

## **REQUEST FOR PROPOSALS**

### **Actuarial Consulting Services**

Notice is hereby given that the Borough of Middletown, Dauphin County, Pennsylvania is seeking proposals from qualified professional vendors for Actuarial Consulting Services including, but not limited to, actuarial and administrative support. Written proposals, in accordance with the specifications and procedures identified in this Request for Proposals ("RFP") will be received at the following address: The Borough of Middletown, 60 West Emaus Street, Middletown, PA 17057. Proposals must be received no later than April 19, 2017 by 12:00 p.m..

Proposals are sought for actuarial consulting services for the Non-Uniform Defined Benefit Plan. In addition, the Borough has authorized a Defined Contribution Plan, which is a Money Purchase Pension Plan and will consider proposals that include the provision of services to the Money Purchase Pension Plan. The Defined Benefit (non-uniform) and Defined Contribution Plan services are considered individual components of the services being sought under this RFP.

Firms may submit Proposals relating to all of the services outlined in this RFP, or a part thereof. Firms submitting Proposals shall demonstrate knowledge of, experience and expertise in performing the services detailed in the RFP on which they are submitting Proposals.

Applicants shall complete Proposals in accordance with the RFP available at the Borough's website ([www.middletownborough.com](http://www.middletownborough.com)). Proposals shall be submitted to the Borough by April 19, 2017. After verification by the Borough that the Proposals are complete, the Borough will evaluate the qualifications and experience of each firm submitting a Proposal, and the Borough will select the most qualified Firm or Firms; this RFP may result in an award to more than one vendor based on the determination of the best interests of the Borough.

## **REQUEST FOR PROPOSALS**

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**Services for which Proposals are Sought:** Actuarial Consulting Services for the Non-Uniform Defined Benefit Plan. In addition, the Borough has authorized a Defined Contribution Plan, which is a Money Purchase Pension Plan<sup>1</sup> and will consider proposals that include the provision of services to the Money Purchase Pension Plan. As this The Defined Benefit (non-uniform) and Defined Contribution Plan services are considered individual components of the services being sought under this RFP.

**Specifications Relating to the Services:** Firms may submit Proposals relating to all of the services outlined in this RFP, or a part thereof. It is not a requirement that Firms make a Proposal on all components; it is, however, a requirement to submit a complete proposal within that component. As such, a Firm may include Proposals for each component they wish to be considered for. Firms submitting Proposals shall demonstrate knowledge of, experience and expertise in performing the services detailed in the RFP on which they are submitting Proposals.

**Procedures to Compete for the Contracts:** Applicants shall complete Proposals in accordance with the RFP available at the Borough's website ([www.middletownborough.com](http://www.middletownborough.com)). Proposals shall be submitted to the Borough by April 19, 2017 by 12:00 p.m.. After verification by the Borough that the Proposals are complete, the Borough will evaluate the qualifications and experience of each firm submitting a Proposal, and the Borough will select the most qualified Firm or Firms; this RFP may result in an award to more than one vendor based on the determination of the best interests of the Borough.

**Required Disclosures:** All disclosures required under Act 44 of 2009, codified at 53 P.S. §§ 895.701-A–895.707-A, shall be provided. Such disclosures include, but are not limited to, disclosure by each person who will be providing services to the Borough, including any subcontractors or advisors, of the following:

- His or her title;
- A description of the responsibilities of each person providing services under the contract;
- Whether the individual is now or was a Borough official or employee;

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<sup>1</sup> In general, defined contribution plans do not require that an actuary perform valuation calculations or required minimum pension obligation. However, the Borough's Defined Contribution Plan is a Money Purchase Pension Plan subject to the required minimum funding rules of Section 414 of the Internal Revenue Code of 1986, as amended (the "Code"). Therefore, the RFP includes the Money Purchase Pension Plan for purposes of soliciting actuarial consulting services.

- Whether the individual has been a registered Federal or State lobbyist;
- Whether any individual was employed or compensated by a third-party to communicate with a Borough official or employee;
- Contributions in the past five years of at least Five Hundred Dollars (\$500.00) made to Borough officials;
- Whether a current or former Borough employee has participated in the submission, review or negotiation of the response to the RFP;
- Gifts made by the Applicant or its employees to any Borough official or employee;
- The existence of any financial, commercial, or business relationship with a Borough of Middletown official;
- The retention of any third-party intermediary, agent, or lobbyist and his or her duties; and,
- Whether there has been any communication with the Borough, by the contractor or a third party on the contractor's behalf, following the publication of this advertisement for anything other than a technical clarification on this RFP.

## **I. GENERAL INFORMATION**

**Requesting Municipality:** Borough of Middletown  
60 West Emaus Street  
Middletown, Dauphin County, Pennsylvania

**Requesting Proposals for:** Actuarial consulting services

**Services Provided for:** Defined Benefit Pension Plan (non-uniform)  
Money Purchase Pension Plan

**RFP Notice Date:** March 16, 2017

**RFP Due Date:** April 19, 2017

## **II. MINIMUM REQUIREMENTS TO RESPOND**

Applicants that respond to this RFP must be able meet or exceed the following minimum criteria in order to be considered for the resulting award of the professional services contract:

### **GENERAL QUALIFICATIONS**

1. The firm is a professional actuarial firm that provides actuarial valuations, experience investigations, and pension (including money purchase pension plan) consulting services.
2. The principal actuary who will be responsible for the plan is an Enrolled Actuary and is certified to perform actuarial services under Act 205.
3. The firm must provide actuarial services to at least 5 Pennsylvania municipalities.
4. The firm must have at least two full-time staff members that meet the definition of "Approved Actuary" under Act 205 of 1984.

### **EXPERIENCE WITH PENNSYLVANIA MUNICIPAL RETIREMENT PLANS**

1. Principal Actuary: Identify the principal actuary by name and give the year such actuary became an Enrolled Actuary under Section 3042 of the Employees' Retirement Income Security Act of 1974 and the number of years of experience with Pennsylvania municipal retirement plans. Also, indicate the number of Pennsylvania municipal retirement plans, and retirement plans in general, for which the principal actuary has primary client responsibility.
2. Identify other actuaries employed by the actuarial consulting firm who are certified to perform actuarial services under Act 205 and the number of years of experience with Pennsylvania municipal retirement plans.
3. Provide the total number of enrolled actuaries employed by the actuarial consulting firm.
4. Provide the number of actuarial support staff who perform actuarial calculations for Pennsylvania municipal retirement plans.

### III. SCOPE OF SERVICES

#### SCOPE OF WORK TO BE PERFORMED—ACTUARIAL PENSION SERVICES

A written evaluation is requested for the Defined Benefit Plan (non-uniform) and the Defined Contribution Plan, to the extent applicable, which includes but is not limited to:

1. A certified actuarial statement.
2. A summary of the valuation objectives.
3. A statement of the actuarial cost method selected and actuarial assumptions.
  - i. The results of the valuation including the recommended and the “statutory minimum” contribution from the Borough to properly fund each pension fund. The results of the valuation should be provided via reports, which shall include benefit information on all members in the plans, as well as plan funding information. The valuation process should include a review of the actuarial assumptions as well as the plan's overall condition.
4. CAFR Statement disclosure information.
5. Prepare annual benefit statements showing benefit information for each member of the plan beginning January 1, 2017.
6. Provide assistance and attend meetings as required or requested by the Borough.

### IV. CONFLICT OF INTEREST POLICY

The Borough of Middletown has adopted a conflict of interest policy that includes the restriction for one (1) year of the following actions:

1. Participation by a former employee of a contractor or a potential contractor in the review of a proposal or negotiation of a contract with the contractor; and,
2. Participation of a former employee of the municipal pension system in the submission of a proposal or the performance of a contract.

### V. COMMUNICATIONS

1. **Communication Restriction:** Except as specifically authorized in this RFP, effective as of the RFP notice date, March 16, 2017, and prior to the time that a decision is made by the Borough and the closing of this RFP proceeding, there shall be no communication of any type regarding this RFP, any aspect of a response to this RFP, or the awarding of a contract related in any way to this RFP between any applicant or perspective applicant and any appointed official of the Borough; employee of the Borough; any other persons in a position to influence the Borough's decision at any time during the RFP process in regards to this RFP. Any applicants to this RFP are hereby warned that, effective as of the RFP notice date, March 16, 2017, the only authorized communication of any kind regarding this RFP between the Borough and any applicant will be through the designated Point of Contact ("POC"). Applicants or potential applicants may only make requests for technical clarifications.

