



# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

January 15, 2014

Ms. Brenda Halpin, Director  
State of Connecticut  
Office of the State Comptroller  
Retirement Services Division  
55 Elm Street  
Hartford, CT 06106

Dear Brenda:

Enclosed is the "Connecticut Municipal Employees Retirement System Roll Forward Actuarial Valuation Report prepared as of June 30, 2013".

Please let us know if there are any questions concerning the report.

Sincerely yours,

Thomas J. Cavanaugh, FSA, FCA, MAAA, EA  
Chief Executive Officer

John J. Garrett, ASA, FCA, MAAA  
Principal and Consulting Actuary

Edward J. Koebel, FCA, MAAA, EA  
Principal and Consulting Actuary

TJC/KC

Enc.

S:\Connecticut MERS\Pension\Valuation\6-30-2013\CT MERS 2013 Roll Forward Valuation Report.doc

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

[www.CavMacConsulting.com](http://www.CavMacConsulting.com)

Offices in Englewood, CO • Kennesaw, GA • Bellevue, NE • Hilton Head Island, SC



**CONNECTICUT MUNICIPAL EMPLOYEES  
RETIREMENT SYSTEM**

**ROLL FORWARD ACTUARIAL VALUATION REPORT  
PREPARED AS OF JUNE 30, 2013**



# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

January 15, 2014

State of Connecticut  
State Employees Retirement Commission  
55 Elm Street  
Hartford, CT 06106

Members of the Commission:

Connecticut General Statutes Section 7-113 governs the operation of the Connecticut Municipal Employees Retirement System (MERS). At the direction of the Commission, the actuary provides a roll forward valuation of the Retirement System as an informational update to the projected required employer contribution amount from the most recent biennial actuarial valuation. It is not recommended that the results of a roll forward valuation be used as the basis of adjusting the scheduled contribution requirements but rather as information as to the expected condition of the System at the end of the interim fiscal year.

This report provides the results of the roll forward actuarial valuation of the Retirement System prepared as of June 30, 2013. The investment performance for the fiscal year ending June 30, 2013 was favorable. The fund returned 13.59%, which is higher than the 8.00% that is assumed. We have not performed a reconciliation of census data or development of liabilities as of June 30, 2013. We use roll forward techniques from the June 30, 2012 biennial valuation to best estimate what payroll and liabilities will be as of June 30, 2013. Therefore, the only actual experience incorporated in the results of a roll forward valuation is the investment return for the plan year. The roll forward results show that it could be expected that the required employer rate for the 2015 fiscal year would be slightly less than the rate determined in the last actuarial valuation of the System for General Employees but a little higher than the 2014 contribution rate for the Police and Fire Employees. **However, for purposes of actual employer contribution rates, we recommend that the municipalities use the same contribution rates as determined in the June 30, 2012 actuarial valuation.**

The actuarial assumptions recommended by the actuary and adopted by the Commission are reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The funding objective of the plan is that contribution rates over time will remain level as a percent of payroll. The valuation method used is the entry age normal cost method. Gains and losses are reflected in the unfunded accrued liability which is being amortized as a level dollar within a 26-year period. This period is based on the funding policy of MERS that amortizes the unfunded accrued liability over a declining period of years, starting with 30 years as of July 1, 2009.

This is to certify that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

[www.CavMacConsulting.com](http://www.CavMacConsulting.com)

Offices in Englewood, CO • Kennesaw, GA • Bellevue, NE • Hilton Head Island, SC



Members of the Commission  
January 15, 2014  
Page 2

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: 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. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely yours,

A handwritten signature in blue ink that reads 'Thomas J. Cavanaugh'.

Thomas J. Cavanaugh, FSA, FCA, MAAA, EA  
Chief Executive Officer

A handwritten signature in blue ink that reads 'John J. Garrett'.

John J. Garrett, ASA, FCA, MAAA  
Principal and Consulting Actuary

A handwritten signature in blue ink that reads 'Edward J. Koebel'.

