

The logo for nyhart, featuring the word "nyhart" in a white, lowercase, sans-serif font centered within a black rectangular box. This box is part of a larger graphic element consisting of a thick black vertical bar on the left and a thinner red vertical bar to its right, both extending from the top to the bottom of the page.

nyhart

Pension Plan of Kent County, Delaware

January 1, 2016
Actuarial Valuation Report

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At the request of the plan sponsor, this report summarizes the Pension Plan of Kent County, Delaware as of January 1, 2016. The purpose of this report is to communicate the following results of the valuation:

- Funded Status; and
- Actuarially Determined Contribution;

This report has been prepared in accordance with the applicable Federal and State laws. Consequently, it may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

The results in this report were prepared using information provided to us by other parties. The census information has been provided to us by the employer. Asset information has been provided to us by the trustee. We have reviewed the provided data for reasonableness when compared to prior information provided, but have not audited the data. Where relevant data may be missing, we have made assumptions we believe to be reasonable. We are not aware of any significant issues with and have relied on the data provided. Any errors in the data provided may result in a different result than those provided in this report. A summary of the data used in the valuation is included in this report.

The actuarial assumptions and methods were chosen by the Board. In our opinion, all actuarial assumptions and methods are individually reasonable and in combination represent our best estimate of anticipated experience of the plan. Future actuarial measurements may differ significantly from the current measurements 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/decreases expected as part of the natural operation of the methodology used for these measurements (i.e. the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement. This report has been prepared in accordance with generally accepted actuarial principles and practice.

Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report.

To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States and are available for any questions.

Nyhart



Carter M. Angell, FSA, EA, MAAA



Heath W. Merlak, FSA, EA, MAAA

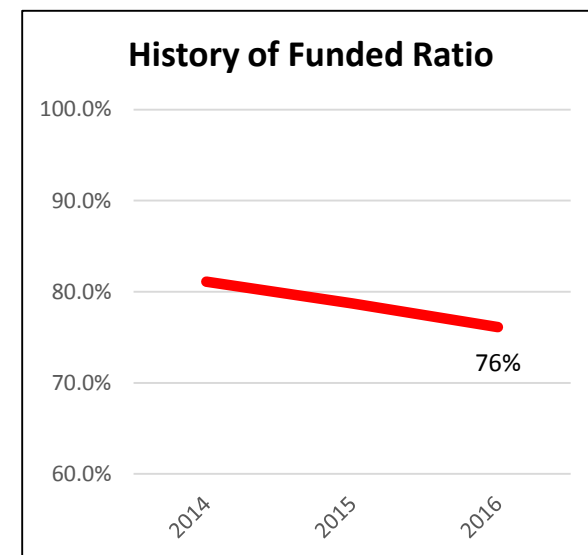
May 6, 2016

Date

Summary Results

The actuarial valuation's primary purpose is to produce a scorecard measure displaying the funding progress of the plan toward the ultimate goal of paying benefits at retirement. The accrued liability is based on an entry age level percent of pay.

	January 1, 2015	January 1, 2016
Funded Status Measures		
Accrued Liability	\$42,749,221	\$46,186,132
Actuarial Value of Assets	<u>33,630,887</u>	<u>35,145,019</u>
Unfunded Accrued Liability	\$9,118,334	\$11,041,113
Funded Percentage (AVA)	78.7%	76.1%
Funded percentage (MVA)	78.7%	71.8%
Cost Measures		
Recommended Employer Contribution	\$1,514,391	\$1,983,504
Expected Employee Contribution	<u>172,611</u>	<u>182,956</u>
Total County Contribution	\$1,687,002	\$2,166,460
Total County Contribution as a percentage of payroll	12.4%	15.4%
Asset Performance		
Market Value of Assets (MVA)	\$33,630,887	\$33,140,779
Actuarial Value of Assets (AVA)	\$33,630,887	\$35,145,019
Actuarial Value/Market Value	100.0%	106.0%
Participant Information		
Active Participants	280	284
Terminated Vested Participants	108	109
Retirees, Beneficiaries, and Disabled Participants	<u>185</u>	<u>193</u>
Total	573	586
Expected Payroll	\$13,578,928	\$14,111,982



Changes since Prior Valuation and Key Notes

There has been a methodology change in determining the actuarial value of assets. Previously, the actuarial value of assets equaled the market value of assets. Effective January 1, 2016, gains or losses on the market value of assets will be recognized over five years, subject to a 20% corridor around the Market Value of Assets.