This restriction does not preclude the POC from contacting the applicant and requesting clarification or additional information, by whatever means deemed necessary, in order to effectively manage the RFP process, which request can be timely responded by the applicant. This restriction will remain in effect until the RFP proceedings close. Any breach of this restriction, whether intentional or otherwise, will result in the applicant's immediate disqualification from the RFP process.

2. **Designated Point of Contact:** Ken Klinepeter  
Borough Manager  
Borough of Middletown  
60 West Emaus Street  
Middletown, PA 17057  
Telephone: (717) 902-0706  
E-mail: [kklinepeter@middletownborough.com](mailto:kklinepeter@middletownborough.com)
3. **Requests for Technical Clarifications:** Requests for technical clarifications concerning the RFP should be submitted to the POC by e-mail not later than April 5, 2017. All responses to such requests will be delivered by e-mail by April 12, 2017.
4. **Submission of Proposals:** Proposals should be submitted to the designated POC by April 19, 2017, at 12:00 P.M.
5. **Screening/Interview Process:** The following table details the means by which the POC will convey periodic status notification results to applicants, as necessary, and the required responses, if any, by the applicants.

Applicant Status Type	Means of Notification	Applicant Response
<b>Receipt of Application</b>		
Acknowledgement of receipt of Proposal	Borough e-mail to applicant	No response required
<b>Pre-Screen</b>		
<b>Active Applicant:</b> Determined following pre-screening; Borough selects applicant to move forward to interview	Borough e-mail to applicant with date of interview	E-mail response confirming date of interview
<b>Disqualified Applicant:</b> Determined following pre-screening	Borough e-mail to applicant	No response required
<b>Post-Interview</b>		
<b>Selected Applicant:</b> Determined following Borough's interview	Borough e-mail to selected applicant summarizing award notice and selectee letter	E-mail response from applicant confirming receipt of award

<b>Non-Selected Applicant:</b> Determined following Borough's interview	Borough e-mail to applicant	No response required
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Note: All applicants, following the RFP Interview process, will be notified of their respective status within ten (10) business days of the Interview.

## VI. SPECIFICATIONS

All applicants that respond to this RFP must be able to provide comprehensive actuarial consulting services related to each of the components for which they are submitting a proposal, but not limited to:

1. Prepare the actuarial valuation reports as of January 1 of each odd-numbered year, beginning January 1, 2017. The reports include benefit information on all members in the plans, as well as plan funding information. The valuation process should include a review of the actuarial assumptions as well as the plan's overall condition.
  - a. The Borough includes as **Exhibit A** attached hereto copies of valuation reports prepared for prior years, which offers information regarding the Borough's pension plans.
2. Prepare the Act 205 forms to be submitted to the Public Employee Retirement Commission every other year, beginning January 1, 2017 (Due by March 31, 2018).
3. Prepare annual benefit statements showing benefit information for each member of the plan beginning January 1, 2017.
4. Determine the minimum municipal obligation (MMO) required by Act 205 to be submitted to the governing body by September 30 of each year.
5. Assist Borough in determining pension benefits for retired and terminated members.
6. Provide assistance and attend meetings as required or requested by the Council to review the plan(s) and plan(s)' actuarial status; and
7. Additional advisory services, relevant to Pennsylvania municipal defined benefit or money purchase pension plans (these services may be on an as-requested basis and not necessarily part of the main menu of services).

## VII. PROPOSALS

1. **Requirements:** All applicants are required to do as follows.
  - i. Complete all required application material and return to the POC before the application deadline of April 19, 2017;
  - ii. Abide by all policy and procedural requirements stated on any RFP document;
  - iii. Ensure that the RFP application documents provide the majority of the necessary documentation and information required by the Borough to adequately evaluate each applicant's potential to fulfill the professional services contract obligations desired;

- iv. Ensure that unless specifically requested, no additional documentation is required or necessary; and,
  - v. Be prepared to provide additional documentation, if requested, and by the deadline specified.
2. **RFP Response Documents:** All applicants that respond to this RFP must provide the following documents by the specified RFP closing date of April 19, 2017.
- i. A completed RFP application with attachments;
  - ii. Additional documents requested by the POC; and,
  - iii. A completed Act 44 Standard Disclosure Form.

In addition to the original document, each applicant shall submit five (5) copies of each document.

3. **Procedures for Responding:**

- i. Prepare and send or deliver all copies of the RFP response documents listed previously to the POC not later than April 19, 2017, at 12:00 PM. Applications received after this date and time will not be considered for selection under this RFP;
- ii. Be prepared, if requested, to forward a current resume of anyone listed on the Standard Disclosure Form to the POC; and,
- iii. Be prepared to respond to any additional requests for information and/or further directives.

Once applications have been received and processed, the designated POC will send an e-mail response to the applicant to confirm that the application has been received by the Borough.

4. **Process Overview:** The RFP process will commence with the posting of the RFP on the Borough's website. The following is a brief overview of the steps the Borough will take in conducting this process and subsequent determination of the most qualified applicant to receive award of the professional services contract:
- i. The POC monitors and acknowledges receipt of all applications;
  - ii. The POC closes the RFP application process by the designated deadline;
  - iii. The POC conducts the applicant pre-screening to ensure compliance with the RFP policy and determine applicants' further eligibility to compete. Following pre-screening, a status will be assigned to each applicant: active applicant or disqualified applicant;
  - iv. The POC will notify all applicants of their respective status via e-mail;
  - v. The POC will schedule dates and times for each member of the Committee assigned to conduct a detailed review of each active applicant application;



- vi. A Committee of Borough Council and Borough management staff conducts a detailed active applicant review and ranks each active applicant in accordance with the applicant review and interview criteria, as set forth in the next section. A score and ranking from this process will be determined and only the top ranked applicant(s) either overall or in each individual component will continue to the next step. Applicants that do not rank in the top will be notified of their status and that they are no longer eligible to compete under this RFP process;
- vii. The top applicant(s) will be notified of their status and an interview appointment established;
- viii. The Borough Council will conduct applicant interviews and rank each applicant in accordance with the applicant review and interview criteria, as set forth in the next section. A final RFP composite score is determined. The applicant(s) with the highest final RFP composite score will be considered the winner, either overall or on an individual component as determined by the Borough, and the tentative selectee(s) for award of the professional services contract under this RFP proceeding;
- ix. All applicants, following the RFP interview process, will be notified of their respective status within ten (10) business days of the interview; and,
- x. Within ten (10) days of awarding the contract and at least seven (7) days prior to the execution of the contract, the successful application(s), a summary of the decision selecting the successful applicant(s) and all required disclosure forms will be delivered to all of the bidders and posted on the municipality's website. This will conclude the RFP selection process.

5. **Review and Interview Criteria:** The Borough Council will review all active applicants' applications, rank, and score them based on the following criteria.

<b>Evaluation Criteria</b>	<b>Weight</b>
Experience with Pennsylvania Public Pension Plans	20%
Shows Independence and Objectivity	10%
Dedicated Resources to Pennsylvania Public Pensions and Administration	20%
Whether use of Subcontractor will be needed for actuarial or other pension plan services.	10%
Reporting Capabilities	15%
Quality of Services Proposed	15%
Overall Expenses and Fees for Services	5%
Demonstrate Track Record of Performance	5%

The top-scoring applicant(s) will be considered the finalists for award of the professional services contract.

6. **Timeline of Events and Closing Dates:**

<b>Event</b>	<b>Opening Date</b>	<b>Closing Date</b>
Response Period: RFPs are accepted by Borough		April 19, 2017
Pre-Screen Process: Review and Ranking		April 26, 2017
Interview and Selection Process		May 2, 2017
Award		May 16, 2017
Distribution of Successful Application(s), Summary, and Disclosure Forms to Non- Selected Applicants (Note: Within 10 days of award)		May 23, 2017
Mandatory Waiting Period Following Interview and Selection, Required Posting Period, and Signing of Contract(s) (Note: At least 7 days after distribution of materials to non-selected applicants)		

The dates listed above are subject to adjustment or changes, if necessary, but not without notification to all applicants.