Edward J. Koebel, FCA, MAAA, EA  
Principal and Consulting Actuary

TJC/KC



## **TABLE OF CONTENTS**

<b><u>Section</u></b>	<b><u>Item</u></b>	<b><u>Page No.</u></b>
I	Summary of Principal Results	1
II	Assets	2
III	Contributions Payable by Employers	3
IV	Accounting Information	4
 <b><u>Schedule</u></b>		
A	Development of Actuarial Value of Assets	6
B	Summary of Receipts and Disbursements	7
C	Outline of Actuarial Assumptions and Methods	8
D	Actuarial Cost Method	11
E	Summary of Main Benefit and Contribution Provisions	12



**CONNECTICUT MUNICIPAL EMPLOYEES RETIREMENT SYSTEM  
ROLL FORWARD VALUATION REPORT  
PREPARED AS OF JUNE 30, 2013**

**SECTION I - SUMMARY OF PRINCIPAL RESULTS**

1. For convenience of reference, the principal results of the 2013 roll forward valuation and the 2012 biennial valuation are summarized below. **The rates provided under the roll forward results are for information purposes only. It is recommended that the same employer contribution rates for the fiscal year ending June 30, 2014 be used for the fiscal year ending June 30, 2015.**

Valuation Date	June 30, 2013 Roll Forward Valuation (for Information Purposes Only)	June 30, 2012
Number of active members		8,711
Annual compensation		\$ 458,657,578
Retired members and beneficiaries:		
Number		6,095
Annual allowances		\$ 106,466,844
Deferred Vested Members:		
Number		703
Annual allowances		\$ 6,194,375
Assets:		
Market Value	\$ 1,941,651,187	\$ 1,683,441,549
Actuarial Value	\$ 1,983,863,177	\$ 1,828,762,443
Funded Ratio	87.5%	85.0%
Unfunded Accrued Liability	\$ 283,352,616	\$ 322,050,452
Present Value of Remaining Prior Service Amortization Payment	\$ 37,438,826	\$ 83,018,353
Net Unfunded Accrued Liability	\$ 245,913,790	\$ 239,032,099
<b>For Fiscal Year Ending</b>	<b>Informational Only</b>	<b>June 30, 2014 &amp; 2015</b>
Employer Contribution Rates:		
General Employees		
With Social Security	11.85%	11.98%
Without Social Security	12.66%	13.00%
Police and Fire		
With Social Security	17.01%	16.96%
Without Social Security	16.46%	16.01%



2. Schedule A of this report presents the development of the actuarial value of assets. Schedule C details the actuarial assumptions and methods employed. Schedule E gives a summary of the benefit and contribution provisions of the plan.

## **SECTION II - ASSETS**

1. As of June 30, 2013, the total market value of assets amounted to \$1,941,651,187 as reported by the Comptroller's Office compared to \$1,683,441,549 as of June 30, 2012. This represents an investment return of 13.59% for the fiscal year (which may be compared to the assumed investment return of 8.00%). The market value of assets as of June 30, 2013 includes \$8,858,131 of receivables. The market value of assets also includes a transfer of funds from one municipality of \$17,613,070 which was received near the end of the plan year. The actuarial value of assets used for the current valuation was \$1,983,863,177. Schedule A shows the development of the actuarial value of assets as of June 30, 2013.
2. Schedule B shows receipts and disbursements of the System for the two years preceding the valuation date and a reconciliation of the fund balances at market value.



**SECTION III – CONTRIBUTIONS PAYABLE BY EMPLOYER**

The following table shows the amount and rate of contribution payable by the employer as determined from the June 30, 2012 valuation for the 2014/2015 fiscal year. Again, these rates are those developed in the 2012 valuation and we do not recommend any changes due to the roll forward of the valuation results.

Also, the contribution rates below do not include the annual prior service amortization payments that are applicable to the 2014-2015 fiscal year.

