Kent County Levy Court

Actuarial Valuation of the Pension Plan of Kent County, Delaware As of January 1, 2015

May 18, 2015

© Grant Thornton LLP. All rights reserved.

May 18, 2015

Pension Review Committee
Kent County Levy Court
Kent County Administrative Complex
555 Bay Road
Dover, DE 19901

Grant Thornton LLP
175 W Jackson Boulevard, 20th Floor
Chicago, IL 60604-2687

T 312.856.0200
F 312.565.4719
www.GrantThornton.com

Grant Thornton LLP is pleased to present the results of this January 1, 2015 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 2015 and the disclosure information for the fiscal year ending June 30, 2015.

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,

Brett Schwab, ASA, EA, FCA, MAAA
Director & Lead Actuary, Compensation and Benefits
Grant Thornton LLP

© Grant Thornton LLP. All rights reserved.

Contents

I. Executive Summary

Executive Summary 1
Contribution Requirements 1
Funded Status 2
Net Pension Liability 2
Plan Assets 2
Plan Participants 3
Actuarial Assumptions and Methods 3
Actuarial Certification 3

II. Funding Information

Unfunded Actuarial Accrued Liability 4
Normal Cost 4
Recommended Contribution 4

III. Accounting Information

New GASB Standards: GASB Statements Nos. 67 and No. 68 5
Transition Exhibit 7
Financial Statements 8
- Statement of Fiduciary Net Position 8
- Statement of Changes in Fiduciary Net Position 8
- Pension Expense 9

Notes to Financial Statements 10
- Discount Rate 10
- Net Pension Liability 10
- Changes in the Net Pension Liability 10
- Sensitivity of the Net Pension Liability to changes in Discount Rate 11
- Money-Weighted Rate of Return 11
- Pension Expense and Deferred Outflows/Inflows of Resources 11

Schedules of Required Supplementary Information 12
- Schedule of Changes in the County's Net Pension Liability and Related Ratios 12
- Schedule of County Contributions 13
- Schedule of Money-Weighted Investment Returns 13

IV. Plan Assets

Market Value of Assets 14
Trust Receipts and Disbursements 14

V. Plan Participants 15

VI. Assumptions and Methods

Assumptions and Methods for GASB 67/68 16
Assumptions and Methods for Calculating the Actuarially Determined Contributions 19

VII. Plan Provisions 20

© Grant Thornton LLP. All rights reserved.

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 recommended cash contribution for the 2015 actuarial valuation year and to provide 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.

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 utilized a funding policy that accounted for current benefit accruals and amortized any unfunded liability under the Projected Unit Credit ("PUC") actuarial cost method over a 30 year period. However, the County has elected to adopt a new funding policy which utilizes the Entry Age Normal ("EAN") actuarial cost method as a level percentage of payroll for current benefit accruals, and amortizes any unfunded liability over a 20 year period. In addition and consistent with GASB Nos. 67 and 68, the unfunded liability is determined using the market value of assets which is a change from the actuarial value of assets used under the prior funding policy. This update was made to better align the funding policy with accounting and financial reporting under GASB 67/68.

Based on the actuarial methods and assumptions used in this valuation, and the Code in effect on January 1, 2015, the recommended contribution is $1,687,002 at January 1, 2015, which corresponds to a $1,821,962 contribution as of December 31, 2015 based on the current 8.00% assumed interest rate.

Actuarial Valuation Year:	2015	2014	2013
Contribution Requirement	$1,687,002[1]	$1,573,046	$1,418,125
Employee Contribution	172,611[2]	163,928[3]	152,140
Net County Contribution	**$1,514,391**	**$1,409,118**	**$1,265,985**

The primary drivers of the increase are a) implementation of the new funding policy, b) additional benefit accruals over the past year, and c) an increase in the total number of plan participants.

[1] Represents the recommended contribution at the January 1, 2015 valuation date, and the actual contribution depends on timing. For the 2015 plan year, the recommended contribution is $1,821,962 if made at the end of the plan year based on the 8.00% assumed interest rate.

[2] Represents estimated employee contributions for the 2015 Calendar Year.

[3] Actual employee contributions for the 2014 Calendar Year.

© Grant Thornton LLP. All rights reserved.

Funded Status

The Plan's funded status, based on the market value of assets, experienced a decrease since the previous valuation as the table below indicates.