Please note that the Borough of Middletown reserves the right to reject in whole or in part any or all proposals, to award a contract to one or more vendors, to waive any informalities and to accept the proposal of the entity(ies) determined by the Borough to be the most qualified to provide the services the Borough seeks. This solicitation may also be cancelled in whole or in part if determined to be in the best interest of the Borough.

#### **7. Applicant's Statement of Responsibilities:**

It shall be the responsibility of any incumbent or perspective contractor or applicant applying for, entering into contract for, submitting a bid or offer for, responding to a RFP on, or otherwise soliciting, a professional services contract, to:

- i. Thoroughly familiarize themselves with the RFP general policy guidelines and agree to abide by all guidelines and requirements stated herein;
- ii. Thoroughly familiarize themselves with all applicable statutes of the Commonwealth of Pennsylvania, specifically the Standards for Municipal Pension Systems within the Commonwealth, codified at 53 P.S. §§ 895.701-A–895.707-A;
- iii. Inform all subordinates, subcontractors and advisors of the policies and laws in effect during the RFP process;
- iv. Maintain overall control of subordinates of the company, subcontractors and advisors, ensuring that they do not violate this policy and thereby cause the applicant to be placed in a “disqualified applicant” status; and
- v. Acknowledge by participation that any breach or lack of compliance with such, whether intentional or otherwise, will result in immediate disqualification and debarment from the RFP process for up to a period of three (3) years.

For the applicant, the RFP process begins when the applicant submits a completed RFP packet in response to the posted RFP. Submission of a proposal will constitute an acknowledgement on the part of the applicant, of a thorough understanding of the rules governing the RFP process, and an agreement to abide by the same. Furthermore, all employees of the contractor (the applicant), subcontractors, advisors, and other applicable third parties, are considered subject to the same terms of agreement as stated above.

Failure to comply with any of the preceding will result in the application being placed in the “disqualified applicant” status, and the applicant will not be permitted to compete for the professional services contract under the current RFP notice.

## **VIII. PROPOSAL APPLICATION**

*See* Proposal Application contained on pages 1-7 hereafter.

**PROPOSAL APPLICATION**  
**Actuarial Consulting Services**

Requesting Municipality: Borough of Middletown  
60 West Emaus Street  
Middletown, Dauphin County, Pennsylvania

Requesting Proposals for: Actuarial consulting services

Services Provided for: Defined Benefit Pension Plan (Non-Uniform Pension)  
Defined Contribution (Money Purchase Pension) Plan

RFP Notice Date: March 16, 2017

RFP Due Date: April 19, 2017

**Applicant Information**

Applicant's Name and Address:	Applicant's Principal Point of Contact:
Point of Contact's Telephone Number	
Point of Contact's Facsimile Number	
Point of Contact's E-mail Address	

**Statement of Confidentiality**

NOTICE to all applicants to this RFP: Please be advised that this application and its contents shall be held in a confidential status until the conclusion of the RFP process, after which all information provided on this application will become publicly accessible and may be disseminated in accordance with the other previously established policies of the Borough of Middletown, the specific disclosure requirements of 53 P.S. §§ 895.701-A–895.707-A, and the Pennsylvania Right to Know Law, except for information that is considered proprietary in nature and/or otherwise protected by law. Any restrictions on the use of data contained in the proposal which you consider to be confidential and proprietary in accordance with the Law must be clearly stated in the proposal itself. Please also be advised that a copy of the successful

application(s) and all required disclosure forms will be forwarded to all unsuccessful applicants and placed onto the website for Borough of Middletown.

### **Application Questions**

#### **I. HISTORY AND OWNERSHIP**

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1. List your firm's complete name, address, e-mail address and telephone and fax numbers. Provide a brief history of your firm, the year it was founded, location of its headquarters and other offices.
  - i. How long has the firm been providing actuarial services for municipal pension funds?
  - ii. What is the total asset base of the pension funds and/or other benefit funds on which you and the firm consult?
  - iii. Provide a listing of all governmental or municipal pension or other benefit funds, including amount of assets, for which the firm currently acts as an advisor.
  - iv. Describe your level of experience in advising clients on Internal Revenue Code sections 401, 403, 457 and any other government employee benefit programs.

#### **II. ORGANIZATION**

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1. Describe the lines(s) of business in your firm, your parent organization and any affiliated companies. List any members of the firms controlled group as defined under Code Section 414(b), (c) and (m).
2. Within the last five (5) years has your organization or an officer or principal been involved in any business litigation or other legal proceedings relating to your actuarial analysis or consulting activities? If so provide an explanation and indicate the current status or disposition.

#### **III. EMPLOYEES**

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1. Identify the consultants and other key staff who would be involved in serving our account, as well as their credentials and certifications. Provide biographical data on these individuals.

2. Provide biographies of other key individuals in your firm, as well as the number of credentialed actuaries, primary business and other services offered
3. Do any of your actuaries have retirement plan sponsor experience? Please give details.
4. Describe your firm's compensation arrangement for professional staff members who will be involved in servicing the Borough's account. Explain commissions or fee based wages paid to service providers, if any.

#### **IV. ACTUARIAL CAPABILITIES**

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1. Indicate whether your firm is qualified to issue a Public Statement of Actuarial Opinion (PSAO) in accordance with the Qualification of the American Academy of Actuaries (AAA) and to undertake this project according to Precept 2 of the Code of Professional Conduct of the AAA, and describe your peer review process.
2. Describe your firm's experience working with public entity clients.
3. Describe how the firm will work with the Borough, its staff and auditors to determine the proper actuarial cost method, actuarial asset valuation method, amortization method and key assumptions for the valuation based on applicable accounting and actuarial standards.
4. Describe how the firm will work with the Borough to determine the proper funding strategy.
5. Indicate if any services must be provided by third parties in order to meet the requirements of the RFP.
6. Describe your firm's approach to evaluating, calculating, and providing actuarial services with respect to pension plans. Please indicate relationship with researchers/academics outside your firm.
7. Describe the educational opportunities provided to your clients' trustees and staff. Describe the qualifications of presenters at recent workshops. Provide copies of brochures/advertisement materials (not seminar handouts) for the last 3 workshops.

## V. CLIENT BASE

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1. Enter number of institutional retainer clients in each category.

Size (Millions)	Distribution By Asset Size				
	Public Pension Funds	Other Post- Employment Benefit Funds	Endowments or Foundations	Corporate Funds	Other
0-50					
51-500					
501-1,000					
1,001-5,000					
Over 5,000					

2. Please provide a representative list of Pennsylvania municipal clients similar to the Borough of Middletown.
3. Please provide three (3) current government defined benefit pension plan references in your client base and related contact information (name, title, and telephone number).

## VI. ETHICS

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1. Does your firm, its principals and affiliates, subscribe to a professional Code of Ethics? Describe how you address conflicts of interest in providing advice to your clients. Please provide a copy of any formal ethics or conflicts of interest policy.
2. Does your firm carry professional liability or any other relevant insurance? If so, please describe the insurer, the type of insurance coverage, the beneficiary of such coverage, the limits of such coverage, and the deductible amount under coverage. Please provide a current certificate of insurance confirming that such coverage is currently in effect.
3. Is your organization currently aware of any claims or notices of potential claims that have been made or are being made with respect to such policies?
4. If hired, will your firm receive any other form of direct or indirect compensation from working with this account that has not yet been revealed? If yes, what is the form of compensation?
5. Does your firm provide other services that would conflict with unbiased advice, such as providing Investment Advisory, Brokerage, and Custodial Services? If so, please clarify why this would not be a conflict.

6. Please provide a draft actuary advisory services contract for review, as well as information regarding the fiduciary liability insurance and fidelity bonding that your firm would maintain for this account if hired.

## **VII. FEES**

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1. Please provide a fee proposal for the services outlined in this request. Explain the following:
  - i. The proposed fee for providing the actuarial services required by this RFP for the term of this contract
  - ii. Does your price quote represent a discount from your standard pricing? If so, by how much and why?
2. Are you willing to guarantee your fees for a specific period of time?

## **VIII. ATTACHMENTS**

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1. Please provide the following additional attachments:
  - i. Form ADV, Part II;
  - ii. Resumes of all professionals actively working for the Borough should your firm be selected. Resumes should list related experience and expertise and copies of current certifications;
  - iii. Certificates of Insurance; and
  - iv. Sample Agreement.