The mortality table for healthy lives has been updated from the RP-2000 Combined Healthy Mortality Table with no projection to the RP-2000 Combined Healthy Mortality Tabled projected to 2016 using Scale AA. This change was made to better reflect anticipated mortality experience. This change resulted in an increase in the Accrued Liability and Normal Cost.

Effective January 1, 2016, there was a change in both the actuarial firm and actuary for the plan. Results prior to 1/1/2016 were determined by the prior actuary Grant Thornton LLP.

Present Value of Future Benefits

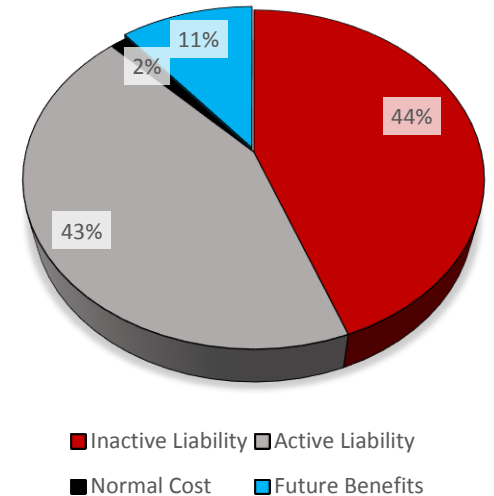
The Present Value of Future Benefits represents the future benefits payable to the existing participants.

January 1, 2016

Present Value of Future Benefits

Active participants	
Retirement	\$26,740,433
Disability	869,006
Death	136,402
Termination	1,590,878
Total active	\$29,336,719
Inactive participants	
Retired participants	\$18,914,400
Beneficiaries	753,157
Disabled participants	215,397
Terminated vested participants	3,436,100
Total inactive	\$23,319,054
Total	\$52,655,773
Present value of future payrolls	\$106,895,408

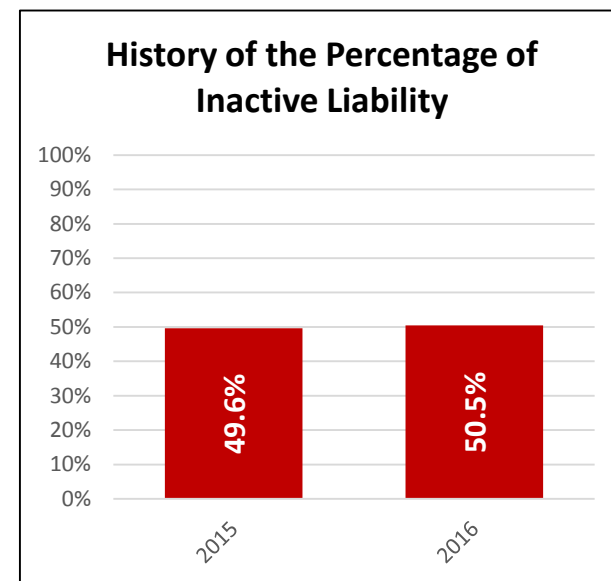
Breakdown of Present Value of Future



Accrued Liability – Entry Age Level Percent of Pay

The Funding Liability measures the present value of benefits earned as of the valuation date, using a specified set of actuarial assumptions.

