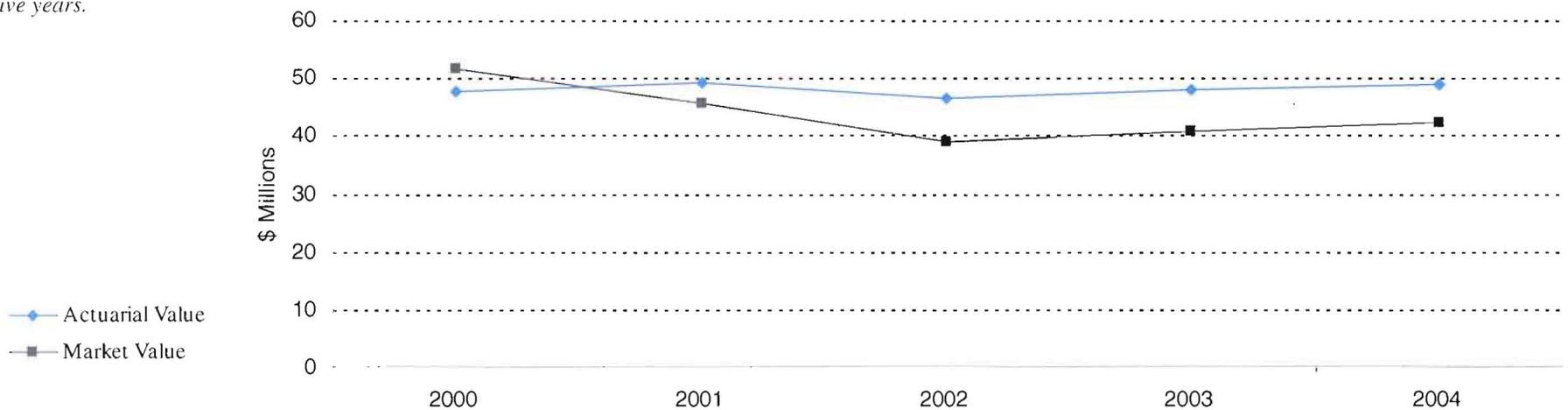
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Both the actuarial value and market value of assets are representations of the City of Meriden Police Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the City of Meriden Police Plan's liabilities are compared to these 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 as of June 30, 2000 – 2004**



**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

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**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 (\$1,695,052), (\$3,484,245) from investments and \$1,789,193 from all other sources. The net experience variation from individual sources other than investments was 2.5% 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.*

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**CHART 9**  
**Actuarial Experience for Two-Year Period Ended June 30, 2004**

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1. Net gain/(loss) from investments*	-\$3,484,245
2. Net gain/(loss) from administrative expenses	-101,319
3. Net gain/(loss) from other experience**	<u>1,890,512</u>
4. Net experience gain/(loss): (1) + (2) + (3)	-\$1,695,052

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\* Details in Chart 10

\*\* Details in Chart 12

**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

**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 Police Plan's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.00%. The actuarial smoothed rate of return for the 2003/2004 plan year was 4.48% and 4.07% for the 2002/2003 year. The market value rate of return for the 2003/2004 plan year was 6.67% and 6.12% for the 2002/2003 plan year.

Since the actuarial smoothed return for the year was less than the assumed return, the City of Meriden Police Plan experienced an actuarial loss during the two-year period ending June 30, 2004 with regard to its investments.

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

**CHART 10  
Actuarial Value Investment Experience**

	Year Ended	
	June 30, 2004	June 30, 2003
1. Actual return	\$2,120,310	\$1,884,562
2. Average value of assets	47,297,508	46,316,457
3. Actual rate of return: (1) ÷ (2)	4.48%	4.07%
4. Assumed rate of return	8.00%	8.00%
5. Expected return: (2) x (4)	\$3,783,801	\$3,705,316
6. Actuarial gain/(loss): (1) - (5)	<u>-\$1,663,491</u>	<u>-\$1,820,754</u>

## SECTION 2: Valuation Results for the City of Meriden Police Pension Fund

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.

