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November 8, 2016

Ms. Christine Calvert
TOWN OF EASTON
Easton Town Hall
225 Center Road
Easton, CT 06612

Re: Town of Easton Retirement Plan
Our File No. 979

Dear Christine:

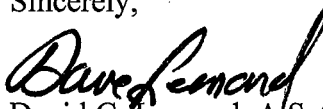
We are pleased to enclose the Annual Valuation Report for the above plan as of July 1, 2016. Our report contains a review of plan operations for the 2015-2016 plan year as well as presenting the results of the current valuation and budget recommendations for the 2017-18 fiscal year.

We have enclosed eleven (11) copies of the Valuation Report for your use, and to be distributed to the PEBC members. We will be preparing the Supplemental Valuation Report with individual benefit information shortly, and will forward to you as soon as it is ready.

Please see the expanded Actuarial Certification following this cover letter, as recommended by the American Academy of Actuaries.

Please let me know if you have any questions or comments concerning this year's Valuation Report.

Sincerely,


David G. Leonard, A.S.A.
Account Executive

Town of Easton Retirement Plan

ACTUARIAL CERTIFICATION

This July 1, 2016 Annual Valuation Report has been prepared in accordance with generally accepted actuarial standards and procedures and conforms to the Guidelines for Professional Conduct of the American Academy of Actuaries.

The valuation is based on employee and plan financial data which were provided by the Plan Administrator, Plan Trustee, and various financial institutions. All information submitted to us has been reviewed for reasonableness and consistency, but has otherwise been accepted and relied upon without audit. The plan provisions and other material assumptions are disclosed in report in their respective sections.

The actuary has recognized future anticipated trends in mortality improvement by utilizing the RP-2014 Mortality Table, adjusted generationally by Scale MP-2015 for all future years.

Other Actuarial Communications that are covered under the umbrella of the Annual Valuation process include disclosures under various GASB statements, including GAS-5, GAS-27 and GAS-67 & 68.

To the best of our knowledge, the information supplied in these reports is complete and accurate.

Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as the following: plan experience differing from that anticipated; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

I, David G. Leonard, A.S.A., E.A., am a member of the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained here



David G. Leonard, A.S.A.

Enrollment #14-03604

11/8/16

Date

ANNUAL VALUATION REPORT
FOR
THE TOWN OF EASTON RETIREMENT PLAN
AS OF JULY 1, 2016

Prepared by:

David G. Leonard, ASA
T R PAUL, INC.
November 8, 2016

TOWN OF EASTON RETIREMENT PLAN

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TOWN OF EASTON RETIREMENT PLAN

I. GENERAL COMMENTS

This year's valuation was run on a group of 82 active and 93 inactive members. The continued decline in active members reflects the freeze in new membership for all departments in the plan, including the Board of Education. Even with the 12% decline in active members, however, the total salary base decreased by only 4.2%.

For the 2015-16 plan year, the trust assets lost 2.6% (measured by the GASB weighted method). Using the smoothed actuarial valuation assets, there were positive earnings of 3.6%, however this return produced actuarial losses of \$623,285 against the assumed rate of 7%. This added more than \$70,000 to the recommended contribution, which is more than the total increase for the year.

The table below lists the current year's recommended maximum budget request, the results of the July 1, 2016 valuation, and the recommended minimum and maximum budget requests for fiscal year 2017-18.

<u>Employee Group</u>	Maximum	<u>-July 1, 2016 Valuation-</u>		Recommended	
	2016-17 <u>Recom.</u>	<u>Minimum</u>	<u>Maximum</u>	<u>2017-18 Budget</u> <u>Minimum</u>	<u>Maximum</u>
Highway Union	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Selectmen	284,000	249,436	289,391	262,500	304,600
Board of Education	208,000	222,483	240,829	234,200	253,500
Plan Totals	\$ 492,000	\$ 471,718	\$ 530,219	\$ 496,700	\$ 558,100

(Actual in budget - \$492,000)

The actual contribution in the 2016-17 budget is \$492,000, which is within the minimum and maximum range produced by the 2016 valuation. Our recommendation for 2017-18 includes an increase in the maximum and minimum due to the actuarial factors discussed above and below. If the Town were to choose to fund at the minimum recommended level for the June 30, 2018 fiscal year, it would represent only a \$4,700 increase from the 2016-17 contribution.