	January 1, 2016
Funding Liabilities	
Active participants	
Retirement	\$21,333,445
Disability	508,823
Death	99,020
Termination	925,790
Total Active	\$22,867,078
Inactive participants	
Retired participants	\$18,914,400
Beneficiaries	753,157
Disabled participants	215,397
Terminated vested participants	3,436,100
Total Inactive	\$23,319,054
Total	\$46,186,132
Total Normal Cost	\$937,737
Employee Normal Cost	182,956
Employer Normal Cost	\$754,781



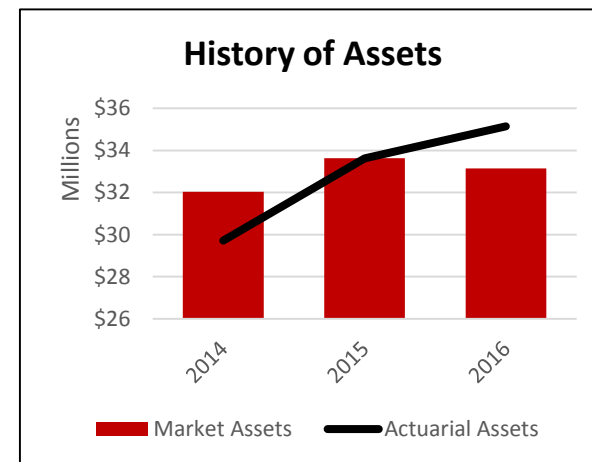
Asset Information

The amount of assets backing the pension promise is the most significant driver of volatility and future costs within a pension plan. The investment performance of the assets directly offsets the ultimate cost.

January 1, 2016

Market Value Reconciliation

Market value of assets, beginning of prior year	\$33,630,887
Contributions	
Employer contributions	\$1,416,774
Member contributions	156,272
Non-employer contributing entity	0
Total	\$1,573,046
Investment income	158,235
Benefit payments	(2,184,547)
Administrative expenses	(36,842)
Market value of asset, beginning of current year	\$33,140,779
Return on Market Value	0.5%
Market value of assets available for pension benefits	\$33,140,779
Actuarial value of assets	
Value at beginning of current year	\$35,145,019



Asset Information (continued) – 5-Year Asset Smoothing

Actuarial Value of Assets are used to develop funded percentages and contribution requirements.

	January 1, 2016
1. Market Value of assets, beginning of current year	\$33,140,779
2. Phase in recognition of investment income	
(a) Current year - 2015 (80% x \$(2,505,300))	\$(2,004,240)
(b) First prior year - 2014 (60% x \$0)	0
(c) Second prior year - 2013 (40% x \$0)	0
(d) Third prior year - 2012 (20% x \$0)	0
(f) Total phase-in	\$(2,004,240)
3. Preliminary actuarial value of assets, beginning of current year [(1)-(2(f))]	\$35,145,019
4. 80% Market value of assets	\$26,512,624
5. 120% Market value of assets	\$39,768,934
6. Adjustment	\$0
7. Adjusted actuarial value of assets [(3) – (6)]	\$35,145,019
8. Return on actuarial value of assets	6.50%

Reconciliation of Gain/Loss

January 1, 2016

Liability (gain)/loss

Actuarial liability, beginning of prior year	\$42,749,221
Normal cost	827,074
Benefit payments	(2,184,547)
Mortality assumption change	1,426,791
Expected interest	3,400,403
Expected actuarial liability, beginning of current year	\$46,218,942
Actual actuarial liability	\$46,186,132
Liability (gain)/loss	\$(32,810)

Asset (gain)/loss

Actuarial value of assets, beginning of prior year	\$33,630,887
Contributions	1,573,046
Benefit payments	(2,184,547)
Administrative Expenses	(36,842)
Expected Investment return	2,663,535
Expected actuarial value of assets, beginning of current year	\$35,646,079
Actual actuarial value of assets, beginning of current year	\$35,145,019
Asset (gain)/loss	\$501,060