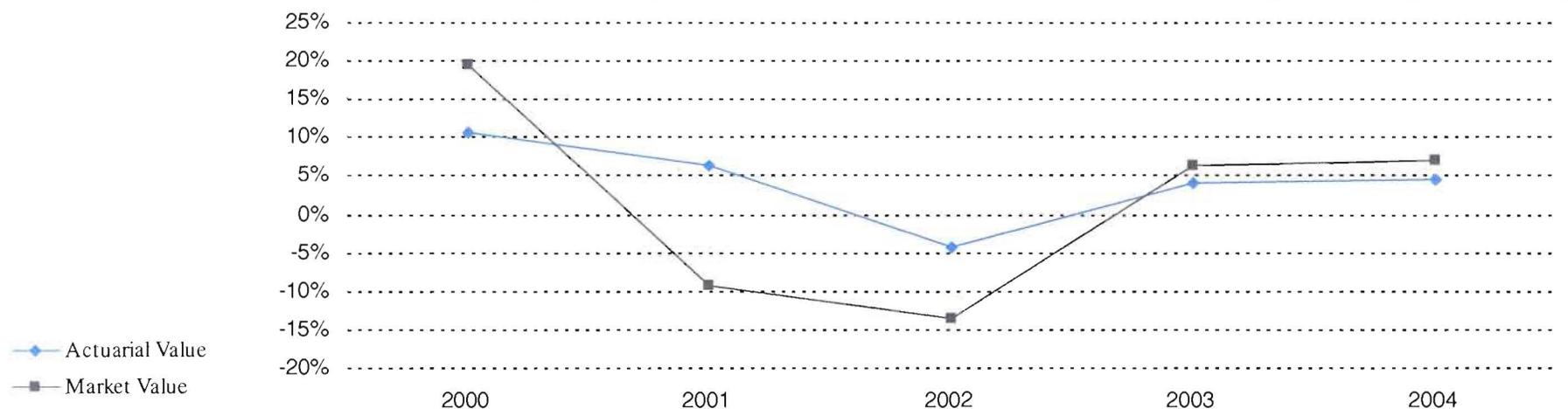
### Administrative Expenses

Administrative expenses for the years ended June 30, 2004 and 2003 totaled \$139,166 compared to the assumption of \$40,000 (\$20,000 per year). This resulted in a loss of \$101,319 for the year, including an adjustment for interest.

*This chart illustrates how this leveling effect has actually worked over the years 2000 - 2004.*

**CHART 11**

**Market and Actuarial Rates of Return for Years Ended June 30, 2000 - 2004**



## SECTION 2: Valuation Results for the City of Meriden Police Pension Fund

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### 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 gain from this other experience for the two-year period ending June 30, 2004 amounted to \$1,890,512 which is 2.6% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the City of Meriden Police Plan for the two-year period ending June 30, 2004 is shown in the chart below.

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

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### CHART 12

#### Experience Due to Changes in Demographics for Two-Year Period Ended June 30, 2004

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1. Deaths among retired members and beneficiaries	2,550,927
2. Disability retirements	-1,199,843
3. Miscellaneous	<u>539,428</u>
4. Total	\$1,890,512

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**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

**D. VALUATION 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 49.47% of payroll.

The recommended contribution is based on a 30-year amortization of the unfunded/(overfunded) actuarial accrued liability. As of July 1, 2004, there are 25 years remaining on this schedule.

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

**CHART 13**  
**Valuation Contribution**

	Year Beginning July 1			
	2004		2002	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$1,586,755	22.54%	\$1,484,781	21.93%
2. Administrative expenses	20,000	0.28%	20,000	0.30%
3. Expected employee contributions	<u>-346,174</u>	<u>-4.92%</u>	<u>-339,309</u>	<u>-5.01%</u>
4. Employer normal cost: (1) + (2) + (3)	\$1,260,581	17.91%	\$1,165,472	17.21%
5. Actuarial accrued liability	72,823,660		70,304,895	
6. Actuarial value of assets	<u>48,752,364</u>		<u>46,554,515</u>	
7. Unfunded/(overfunded) actuarial accrued liability: (5) - (6)	\$24,071,296		\$23,750,380	
8. Payment on unfunded/(overfunded) actuarial accrued liability	2,087,935	29.66%	2,011,044	29.70%
9. Total valuation contribution: (4) + (8), adjusted for timing*	<u>\$3,482,456</u>	<u>49.47%</u>	<u>\$3,303,577</u>	<u>48.78%</u>
10. Projected payroll	\$7,039,682		\$6,771,911	