	January 1, 2015	January 1, 2014
Present Value of Benefits	$49,323,281	$47,139,707
Market Value of Assets	33,630,887	32,036,791
Unfunded Amount	**$15,692,394**	**$15,102,916**
	EAN	**PUC**
Actuarial Accrued Liability	$42,749,221	$36,658,153
Market Value/Actuarial Value of Assets	33,630,887	29,724,579
Unfunded Actuarial Accrued Liability	**$9,118,334**	**$6,933,574**
Funded Ratio	78.7%	81.1%

Net Pension Liability

Under GASB 67/68, 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 $9,118,334, 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. Plan assets used for this valuation are:

	January 1, 2015	January 1, 2014
Market Value of Assets	$33,630,887	$32,036,791
Actuarial Value of Assets[4]	33,630,887	29,724,579

[4] Under GASB 67/68, the actuarial value of assets is set equal to the marker value of assets.

© Grant Thornton LLP. All rights reserved.

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, 2015	January 1, 2014
1.	Active Employees	280	282
2.	Deferred Vested	108	102
3.	Disabled	2	1
4.	Retirees	162	158
5.	Survivors	21	19
6.	**Total Participants**	**573**	**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, the actuarial cost method used for cash funding and accounting purposes changed from the PUC actuarial cost method to the EAN actuarial cost method effective for the January 1, 2015 valuation.

Actuarial Certification

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

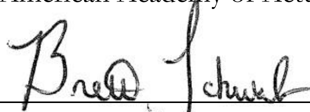
The purpose of this valuation is to:

- 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 meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.



Brett Schwab, ASA, EA, FCA, MAAA
Director & Lead Actuary, Compensation and Benefits
Grant Thornton LLP
May 18, 2015

© Grant Thornton LLP. All rights reserved.

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 recommended contribution to the trust based on the results of the actuarial valuation and the County's funding policy.

The actuarial cost method used to determine the funded status of the Plan and the annual contribution requirements is the EAN actuarial cost method. 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 disclosures under GASB 67/68. The unfunded liability is determined using the market value of assets.

Calculation of Unfunded Actuarial Accrued Liability as of January 1, 2015

1.	Actuarial Accrued Liability	
	Actives	$21,552,575
	Non-Actives	21,196,646
	Total	$42,749,221
2.	Market Value of Assets	33,630,887
3.	**Unfunded Actuarial Accrued Liability**	**$9,118,334**

Normal Cost

Under the EAN actuarial cost method the normal cost for any given employee is the level payment (or level percentage of pay) necessary to fund the benefit over the working lifetime of such employee. The normal cost at January 1, 2015 is $827,074, or approximately 6.09% of annual compensation.

Recommended Contribution

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 County has adopted a funding policy that amortizes any unfunded liability over a 20 year period. Based on the actuarial methods and assumptions used in this valuation and the Code in effect on January 1, 2015, the recommended contribution, or the actuarially determined contribution ("ADC") at January 1, 2015 is $1,687,002, which corresponds to a $1,821,962 contribution as of December 31, 2015 based on the current 8.00% assumed interest rate.

© Grant Thornton LLP. All rights reserved.

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 state and local government pension plans.

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 Total Pension Liability ("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.
- 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. This 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 Net Pension Liability ("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 volatility in the pension expense, and will reflect on the income statements.

© Grant Thornton LLP. All rights reserved.

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 necessarily 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), Interest Cost (or the annual interest on the TPL), Plan Amendments, Projected Investment Earnings (or the expected returns on plan assets), and Expected Employee Contributions.
- The following items can be deferred (or amortized): Changes in actuarial assumptions, and actuarial gains and losses ("deferred outflows and inflows"). The amortization period is the average remaining years of employment of all participants (both active and non-active members).
- The investment gains and losses are amortized over a five-year closed period.

Funding Policy /Actuarially Determined Contribution

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 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 under the EAN 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.

© Grant Thornton LLP. All rights reserved.

Transition Exhibit

The following exhibits were created to show how liabilities transitioned from the liabilities under GASB 25/27 used for the 2015 valuation, to the current GASB 67/68 liabilities.