Contribution for	2014-2015 Fiscal Year		
	Employer Normal Cost Rate	Amortization of Net Unfunded Accrued Liability	Total Employer Contribution Rate
General Employees:			
With Social Security	7.79%	4.19%	11.98%
Without Social Security	7.98%	5.02%	13.00%
Police and Fire:			
With Social Security	11.33%	5.63%	16.96%
Without Social Security	10.56%	5.45%	16.01%





**SECTION IV – ACCOUNTING INFORMATION**

1. Governmental Accounting Standards Board Statements 25 and 27 set forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. One such item is the schedule of funding progress as shown below.

**SCHEDULE OF FUNDING PROGRESS**  
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - EAN (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2008	\$1,779,098	\$1,721,841	\$ (57,257)	103.3%	\$411,935	-13.9%
6/30/2009*	1,618,566	1,820,858	202,292	88.9	427,000	47.4
6/30/2010	1,662,583	1,880,664	218,081	88.4	422,122	51.7
6/30/2011*	1,753,331	1,985,268	231,937	88.3	422,000	55.0
6/30/2012	1,828,762	2,150,812	322,050	85.0	458,658	70.2
6/30/2013*	1,983,863	2,267,216	283,353	87.5	479,000	59.2

\*Roll forward valuation.  
All figures prior to 6/30/2013 were reported by the prior actuarial firm.

2. The table below provides revenues by source and expenses by type.

**REVENUES BY SOURCE AND EXPENSES BY TYPE**  
(Dollar amounts in millions)

Fiscal Year Ending	Employee Contribs	Employer Contribs	Revenues by Source				Expenses by Type		
			Investment Income	Realized Gain	Other	Total	Benefit Payments	Refunds	Total
2008	\$17.6	\$38.8	\$66.1	\$135.5	\$0.0	\$258.0	\$83.5	\$1.1	\$84.6
2009	14.8	35.9	48.5	1.5	0.0	100.7	89.3	1.3	90.6
2010	14.7	38.4	40.4	49.9	0.0	143.4	93.9	1.1	95.0
2011	16.1	51.1	56.1	7.2	0.0	130.5	98.9	1.1	100.0
2012	15.4	59.3	47.2	26.8	0.0	148.7	105.3	0.9	106.2
2013	17.7	116.3	56.0	153.0	0.0	343.0	113.8	0.9	114.7



3. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2013. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/2013 (roll forward from 6/30/2012)
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar, closed
Remaining amortization period	26 years
Asset valuation method	5-year smoothed actuarial value
Actuarial assumptions:	
Investment rate of return*	8.00%
Projected salary increases*	4.25% - 11.00%
Cost-of-living adjustments	2.5% for those retiring on or after 1/1/2002; for retirements prior to 1/1/2002, 2.5% up to age 65, 3.25% afterwards.
*Includes inflation at	3.25%



**SCHEDULE A**

**DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS**

	June 30, 2013	June 30, 2012
(1) Actuarial Value Beginning of Year*	\$1,828,762,443	\$1,753,331,163
(2) Market Value End of Year	1,941,651,187	1,683,441,549
(3) Market Value Beginning of Year	1,683,441,549	1,704,566,882
(4) Cash Flow		
(a) Contributions	116,398,141	74,663,477
(b) Disbursements	(114,725,385)	(106,248,895)
(c) Receivables & Year End Transfers	<u>26,471,201</u>	<u>0</u>
(d) Net: (4)(a) + (4)(b) + (4)(c)	28,143,957	(31,585,418)
(5) Investment Income		
(a) Market Total: (2) – (3) – (4)(d)	230,065,681	10,460,085
(b) Assumed Rate	8.00%	8.25%
(c) Amount for Immediate Recognition: [(1) x (5)(b)] + [(4)(a) + (4)(b)] x (5)(b) x 0.5]	146,367,906	143,346,922
(d) Amount for Phased-In Recognition: (5)(a) – (5)(c)	83,697,775	(132,886,837)
(6) Phased-In Recognition of Investment Income		
(a) Difference between Market & Expected Actuarial Value	(52,764,988)	(181,651,118)
(b) 20% of Difference: (6)(a) x 0.2	(10,552,998)	(36,330,224)
(7) Preliminary Actuarial Value End of Year: (1) + (4)(d) + (5)(c) + (6)(b)	1,983,863,177	1,828,762,443
(8) Final Actuarial Value End of Year Using 20% Corridor: Greater of [(7) and .8 x (2)], but no more than 1.2 x (2)	1,983,863,177	1,828,762,443
(9) Difference Between Market & Actuarial Values: (2) – (8)	\$(42,211,990)	\$(145,320,894)
(10) Rate of Return on Preliminary Actuarial Value	7.42%	6.16%

\* Before corridor constraints, if applicable.