Total (gain)/loss

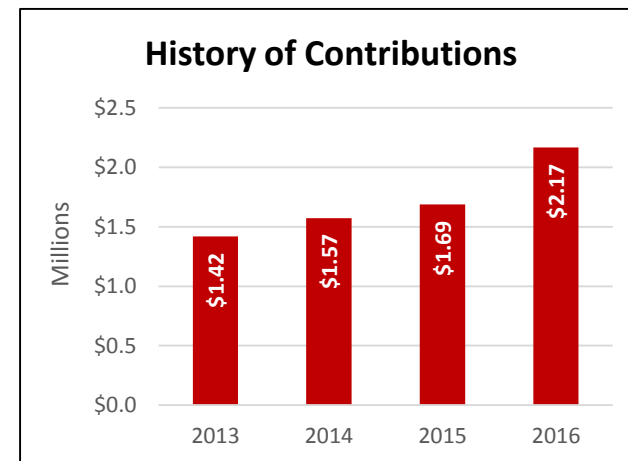
\$468,250

Development of Actuarially Determined Contribution

The actuarially determined contribution is the annual amount necessary to fund the plan according to funding policies and/or applicable laws.

January 1, 2016

Funded Position	
1. Entry age accrued liability	\$46,186,132
2. Actuarial value of assets	\$35,145,019
3. Unfunded actuarial accrued liability (UAAL)	\$11,041,113
Employer Contributions	
1. Normal Cost	
(a) Employer normal cost	\$754,781
(b) Expected participant contributions	182,956
(c) Total normal cost	\$937,737
2. Administrative expenses	0
3. Amortization of UAAL	1,041,261
4. Applicable interest	187,462
5. Total recommended contribution, not less than \$0	\$2,166,460
6. Expected non-employer contributions	\$0
7. Expected employer contributions	\$2,166,460
As a percentage of expected payroll	15.4%



The accrued liability exceeds the actuarial value of assets as of January 1, 2016. The unfunded liability has been amortized over a 20-year closed period at 8% interest.

The total recommended contribution includes \$182,956 in expected employee contributions.

The total recommended contribution includes interest to account for actual timing of when the contribution will be made.

Demographic Information

The foundation of a reliable actuarial report is the participant information provided by the plan sponsor. Monitoring trends in demographic information is crucial for long-term pension planning.

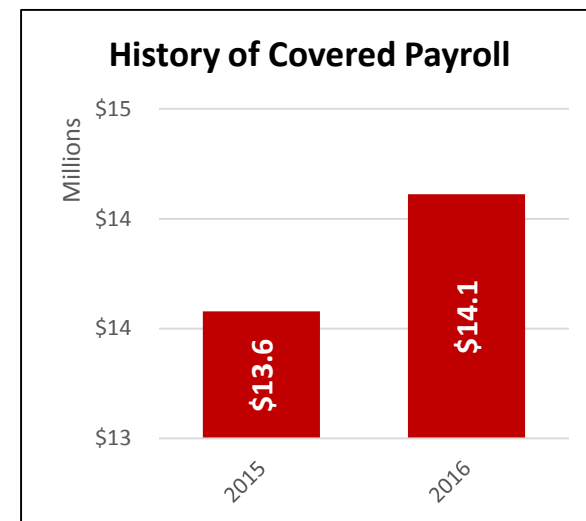
January 1, 2016

Participant Counts

Active Participants	284
Retired Participants	170
Beneficiaries	21
Disabled Participants	2
Terminated Vested Participants	109
Total Participants	586

Active Participant Demographics

Average Age	48.5
Average Service	11.7
Average Compensation	\$49,690
Total Expected Payroll	\$14,111,982



Demographic Information (continued)