	2015 FY
Total Pension Liability	
AAL (PUC) at Beginning of Year	$36,658,153
Service Cost	1,033,726
Interest Cost	2,852,131
Actual Benefit Payments	(2,052,529)
Expected AAL (PUC)	38,491,481
Actual AAL (PUC)	38,977,228
Actuarial (Gain)/Loss	485,747
Funding Method Change (from PUC to EAN Level %)	3,771,993
TPL at End of Year (EAN): (A)	**$42,749,221**
Fiduciary Net Position	
MVA at Beginning of Year	$32,036,791
Additions:	
Contributions	$1,478,654
Income from Dividends and Interest on Investments	178,618
Realized and Unrealized Gains on Investments	2,180,325
Total Additions	$3,837,597
Deductions:	
Benefit Payments	($2,052,529)
Administrative Expenses	(190,972)
Total Deductions	($2,243,501)
Net Increase (Decrease)	*$1,594,096*
FNP at End of Year (excluding receivable): (B)	**$33,630,887**
Net Pension Liability at End of Year: (A) - (B)	**$9,118,334**

© Grant Thornton LLP. All rights reserved.

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.

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

	2015 FY
Fiduciary Net Position at Beginning of Year	$32,036,791
Additions:	
Contributions	$1,478,654
Income from Dividends and Interest on Investments	178,618
Realized and Unrealized Gains on Investments	2,180,325
Total Additions	$3,837,597
Deductions:	
Benefit Payments	$(2,052,529)
Administrative Expenses	(190,972)
Total Deductions	$(2,243,501)
Net Increase (Decrease)	$1,594,096
Fiduciary Net Position at End of Year (excluding receivable)	$33,630,887

© Grant Thornton LLP. All rights reserved.

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 participants (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.

		2015 FY
1.	Service Cost	$893,240
2.	Interest Cost	3,329,446
3.	Projected Investment Earnings	(2,658,669)
4.	Expected Employee Contributions	(172,611)
5.	Administrative Expenses	190,972
6.	Amortization of Change in Fiduciary Net Position (over 5 years)	33,867
7.	Average Remaining Service of all Members	4.72
8.	Amortization of (Gains)/Losses	102,913
9.	Amortization of Change in Actuarial Assumptions (Cost Method Change)	799,151
10.	**Pension Expense: (1)+(2)+(3)+(4)+(5)+(6)+(7)+(9)**	**$2,518,309**

© Grant Thornton LLP. All rights reserved.

NOTES TO FINANCIAL STATEMENTS

Discount Rate

The discount rate used to measure the total pension liability is 8.00%. The projection of cash flows used to determine the discount rate assumes 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 upon those assumptions, the pension plan's fiduciary net position is 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 is 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 is measured, and the total pension liability used to calculate the net pension liability is determined by the actuarial valuation as of that date. The net pension liability is $9,118,334, measured as the difference between the total pension liability of $42,749,221 and the fiduciary net position of $33,630,887.

Changes in the Net Pension Liability

The County's total pension liability used to calculate the net pension liability is 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	$36,658,153	$32,036,791	$4,621,362
Changes for the year:			
Service cost	$1,033,726	$0	$1,033,726
Interest	2,852,131	0	2,852,131
Differences between expected and actual experience	485,747	0	485,747
Change in assumptions*	3,771,993	0	3,771,993
Contributions-employer	0	1,314,726	(1,314,726)
Contributions-employee	0	163,928	(163,928)
Net investment income	0	2,358,943	(2,358,943)
Benefit payments, including refunds of employee contributions	(2,052,529)	(2,052,529)	0
Administrative expenses	0	(190,972)	190,972
Other changes	0	0	0
Net changes	6,091,068	1,594,096	4,496,972
Balances at end of year	**$42,749,221**	**$33,630,887**	**$9,118,334**

**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.*

© Grant Thornton LLP. All rights reserved.

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	$14,181,759	$9,118,334	$4,830,739

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 2014 year, the annual money-weighted rate of return on the investments, net of investment expense, is 6.80%.

Pension Expense and Deferred Outflows/Inflows of Resources

For the 2015 fiscal year, the County recognized the pension expense of $2,518,309. 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	$382,834	0
Change of assumptions*	$2,972,842	0
Net difference between projected and actual earnings on pension plan investments	$135,468	0
Total	**$3,491,144**	**0**

**The "Change of assumptions" item represents 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.*

© Grant Thornton LLP. All rights reserved.