*\*Recommended contributions are assumed to be paid at the middle of every year.*

**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

The contribution rates as of July 1, 2004 are based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

**Reconciliation of Valuation Contribution**

The chart below details the changes in the valuation contribution from the prior valuation to the current year's valuation.

*The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.*

**CHART 14**

**Reconciliation of Valuation Contribution from July 1, 2002 to July 1, 2004**

<b>Valuation Contribution as of July 1, 2002</b>	\$3,303,577
Effect of plan amendment(s)	0
Effect of change in asset method	0
Effect of change in amortization period	0
Effect of change in administrative expense assumption	0
Effect of change in other actuarial assumptions	-308,778
Effect of contributions (more)/less than recommended contribution	89,504
Effect of investment (gain)/loss	314,311
Effect of other gains and losses on accrued liability	-170,542
Effect of net other changes, including expected increase	<u>254,384</u>
<b>Total change</b>	<b><u>\$178,879</u></b>
<b>Valuation Contribution as of July 1, 2004</b>	<b>\$3,482,456</b>

**SECTION 2: Valuation Results for the City of Meriden Police Pension Fund**

**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 15 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

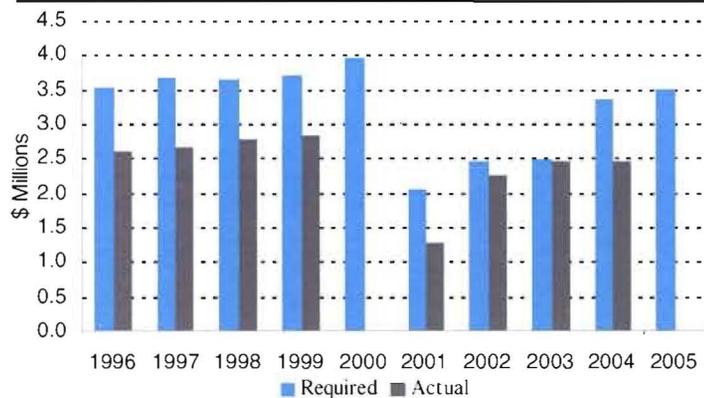
actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

Although GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 16 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

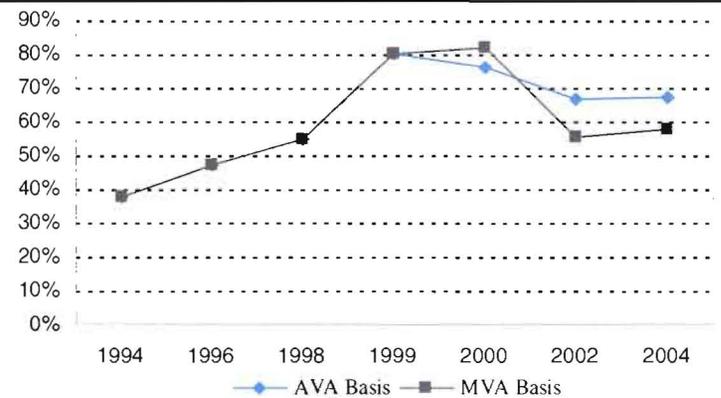
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