The normal cost for the year, which approximates this year's portion of the pension liability, decreased by \$21,000 to about \$434,000. The amount of amortization due to past actuarial losses increased, from \$120,000 last year to \$197,600 this year. The normal cost decrease reflects the steady reduction in the active member population, while the increase in amortization helps the plan try to make up for actuarial losses that occur from experience that is not in line with our assumptions, such as lower trust earnings and higher salary increases.

As mentioned above, the increase in our recommendations is a lesser amount than the impact caused by the trust asset losses. (i.e. - the recommendation increased \$66,000 while the trust asset losses increased the contribution by \$70,172). This tells us that other actuarial factors combined to actually lower the total deposit requirement, however there are various factors that deserve review – especially in light of the large decrease in active membership.

TOWN OF EASTON RETIREMENT PLAN

I. GENERAL COMMENTS
(continued)

One of the more prominent experience factors was the increase in salaries, including increases from a change in reporting methods. It was discovered that the compensation used for valuation purposes did not include certain tax deferred payroll deductions that should be in the pension calculations. When incorporating the correct salaries into the data base, we estimate that the Highway and Selectmen's departments annual contribution increased about \$14,000 and \$20,000 respectively.

We will also be reviewing several retirement calculations which were prepared during the period in which compensation was under reported, and adjusting the benefits as necessary for the retirees. This will include potential retroactive payments, however the number of affected retirees should be fairly small. The period of retroactive adjustments could be up to ten years for some participants. We will report back shortly on the results of the retirees' benefits review, and will incorporate the results of any adjustments in next year's valuation.

The Board of Education was not involved in the salary adjustment situation, however that department experienced a 9.4% average salary increase among its' 42 continuing active members. This probably accounts for their normal cost decreasing only slightly while the active membership declined by 14%.

The normal cost for the Selectman's departments decreased about \$16,000 even with the salary adjustments, as the active population decreased about 15%.

The Highway's normal cost just decreased slightly. There was one retirement, but the remaining seven (7) members experienced 6% increases in their average salaries to offset the reduction in normal cost from the one retiring member.

The Highway Department's liabilities remain fully funded and thus no contribution is recommended for this group. The level of the funding surplus decreased by almost 50% from \$411,459 to \$211,420. If the trend of asset (and other) losses continues, the Highway Departments' benefits may require additional funding sooner rather than later.

As mentioned above, the valuation asset method in use defers recognition of 80% of each year's actuarial loss on assets over an additional four year period. This year's valuation assets include deferrals of \$2,000,026 in losses from both 2015 and 2016. These will be recognized gradually over the next three to four years, however if there are not offsetting investment gains you are looking at "built in losses" of more than 3% for at least the next three years, at an increased annual cost of about \$60,000.

The funded level of the accrued benefits decreased for the second year in a row, from 94.3% to 86.9% on a plan wide, market value basis. While the plan is still considered well funded, this is a trend that we hope to see reversing itself through adequate additional contributions and solid trust earnings.