## **ACT 44 DISCLOSURE FORM**

### **For Entities Providing Professional Services to The Borough of Middletown's Pension System**

Chapter 7-A of Act 205 (Section 15 of Act 44 of 2009), codified at 53 P.S. §§ 895.701-A–895.707-A, mandates the annual disclosure of certain information by every entity (hereinafter “Contractor”), which is a party to a professional services contract with one of the pension funds of the Borough of Middletown (also referred to as the “Requesting Municipality” or the “Borough”). Act 44 disclosure requirements apply to Contractors who provide professional pension services and receive payment of any kind from the Borough's pension fund. The Borough has determined that your company falls under the requirements of Act 44 and must complete this disclosure form. You are expected to submit this completed form to the Borough below by April 12, 2017. If for any reason you believe that Act 44 does not require you to complete this disclosure form, please provide a written explanation of your reason(s) by April 5, 2017. Where noted, information in your disclosure must be updated in writing as changes occur.

Please return your completed disclosure to the following:

Borough of Middletown  
Attn: Ken Klinepeter  
60 West Emaus Street  
Telephone: (717) 902-0706  
E-mail: [kklinepeter@middletownborough.com](mailto:kklinepeter@middletownborough.com)

## DEFINITIONS FOR DISCLOSURE

Term	Definition
Contractor	Any person, company, or other entity that receives payments, fees, or any other form of compensation from a municipal pension fund in exchange for rendering professional services for the benefit of the municipal pension fund.
Subcontractor or Advisor	Anyone who is paid a fee or receives compensation from a municipal pension system – directly or indirectly from or through a contractor.
Affiliated Entity	Any of the following: <ul style="list-style-type: none"> <li>• A subsidiary or holding company of a lobbying firm or other business entity owned in whole or in part by a lobbying firm.</li> <li>• An organization recognized by the Internal Revenue Service as a tax-exempt organization under section 501(c) of the Internal Revenue Code of 1986 (Public Law 99-514, 26 U.S.C. § 501 (c) ) established by a lobbyist or lobbying firm or an affiliated entity.</li> </ul>
Contributions	As defined in section 1621 of the act of June 3rd, 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code.
Political Committee	As defined in section 1621 of the act of June 3rd, 1937 (P.L. 1333, No. 320), known as the Pennsylvania Election Code.
Executive Level Employee	Any employee of the Contractor, Subcontractor or Advisors or the Contractor's Affiliated Entity who: <ul style="list-style-type: none"> <li>• Can affect or influence the outcome of the Contractor's or Affiliated Entity's actions, policies, or decisions relating to pensions and the conduct of business with a municipality or a municipal pension system; or</li> <li>• Is directly involved in the implementation or development policies relating to pensions, investments, contracts or procurement or the conduct of business with a municipality or municipal pension system.</li> </ul>
Municipal Pension System	Any qualifying pension plan, under Pennsylvania state law, for any municipality within the Commonwealth of Pennsylvania; includes the Pennsylvania Municipal Retirement System. Ex.: the Police Pension Plan for the Borough of Winchesterville
Municipal Pension System Officials and Employees; Municipal Officials and employees	Specifically, those listed in Table 2 titled: "List of Pension System and Municipal Officials and Employees" on the next page. Where applicable, includes any employee of the Requesting Municipality.
Professional Services Contract	A contract to which the municipal pension system is a party that is: (1) for the purchase of professional services including investment services, legal services, real estate services, and other consulting services; and, (2) not subject to a requirement that the lowest bid be accepted.

## **LIST OF MUNICIPAL OFFICIALS**

Certain requests for information in this form will refer to a “List of Municipal Officials.” To assist you in preparing your answers, you should consider the following names to be a complete list of pension system and municipal officials and employees. Throughout this disclosure form, the below names will be referred to as the “List of Municipal Officials.”

- Ken Klinepeter, Borough Manager
- Grace Miller, Borough Secretary
- Bruce Hamer, Director of Finance and Administration
- Benjamin Kapenstein, Council President
- Damon Suglia, Council Vice-President
- Anne Einhorn, Councillor
- Dawn Knull, Councillor
- Diana McGlone, Councillor
- Ian Reddinger, Councillor
- Robert Reid, Councillor
- James Curry, Mayor

## IDENTIFICATION OF CONTRACTORS AND RELATED PERSONNEL

Any entity who currently provides service(s) or that wishes to provide services by completing a RFP by means of a professional services contract to the Municipal Pension System of the Borough of Middletown, must complete all of the following.

**Identify the Municipal Pension System(s) for which you are providing information:**

Indicate all that apply with an "X": \_\_\_\_\_ Defined Benefit Plan (Non-Uniform)  
 \_\_\_\_\_ Money Purchase Pension Plan (Defined Contribution Plan)

**NOTE: For all that follow, you may answer the questions/items on a separate sheet of paper and attach it to this disclosure if the space provided is not sufficient. Please reference each question/item you are responding to by the appropriate number, e.g., Item 1, Item 2, etc.**

1. Please provide the names and titles of all individuals providing professional services to the Borough of Middletown's pension plan(s) identified above. Also include the names and titles of any subcontractors or advisors of the Contractor, identifying them as such. After each name and title provide a description of the responsibilities of that person with regard to the professional services being provided to each designated pension plan.
2. Please list the name and title of any affiliated entity and their executive level employee(s) that require disclosure; after each name, include a brief description of their duties (*See Definitions*).
3. Are any of the individuals named in Item 1 or Item 2 above, a current or former official or employee of the Borough of Middletown?

If "YES", provide the name and of the person employed, their position with the municipality, and dates of employment.

4. Are any of the individuals named in Item 1 or Item 2 above a current or former registered Federal or State lobbyist?

If "YES", provide the name of the individual, specify whether they are a state or federal lobbyist, and the date of their most recent registration/renewal.

**NOTICE: All information provided for in Items 1-4, above,  
MUST BE UPDATED AS CHANGES OCCUR.**

5. Has the Contractor or an affiliated entity paid compensation to or employed any third party intermediary, agent, or lobbyist that is to directly or indirectly communicate with any persons on the List of Municipal Officials in connection with any transaction or investment involving the Contractor and the Municipal Pension System of the Borough?

This question does not apply to an officer or employee of the Contractor who is acting within the scope of the firm's standard professional duties on behalf of the firm, including the actual provision of legal, accounting, engineering, real estate, or other professional advice, services, or assistance pursuant to the professional services contact with municipality's pension system.

If "YES", identify: (1) whom (the third party intermediary, agent, or lobbyist) was paid the compensation or employed by the Contractor or affiliated entity, (2) their specific duties to directly or indirectly communicate with any person on the List of Municipal Officials, (3) the official they communicated with, and (4) the dates of the communications.

6. Has the Contractor, or any agent, officer, director or employee of the Contractor solicited a contribution to any municipal officer or candidate for municipal office in the Borough of Middletown, or to the political party or political action committee of that official or candidate?

If "YES". Identify the agent, officer, director or employee who made the solicitation and the municipal officials, candidates, political party or political action committee who were solicited (to whom the solicitation was made).

7. Within the past two years, has the Contractor or an affiliated entity made any contributions to a municipal official or any candidate for municipal office in the Borough of Middletown?

If "YES", provide the name and address of the person(s) making the contribution, the contributor's relationship to the Contractor or affiliated entity, the name and office or position of the person receiving the contribution, the date of the contribution, and the amount of the contribution.

**NOTE: If "YES", the Contractor is disqualified from entering into a professional services contract.**

8. Does the Contractor or an affiliated entity have any direct financial, commercial or business relationship with any official identified on the List of Municipal Officials, of the Borough of Middletown?

If “YES”, identify the individual with whom the relationship exists and give a detailed description of that relationship.

**NOTE: A written letter is required from the Borough of Middletown acknowledging the relationship and consenting to its existence. The letter must be attached to this disclosure. Please contact the Borough to obtain this letter and attach it to this disclosure before submission.**

9. Has the Contractor or an affiliated entity given any gifts having more than a nominal value to any individual on the List of Municipal Officials, any other fiduciary of the Municipal Pension System, or any other employee of the Borough of Middletown? The term "gifts" is broadly construed to include, but not be limited to, money, services, loans, travel, lodging, entertainment, discounts or other things of value.

