Kent County Levy Court

Actuarial Valuation of the Pension Plan of Kent County, Delaware As of January 1, 2014

March 11, 2014

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March 11, 2014

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Grant Thornton LLP is pleased to present the results of this January 1, 2014 actuarial valuation of the Pension Plan of Kent County, Delaware ("Plan"). This valuation report includes information related to determining contribution requirements of the Plan for 2014 and the disclosure information for the fiscal year ending June 30, 2014.

Specifically, the purposes of this valuation are to provide:

- The funded status of the plan under Chapter 83, Section 17 of the Kent County Code,
- A guideline for contributions recommended for the fiscal year,
- An overview of the new GASB Standards Nos. 67 (Financial Reporting for Pension Plans-an amendment of GASB Statement No. 25) and 68 (Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27).
- Financial disclosure information required under GASB Statement Nos. 67 & 68.

The information presented in this report is based on our understanding of the provisions of the Plan and a reasonable interpretation of applicable federal and state statutes and regulations. If you have any questions or would like to discuss the results contained in the report further, please let us know.

Respectfully submitted,

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Executive Summary

Kent County Levy Court ("County") provides pension benefits to employees who meet certain criteria. These pension benefits are described under Chapter 83 of the Kent County Code ("Code") and are commonly referred to as the Pension Plan of Kent County, Delaware ("Plan"). This report presents the results of the actuarial valuation of the Plan for purposes of determining the contribution requirements for the 2014 actuarial valuation year and provides financial disclosure information, including the notes to the Financial Statements and the Schedules of Required Supplementary Information under the new GASB Statements Nos. 67 and 68.

The new Statements relate to accounting and financial reporting issues only, or how pension costs and obligations are measured and reported in audited financial reports. In other words, there is a separation between the funding and the accounting for the plan. The Statements do not address how governments approach pension plan funding, or the government's policy regarding how much money it will contribute to its pension plan each year. This valuation assumed that the funding policy remained the same as previous years. Specifically, Kent contributes the current year accrual and a portion of the unfunded accrued liability under the Projected Unit Credit ("PUC") actuarial cost method. If the County wishes to change the funding policy to more closely align with the new standards, the contribution for 2014 would be greater as detailed in the Pension Expense exhibit within the Accounting section. Please note that the annual contribution amounts would be more volatile under the new standards as it takes a more marked to market approach.

Contribution Requirements

Under Section 17 of Chapter 83 of the Code, an actuary shall at least biennially review the pension fund and shall report to the County government whether any additional sums of money are needed to keep the pension fund actuarially sound so that sufficient funds will always be available to pay the benefits provided.

Historically, the County has adopted a funding policy that accounts for current benefit accruals and amortizes any unfunded liability under the Projected Unit Credit ("PUC") actuarial cost method over a 30 year period. The unfunded liability is determined using the actuarial value of assets. Based on the actuarial methods and assumptions used in this valuation, and the Code in effect on January 1, 2014, the recommended contribution is determined to be $1,573,046 which is an increase of $154,921 over the recommended contribution from 2013.

Actuarial Valuation Year:		2014		2013		2012
Contribution Requirement	$	1,573,046	$	1,418,125	$	1,478,654
Employee Contribution		163,841[1]		152,140[2]		143,774
Net County Contribution	$	1,409,205	$	1,265,985	$	1,334,880

The primary drivers of the increase are a) additional benefit accruals over the past year, including increases in retiree/beneficiary benefits (COLA), and b) fewer terminations and mortality impacts than assumed.

The market value of assets (MVA) held in trust had very strong returns (excess of 20%) over the 2013 calendar year, however this did not offset the above items due to the method used to determine the actuarial value of assets (AVA). Specifically, the AVA is determined by limiting the value to a 10% corridor of the MVA; the AVA is within such corridor so the asset gains do not lower the unfunded actuarial accrued liability and associated contribution requirement.

[1] Represents estimated employee contributions for the 2014 Calendar Year.
[2] Actual employee contributions paid during the 2013 Calendar Year.

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Funded Status

The Plan's funded status, based on the actuarial value of assets, experienced an increase since the previous valuation as the table below indicates.