January 1, 2016

Retiree Statistics

Average Age	72.4
Average Monthly Benefit	\$1,061

Beneficiary Statistics

Average Age	69.9
Average Monthly Benefit	\$382

Disabled Participants Statistics

Average Age	51.6
Average Monthly Benefit	\$1,519

Terminated Participants Statistics

Average Age	50.7
Average Monthly Benefit	\$522

Participant Reconciliation

	Active	Terminated Vested	Disabled	Retired	Beneficiaries	Totals
Prior Year	280	108	2	162	20	572
Active						
To Terminated Vested	(6)	6				0
To Retired	(6)			6		0
To Lump Sum Cash-Out	(10)					(10)
Terminated Non-Vested						
To Active	1					1
Terminated Vested						
To Retired		(4)		4		0
To Disabled		(1)	1			0
To Active	1	(1)				0
Disabled						
To Terminated Vested		1	(1)			0
Retired						
To Death				(3)		(3)
Survivor						
To Death						
To Retired				1	(1)	0
Additions	24	0	0	0	2	26
Departures						
Current Year	284	109	2	170	21	586

Active Participant Schedule

Active participant information grouped based on age and service.

Age Group	Years of Service										Total	Average Pay
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up		
Under 25	3	5									8	\$36,586
25 to 29	4	9	3								16	\$40,093
30 to 34	1	2	14	5							22	\$45,034
35 to 39	4	6	4	4	2	1					21	\$49,552
40 to 44	3	5	6	11	5	3					33	\$53,323
45 to 49	1	4	4	6	10	6	4				35	\$55,103
50 to 54	7	7	14	9	5	5	7	2			56	\$47,660
55 to 59	1	8	7	10	10	4	4	4	1		49	\$49,698
60 to 64	1	3	6	10	5	1	3	1			30	\$53,901
65 to 69		2	3	2	3	2					12	\$55,535
70 & up				1	1						2	\$35,298
Total	25	51	61	58	41	22	18	7	1	284	284	\$49,690

Plan Effective Date

The plan was established June 18, 1957. The plan was last amended May 28, 2013.

Plan Status

The plan is open to new participants and all participants are eligible to accrue additional benefits.

Eligibility for Participation

An employee who receives a regular salary directly from Kent County will be a covered employee. The following people shall also be considered covered employees:

- Elected officials of Kent County;
- Board of Assessment members; and
- Part-time employees working more than 1,000 hours per calendar year

The following employees shall not be considered covered employees and are not eligible for the plan:

- The Mortgage Commissioner;
- Summer Youth Employment Program (or successor) employees;
- Part-time (less than 1,000 hours per year), temporary, contracted, or seasonal employees; and
- Former City of Dover paramedics having contributions made to the City pension plan by the County. Covered employment will begin when the contributions to the City pension plan cease, if the former City of Dover paramedic remains employed by the County

Accrued Benefit

The monthly pension payable to covered employees hired on or before December 21, 2010 shall be 2% of the Average Monthly Base Salary of the highest three consecutive years (36 consecutive months) of salary with Kent County multiplied by the number of years served in covered employment with Kent County. For covered employees hired after December 21, 2010, the multiplier shall be 1.85%.

Benefits

Normal Retirement

Eligibility Age 62 and 5 years of service for those hired on or before June 29, 2010; or
Age 62 and 8 years of service for those hired after June 29, 2010

Benefit Accrued Benefit

Early Retirement

Eligibility Age 55 and 20 years of service; or
Age 60 and 15 years of service; or
Any age and 30 years of service

Benefit Accrued Benefit

Late Retirement

Eligibility Participation continues after normal retirement date

Benefit Accrued Benefit

Disability

Eligibility A Covered Employee who shall become disabled while in Covered Employment and covered under County-provided long-term disability Insurance

Benefit Covered employee will be considered as remaining in Covered Employment until they retire or the cessation of disability insurance, if earlier, for benefit accrual purposes

Death before Retirement

Eligibility Covered employee with vested accrued benefit

Benefit For married employees: 50% of the Accrued Benefit the covered employee would have received had they terminated employment on the date of death and survived to the earliest retirement age

For single employees: Survivor portion of the 50% Joint and Survivor Annuity if the covered employee terminated employment on the date of death and survived to the earliest retirement age

Termination Benefit

Eligibility 5 years of service if hired on or before June 29, 2010, 8 years of service if hired after June 29, 2010

Benefit Accrued retirement benefit payable at participant's normal retirement date

Average Monthly Base Salary

Highest 36 consecutive months of base wage pay rate compensation approved by the County government for the position held and paid over a one-year Period, excluding pay for overtime, longevity, shift differential, accrued time payouts, bonuses, or any other special pay other than base wage pay rate compensation. Payroll deductions shall not reduce the annual compensation or salary amount. Amount will be limited by 401(a)(17) of the Code.