If “YES”, provide the name of the person conferring the gift, the person receiving the gift, the office or position of the person receiving the gift, specify what the gift was, and the date conferred.

**NOTE: If “YES”, the Contractor is disqualified from entering into a professional services contract.**

10. Has the Contractor or an affiliated entity made contributions to any political entity in the Commonwealth of Pennsylvania? Applicability: A “YES” response is required and full disclosure is required ONLY WHEN ALL of the following apply.

- i. The contribution was made within the last 5 years;
- ii. The contribution was made by an officer, director, executive level employee or owner of at least five percent (5%) of the Contractor or affiliated entity;
- iii. The amount of the contribution was at least \$500 and in the form of:
  - a. A single contribution by a person in (b) above, or
  - b. The aggregate of all contributions all persons in (b) above;
- iv. The contribution was for:
  - a. Any candidate for any public office or any person who holds an office in the Commonwealth of Pennsylvania;
  - b. The political committee of a candidate for public office or any person that holds an office in the Commonwealth of Pennsylvania.

If “YES”, provide the name and address of the person(s) making the contribution, the contributor’s relationship to the Contractor, the name and office or position of the person receiving the contribution (or the political entity or party receiving the contribution), the date of the contribution, and the amount of the contribution.

**NOTICE: All information provided for Item 9 must be updated ANNUALLY.**

11. With respect to your provision of professional services to the Municipal Pension System of the Borough, are you aware of any apparent, potential or actual conflicts of interest with respect to any officer, director or employee of the Contractor and officials or employees of the Borough?

If “YES”, provide a detailed explanation of the circumstances which provide you with a basis to conclude that an apparent, potential, or actual conflict of interest may exist and how you will eliminate the conflict.

**NOTE: If, in the future, you become aware of any apparent, potential, or actual conflict of interest, you are expected to update this disclosure immediately in writing by:**

- **Providing a brief synopsis of the conflict of interest; and,**
- **An explanation of the steps taken to address this apparent, potential, or actual conflict of interest.**

12. To the extent that you believe that Chapter 7-A of Act 205 (Act 44 of 2009), 53 P.S. §§ 895.701-A–895.707-A, requires you to disclose any additional information beyond what has been requested above, please provide that information below or on a separate piece of paper.

[THIS SECTION LEFT INTENTIONALLY BLANK.]

Please provide the name(s) and position(s) of the person(s) participating in the completion of this Disclosure.

One (1) of the individuals identified by the Contractor in Item #1 above must participate in completing this Disclosure and must sign the below verification attesting to the participation of those individuals named below.

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Position: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Position: \_\_\_\_\_

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Position: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date



## VERIFICATION

I, \_\_\_\_\_, hereby state that I am \_\_\_\_\_ for  
(Name) (Position)  
\_\_\_\_\_ and I am authorized to make this verification.  
(Contractor)

I hereby verify that the facts set forth in the foregoing Act 44 Disclosure Form for Entities Providing Professional Services to the Borough of Middletown's Pension System are true and correct to the best of my knowledge, information and belief. I also understand that knowingly making material misstatements or omissions in this form could subject the responding contractor to the penalties in Section 705-A(e) of Act 205, 53 P.S. §§ 895.701-A–895.707-A.

I understand that false statements herein are made subject to the penalties of 18 Pa.C.S. § 4904, relating to unsworn falsification to authorities.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

# Exhibit A

January 1, 2015

## **MIDDLETOWN BOROUGH NON-UNIFORM PENSION PLAN**

### **VALUATION REPORT**

Group Annuity Contract 802364  
EIN: 23-6002896  
Plan No.: 001

July 24, 2015

Mr. James T. Konek  
Middletown Borough  
60 West Emaus St.  
Middletown, PA 17057

Dear Mr. Konek:

This report contains the results of the actuarial valuation of the Pension Plan for Employees of Middletown Borough as of January 1, 2015. It presents the funding levels calculated for 2016 and 2017 and discusses the funding progress since the previous valuation.

It is important to note that the report focuses solely on funding what is presumed to be an ongoing retirement program. Separate calculations would be required to measure liabilities in the event of plan termination. Similarly, separate calculations are required for accounting under Government Accounting Standards Board Statement (GASB).

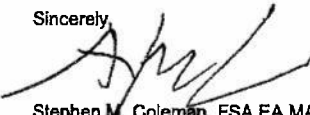
The results presented herein are based upon:

- Financial information provided to us as of the valuation date.
- Unaudited employee data furnished to us as of the valuation date.
- Provisions of the plan as summarized herein.
- Actuarial method and assumptions presented in this report.

The valuation was based upon generally accepted actuarial methods and assumptions. We performed such tests as necessary to help assure the accuracy of the results presented herein. In our opinion, the results of this valuation have been appropriately determined based upon the actuarial cost method and assumptions and within the framework of federal law and regulations.

If you have any questions regarding the contents of this report, please contact us at your convenience.

Sincerely,



Stephen M. Coleman, FSA EA MAAA MSPA  
Pension Actuary  
(800) 262-7111 ext. 8558



Wendy Askerman, FLMI  
Defined Benefit Account Manager  
(800) 262-7111 ext. 8660

Cc: Mid-Atlantic RP

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## ANALYSIS

### Overview

This report provides liability values and recommended funding levels for the Pension Plan for Employees of Middletown Borough Non-Uniform Pension Plan based on a biennial valuation.

The purpose of this Analysis is to summarize major results and highlight important points. If you have any questions concerning items discussed herein, we strongly recommend that you contact us for clarification.

### Funding of the Plan

The plan is funded by a combination of employer contributions, employee contributions and state aid.

During 2015, employer contributions (including state aid) should total at least \$450,848. This is the Minimum Municipal Obligation (MMO) for 2015, as adopted by the Borough in September of 2014.

This report includes worksheets to help you determine the Minimum Municipal Obligation (MMO) for 2016 and 2017.

### Change in Assumptions

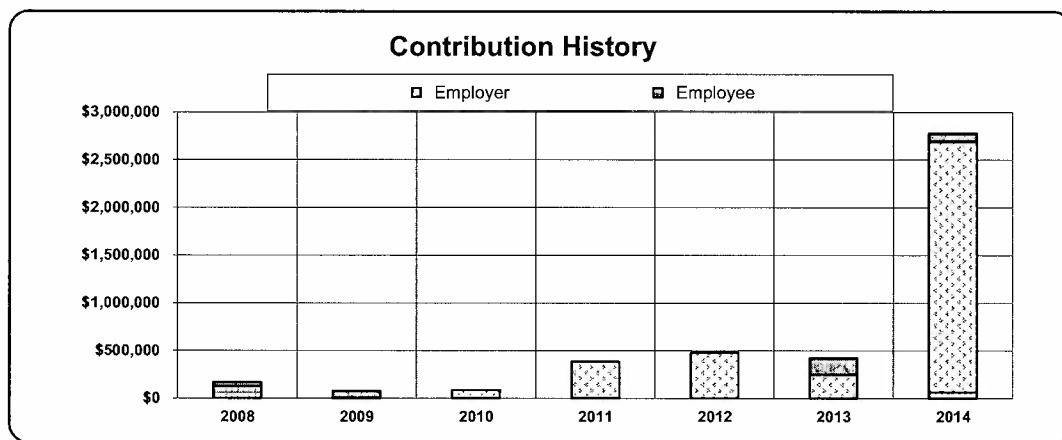
Several actuarial assumptions have been revised, to better reflect anticipated plan experience:

- > The assumed interest rate has been reduced from 7.5% to 7.0%.
- > The assumed rate of salary increase has been reduced from 4.5% to 4.0%.
- > The mortality table has been updated, with the 1994 GAM table replaced by the 2008+ IRS Combined Static table.
- > The assumed annual cost of living increased has been reduced from 3% to 2.5%.

Note that Pennsylvania law requires that assumptions be jointly agreed upon by the actuary and sponsoring municipality. We have discussed the change in the interest rate. Please contact me if you have questions regarding the remaining changes.

### Contribution History

Detailed below is a summary of the contributions into the plan over recent years.