**SCHEDULE B**

**SUMMARY OF RECEIPTS AND DISBURSEMENTS  
(Market Value)**

	YEAR ENDING	
	June 30, 2013	June 30, 2012
<u>Receipts for the Year</u>		
Contributions:		
Members	\$ 17,682,230	\$ 15,356,707
Employer/Transfers	<u>116,328,981</u>	<u>59,306,770</u>
Subtotal	\$ 134,011,211	\$ 74,663,477
Amount Receivable	8,858,131	0
Investment Earnings (net of expenses)	<u>230,065,681</u>	<u>10,460,085</u>
TOTAL	\$372,935,023	\$ 85,123,562
<u>Disbursements for the Year</u>		
Benefit Payments	\$ 113,776,637	\$ 105,330,945
Refunds to Members	<u>948,748</u>	<u>917,950</u>
TOTAL	\$ 114,725,385	\$ 106,248,895
<u>Excess of Receipts over Disbursements</u>	\$ 258,209,638	\$ (21,125,333)
<u>Reconciliation of Asset Balances</u>		
Asset Balance as of the Beginning of Year	\$ 1,683,441,549	\$ 1,704,566,882
Excess of Receipts over Disbursements	<u>258,209,638</u>	<u>(21,125,333)</u>
Asset Balance as of the End of Year	\$ 1,941,651,187	\$ 1,683,441,549
Rate of Return	13.59%	0.62%



### **SCHEDULE C**

#### **OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

Adopted or reaffirmed by the Commission for the June 30, 2012 and later valuations.

**VALUATION INTEREST RATE:** 8.00% per annum, compounded annually, net of expenses.

**SALARY INCREASES:** Representative values of assumed annual rates of salary increase are as follows:

<b>Age</b>	<b>General Employees</b>	<b>Firemen &amp; Policemen</b>	<b>Base (Economy)</b>	<b>General Employees</b>	<b>Firemen &amp; Policemen</b>
20	7.50%	7.50%	3.50%	11.00%	11.00%
25	5.50%	7.50%	3.50%	9.00%	11.00%
30	4.50%	3.50%	3.50%	8.00%	7.00%
35	3.50%	2.50%	3.50%	7.00%	6.00%
40	2.50%	1.50%	3.50%	6.00%	5.00%
45	2.50%	1.00%	3.50%	6.00%	4.50%
50	2.00%	0.75%	3.50%	5.50%	4.25%
55	1.00%	0.75%	3.50%	4.50%	4.25%
60	0.75%	0.75%	3.50%	4.25%	4.25%
65	0.75%		3.50%	4.25%	
70	0.75%		3.50%	4.25%	

**COST OF LIVING ADJUSTMENTS:** Annually compounded increases are applied to disabled and non-disabled retirement benefits and vary based upon member age and date of retirement. For members that retired prior to January 1, 2002, increases of 3.25% are assumed for those who have reached age 65 and (effective January 1, 2002) increases of 2.50% are assumed for those who have not yet reached age 65. For members that retire after December 31, 2001, increases of 2.50% are assumed, regardless of age.