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

	2015 FY
Total pension liability	
Service cost	$1,033,726
Interest	2,852,131
Changes of benefit terms	0
Differences between expected and actual experience	485,747
Changes of assumptions*	3,771,993
Benefit payments, including refunds of member contributions	(2,052,529)
Net change in total pension liability	*$6,091,068*
Total pension liability – beginning	$36,658,153
Total pension liability - ending (a)	**$42,749,221**
Plan fiduciary net position	
Contributions – employer	$1,314,726
Contributions – member	163,928
Net investment income	2,358,943
Benefit payments, including refunds of member contributions	(2,052,529)
Administrative Expenses	(190,972)
Other	0
Net change in plan fiduciary net position	*$1,594,096*
Plan fiduciary position – beginning	$32,036,791
Plan fiduciary position - ending (b)	**$33,630,887**
County's net pension liability - ending (a) - (b)	**$9,118,334**
Plan fiduciary net position as a percentage of the total pension liability	78.67%
Covered-employee payroll	$13,578,928
County's net pension liability as a percentage of covered-employee payroll	67.15%

**The "Change of assumptions" item represents 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.*

© Grant Thornton LLP. All rights reserved.

Schedule of County Contributions

	2015 FY
Actuarially determined contributions	$1,573,046
Contributions in relation to the actuarially determined contributions	1,478,654
Contributions deficiency (excess)	$94,392
Covered-employee payroll	$13,578,928
Contributions as a percentage of covered-employee payroll	10.89%

Schedule of Money-Weighted Investment Returns

Annual money-weighted rate of return, net of investment expense	6.80%

© Grant Thornton LLP. All rights reserved.

Market Value of 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.

	2015	2014
Market Value of Assets	$33,630,887	$32,036,791

Trust Receipts and Disbursements

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

Trust Receipts and Disbursements

	2015	2014
Assets at Beginning of Year	$32,036,791	$26,885,272
Additions:		
Contributions	$1,478,654	$1,478,654
Income from Dividends and Interest on Investments	178,618	202,192
Realized and Unrealized Gains on Investments	2,180,325	5,590,277
Total Additions	$3,837,597	$7,271,123
Deductions:		
Benefit Payments	($2,052,529)	($1,967,256)
Administrative Expenses	(190,972)	(152,348)
Total Deductions	($2,243,501)	($2,119,604)
Net Additions	$1,594,096	$5,151,519
Assets at End of Year (excluding receivable)	$33,630,887	$32,036,791

© Grant Thornton LLP. All rights reserved.

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, 2015	January 1, 2014
1.	Active Employees	280	282
2.	Deferred Vested	108	102
3.	Disabled	2	1
4.	Retirees	162	158
5.	Survivors	21	19
6.	**Total Participants**	**573**	**562**

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

	Actives	Deferred Vested	Disabled	Retirees	Survivors	**Total**
At January 1, 2014	**282**	**102**	**1**	**158**	**19**	**562**
Changes Due to:						
New Entrants	20	0	0	0	0	20
Return from Disability	0	0	0	0	0	0
Rehired	1	(1)	0	0	0	0
Non-Vested Terms	(6)	0	0	0	0	(6)
Vested Terms	(10)	10	0	0	0	0
Disabled	(1)	0	1	0	0	0
Retired	(6)	(2)	0	8	0	0
Death, no Survivor	0	0	0	(4)	0	(4)
Death with Survivor	0	(1)	0	(1)	2	0
Expiration of Benefit	0	0	0	0	0	0
Data Change	0	0	0	0	0	0
QDRO	0	0	0	1	0	1
Total Change	**(2)**	**6**	**1**	**4**	**2**	**11**
At January 1, 2015	**280**	**108**	**2**	**162**	**21**	**573**

© Grant Thornton LLP. All rights reserved.

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. 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.

© Grant Thornton LLP. All rights reserved.

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

© Grant Thornton LLP. All rights reserved.

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 used from the previous valuation.

Historically, the PUC actuarial cost method was used to determine the accounting liabilities. The actuarial cost method has been updated to the EAN cost method in accordance with GASB Statements No. 67 and 68.

© Grant Thornton LLP. All rights reserved.

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 Entry Age Normal (EAN) actuarial cost method over a 20 year period, effective as of January 1, 2015. The unfunded liability is determined using the market value of assets. Historically, the County utilized a funding policy that accounted for current benefit accruals, and amortized any unfunded liability under the Projected Unit Credit (PUC) actuarial cost method over a 30 year period. The County has reviewed the assumptions and methods, and has 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.

© Grant Thornton LLP. All rights reserved.

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.

© Grant Thornton LLP. All rights reserved.

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.

© Grant Thornton LLP. All rights reserved.

© Grant Thornton LLP
All rights reserved.
U.S. member firm of Grant Thornton International Ltd.

This report is confidential. Unauthorized use of this report in whole or in part is strictly prohibited.