*These graphs show key GASB factors.*

**CHART 15**  
**Required Versus Actual Contributions**



**CHART 16**  
**Funded Ratio**



**SECTION 3: Supplemental Information for the City of Meriden Police Pension Fund**

**EXHIBIT A**

**Table of Plan Coverage**

<b>Category</b>	<b>Year Ended June 30</b>		<b>Change From Prior Year</b>
	<b>2004</b>	<b>2002</b>	
<b>Active participants in valuation:</b>			
Number	122	124	-1.6%
Average age	41.2	40.4	N/A
Average service	14.9	14.2	N/A
Total payroll	\$7,039,682	\$6,771,911	4.0%
Average payroll	57,702	54,612	5.7%
Account balances	3,924,650	3,330,031	17.9%
Total active vested participants	72	77	-6.5%
<b>Vested terminated participants</b>	0	0	N/A
<b>Beneficiaries with rights to a deferred benefit</b>	0	0	N/A
<b>Retired participants:</b>			
Number in pay status	37	34	8.8%
Average age	67.2	68.1	N/A
Average monthly benefit	\$3,227	\$2,989	8.0%
<b>Disabled participants:</b>			
Number in pay status	42	43	-2.3%
Average age	60.7	60.4	N/A
Average monthly benefit	\$2,926	\$2,755	6.2%
<b>Beneficiaries in pay status</b>	24	29	-17.2%
<b>Inactive Non-Vested participants</b>	1	1	0.0%

SECTION 3: Supplemental Information for the City of Meriden Police Pension Fund

EXHIBIT B

Participants in Active Service as of June 30, 2004  
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	40 & over
Under 25	2	2	--	--	--	--	--	--	--	--
	\$50,003	\$50,003	--	--	--	--	--	--	--	--
25 - 29	8	7	1	--	--	--	--	--	--	--
	54,440	54,381	--	--	--	--	--	--	--	--
30 - 34	21	6	14	1	--	--	--	--	--	--
	54,255	52,423	\$54,998	--	--	--	--	--	--	--
35 - 39	25	1	9	1	14	--	--	--	--	--
	56,395	--	56,047	--	\$57,185	--	--	--	--	--
40 - 44	28	2	6	2	16	2	--	--	--	--
	58,822	52,427	56,212	\$57,543	59,136	\$71,813	--	--	--	--
45 - 49	17	--	--	--	4	13	--	--	--	--
	59,369	--	--	--	55,547	60,546	--	--	--	--
50 - 54	13	1	1	--	2	5	3	1	--	--
	60,947	--	--	--	54,850	58,864	\$59,682	--	--	--
55 - 59	7	--	--	--	--	1	2	2	2	--
	64,100	--	--	--	--	--	72,842	\$60,237	\$63,846	--
60 - 64	1	--	--	--	--	--	--	1	--	--
	--	--	--	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
70 & over	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--
Total	122	19	31	4	36	21	5	4	2	--
	\$57,702	\$54,959	\$55,528	\$56,197	\$57,740	\$60,947	\$64,946	\$59,587	\$63,846	--

SECTION 3: Supplemental Information for the City of Meriden Police Pension Fund

EXHIBIT C

Reconciliation of Participant Data

	Active Participants	Due a refund of employee contributions	Disableds	Retired Participants	Beneficiaries	Total
Number as of July 1, 2002	124	1	43	34	29	231
New participants	8	0	N/A	N/A	N/A	8
Terminations – with vested rights	0	0	0	0	0	0
Terminations – without vested rights	0	0	N/A	N/A	N/A	0
Retirements	-5	0	N/A	5	N/A	0
New disabilities	-3	0	3	N/A	N/A	0
Died with beneficiary	0	0	-2	-1	3	0
Died without beneficiary	0	0	-2	-1	-7	-10
Return of employee contributions	-1	0	0	0	0	-1
Remarried	N/A	0	0	0	-1	-1
Transferred to City Plan	<u>-1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1</u>
Number as of July 1, 2004	122	1	42	37	24	226