**SOCIAL SECURITY WAGE BASE INCREASES:** 3.50% per annum.



**SEPARATIONS FROM ACTIVE SERVICE:** Representative values of the assumed annual rates of separation before service retirement are as follows:

**GENERAL EMPLOYEES**

Age	Withdrawal and Vesting - Male	Withdrawal and Vesting - Female	Non-Service Related Disability*	Death	Service Retirement
20	18.00%	20.00%	0.02%	0.01%	
25	18.00	20.00	0.02	0.01	
30	12.00	15.00	0.03	0.01	
35	10.00	12.00	0.04	0.02	
40	7.50	10.00	0.05	0.02	
45	5.00	7.50	0.07	0.03	15.00%
50	5.00	5.00	0.12	0.05	15.00
55	5.00	5.00	0.44	0.08	7.00
60	5.00	5.00	0.86	0.12	10.00
65	5.00	5.00	1.84	0.20	20.00
70	5.00	5.00	2.99	0.31	15.00
75					100.00

**POLICEMEN AND FIREMEN**

Age	Withdrawal and Vesting	Service Related Disability*	Death	Service Retirement
20	7.00%	0.11%	0.01%	
25	7.00	0.14	0.01	
30	5.00	0.15	0.01	
35	4.00	0.22	0.02	
40	2.00	0.32	0.02	
45	1.00	0.49	0.03	25.00%
50	0.00	1.11	0.05	20.00
55	0.00	3.03	0.08	12.00
60	0.00	6.88	0.12	20.00
65				100.00

\*Service related disability rates for General Employees and Non-Service related disability rates for Policemen and Firemen are assumed to be zero at all ages.



**DEATHS AFTER RETIREMENT:** The RP2000 Mortality Table for Annuitants and Non-Annuitants (set forward one year for males and set back one year for females) is used for the period after retirement and for dependent beneficiaries. Representative values of the assumed annual rates of mortality are as follows:

Age	Men	Women	Age	Men	Women
40	0.114%	0.065%	65	1.441%	0.862%
45	0.162	0.103	70	2.457	1.486
50	0.245	0.155	75	4.217	2.546
55	0.420	0.242	80	7.204	4.151
60	0.768	0.444	85	12.280	6.952

For disabled retirees, the same table is used, adjusted with the male table set forward five years and the female table set forward one year.

**ASSET METHOD:** Actuarial Value, as developed in Schedule B. The actuarial value of assets recognizes 20% of any difference between actual and expected investment income (gain/loss) in the valuation year and 20% of any previous years' unrecognized investment gains/losses. In addition, the actuarial value of assets cannot be less than 80% or more than 120% of the market value of assets.

**VALUATION METHOD:** Entry Age Normal Cost method. See Schedule E for a brief description of this method.

**SPOUSES:** For members who have elected spouse coverage, husbands are assumed to be three years older than their wives.

**PERCENT MARRIED:** 80% of active members are assumed to be married.



## **SCHEDULE D**

### **ACTUARIAL COST METHOD**

The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement, disability or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 8.00%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to current benefit recipients to obtain the present value of all expected benefits payable to the present group of members and survivors.

The employer contributions required to support the benefits of MERS are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.

The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made for pension benefits to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of the average new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.

The unfunded accrued liability is determined by subtracting the current assets and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from the MERS. The accrued liability contribution amortizes the balance of the unfunded accrued liability over a period of years from the valuation date.





## SCHEDULE E

### **SUMMARY OF MAIN BENEFIT AND CONTRIBUTION PROVISIONS**

#### MEMBERSHIP

Municipalities may designate which departments (including elective officers if so specified) are to be covered under the Municipal Employees Retirement System (MERS). This designation may be the result of collective bargaining. Only employees covered under the State Teachers Retirement System may not be included. There are no minimum age or service requirements. Membership is mandatory for all regular full time employees of participating departments except Police and Fire hired after age 60.

#### DEFINITIONS

<b>Average Final Compensation</b>	Average of the three highest paid years of service.
<b>Normal Form of Benefit</b>	Life Annuity
<b>Year's Breakpoint</b>	With respect to the calendar year in which a member terminates service, \$10,700 increased by 6.0% each year after 1982, rounded to the nearest multiple of \$100. For 2013, the breakpoint is \$65,300.