Credited Service

Years of service will be granted based on elapsed time for covered employees working more than 1,000 hours in a calendar year.

If a covered employees had similar employment with New Castle County, Sussex County, or the State of Delaware prior to June 27, 1986, such years of service shall be recognized and included for pension benefits, provided that such covered employee was employed by Kent County on or before June 27, 1986

Employee Contributions

Effective July 1, 2009, employees hired on or before December 21, 2010 shall contribute 1% of base salary payable over the normal pay periods

Effective December 21, 2010, employees hired after December 21, 2010 shall contribute 3% of base salary over \$6,000, payable over the normal pay periods

Payment Forms

Normal Form

Life Annuity

Optional Forms

50%, 75%, or 100% Joint and Survivor Annuity, 5 or 10-Year Certain and Life Annuity, Lump Sum (if less than \$3,500)

Actuarial Equivalence

Optional forms of payment will be converted from a life annuity using the applicable mortality table and the applicable interest rate for the month of December preceding the Plan Year in which the payment begins, as specified by the Secretary of the Treasury per Section 417(e)(3)

Plan Provisions Not Included

We are not aware of any plan provisions not included in the valuation

Adjustments Made for Subsequent Events

We are not aware of any events following the measurement date and prior to the date of this report that would materially impact the results of this report

Except where otherwise indicated, the following assumptions were selected by the plan sponsor with the concurrence of the actuary. Prescribed assumptions are based on the requirements of the relevant law, the Internal Revenue Code, and applicable regulation. The actuary was not able to evaluate the prescribed assumptions for reasonableness for the purpose of the measurement.

Valuation Date	January 1, 2016	
Participant and Asset Information Collected as of	January 1, 2016	
Cost Method (CO)	Entry Age Cost Method – Percent of Pay	
Amortization Method (CO)	20-year closed amortization of Unfunded Accrued Liability	
Asset Valuation Method	Gains or losses on the Market Value of Assets are recognized over five years, subject to a 20% corridor around the Market Value of Assets	
Interest Rate (CO)	8.00%, net of investment expenses	
Mortality Rates (FE)		
Healthy & Disabled	RP-2000 Mortality Table projected to 2016 with Scale AA	
Retirement Rates (FE)	Age	Rate
	55	10%
	56-59	0%
	60-61	10%
	62	20%
	63-64	10%
	65+	100%

Disability Rates (FE)

Sample rates:

Age	Rate
25	0.077%
30	0.091%
35	0.116%
40	0.203%
45	0.358%
50	0.617%
55	1.075%
60	1.397%
65+	0.000%

Withdrawal Rates (FE)

Rates based on age and service, select and ultimate table

Sample of Ultimate Rates:

Age	Rate
20	7.93%
25	7.72%
30	7.22%
35	6.28%
40	5.15%
45	3.98%
50	2.56%
55	0.94%
60	0.09%
65+	0.00%

Payment Form Election (FE)

Life Annuity	100%
Lump Sum	0%

Annual Pay Increases (FE) 3.50%

Expense and/or Contingency Loading (FE) None

Marital Status and Ages (FE) 100% of Participants assumed to be married with wives assumed to be 3 years younger than husbands.

FE indicates an assumption representing an estimate of future experience

MD indicates an assumption representing observations of estimates inherent in market data

CO indicates as assumption representing a combination of an estimate of future experience and observations of market data