		January 1, 2014		January 1, 2013
Present Value of Benefits	$	47,139,707	$	44,815,382
Market Value of Assets		32,036,791		26,885,272
Unfunded Amount	$	15,102,916	$	17,930,110
Actuarial Accrued Liability (PUC)	$	36,658,156	$	34,348,336
Actuarial Value of Assets	$	29,724,579	$	28,139,969
Unfunded Actuarial Accrued Liability (PUC)	$	6,933,574	$	6,208,367
Funded Ratio		81.1%		81.9%

Net Pension Liability

Under the new GASB Standards, the net pension liability (NPL) replaces the Net Pension Obligation on the balance sheet (see "Section III. Accounting Information" for additional information). The NPL is $8,412,225, and is measured as the difference between the total pension liability and the market value of assets.

Plan Assets

Pursuant to Section 17 of Chapter 83 of the Code, the County shall establish and maintain a pension fund which shall be used for the purpose of paying the benefits provided. Each year the County makes contributions to the trust, and the trust pays related expenses and benefit payments to participants. The trust also generates income from its investments that are used to help pay for the benefit payments and plan expenses in future years.

The trustee reports the market value of assets that includes the net changes in the appreciation or depreciation of the investments held. In order to smooth any temporary fluctuations in these asset values, we have employed an actuarial value of assets in determining plan costs. Plan assets used for this valuation are:

		January 1, 2014		January 1, 2013
Actuarial Value of Assets	$	29,724,579	$	28,139,969
Market Value of Assets	$	32,036,791	$	26,885,272

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Plan Participants

A file of employee data was provided by the County which contained basic indicative, compensation and employment information for each employee. While an audit of the data was not made, a thorough check was done, reconciling the prior valuation data with the new data. This data was checked for internal consistency and for consistency with the prior year. A full summary of participant information is shown in Section V.

Plan Participants

		January 1, 2014	January 1, 2013
1.	Active Employees	282	285
2.	Retirees	158	157
3.	Survivors	19	20
4.	Disabled	1	1
5.	Deferred Vested	102	99
6.	Total Participants	562	562

Actuarial Assumptions and Methods

A full listing of the actuarial assumptions and methods is outlined in Section VI of the report. There were not any changes in assumptions from the previous actuarial valuation, however there was a change in the funding method used for financial reporting.

Actuarial Certification

This report presents valuation results related to the Pension Plan of Kent County, Delaware.

The purpose of this valuation is to:

- report the funded status of the plan under Chapter 83 Section 17 of the Kent County Code; and
- serve as a guideline for contributions to be made for the fiscal year.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Kent County Levy Court. While we cannot verify the accuracy of all this information, the information was reviewed for consistency and reasonableness. As a result of the review, we have no reason to doubt the accuracy of the information and believe that it has produced appropriate results.

In our opinion, all calculations and procedures are in conformity with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. The results comply with the requirements of the applicable Statements of Financial Accounting Standards and Internal Revenue Code including economic and demographic assumptions used which are based on plan experience and reflect the economic market conditions.

We are available to answer any questions regarding this material or to provide explanations and further details, as may be appropriate. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

Brett Schwab, ASA, EA, MAAA
Director & Lead Actuary
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Grant Thornton LLP
March 11, 2014

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Unfunded Actuarial Accrued Liability

Under section 17 of Chapter 83 of the Code, an actuary shall at least biennially review the pension fund and shall report to the County government whether any additional sums of money are needed to keep the pension fund actuarially sound so that sufficient funds will always be available to pay the benefits provided. In this section, we determine the contribution requirements to the trust based on the results of the actuarial valuation and the County's funding policy.

The cost method used to determine the funded status of the Plan and the annual contribution requirements is the Projected Unit Credit Actuarial Cost Method ("PUC"). This is an individual type cost method that directly defines an actuarial accrued liability and normal cost. It is consistent with the method mandated for financial disclosure of private sector pension obligations, but is different from the method mandated for financial disclosures under GASB 67/68. The unfunded liability is determined using the actuarial value of assets.

Calculation of Unfunded Actuarial Accrued Liability as of January 1, 2014

1.	Actuarial Accrued Liability (PUC)		
	Actives	$	16,711,874
	Non-Actives		19,946,279
	Total	$	36,658,153
2.	Actuarial Value of Assets		29,724,579
3.	Unfunded Actuarial Accrued Liability (PUC)	$	6,933,574

Normal Cost

Under the Projected Unit Credit Actuarial Cost Method the normal cost is a direct allocation to the current year of the present value of projected benefits for each active participant in the Plan. The normal cost for the 2014 actuarial valuation year is $957,154 or approximately 7.1% of annual compensation.

Range of Contributions

The annual contribution is comprised of the normal cost plus an amortization of the unfunded actuarial accrued liability amortized over a period of years. The table below displays the County's gross contribution under four scenarios ranging from an immediate payment of the unfunded liability to a 30 year amortization of the unfunded liability. Note that these contributions are not reduced by the employee contributions.