#### BENEFITS

##### **Service Retirement Allowance**

Condition for Allowance	Age 55 and 5 years of continuous service, or 15 years of active aggregate service, or 25 years of aggregate service. Compulsory retirement at age 65 for police and fire members.
Amount of Allowance	<p>For members not covered by Social Security: 2% of average final compensation times years of service.</p> <p>For members covered by Social Security: 1½% of the average final compensation not in excess of the year's breakpoint plus 2% of average final compensation in excess of the year's breakpoint, times years of service.</p> <p>The maximum benefit is 100% of average final compensation and the minimum benefit is \$1,000 annually. Both the minimum and the maximum include Workers Compensation and Social Security benefits.</p> <p>If any member covered by Social Security retires before age 62, his/her benefit until he/she reaches age 62 or receives a</p>



Social Security disability award is computed as if he/she were not under Social Security.

**Non-Service Connected  
Disability Retirement Allowance**

Condition for Allowance	10 years of service and permanently and totally disabled from engaging in any gainful employment in the service of the Municipality.
Amount of Allowance	Calculated as a service retirement allowance based on compensation and service to the date of the disability.

**Service Connected Disability**

Condition for Allowance	Totally and permanently disabled from engaging in any gainful employment in the service of the Municipality provided such disability has arisen out of and in the course of his/her employment with the Municipality. Disability due to hypertension or heart disease, in the case of firemen and policemen, is presumed to have been suffered in the line of duty.
Amount of Allowance	Calculated as a service retirement allowance based on compensation and service to the date of the disability with a minimum benefit (including Worker's Compensation benefits) of 50% of compensation at the time of the disability.

**Vesting Retirement Allowance**

Condition for Allowance	5 years of continuous or 15 years of active aggregate service.
Amount of Allowance	Calculated as a service retirement allowance on the basis of average final compensation and service to the date of termination. Deferred to normal retirement age, or an actuarially reduced allowance may begin at time of separation.

**Death Benefit**

Condition for Benefit	Eligible for service, disability retirement, or vesting allowance, and married for at least 12 months preceding death.
Amount of Benefit	Computed on the basis of the member's average final compensation and creditable service at date of death, payable to the spouse. Benefit is equal to 50% of the average of the life annuity allowance and the reduced 50% joint and survivor allowance.



### **Return of Deductions**

Upon the withdrawal of a member the amount of his accumulated deductions is payable to him/her on demand, with 5% interest from July 1, 1983.

### **Optional Benefits**

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

1. A reduced retirement allowance payable during his life with the provision that after his death the reduced allowance will be continued for life to the beneficiary designated by him at the time of his retirement, or
2. A reduced retirement allowance payable during his life with the provision that after his death the reduced allowance of one-half of his reduced allowance will be continued for life to the beneficiary designated by him as the time of his retirement.
3. A reduced retirement allowance payable during his life with a guarantee of 120 or 240 monthly payments to the member or his designated beneficiary.

### **Cost-of-Living Adjustments**

For those retired prior to January 1, 2002

- i. The benefits of disabled retirees, service retirees who have reached age 65, and beneficiaries of deceased retirees who would have reached age 65 are adjusted each July 1. The difference between the actual annual yield of the actuarial value of assets on a calendar year basis to a 6% yield is calculated. This difference is the adjustment applied the following July 1. The minimum adjustment is 3% and the maximum is 5%.
- ii. The benefits for all others on the roll are adjusted on January 1, 2002 and on each subsequent July 1. The amount of each adjustment is 2.5%.

For those retiring on or after January 1, 2002, benefits are adjusted each July 1. The adjustment is 60% of the annual increase in CPI up to 6%, plus 75% of the annual increase in CPI in excess of 6%. The minimum annual COLA is 2.5%, the maximum is 6%.



### CONTRIBUTIONS

**By Members**

For members not covered by Social Security 5% of compensation.

For members covered by Social security 2¼% of compensation up to the Social Security taxable wage base plus 5% of compensation, if any, in excess of such base.

**By Municipalities**

Participating Municipalities make annual contributions consisting of a normal cost contribution, a contribution for the amortization of the net unfunded accrued liability and a prior service amortization payment which covers the liabilities of the System not met by member contributions.