### Normal Cost (EAN)

The valuation is based on Entry Age Normal (EAN) cost method, which assigns to each participant a "normal cost" estimated to remain at a consistent dollar level each year to retirement. The normal cost is central to funding calculations, which are also affected by the amortization of various gains and losses.

### **Asset Summary and Reconciliation**

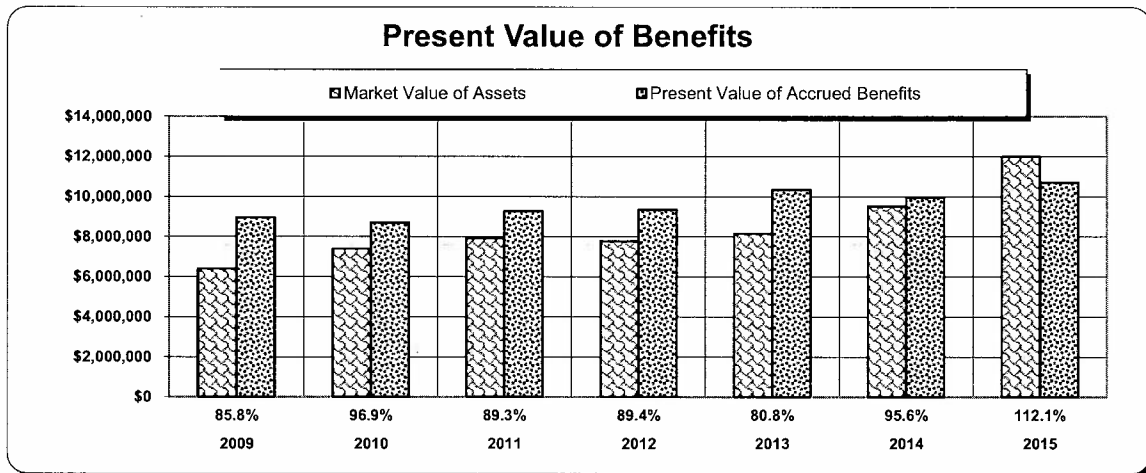
In the period two year period from January 1, 2013 to January 1, 2015, the market value of plan assets increased from \$8,474,520 to \$12,003,026. The following shows the estimated rate of return by plan year:

2010	12.0%
2011	-1.1%
2012	10.4%
2013	19.3%
2014	4.3%

### **Present Value of Accumulated Benefits**

The Present Value of Accumulated Benefits is an estimate of the value of benefits earned for service to date. This value increased from \$10,339,383 on January 1, 2013 to \$10,709,214 on January 1, 2015.

One measure of the funding adequacy of the plan is to compare the Present Value of Accumulated Benefits to the market value of plan assets. In this case, the January 1, 2015 market value of assets of \$12,003,026 results in a funded ratio of 112.1% (compared to 80.8% on January 1, 2013).



## SUMMARY AND COMPARISON

	<u>January 1, 2013</u>	<u>January 1, 2015</u>
1. Number of Participants		
Active Participants	29	14
Terminated Participants with Vested Benefits	24	34
Retirees Receiving Benefits	<u>39</u>	<u>39</u>
Total	92	87
2. Current Annual Compensation	\$ 1,557,088	\$ 704,523
3. Total Accrued Liability	\$ 11,635,686	\$ 11,040,507
4. Present Value of All Projected Future Benefits	\$ 12,943,089	\$ 11,641,609
5. Present Value of Future Normal Costs	\$ 1,307,403	\$ 601,102
6. Value of Plan Assets		
Market Value	\$ 8,474,520	\$ 12,003,026
Actuarial Value	8,356,015	11,737,484
7. Normal Cost	\$ 160,635	\$ 93,671
8. Normal Cost As a Percentage of Compensation	10.32%	13.30%
9. Estimated Annual Mandatory Employee Contributions	\$ 77,854	\$ 35,226

## DESCRIPTION OF PLAN PROVISIONS

***This outline of the plan is intended as a general description of the major plan provisions. For exact provisions as administered, please refer to your plan document and pertinent amendments, if any.***

### **General**

The plan is sponsored by a Borough.

The specific plan provisions are detailed below:

### **Effective Date And Plan Year**

The effective date of the plan is January 1, 1962. The plan year is January 1 through December 31. The most recent amendment is a plan restatement effective January 1, 2012.

### **Eligibility**

All full-time non-uniformed employees of the Borough may join the Plan upon employment.

### **Contributions**

The employer contributes whatever amounts are required in addition to employee contributions to pay for the cost of the plan.

An active participant may be required to contribute to the plan in an amount equal to 5% of the participant's compensation. If a participant contributes to the plan for a plan year with regard to which he does not accrue a year of benefit service, then as of the last day of the plan year a refund of the entire sum contributed by the participant for the plan year with earnings will be returned to the participant. Participant contributions may be suspended by annual resolution. Participant contributions will be credited with 6.5% interest.

### **Amount Of Retirement Benefit**

The participant's normal retirement benefit is equal to 2% of his basic monthly earnings multiplied by his years of benefit service as of his normal retirement date.

**Basic Monthly Earnings** - The average monthly compensation paid for service performed during the final completed 5-year period of employment. If a participant has been employed less than 5 years, then basic monthly earnings is equal to the average of all completed plan years.

### **Annuity Forms**

The normal annuity form is a benefit payable monthly during the participant's lifetime. At the participant's option, retirement income may be paid on a joint and survivor basis, or as a certain and life option. When an optional annuity form is elected, the amount of income is adjusted so the cost to the fund is the same as it would have been under the normal annuity form.

### **Normal Retirement**

Normal retirement date is first of the month coincident with, or immediately following, the attainment of age 60.

### **Early Retirement**

A participant is eligible for early retirement when he attains age 50 and has at least 12 years of vesting service. The benefit payable at early retirement is actuarially reduced to take into account the longer period over which benefits will be paid.

### **Late Retirement**

If termination of employment is postponed beyond the normal retirement date, the participant's benefit will be the greater of continued accrual under the plan formula or his normal retirement benefit actuarially increased to his actual retirement date.

### **Death Benefit**

If a vested participant dies prior to his retirement date, his surviving spouse, or eligible beneficiary, is eligible for a monthly income equal to 50% of the benefit the participant would have received if he had retired on his date of death.



**Disability Benefit**

If a participant with ten years of vesting service becomes totally and permanently disabled prior to normal retirement age, he is eligible to receive a monthly amount equal to 50% of his current salary at the time of disablement, reduced by any Workers' Compensation or salary continuation payments funded by the employer.

**Termination Benefit (Before Retirement)**

If a participant terminates service before attaining retirement age but after becoming vested, he shall be entitled to a deferred benefit payable at retirement age. A participant shall be allowed to take his own mandatory contribution accumulation as a lump sum at termination, with an equivalent reduction in his/her monthly accrued benefit at retirement. Any accumulated excess interest earned by the participant shall be available as additional monthly income only at retirement age.

**Vesting**

A participant is always 100% vested in his accumulated mandatory account balance, if any.

A terminating participant who has completed 5 years of service is entitled to receive a vested monthly benefit starting on his normal retirement date.

**Cost of Living Adjustment**

A post-retirement cost of living adjustment will increase the benefit of retired participants. The COLA will be applied on the anniversary date of each retiree's initial date of retirement, and shall be limited to a maximum annual increase of 3%, with a maximum lifetime increase of 30%. The COLA is calculated on a compound basis.