SECTION 3: Supplemental Information for the City of Meriden Police Pension Fund

EXHIBIT D

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2004	Year Ended June 30, 2003
<b>Contribution income:</b>		
Employer contributions	\$2,448,000	\$2,448,000
Employee contributions	374,642	405,686
Less administrative expenses	<u>-40,901</u>	<u>-98,265</u>
Net contribution income	\$2,781,741	\$2,755,421
<b>Other income</b>	0	0
<b>Investment income:</b>		
Interest, dividends and other income	\$1,630,343	\$1,292,888
Adjustment toward market value	666,922	791,605
Less investment fees	<u>-176,955</u>	<u>-199,931</u>
Net investment income	<u>2,120,310</u>	<u>1,884,562</u>
<b>Total income available for benefits</b>	<b>\$4,902,051</b>	<b>\$4,639,983</b>
<b>Less benefit payments:</b>		
Benefit Payments	\$3,357,115	\$3,231,536
Transfer to City Plan	<u>755,534</u>	<u>0</u>
Net benefit payments	\$4,112,649	\$3,231,536
<b>Change in actuarial asset method</b>	\$0	\$0
<b>Change in reserve for future benefits</b>	<b>\$789,402</b>	<b>\$1,408,447</b>

SECTION 3: Supplemental Information for the City of Meriden Police Pension Fund

EXHIBIT E

Table of Financial Information

	Year Ended June 30, 2004	Year Ended June 30, 2003
Cash equivalents	\$2,715,810	\$6,450,012
Accounts receivable:	0	0
<b>Investments:</b>		
Total investments at market value	<u>39,382,588</u>	<u>34,251,244</u>
<b>Total assets</b>	<b>\$42,098,398</b>	<b>\$40,701,256</b>
<b>Less accounts payable:</b>	<b>\$0</b>	<b>\$21,309</b>
<b>Net assets at market value</b>	<b><u>\$42,098,399</u></b>	<b><u>\$40,679,947</u></b>
<b>Net assets at actuarial value</b>	<b><u>\$48,752,364</u></b>	<b><u>\$47,962,962</u></b>

SECTION 3: Supplemental Information for the City of Meriden Police Pension Fund

EXHIBIT F

Development of the Fund Through June 30, 2004

Year Ended June 30	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return*	Administrative Expenses	Benefit Payments	Actuarial Value of Assets at End of Year
2000	\$0	\$313,986	\$0	\$4,623,606	\$163,100	\$2,765,915	\$47,533,791
2001	1,280,356	329,419	0	2,928,487	0	2,875,818	49,196,235
2002	2,238,485	341,211	0	-2,157,720	26,642	3,037,054	46,554,515
2003	2,448,000	405,686	0	1,884,562	98,265	3,231,536	47,962,962
2004	2,448,000	374,642	0	2,120,310	40,901	4,112,649	48,752,364

\* Net of investment fees

SECTION 3: Supplemental Information for the City of Meriden Police Pension Fund

EXHIBIT G

Development of Unfunded/(Overfunded) Actuarial Accrued Liability

	Year Ended	
	June 30, 2004	June 30, 2003
1. Unfunded/(overfunded) actuarial accrued liability at beginning of year	\$24,307,741	\$23,750,380
2. Normal cost at beginning of year	1,553,686	1,504,781
3. Total contributions	-2,822,642	-2,853,686
4. Interest		
(a) For whole year on (1) + (2)	\$2,068,914	\$2,020,413
(b) For half year on (3)	<u>-112,906</u>	<u>-114,147</u>
(c) Total interest	<u>1,956,008</u>	<u>1,906,266</u>
5. Expected unfunded/(overfunded) actuarial accrued liability	\$24,994,793	\$24,307,741
6. Changes due to:		
(a) (Gain)/loss	\$1,695,052	--
(b) Assumptions	-2,618,549	--
(c) Funding method	--	--
(d) Plan provisions	--	--
(e) Total changes	<u>-923,497</u>	<u>--</u>
7. Unfunded/(overfunded) actuarial accrued liability at end of year	<u>\$24,071,296</u>	<u>\$24,307,741</u>

SECTION 3: Supplemental Information for the City of Meriden Police Pension Fund

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EXHIBIT H

Definitions of Pension Terms

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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 that 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 the interest that 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 Police Pension Fund

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**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 Police Pension Fund**