	Actuarial Valuation Year		
	2014	2013	2012
Immediate Funding of Unfunded Liability	$ 8,445,414	$ 7,641,020	$ 7,277,348
5-Year Amortization of Unfunded Liability	$ 2,693,712	$ 2,421,578	$ 2,424,239
20-Year Amortization of Unfunded Liability	$ 1,663,354	$ 1,498,988	$ 1,554,854
30-Year Amortization of Unfunded Liability	$ 1,573,046	$ 1,418,125	$ 1,478,654

Historically, the County has adopted a funding policy that amortizes any unfunded liability over a 30 year period. The unfunded liability is determined using the actuarial value of assets. Based on the actuarial methods and assumptions used in this valuation and the Code in effect on January 1, 2014, the recommended contribution, or the actuarially determined contribution ("ADC") is $1,573,046.

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New GASB Standards: GASB Statements No. 67 and No. 68

GASB approved two new statements with the intent of improving the accounting and financial reporting of pensions by state and local governments and pension plans.

- Statement No. 67 (GASB No. 67), *Financial Reporting for Pension Plans* replaces Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and addresses financial reporting for state and local government pension plans.
- Statement No. 68 (GASB No. 68), *Accounting and Financial Reporting for Pensions* replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and establishes new accounting and financial reporting requirements for governments that provide pensions.

The new Statements relate to accounting and financial reporting issues only, or how pension costs and obligations are measured and reported in audited financial reports. In other words, there is a separation between the funding and the accounting for the plan. The Statements do not address how governments approach pension plan funding, or the government's policy regarding how much money it will contribute to its pension plan each year.

GASB No. 67 is effective for fiscal years beginning after June 15, 2013. GASB No. 68 is effective for fiscal years beginning after June 15, 2014.

Below is a summary of the changes due to the new standards:

Liability

TPL and Discount Rate

The TPL is like the Actuarial Accrued Liability ("AAL"), with some key changes. In valuing the TPL, there are some key considerations:

- The Individual Entry Age actuarial cost method as a level percentage of payroll must be used to allocate present value of benefits. The present value of projected benefits is attributed to employees' expected periods of employment starting from when employees first begin to earn benefits. In the past, we had used one of six allowable actuarial cost methods, which assigned the increase of benefits during each year. Accounting liability is now likely to be higher than the current funding liability.
- The discount rate is now a blend between the long-term expected rate of return and municipal bond rate. To the extent that the plan's net position and projected contributions associated with active and non-active employees is expected to fully cover projected benefit payments for those individuals, the long-term expected rate of return will be used. However, projected benefits that are not covered by the projected assets should be discounted using the yield on a 20-year AA/Aa tax-exempt general obligation municipal bond index. The plan's net position and projected contributions associated with active and non-active employees is expected to fully cover projected benefit payments, therefore the long-term expected rate of return is being used as the discount rate for the plan.

NPL

The NPL is like the Unfunded Accrued Liability ("UAAL") based on the TPL and the Market Value of Assets, and must be reported on the plan's "blended" discount rate and using a discount rate of +/-1%. The NPL is reported on the balance sheet. The faster and mostly immediate recognition of NPL changes implies significant volatility in the pension expense, and will reflect on the income statements.

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Pension Expense

Under GASB No. 68, pension expense is the change in the NPL from the prior year, with deferred recognition of a few items. This is unlike GASB No. 27 that had the pension expense based on the annual required contribution ("ARC") which curtailed volatility from year to year. The new pension expense is not intended to be a funding target or a standard, unlike the old pension expense.

- The following items are immediately recognized and expensed: Service Cost (or benefits earned each year), Annual Interest on the TPL, Plan Amendments, and Expected Returns on Plan Assets
- The following items can be deferred (or amortized): Changes in actuarial assumptions, actuarial gains and losses ("deferred outflows and inflows"). The amortization period is the average remaining years of employment of all participants.
- The investment gains and losses are amortized over a five-year closed period.

Funding Policy /Actuarially Determined Contribution

Plan sponsors should review or adopt funding policies since the contributions made depend on the funding policy. Funding policies can still be under current practices to minimize volatility. Since the ARC no longer exists, the contribution determined under the funding policy is the actuarially determined contribution ("ADC"). The basis for the ADC is required to be disclosed.

COLA

If an ad-hoc COLA is granted on a regular basis, it must be valued as repeating and reflected in the projected benefit payments.