## ACTUARIAL METHODS AND ASSUMPTIONS

Costs and liabilities were estimated on the basis of the plan specifications outlined in this report, the unaudited employee data furnished to The Standard, and the following methods and assumptions:

<b>Actuarial Cost Method for ARC</b>	- Entry Age Normal with normal cost as level percent of salary
<b>Funding Entry Age</b>	- Age nearest birthday on valuation date coinciding with or immediately following the date at which eligibility requirements are satisfied
<b>Expense Assumption for ARC</b>	- Estimated amount payable during plan year
<b>Before Retirement</b>	
Interest	- 7.0% (previously 7.5%)
Mortality	- 2008+ Combined Static Table (previously 1994 GAM Static)
Terminations	- Assumed turnover rates are sex-distinct, graded by years of service. Male rates start at 13%, decline to 6% by the fifth year of service, and ultimately reach 2% after ten years. Female rates start at 16%, decline to 8% after five years, and reach 4% after ten years.
Disability	- 40% of the rates set forth in the 1964 OASDI (Social Security) Tables
Salary Scale	- 4.0% (previously 4.5%)
<b>After Retirement or Separation</b>	
Interest	- 7.0% (previously 7.5%)
Mortality	- 2008+ Combined Static Table (previously 1994 GAM Static)
Cost-of-Living Adjustment	- Based on the Consumer Price Index and limited to a maximum annual increase of 3% and a maximum total increase of 30%
<b>Retirement Age</b>	- Normal Retirement Age, or age on valuation date, if greater
<b>Marriage Assumption</b>	- 80% of males and 80% of females with males 3 years older than their spouses

### Participant Data

Active participants and inactive participants with vested benefits were included in the valuation. Employees who have not completed the eligibility requirements were not included. Terminated employees without vested benefits were not included whether they had incurred a break in service or not.

## DESCRIPTION OF ACTUARIAL COST METHOD

### Entry Age Normal

Entry Age Normal Actuarial Cost Method is used to determine the Normal Cost percentage levels for this plan. Under this method, contribution levels are comprised of two components:

Normal Cost  
Amortization Payment

The normal cost and the accrued liability for the plan is the sum of these values for the individual participants calculated as described below.

The present value of the projected benefits for each participant is allocated as a level dollar amount between the funding entry date (which may precede the plan effective date) and assumed retirement date. The normal cost is the portion of this present value allocated to the current year.

The portion of the present value of benefit payments not offset by future normal costs is called the accrued liability. The amortization payment funds the initial unfunded accrued liability as well as changes in the accrued liability resulting from changes in plan provisions, changes in actuarial assumptions, and plan experience.

### Asset Valuation Method

The smoothed market value method is used to determine the actuarial value of plan assets.

Under this method, the actuarial value of assets is equal to the market value of assets less a decreasing fraction (i.e.,  $(4/5)$ ,  $(3/5)$ , etc., where 5 equals the number of years in the smoothing period) of the gain or loss for each of the preceding 4 years. The resulting value must fall between 80% and 120% of market value.

Under this method, a gain or loss for a year is determined by calculating the difference between the expected value of assets for the year and the market value of the assets at the valuation date. The expected value of the assets for the year is the market value of the assets at the valuation date for the prior year brought forward with interest at the valuation interest rate to the valuation date<sup>3</sup> for the current year plus contributions minus disbursements (i.e., benefits and expenses), all adjusted with interest at the valuation date for the current year. If the expected value is less than the market value, the difference is a gain. Conversely, if the expected value is greater than the market value, the difference is a loss.

## MUNICIPAL PLAN FUNDING RULES OVERVIEW

The Minimum Municipal Obligation ("MMO") to be used for budget purposes is equal to (1) the plan's financial requirements (detailed below) reduced by (2) total member contributions and (2) a funding adjustment if plan assets exceed the actuarial accrued liability.

The financial requirement is the sum of (a), (b) and (c) where:

(a) Total Normal Cost is equal to (1) multiplied by (2)

(1) Annual payroll from January through September of the plan year immediately preceding the budgeting year, plus estimated compensation for the final three months of the year (i.e., September compensation times 3).

(2) EAN Normal Cost percentage.

(b) Total Amortization Requirement is the funding of unfunded liabilities. If the plan assets exceed the actuarial accrued liability, this amount will be zero.

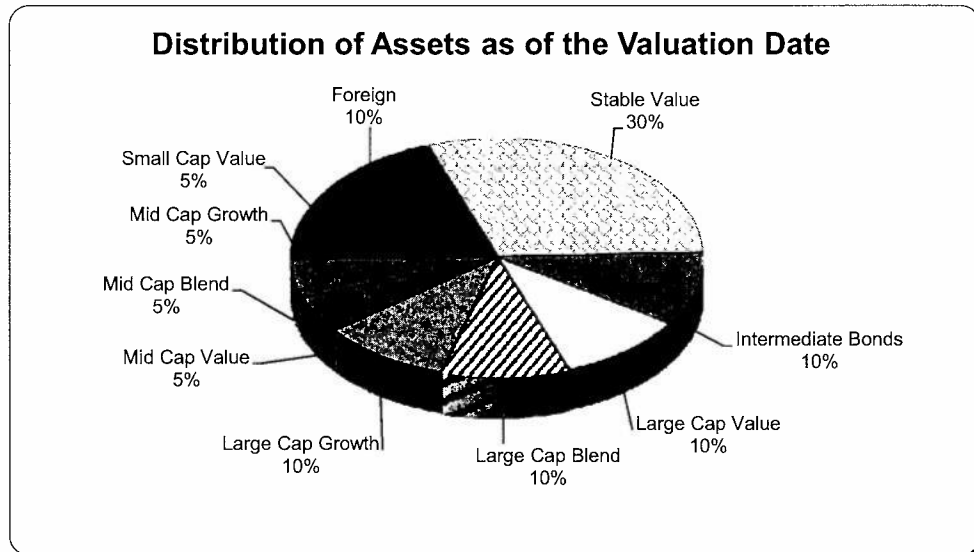
(c) Total Administrative Expenses is an estimate based on your most recent plan experience.

MMO's remaining unpaid as of December 31 of the year in which they are due shall be added to the following year's MMO and increased with interest at a then- determined rate.

## ASSET SUMMARY AND RECONCILIATION

### Statement of Plan Net Assets as of December 31

	<u>2013</u>	<u>2014</u>
<b>Assets:</b>		
Cash	\$ 0.00	\$ 0.00
Receivables		
Employer Contributions	\$ 25,775.00	\$ 0.00
Employee Contributions	0.00	0.00
Total Receivables	<u>\$ 25,775.00</u>	<u>\$ 0.00</u>
Investments		
Insurance contracts at contract value		
Available for nonretired lives	\$ 0.00	\$ 0.00
Reserved for retired lives	0.00	0.00
Unallocated Separate Accounts at Fair Value	6,756,712.18	8,411,205.75
Allocated Separate Accounts at Fair Value	0.00	0.00
Other	2,769,407.07	3,591,819.96
Total Investments	<u>\$ 9,526,119.25</u>	<u>\$ 12,003,025.71</u>
Total Assets	<u>\$ 9,526,119.25</u>	<u>\$ 12,003,025.71</u>
<b>Liabilities:</b>		
Accrued administrative expenses	\$ 0.00	\$ 0.00
Total Liabilities	<u>\$ 0.00</u>	<u>\$ 0.00</u>
<b>Net assets available for benefits:</b>	<u>\$ 9,526,119.25</u>	<u>\$ 12,003,025.71</u>



## ASSET SUMMARY AND RECONCILIATION

### Statement of Changes in Plan Net Assets for the Year Ended December 31

	<u>2013</u>	<u>2014</u>
<b>Additions:</b>		
Contributions		
Employer Contributions	\$ 420,611.84	\$ 2,714,941.00
Members' Contributions	78,318.09	62,342.02
Total Contributions	<u>\$ 498,929.93</u>	<u>\$ 2,777,283.02</u>
Investment Income		
Net appreciation/(depreciation) in fair value	\$ 1,537,794.19	\$ 416,544.11
Contract Investment Income	44,704.09	40,613.67
Dividend Income	0.00	0.00
Other Income	0.00	0.00
Total Investment Income	<u>\$ 1,582,498.28</u>	<u>\$ 457,157.78</u>
Total Additions	<u>\$ 2,081,428.21</u>	<u>\$ 3,234,440.80</u>
<b>Deductions:</b>		
Pension Payments	\$ 691,368.00	\$ 685,944.60
Refund of member contributions	\$ 308,835.88	\$ 95,714.74
Administrative expenses	\$ 1,850.00	\$ 1,650.00
Other Expenses	\$ 2,000.00	\$ 0.00
Other	\$ 0.00	\$ 0.00
Total Deductions	<u>\$ 1,004,053.88</u>	<u>\$ 783,309.34</u>
Net increase/(decrease)	<u>\$ 1,077,374.33</u>	<u>\$ 2,451,131.46</u>
<b>Net Assets</b>		
Beginning of Year	<u>\$ 8,474,519.92</u>	<u>\$ 9,551,894.25</u>
End of Year	<u>\$ 9,551,894.25</u>	<u>\$ 12,003,025.71</u>
Estimated Rate of Return at Year End	19.25%	4.33%