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**EXHIBIT I**

**Summary of Actuarial Valuation Results**

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

1. Retired participants as of the valuation date (including 24 beneficiaries in pay status)		103
2. Participants inactive during year ended June 30, 2004 with vested rights		0
3. Participants active during the year ended June 30, 2004		122
Fully vested	72	
Not vested	50	
4. Inactive Non-Vested participants as of June 30, 2004		0

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

1. Normal cost, including administrative expenses		\$1,606,755
2. Present value of future benefits		87,340,745
3. Present value of future normal costs		14,517,085
4. Actuarial accrued liability		72,823,660
Retired participants and beneficiaries	\$39,634,026	
Inactive participants with vested rights	0	
Active participants	33,187,804	
Inactive Non-Vested	1,830	
5. Actuarial value of assets (\$42,098,399 at market value)		48,752,364
6. Unfunded actuarial accrued liability		\$24,071,296

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SECTION 4: Reporting Information for the City of Meriden Police Pension Fund

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**EXHIBIT I (continued)**

**Summary of Actuarial Valuation Results**

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The determination of the recommended contribution is as follows:

1. Total normal cost	\$1,586,755
2. Administrative expenses	20,000
3. Expected employee contributions	<u>-346,174</u>
4. Employer normal cost: (1) + (2) + (3)	\$1,260,581
5. Payment on unfunded/(overfunded) actuarial accrued liability	2,087,935
6. Total valuation contribution: (4) + (5), adjusted for timing	<u>\$3,482,456</u>
7. Projected City normal cost as of July 1, 2005: [(1) + (3)] x 1.045 + (2)	1,316,407
8. Recommended contribution for fiscal year ending June 30, 2006: (5) + (7), adjusted for interest	\$3,540,516
9. Projected City normal cost as of July 1, 2006: [(1) + (3)] x 1.045 <sup>2</sup> + (2)	1,374,745
10. Recommended contribution for fiscal year ending June 30, 2007: (5) + (9), adjusted for interest	\$3,601,188

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SECTION 4: Reporting Information for the City of Meriden Police Pension Fund

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EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

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Plan Year Ended June 30	Annual Required Contributions	Actual Contributions	Percentage Contributed
1996	\$3,514,000	\$2,583,600	73.5%
1997	3,672,100	2,649,600	72.2%
1998	3,645,000	2,760,600	75.7%
1999	3,696,100	2,835,600	76.7%
2000	3,951,500	0	0.0%
2001	2,046,300	1,280,356	62.6%
2002	2,440,500	2,238,485	91.7%
2003	2,489,520	2,448,000	98.3%
2004	3,357,184	2,448,000	72.9%
2005	3,413,205	--	--
2006	3,540,516	--	--
2007	3,601,188	--	--

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SECTION 4: Reporting Information for the City of Meriden Police Pension Fund

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	\$16,447,300	\$43,647,800	\$27,200,500	37.68%	\$4,378,500	621.23%
07/01/1995	N/A	N/A	N/A	N/A	N/A	N/A
07/01/1996	23,942,200	51,111,500	27,169,300	46.84%	4,862,700	558.73%
07/01/1997	N/A	N/A	N/A	N/A	N/A	N/A
07/01/1998	31,181,100	57,141,300	25,690,200	54.57%	6,138,200	418.53%
07/01/1999	45,525,200	56,997,800	11,472,600	79.87%	6,150,900	186.52%
07/01/2000	47,533,791	62,801,146	15,267,355	75.69%	6,098,900	250.33%
07/01/2001	N/A	N/A	N/A	N/A	N/A	N/A
07/01/2002	46,554,515	70,304,895	23,750,380	66.22%	6,771,911	350.72%
07/01/2003	N/A	N/A	N/A	N/A	N/A	N/A
07/01/2004	48,752,364	72,823,660	24,071,296	66.95%	7,039,682	341.94%

\* Not less than zero

**SECTION 4: Reporting Information for the City of Meriden Police Pension Fund**

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**EXHIBIT IV**

**Supplementary Information Required by the GASB**

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Valuation date	July 1, 2004
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level Dollar, closed
Remaining amortization period	25 years remaining as of July 1, 2004
Asset valuation method	20% annual phase-in of investment returns greater/(less) than expected