Change in Cost Method

Under the old law, there were six actuarial cost methods allowed of which we used the Projected Unit Credit method ("PUC"), but the new law requires the use of the Individual Entry Age Normal ("EAN") cost method. The PUC which is the mandated method used to measure pension obligations for private pension plans generally results in smaller market value of assets in the Pension Fund due to lower nearer term contributions, but generally increases in the future. On the other hand, the EAN cost method is generally more conservative than the PUC method but provides a stability of contributions as a percentage of pay. With the change in funding method, a larger liability and expense may need to be reflected on the balance sheet.

The PUC accrues higher liabilities later in a participant's career, while the EAN accrues higher liabilities earlier in a participant's career. As a result the TPL will always be higher than the AAL under the PUC.

Key Changes to Disclosures

Employers will now recognize the NPL on their balance sheets. The NPL replaces the Net Pension Obligation that is being recorded currently as the cumulative difference between what is actuarially required and what is contributed. In addition, Employers will also recognize the Pension Expense on their income statements, which could be different from their actuarially determined contributions ("ADC"). Furthermore, most of the current note disclosures and required supplementary information will now be based on the new measures.

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TRANSITION EXHBIT

The following exhibits were created to show how assets liabilities transitioned from the liabilities under GASB 25/27 used for the 2013 valuation, to the current GASB 67/68 liabilities.

Total Pension Liability ("TPL")	
AAL (PUC) at Beginning of Year	34,348,336
Service Cost	989,322
Interest Cost	2,670,690
Actual Benefit Payments	(1,967,256)
Expected AAL (PUC)	36,041,092
Actual AAL (PUC)	36,658,153
Actuarial (Gain)/Loss	617,061
Funding Method Change (from PUC to EAN Level %)	3,790,863
TPL at End of Year: (A)	**40,449,016**
Fiduciary Net Position ("FNP")	
MVA at Beginning of Year	26,885,272
Additions:	
Contributions	1,478,654
Income from Dividends and Interest on Investments	202,192
Realized and Unrealized Gains on Investments	5,590,277
Total Additions	7,271,123
Deductions:	
Benefit Payments	(1,967,256)
Administrative Expenses	(152,348)
Total Deductions	(2,119,604)
Net Increase (Decrease)	5,151,519
FNP at End of Year (excluding receivable): (B)	**32,036,791**
Net Pension Liability at End of Year: (A) - (B)	**8,412,225**

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FINANCIAL STATEMENTS

GASB 67 requires defined benefit pension plans to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position ("FNP").

Statement of Fiduciary Net Position

The statement of fiduciary net position presents the following items as of the end of the pension plan's reporting period as applicable:

- Assets, such as cash and cash equivalents, receivables from employers and plan members, investments (measured at fair value), and equipment and other assets used in pension plan operations
- Deferred outflows of resources
- Liabilities, such as benefit payments due to plan members
- Deferred inflows of resources
- Fiduciary net position, which equals assets, plus deferred outflows of resources, minus liabilities, minus deferred inflows of resources.

We have not received enough asset detail to provide the statement of fiduciary net position.

Statement of Changes in Fiduciary Net Position

The statement of changes in fiduciary net position presents the following items for the pension plan's reporting period:

- Additions, such as contributions from employers, nonemployer contributing entities, and plan members, and net investment income
- Deductions, such as benefit payments and administrative expense
- Net increase (decrease) in fiduciary net position, which equals the difference between additions and deductions.

This statement is for the Plan's reporting period is presented below.

Statement of Changes in Fiduciary Net Position

		2013		2012
Fiduciary Net Position at Beginning of Year	$	26,885,272	$	24,639,402
Additions:				
Contributions		1,478,654		1,527,494
Income from Dividends and Interest on Investments		202,192		182,389
Realized and Unrealized Gains on Investments		5,590,277		2,604,123
Total Additions	$	7,271,123	$	2,087,083
Deductions:				
Benefit Payments		(1,967,256)		(1,898,947)
Administrative Expenses		(152,348)		(169,189)
Total Deductions	$	(2,119,604)	$	(2,007,043)
Net Increase (Decrease)	$	5,151,519	$	2,245,870
Fiduciary Net Position at End of Year (excluding receivable)	$	32,036,791	$	26,885,272

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Pension Expense

The Pension Expense recognizes changes in the Net Pension Liability with limited deferrals. The actuarial gains or losses and the changes in assumptions are recognized over the average expected remaining service of all employees (both active and non-active), while the difference between the expected and actual earnings are recognized over 5 years. The amounts not yet recognized are reported as deferred outflows or inflows.