**DEVELOPMENT OF ASSET VALUE  
USED IN DETERMINATION OF  
MINIMUM MUNICIPAL OBLIGATION**

	Market Value	Net Transactions	Expected Market Value	Gain/(Loss)
January 1, 2011	7,915,671	(40,337)	8,467,497	(676,152)
January 1, 2012	7,791,345	(117,924)	8,253,350	221,170
January 1, 2013	8,474,520	(505,124)	8,586,043	965,851
January 1, 2014	9,551,894	1,993,974	12,337,034	(334,008)
January 1, 2015	12,003,026			

**Actuarial Value of Assets**

January 1, 2015 Market Value of Assets (including accruals, if any)	12,003,026	
- 80% of Gain/(Loss) at 12/31/2014	267,207	
- 60% of Gain/(Loss) at 12/31/2013	(579,511)	
- 40% of Gain/(Loss) at 12/31/2012	(88,468)	
- 20% of Gain/(Loss) at 12/31/2011	135,230	
Preliminary Value	<u>11,737,484</u>	
Minimum Value (80% of Market Value)		9,602,421
Maximum Value (120% of Market Value)		14,403,631
January 1, 2015 Actuarial Value of Assets		<u>11,737,484</u>

# **ACTUARIAL DATA FOR PENNSYLVANIA REPORTING FILING**

	<u>January 1, 2013</u>	<u>January 1, 2015</u>
1. Present Value of Retirement Benefits		
Active Participants - Accrued Benefits	\$ 2,587,508	\$ 1,002,747
Retirees / Beneficiaries in Pay Status	6,209,598	6,525,100
Terminated with Vested Benefits	<u>1,542,277</u>	<u>3,181,367</u>
Present Value of Accrued Benefits	\$ 10,339,383	\$ 10,709,214
Present Value of Future Accruals	<u>2,603,706</u>	<u>932,395</u>
Present Value of Future Benefits	\$ 12,943,089	\$ 11,641,609
2. Present Value of Future Normal Costs	\$ 1,307,403	\$ 601,102
3. Accrued Liability		
Active Participants	\$ 3,883,811	\$ 1,334,040
Participants in Pay Status	6,209,598	6,525,100
Terminated with Vested Benefits	<u>1,542,277</u>	<u>3,181,367</u>
	\$ 11,635,686	\$ 11,040,507
4. Actuarial Value of Plan Assets		
Market Value of Stable Asset Fund	\$ 2,727,717	\$ 3,591,820
Market Value of Equity Investments	<u>5,408,160</u>	<u>8,411,206</u>
Market Value of Plan Assets	\$ 8,135,877	\$ 12,003,026
Accrued Contributions/(Expenses)	<u>338,643</u>	<u>0</u>
Total Market Value of Assets	\$ 8,474,520	\$ 12,003,026
Actuarial Adjustment	<u>(118,505)</u>	<u>(265,542)</u>
Actuarial Value of Plan Assets	\$ 8,356,015	\$ 11,737,484
5. Unfunded Accrued Liability = (3) - (4)	\$ 3,279,671	\$ (696,977)
6. Estimated Plan Expenses	\$ 5,000	\$ 5,000
7. Entry Age Normal (EAN) Normal Cost	\$ 160,635	\$ 93,671
8. Normal Cost as a Percentage of Payroll	10.32%	13.30%
9. Average Administrative Expenses	\$ 5,312	\$ 3,325
10. Annual Covered Payroll	\$ 1,557,088	\$ 704,523



**EXPECTED UNFUNDED ACCRUED LIABILITY  
AND EXPERIENCE GAIN/LOSS**

1. Unfunded Actuarial Accrued Liability on 01/01/2013	\$	3,279,671
2. Less Amortization Payments in 2013	\$	307,003
3. Expected Unfunded Liability on 01/01/2014 = [(1) - (2)] * (1.0750)	\$	3,195,618
4. Less Amortization Payments in 2014	\$	375,451
5. Expected Unfunded Liability on 01/01/2015 = [(3) - (4)] * (1.0750)	\$	3,031,680
6. Accrued Liability on 01/01/2015, before Assumption Change	\$	10,250,903
7. Actuarial Value of Plan Assets on 01/01/2015	\$	11,737,484
8. Unfunded Actuarial Accrued Liability on 01/01/2015, before Assumption Change = (6) - (7)	\$	(1,486,581)
9. Plan Experience Gain/(Loss) = (5) - (8)	\$	4,518,261
10. Accrued Liability on 01/01/2015, after Assumption Change	\$	11,040,507
11. Unfunded Actuarial Accrued Liability on 01/01/2015, after Assumption Change =(10) - (7)	\$	(696,977)
12. Gain/(Loss) due to Change in Assumptions =(8) - (11)	\$	(789,604)

**MINIMUM MUNICIPAL OBLIGATION  
AMORTIZATION BASES**

*Interest Rate = 7.00%*

None - Assets exceed Accrued Liability

**MINIMUM MUNICIPAL OBLIGATION  
MIDDLETOWN BOROUGH NON-UNIFORM PENSION PLAN - 802364  
WORKSHEET FOR 2016  
BUDGETING PURPOSES**

	<u>January 1, 2016</u>
1. Payroll for plan participants from January 1, 2015 to September 30, 2015	\$ _____
2. Payroll from September 1, 2015 through September 30, 2015 times 3 ( \$ _____ * 3)	\$ _____
3. Total Payroll to use in calculation of 2016 budget = (1) + (2)	\$ _____
4. Normal Cost as a Percentage of Compensation	13.30%
5. Total Normal Cost = (3) * (4)	\$ _____
6. Total Amortization Requirement	\$ 0
7. Total Administrative Expense	\$ 5,000
8. Total Financial Requirement = (5) + (6) + (7)	\$ _____
9. Total Member Contributions	\$ _____
10. Funding Adjustment	\$ 69,698
11. Minimum Municipal Obligation = (8) - (9) - (10)	\$ _____

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

**MINIMUM MUNICIPAL OBLIGATION  
MIDDLETOWN BOROUGH NON-UNIFORM PENSION PLAN - 802364  
WORKSHEET FOR 2017  
BUDGETING PURPOSES**

January 1, 2017

1. Payroll for plan participants from January 1, 2016 to September 30, 2016	\$	
2. Payroll from September 1, 2016 through September 30, 2016 times 3 ( \$ _____ * 3)	\$	
3. Total Payroll to use in calculation of 2017 budget = (1) + (2)	\$	
4. Normal Cost as a Percentage of Compensation		13.30%
5. Total Normal Cost = (3) * (4)	\$	
6. Total Amortization Requirement	\$	0
7. Total Administrative Expense	\$	5,000
8. Total Financial Requirement = (5) + (6) + (7)	\$	
9. Total Member Contributions	\$	
10. Funding Adjustment	\$	69,698
11. Minimum Municipal Obligation = (8) - (9) - (10)	\$	

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Authorized Signature

\_\_\_\_\_  
Date

## CHANGE IN NUMBER OF PARTICIPANTS

	Active Participants	Terminated w/ Deferred Benefits Due	Participants In Pay Status	Total
1. Number on January 1, 2013	29	24	39	92
2. New Entrants	4	0	0	4
3. Rehired Participants	2	(2)	0	0
4. Terminated without Vesting	0	0	0	0
5. Terminated with Vesting	(15)	15	0	0
6. Terminated Without Vesting and Contributions Refunded	0	0	0	0
7. Terminated Without Vesting and Contributions NOT Refunded	(2)	2	0	0
8. Terminated and Paid Out	(1)	(2)	0	(3)
9. Retired	(3)	(3)	6	0
10. Deceased	0	0	(8)	(8)
11. New Beneficiaries	0	0	2	2
12. Data Corrections	0	0	0	0
13. Number on January 1, 2015	14	34	39	87

	<u>January 1, 2013</u>	<u>January 1, 2014</u>	<u>January 1, 2015</u>
14. Average Salary for Active Participants	\$53,693	\$56,954	\$50,323
15. Average Age of Active Participants	47.75	48.99	46.43
16. Average Service Credits for Active Participants	13.12	15.76	9.57