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**Actuarial assumptions:**

Investment rate of return	8.00%
Projected salary increases	2005 3.00%
	2006 3.00%
	2007 4.25%
	2008 5.25%

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**Plan membership:**

Retired participants and beneficiaries receiving benefits	103
Terminated participants entitled to, but not yet receiving benefits	0
Terminated participants not vested, but entitled to a refund of employee contributions	1
Active participants	<u>122</u>
Total	226

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SECTION 4: Reporting Information for the City of Meriden Police Pension Fund

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)
1996	\$3,514,000	\$2,583,600	\$359,964	\$387,787	11.6032	\$3,486,178	\$902,578	\$5,402,132
1997	3,672,100	2,649,600	432,171	471,743	11.4514	3,632,527	982,927	6,385,059
1998	3,645,000	2,760,600	510,805	565,673	11.2875	3,590,131	829,531	7,214,591
1999	3,696,100	2,835,600	577,167	677,485	10.6490	3,595,782	760,182	7,974,773
2000	3,951,500	0	637,982	761,979	10.4659	3,827,503	3,827,503	11,802,276
2001	2,046,300	1,280,356	973,688	1,035,717	11.3953	1,984,271	703,915	12,506,191
2002	2,440,500	2,238,485	1,031,761	1,106,821	11.2992	2,365,440	126,955	12,633,146
2003	2,489,520	2,448,000	1,042,235	1,128,443	11.1952	2,403,312	-44,688	12,588,458
2004	3,357,184	2,448,000	1,007,077	1,108,554	11.3557	3,255,707	807,707	13,396,165
2005	3,413,205	N/A	N/A	N/A	N/A	N/A	N/A	N/A

**SECTION 4: Reporting Information for the City of Meriden Police Pension Fund**

**EXHIBIT VI**

**Actuarial Assumptions and Actuarial Cost Method**

**Mortality Rates:** 1983 Group Annuity Mortality Table with margins

**Termination Rates before Retirement:**

Age	Rate (%)					
	Mortality		Disability		Withdrawal	
	Male	Female	Male	Female	Male	Female
20	0.03	0.01	0.12	0.12	0.00	0.00
25	0.03	0.02	0.17	0.17	0.00	0.00
30	0.05	0.03	0.22	0.22	0.00	0.00
35	0.06	0.04	0.29	0.29	0.00	0.00
40	0.09	0.05	0.44	0.44	0.00	0.00
45	0.16	0.08	0.72	0.72	0.00	0.00
50	0.29	0.12	1.21	1.21	0.00	0.00
55	0.46	0.19	2.02	2.02	0.00	0.00
60	0.69	0.32	3.25	3.25	0.00	0.00

25% of deaths prior to retirement and 100% of the disabilities with less than 10 years of service are assumed to be service connected.

**Percent Married:** 75% of all actives and retirees are assumed to be married (previously, 100% of retirees were assumed to be married).

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

**Net Investment Return:** 8.00%

**Retirement Age:** Age 51 or completion of 25 years of service, but not later than age 65 (previously, age 52 with 28 years of service, but not later than age 65)

SECTION 4: Reporting Information for the City of Meriden Police Pension Fund

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**Salary Increases:**

<b>Year</b>	<b>Rate (%)</b>
2005	3.00%
2006	3.00%
2007	4.25%
2008 and after	5.25%

**Pay adjustment:**

Active liabilities are increased 6.7% to reflect holiday and longevity pay and insurance which are included in the determination of benefits. It is assumed that 90% of the participants will elect health insurance.

**Cost of Living Increase  
After Retirement:**

3% per year for retirements after July 1, 2002 for participants with more than 25 years of service, 2% per year for retirements after July 1, 2002 for participants with less than 25 years of service and 3.75% for members in pay status as of July 1, 2002.

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**Administrative Expenses:**

\$20,000 per year

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**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.

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**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 salary and service, with Normal Cost determined as if the current benefit accrual rate had always been in effect.

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**Changes in Assumptions:**

Based on past experience and future expectations, the following actuarial assumptions were changed:

- Due to a high rate of disability, the disability rates have been doubled this year.