		2014
1.	Service Cost	914,854
2.	Interest Cost	3,151,949
3.	Projected Investment Earnings	(2,528,278)
4.	Expected Contributions	(1,409,205)
5.	Expected Benefit Payments	2,140,493
6.	Administrative Expenses	152,348
7.	Amortization of Change in Fiduciary Net Position (over 5 years)	(733,358)
8.	Average Remaining Service of all Members	4.98
9.	Amortization of (Gains)/Losses	123,789
10.	Amortization of Change in Actuarial Assumptions (Funding Method Change)	760,489
11.	Pension Expense: (1)+(2)+(3)+(4)+(5)+(6)+(7)+(9)+(10)	2,573,081

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NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that County contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied as the discount rate to all periods of projected benefit payments to determine the total pension liability.

Net Pension Liability

The County's net pension liability was measured, and the total pension liability used to calculate the net pension liability was determined by the actuarial valuation as of that date. The net pension liability was $8,412,225, measured as the difference between the total pension liability of $40,449,016 and the fiduciary net position of $32,036,791.

Changes in the Net Pension Liability

The County's total pension liability used to calculate the net pension liability was determined by the actuarial valuation.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at beginning of year	34,348,336	26,885,272	7,463,064
Changes for the year:			
Service cost	989,322		989,322
Interest	2,670,690		2,670,690
Differences between expected and actual experience	617,061		617,061
Change in assumptions*	3,790,863		3,790,863
Contributions-employer		1,334,880	(1,334,880)
Contributions-employee		143,774	(143,774)
Net investment income		5,792,469	(5,792,469)
Benefit payments, including refunds of employee contributions	(1,967,256)	(1,967,256)	0
Administrative expenses		(152,348)	152,348
Other changes	0	0	0
Net changes	6,100,680	5,151,519	949,161
Balances at end of year	40,449,016	32,036,791	8,412,225

**The change in assumptions is the change in actuarial funding method from the Projected Unit Credit method to the Individual Entry Age Normal Method, level as a percentage of pay.*

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Sensitivity of the Net Pension Liability to changes in Discount Rate

The following represents the Plan's net pension liability of the County, calculated using the discount rate of 8.00%, as well as what the County's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate:

	1% Decrease in Discount Rate (7.00%)	Current Discount Rate (8.00%)	1% Increase in Discount Rate (9.00%)
Net Pension Liability	$13,288,881	$8,412,225	$4,290,380

Money-Weighted Rate of Return

The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. This rate of return is then calculated by solving, through an iterative process, for the rate that equates the sum of the weighted external cash flows into and out of the plan's investments to the ending fair value of pension plan investments. For the 2013 year, the annual money-weighted rate of return on the investments, net of investment expense, is 20.97%.

Pension Expense and Deferred Outflows/Inflows of Resources

For the year ended December 31, 2013, the County recognized the pension expense of $2,573,081. At December 31, 2013, the County's deferred outflows/inflows of resources are from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	617,061	
Change of assumptions*	3,790,863	
Net difference between projected and actual earnings on pension plan investments		3,666,792
Total	4,407,924	3,666,792

**The change in assumptions is the change in actuarial funding method from the Projected Unit Credit method to the Individual Entry Age Normal Method, level as a percentage of pay.*

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SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

The following schedules are required to present information for 10 years. However, plans can present the information for those years for which the information is available until a full 10-year trend is compiled.

Schedule of Changes in the County's Net Pension Liability and Related Ratios

	2013
Total pension liability	
Service cost	989,322
Interest	2,670,690
Changes of benefit terms	0
Differences between expected and actual experience	617,061
Changes of assumptions*	3,790,863
Benefit payments, including refunds of member contributions	(1,967,256)
Net change in total pension liability	6,100,680
Total pension liability – beginning	34,348,336
Total pension liability - ending (a)	**40,449,016**
Plan fiduciary net position	
Contributions – employer	1,334,880
Contributions – member	143,774
Net investment income	5,792,469
Benefit payments, including refunds of member contributions	(1,967,256)
Administrative Expenses	(152,348)
Other	0
Net change in plan fiduciary net position	**5,151,519**
Plan fiduciary position – beginning	26,885,272
Plan fiduciary position - ending (b)	**32,036,791**
County's net pension liability - ending (a) - (b)	**8,412,225**
Plan fiduciary net position as a percentage of the total pension liability	79.20%
Covered-employee payroll	13,470,257
County's net pension liability as a percentage of covered-employee payroll	62.45%