TOWN OF EASTON RETIREMENT PLAN

II.(a) PLAN ASSETS - Market Value Reconciliation

Beginning of Year <u>June 30, 2015</u>		End of Year <u>July 1, 2016</u>
\$0.00	Employee Cont. Rec.	\$9,728.20
0.00	Employer Receivable Contribution	0.00
3,164,076.00	Money Market Funds	3,898,683.63
13,488,195.00	Misc. Mutual Funds	12,191,784.65
58,210.98	Prepaid Benefits	64,865.65
<u>(5,045.55)</u>	Payable to PARS for w.h. taxes	<u>(0.00)</u>
\$16,705,436.43	TOTAL (Market Value)	\$16,165,062.13

 RECEIPTS

Employer Contribution	\$424,000.00
Employee Contribution	191,745.20
Investment Earnings	677,713.18
Realized Gains/(Losses)	<u>(116,750.00)</u>
TOTAL INCOME	\$1,176,708.38

DISBURSEMENTS

Periodic Benefit Payments (annual total of monthly bens.)	\$717,432.23
Refund of Employee Contributions and Interest	3,419.10
Expenses	<u>10,300.00</u>
TOTAL EXPENSES	\$731,151.33

NET INCOME	\$445,557.05
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CHANGE IN NET ASSETS

Realized and Unrealized Gains and Losses:	(\$985,931.35)
Net Income:	<u>445,557.05</u>
Net increase (decrease) in net assets for the year:	(\$540,374.30)
Net assets at beginning of year:	16,705,436.43
Net assets at end of year:	\$16,165,062.13

TOWN OF EASTON PENSION PLAN

II. PLAN ASSETS (Continued)

B. Development of Valuation Assets (Actuarial Value of Assets)

The Actuarial Valuation of Assets is calculated by recognizing 20% of the current year's actuarial gain or loss (to the 7.0% assumed rate of return), along with recognition of prior year's gains or losses that are also being recognized 20% per year. The final Valuation Asset level is subject to a corridor of 80% to

The Actuarial Value of Asset calculation was first instituted effective for the June 30, 2015 Plan Year to remove some of the volatility from the actuarial valuation calculations.

The following illustrates the calculation of the Actuarial Value of Assets for July 1, 2016:

1. Assumed market value yield at valuation rate*	\$1,152,813
2. Actual MV Yield for June 30, 2017 **	(435,268)
3. Current Year (Gain)/Loss on Market value yield* (1) - (2)	1,588,082
4. Portion of Curr. Yr. Loss to be Recognized in 2017 (3) x 20%	317,616
5. Portion of Current Years (Gain)/Loss Not Recognized in 2017	1,270,465
6. Prior Unrec. (Gains)/ losses - June 30, 2017 - see next page	729,560
7. Total Unrecognized (Gains)/Losses (5) + (6)	2,000,026
8. Market Value of Trust Assets as of June 30, 2017	16,165,062
9. Preliminary Actuarial Value of Assets - June 30, 2016 (7)+ (8)	\$18,165,088
10. (a) 80% corridor of Market Value	12,932,050
(b) 120% corridor of Market Value	19,398,075
11. Final Actuarial Value of Assets - June 30, 2016***	\$18,165,088

The Preliminary Actuarial Value of Assets is 112.4% of the Market Value, and thus falls within the 80% to 120% corridor of actual June 30, 2017 Market Value.

The yield on Valuation Assets for the 2016-2017 Plan Year was 3.64%.

* Assumed income is calculated based on a weighted balance which takes into account the date that the contributions and distributions are made to the fund.

TOWN OF EASTON PENSION PLAN

II. PLAN ASSETS (Continued)

C. SMOOTHED VALUATION ASSET AND UNRECONGNIZED (G)/L DETAIL

Smoothed Valuation Asset Calculation

	<u>06/30/2015</u>	<u>06/30/2016</u>	<u>06/30/2017</u>	<u>06/30/2018</u>	<u>06/30/2019</u>
Market Value of Assets	16,705,436	16,165,062			
Expected Earnings at Market Value (7.00%)*	1,171,591	1,152,813			
Actual Earnings MV	(44,343)	(435,268)			
Actuarial (Gain)/Loss on MV	1,215,934	1,588,082			
Recognition of current years (Gain)/Loss	(243,187)	(317,616)			