SECTION 4: Reporting Information for the City of Meriden Police Pension Fund

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- The percent married assumption for retirees and disableds was changed to 75%. Previously, 100% of retirees and disableds were assumed to be married.
- The salary increase assumption has been changed. A table comparing the current assumption to the prior assumption is below.

<u>New Assumption</u>		<u>Prior Assumption</u>	
2005	3.00%	2005	4.25%
2006	3.00%	2006 and later	5.25%
2007	4.25%		
2008 and later	5.25%		

SECTION 4: Reporting Information for the City of Meriden Police Pension Fund

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EXHIBIT VII

Summary of Plan Provisions

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

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**Plan Year:** July 1 through June 30

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**Normal Retirement:**

<i>Age Requirement</i>	None
<i>Service Requirement</i>	20 years (previously, 25 years)
<i>Amount</i>	2.5% times years of service (maximum 20 years) plus 1.6% of service in excess of 20 years and up to 30 years, times base rate of pay at retirement plus 50% of emoluments (longevity pay, holiday pay, life insurance (as long as language remains in collective bargaining agreement)).

---

**Disability:**

*Service Connected*

<i>Age Requirement</i>	None
<i>Service Requirement</i>	None
<i>Amount</i>	If the employee is disabled in the course of duties under the Social Security definition from performing gainful employment, they will receive retirement benefits based on no less than the 25 year level.

*Non-Service Connected*

<i>Age Requirement</i>	None
<i>Service Requirement</i>	10 years if hired after July 1, 1971; otherwise none
<i>Amount</i>	An employee with less than 20 years of service will be retired immediately as though they had 20 years of service. An employee with 20 or more years of service will receive the regular benefit formula.

**SECTION 4: Reporting Information for the City of Meriden Police Pension Fund**

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**Vesting:**

<i>Age Requirement</i>	None
<i>Service Requirement</i>	10 years
<i>Amount</i>	2.0% of base rate of pay times years of service. No emoluments or COLA will be used in the calculation of this benefit.

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**Spouse's Pre-Retirement Death Benefit:**

***Lump Sum Benefit***

<i>Age Requirement</i>	None
<i>Service Requirement</i>	None
<i>Amount</i>	Refund of employee contributions

***Service Connected Spouse's Benefit***

<i>Age Requirement</i>	None
<i>Service Requirement</i>	None
<i>Amount</i>	An annuity equal to the full pension the officer would have been entitled to if he or she had been retired with at least 20 years of service. If the spouse has not remarried prior to the 20 <sup>th</sup> employment anniversary date, the pension shall revert back to 50% of the pension he or she had been receiving. Benefit is payable until death or remarriage.

***Non-Service Connected Spouse's Benefit***

<i>Age Requirement</i>	None
<i>Service Requirement</i>	20 years
<i>Amount</i>	An annuity of 50% of the pension the employee would have received if he or she had retired the day before death, payable until death or remarriage.

SECTION 4: Reporting Information for the City of Meriden Police Pension Fund

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**Post-Retirement Death Benefits:**

<i>Lump - sum Benefit</i>	100% of contributions made on behalf of the employee, less total benefits paid to the pensioner.
<i>Spouse's Benefit</i>	An annuity of 50% of the pension the retired employee was receiving at the time of death, payable until death or remarriage.

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**Cost of Living Adjustment:** Police officers who retire after March 17, 2003 with a minimum of 25 years of service shall receive a COLA of 3% on base pay (does not include emoluments) per year to begin one year after retirement. Police officers who retire with 20 or more years of service, but less than 25 years of service, shall receive a COLA of 2% on base pay (does not include emoluments) to begin one year after retirement. Previously, the COLA was linked to the percentage increase in the negotiated wages. The COLA is only available to officers who work for the City until retirement.

**Employee Contribution Rate:** 7.5% of salary. 5.5% is for pension purposes and 2% goes to the health fund

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**Group Covered:** Covers Police hired on or before March 1, 2003.

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**Changes in Plan Provisions:** There were no plan changes for this valuation.

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