**The change in assumptions is the change in actuarial funding method from the Projected Unit Credit method to the Individual Entry Age Normal Method, level as a percentage of pay.*

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Schedule of County Contributions

	2013
Actuarially determined contributions	1,265,985
Contributions in relation to the actuarially determined contribution	1,334,880
Contribution deficiency (excess)	(68,895)
Covered-employee payroll	13,470,257
Contributions as a percentage of covered-employee payroll	9.91%

Schedule of Money-Weighted Investment Returns

	2013
Annual money-weighted rate of return, net of investment expense	20.97%

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Plan Assets

The benefits under the Plan are funded by contributions regularly made to the Trust. The Trustee holds and invests the accumulated monies and disburses from the fund any benefits that become payable upon retirement, death or termination of employment.

The market value of assets is presented below.

		12/31/2013		12/31/2012
Market Value of Assets	$	32,036,791	$	26,885,272

Since the prior valuation, the fund has changed as indicated below.

Trust Receipts and Disbursements

		2014		2013
Assets at Beginning of Year	$	26,885,272	$	24,639,402
Additions:				
Contributions		1,478,654		1,527,494
Income from Dividends and Interest on Investments		202,192		182,389
Realized and Unrealized Gains on Investments		5,590,277		2,604,123
Total Additions	$	7,271,123	$	2,087,083
Deductions:				
Benefit Payments		(1,967,256)		(1,898,947)
Administrative Expenses		(152,348)		(169,189)
Total Deductions	$	(2,119,604)	$	(2,007,043)
Net Additions	$	5,151,519	$	2,245,870
Assets at End of Year (excluding receivable)	$	32,036,791	$	26,885,272

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Plan Assets (continued)

An actuarial value of assets is used in determining Plan costs. This method was developed to smooth the effect of temporary fluctuations in asset market values to reduce volatility in the contribution requirements.

The expected actuarial value of assets is calculated by assuming the previous year's value (including receipts and disbursements) earned the valuation interest rate of 8.00%. This expected value is restricted to within 10% of the actual market value. The Plan realizes an actuarial gain if the expected value is less than 90% of the market value or an actuarial loss if more than 110%. No gain or loss from investments is realized as long as the expected actuarial value of assets is within 10% of the market value. Any long term difference between the actual and assumed earnings of the fund will ultimately be reflected in the costs of the Plan. The actuarial value of assets is determined in the table below.

Actuarial Value of Assets

		2014	2013
1.	Actuarial Value of Assets at Beginning of Year	$ 28,139,969	$ 26,576,144
2.	Contributions	1,478,654	1,527,494
3.	Benefit Payments	(1,967,256)	(1,898,947)
4.	Expenses	(152,348)	(169,189)
5.	Interest at 8% per annum on:		
	A. Actuarial Value of Assets	2,251,198	2,126,092
	B. Contributions	59,146	61,100
	C. Benefit Payment and Expenses	(84,784)	(82,725)
	D. Net Interest	$ 2,225,560	$ 2,104,467
6.	Expected Actuarial Value of Assets	29,724,579	28,129,969
7.	Market Value of Assets	32,036,791	26,885,272
8.	Market Value Floor	28,833,112	24,196,745
9.	Market Value Ceiling	35,240,470	29,573,799
10.	Actuarial Value of Assets at End of Year	$ 29,724,579	$ 28,139,969

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Plan Participants

This actuarial valuation is based on participation data provided by the County. Participation in the Plan is based on Section 3, Chapter 83 of the Code and includes current employees of the County who satisfy eligibility requirements for participation in the Plan and former employees who are receiving or are entitled to receive a benefit under the Plan.

The number of Plan participants included in this valuation is described below.

Plan Participants

		January 1, 2014	January 1, 2013
1.	Active Employees	282	285
2.	Retirees	158	157
3.	Survivors	19	20
4.	Disabled	1	1
5.	Deferred Vested	102	99
6.	**Total Participants**	**562**	**562**

Data reconciliation between the current and prior valuation dates is shown below.