Anticipated Unrecognized (Gain)/Loss for Future Years

Remaining Unrecognized (G)/L - 6/30/15 (G)/L	972,747	729,560	486,374	243,187	0
Remaining Unrecognized (G)/L - 6/30/16 (G)/L		1,270,465	952,849	635,233	317,616
Remaining Unrecognized (G)/L - 6/30/17 (G)/L			0	0	0
Remaining Unrecognized (G)/L - 6/30/18 (G)/L				0	0
Remaining Unrecognized (G)/L - 6/30/19 (G)/L					0
Total Unrecognized (Gains)/Losses	972,747	2,000,026	1,439,223	878,419	317,616
Market Value of Assets - EOY	16,705,436	16,165,062			
Total Unrecognized (Gain)/Loss	<u>972,747</u>	<u>2,000,026</u>			
Actuarial Value of Assets - EOY	\$17,678,183	\$18,165,088			

* Calculated using weighted contributions - ER by date, EE at 50%, Distrib at 50%

TOWN OF EASTON RETIREMENT PLAN

III. ANNUAL VALUATION SUMMARY - JULY 1, 2016 VALUATION DATE

	Highway Union (1)	Selectmen (2)	Board of Education (3)	Totals (1) + (2) + (3)
A. DEVELOPMENT OF THE INITIAL ACCRUED LIABILITY FOR ENTRY AGE NORMAL FUNDING CALCULATIONS (EAN)				
a) EAN Accrued Liability (7/1/2016)	\$3,535,338	\$11,099,228	\$4,882,176	\$19,516,741
b) Valuation Assets (7/1/2016)	3,746,758	10,133,812	4,284,518	18,165,088
c) Unfunded Liability (7/1/2016)	(211,420)	965,415	597,658	1,351,653
Additional Information				
d) Active Participant Payroll	\$478,731	\$1,801,951	\$1,720,219	\$4,000,902

B. Summary of Employee Contribution Levels

	Total Employee%
Highway 760	6.58%
Local 818	6.00%
Local 1303	5.00%
Non Union Town and Bd. of Education	2.25%
Highway Management	2.25%
Board of Education Custodians	5.45%

Note: Union Contribution Levels were fixed through June 30, 2010 with the exception of Local 818. No new contribution levels have been reported to us. Local 818 had retroactive increases in contributions applied during the fiscal year.

TOWN OF EASTON RETIREMENT PLAN

III. ANNUAL VALUATION SUMMARY - JULY 1, 2016 VALUATION DATE

	Highway Union (1)	Selectmen (2)	Board of Education (3)	Totals (1) + (2) + (3)
C. DEVELOPMENT OF THE NORMAL COST & UNFUNDED ACCRUED LIABILITY				
a) EAN Accrued Liability				
i Active Participants	\$1,793,123	\$5,052,206	\$2,683,837	\$9,529,166
ii Retired Participants	1,445,928	5,668,794	1,993,572	9,108,293
iii Terminated Participants	296,287	378,228	204,767	879,282
Total EAN Accrued Liability	\$3,535,338	\$11,099,228	\$4,882,176	\$19,516,741
b) Valuation Assets	\$3,746,758	\$10,133,812	\$4,284,518	\$18,165,088
d) Unfunded Accd. Liab. ((a) - (b))	-\$211,420	\$965,415	\$597,658	\$1,351,653
e) Expected Unfunded AL	0	705,116	272,787	977,902
f) 2016 Amortization Base	0	260,299	324,871	585,170
g) Entry Age Normal Cost (Gross) (Sum of individual active members NC)	\$59,738	\$191,941	\$182,266	\$433,945
Summary of Funding Bases	<u>Initial Base</u>	<u>Rem. Bal. -16</u>	<u>Min. Amort.</u>	<u>Rem. Yrs</u>
Initial Base - 7/1/14	\$943,511	\$635,140	\$71,060	28
Gain/(Loss)/Amend/Changes - 2015	365,833	342,762	48,679	9
Gain/(Loss)/Amend/Changes - 2016	<u>585,170</u>	<u>585,170</u>	<u>77,865</u>	10
Totals	\$1,894,514	\$1,563,073	\$197,604	