	Actives	Deferred Vested	Disabled	Retirees	Survivors	**Total**
At January 1, 2013	**285**	**99**	**1**	**157**	**20**	**562**
Changes Due to:						
New Entrants	14	0	0	0	0	14
Return from Disability	0	0	0	0	0	0
Non-Vested Terms	(9)	0	0	0	0	(9)
Vested Terms	(5)	5	0	0	0	0
Disabled	0	0	0	0	0	0
Retired	(2)	(2)	0	4	0	0
Death, no Survivor	0	0	0	(3)	(1)	(4)
Death with Survivor	(1)	0	0	0	1	0
Expiration of Benefit	0	0	0	0	(1)	(1)
Data Change	0	0	0	0	0	0
Total Change	**(3)**	**3**	**0**	**1**	**(1)**	**0**
At January 1, 2014	**282**	**102**	**1**	**158**	**19**	**562**

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Assumptions and Methods for GASB 67/68

The assumptions and methods displayed in this section were selected from the complete set of assumptions used to calculate liabilities for the plan, and in accordance with GASB Statements No. 67 and 68. Kent County Levy Court has reviewed the assumptions and recommended to the actuary that they be used.

A. Discount Rate

The nominal rate used to discount liabilities is 8.00%.

B. Mortality Rates

Mortality for the valuation is the RP-2000 Combined Healthy Mortality Table projected to 2014 with Scale AA. Select mortality rates are listed below.

Mortality Assumptions		
	Base Rates	
Age	Male	Female
20	0.00035	0.00019
30	0.00044	0.00026
40	0.00108	0.00071
50	0.00214	0.00168
60	0.00675	0.00506
70	0.02221	0.01674
80	0.06437	0.04588
90	0.18341	0.13168
100	0.34456	0.23747
110	0.40000	0.36462
>=120	1.00000	1.00000

C. Salary Scale

Compensation was assumed to increase 3.50% per annum.

D. Cost Method

The Individual Entry Age Normal Cost Method, as a level percentage of pay.

E. Asset Valuation Method

The plan's market value of asset, also known as the plan's fiduciary net position is used for accounting purposes.

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F. Disability Rates

Disability for the valuation is based on reports of the Society of Actuaries. Select disability rates are listed below.

Disability Assumptions		
	Base Rates	
Age	Male	Female
20	0.00077	0.00077
25	0.00077	0.00077
30	0.00091	0.00091
35	0.00116	0.00116
40	0.00203	0.00203
45	0.00358	0.00358
50	0.00617	0.00617
55	0.01075	0.01075
60	0.01397	0.01397
65	0.00000	0.00000

G. Retirement Rates

Select retirement rates are listed below.

Retirement Assumptions		
	Base Rates	
Age	Male	Female
55	0.10000	0.10000
56	0.00000	0.00000
57	0.00000	0.00000
58	0.00000	0.00000
59	0.00000	0.00000
60	0.10000	0.10000
61	0.10000	0.10000
62	0.20000	0.20000
63	0.10000	0.10000
64	0.10000	0.10000
65	1.00000	1.00000

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H. Termination Rates

Ultimate termination rates for the valuation are based on Table T-5 as set forth by the Actuaries Pension Handbook. Termination rates in the first four years of an employee's service are taken as a multiple of Table T-5. Select termination rates by age and period of service are listed below.

Termination Assumptions					
	Years of Service				
Age	**1**	**2**	**3**	**4**	**5+**
20	0.15877	0.13892	0.11908	0.09923	0.07938
25	0.15448	0.13517	0.11586	0.09655	0.07724
30	0.14444	0.12638	0.10833	0.09027	0.07222
35	0.12553	0.10984	0.09415	0.07846	0.06276
40	0.10301	0.09013	0.07726	0.06438	0.05150
45	0.07951	0.06957	0.05963	0.04969	0.03975
50	0.05125	0.04485	0.03844	0.03203	0.02563
55	0.01879	0.01644	0.01409	0.01174	0.00939
60	0.00180	0.00158	0.00135	0.00113	0.00090
65	0.00000	0.00000	0.00000	0.00000	0.00000

Summary of Changes in Assumptions and Methods

There were no changes in the actuarial assumptions from the previous valuation. For Accounting purposes, the cost method was changed from the Projected Unit Credit cost method to the Individual Entry Age Normal cost method, as a level percentage of pay. Also, the assets used are the market value of assets, than than the actuarial value used for cash funding purposes.

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Assumptions and Methods for Calculating the Actuarially Determined Contributions

The actuarially determined contributions were calculated based on the plan's funding policy which is to account for current benefit accruals and amortize the unfunded liability under the Projected Unit Credit ("PUC") actuarial cost method over a 30 year period. The unfunded liability is determined using the actuarial value of assets. Kent County Levy Court has reviewed the assumptions and recommended to the actuary that they be used. The assumptions and methods used are the same as used for the GASB 67/68 accounting requirements, except the following:

A. Cost Method

The Individual Entry Age Normal Cost Method, as a level percentage of pay.

B. Asset Valuation Method

An actuarial value of assets is used. On each valuation date, the expected assets are determined by increasing the previous actuarial value of assets and the net receipts and disbursements at the valuation interest rate. This expected value is used, but it is limited to be within 10% of the market value.

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Plan Provisions

The following summary of plan provisions represents our understanding of Article 1, Section 83 of the Code of Kent County referred to as the Kent County Employee Retirement Program.

Employees who retire from the County may be eligible for pension benefits pursuant to the provisions below.

Effective Date	June 18, 1957
Covered Employee	An employee with Kent County who receives a regular salary directly from Kent County and receives or is eligible to receive County paid benefits including the following: Elected officials of Kent County; Board of Assessment members; and Part-time employees with more than 1,000 hours per calendar year.
Average Monthly Base Salary	The highest 36 consecutive months of Salary.
Salary	Annual compensation approved and paid by the County government for the position(s) held, excluding overtime or special pay for any calendar year where the covered employee worked at least 1,000 hours. Payroll deductions shall not reduce the annual compensation (salary) amount.
Service	Regular employment as a covered employee with Kent County for more than 1,000 hours in any calendar year. If a covered employee had similar employment with New Castle County, Sussex County of 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 at Kent County on or before June 27, 1986.
Retirement Pension Benefit	**Employees Hired On or Before December 21, 2010** The monthly pension payable shall be 2% of the Average Monthly Base Salary multiplied by the number of years of Service. **Employees Hired After December 21, 2010** The monthly pension payable shall be 1.85% of the Average Monthly Base Salary multiplied by the number of years of Service.
Normal Retirement	**Employees Hired On or Before June 29, 2010** Age 62 with 5 years of Service **Employees Hired After June 29, 2010** Age 62 with 8 years of Service
Early Retirement	A Covered Employee may retire prior to age 62 upon satisfying: Any age and 30 years of Service, or Age 55 and 20 years of Service, or Age 60 and 15 years of Service. Amount is Vested Benefit payable at actual retirement date.

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Disability

A Covered Employee who shall become disabled while in Covered Employment and covered under County-provided long-term disability insurance shall be considered as remaining in Covered Employment until they retire or the cessation of disability insurance if earlier.

Death Benefit

Upon the death of a Vested Covered Employee who has not commenced receipt of a Retirement Pension Benefit the beneficiary shall be entitled to receive a death benefit as follows:

- 50% of the Retirement Pension Benefit the Covered Employee would have received had they terminated employment on the date of death, survived to the earliest retirement age and elected to retire with a single life annuity if the beneficiary is a surviving spouse; or
- 50% of the Retirement Pension Benefit the Covered Employee would have received had they terminated employment on the date of death, survived to the earliest retirement age and elected to retire with a 50% Joint and Survivor Annuity if the beneficiary is not a surviving spouse.

Form of Payment

The Retirement Pension Benefit payable at retirement can be paid in any of the actuarially equivalent optional forms of payment:

Lump Sum - a single lump sum (not available if the lump sum amount exceeds $3,500);
Life Only - Equal monthly payments for life;
100% Joint & Survivor - Equal monthly payments for life with 100% of the monthly payment continuing to a surviving beneficiary upon the Covered Employees death;
75% Joint & Survivor - Equal monthly payments for life with 75% of the monthly payment continuing to a surviving beneficiary upon the Covered Employees death;
50% Joint & Survivor - Equal monthly payments for life with 50% of the monthly payment continuing to a surviving beneficiary upon the Covered Employees death;
10 Year Certain & Life - Equal monthly payments for life with the first 120 monthly payments guaranteed; or
5 Year Certain & Life - Equal monthly payments for life with the first 60 monthly payments guaranteed.

Employee Contributions

Employees Hired On or Before December 21, 2010

Effective July 1, 2009, 1% of base salary payable over the normal pay periods shall be contributed by each eligible covered employee.

Employees Hired After December 21, 2010

Effective December 21, 2010, 3% of base salary over $6,000 payable over the normal pay periods shall be contributed by each eligible covered employee.

One-Time Retirement Incentive

Subject to an early retirement election, vested employees who were eligible for retirement benefits between February 1, 2009, and June 30, 2009 and retired before June 1, 2009, received the option of a special one-time retirement incentive of $15,000 or five additional years of service, at the employee's option.

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