TOWN OF EASTON RETIREMENT PLAN

III. ANNUAL VALUATION SUMMARY - JULY 1, 2016 VALUATION DATE

	Highway Union (1)	Selectmen (2)	Board of Education (3)	Totals (1) + (2) + (3)
D. RANGE OF CONTRIBUTIONS				
a) Unfunded Entry Age Accrued Liability - 7/1/2016	(\$211,420)	\$965,415	\$597,658	\$1,351,653
b) Gross Normal Cost	\$59,738	\$191,941	\$182,266	\$433,945
c) Expected Employee Contributions	\$32,446	\$78,506	\$56,682	\$167,633
d) Net Normal Cost (b - c)	\$27,293	\$113,435	\$125,584	\$266,312
e) Recommended Maximum Plan Deposit - Net Normal Cost plus 10-year amortization of UAL.				
i. Maximum Amortization	\$0	\$154,455	\$97,635	\$252,091
ii. Interest* to Year End	\$0	\$21,500	\$17,609	\$39,109
iii. Maximum Deposit**	\$0	\$289,391	\$240,829	\$530,219
f) Recommended Minimum Plan Deposit - Net Normal Cost plus 30-year amortization of UAL.				
i. Minimum Amortization	\$0	\$117,114	\$80,489	\$197,604
ii. Interest* to Year End	\$0	\$18,886	\$16,409	\$35,295
iii. Minimum Deposit**	\$0	\$249,436	\$222,483	\$471,918
<i>Min. as % of payroll</i>	<i>0.00%</i>	<i>13.84%</i>	<i>12.93%</i>	<i>11.80%</i>

* Interest reflects full year at 7% for employer contributions less 3.5% credit for EE contributions.

** As of June 30, 2017. Budget amounts for 2017-2018 include additional interest charge.
Minimum Deposit for Highway reported as \$0 due to "full funding limitation".

TOWN OF EASTON RETIREMENT PLAN

IV. PRESENT VALUE OF ACCRUED BENEFITS - JULY 1, 2016

	Highway Union	Selectmen*	Board of Education	All Depart. Grand Total
I. Present Value of Accrued Benefits				
a. Actives				
i. Vested Employee Funded	\$471,566	\$1,213,578	\$588,505	\$2,273,649
ii. Vested Employer Funded	988,136	3,823,366	1,437,454	6,248,956
iii. Non-vested Employer Funded	0	22,381	78,794	101,175
b. Receiving Payment	1,445,928	5,668,794	1,993,572	9,108,293
c. Term Vested	296,287	378,228	204,767	879,282
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TOTAL	\$3,201,916	\$11,106,347	\$4,303,091	\$18,611,355
II. Assets - Market Value	\$3,327,565	\$9,008,188	\$3,829,309	\$16,165,062
III. Funded Ratio (II/I)	103.9%	81.1%	89.0%	86.9%
(Funded Ratio Last Year)	112.8%	87.9%	97.0%	94.3%

* Includes former Fire Dept. Retirees, Police & Highway management

Present Values based on 7% interest and RP-2014 Post Retirement Mortality (M/F)

These amounts use an assumed retirement age of 62, as opposed to age 65 for the funding calculations.

TOWN OF EASTON RETIREMENT PLAN

V. GROUP CHARACTERISTICS AND COST COMPARISONS

as of July 1, 2016

	Highway	Selectmen*	Board of Ed.**	Totals
Participants				
a. Active	7	33	42	82
b. Term Vested (a)	4	11	7	22
c. Retired	6	36	29	71
d. Totals	<u>17</u>	<u>80</u>	<u>78</u>	<u>175</u>
Average Age (actives)	47.5	56.9	52.5	53.9
Normal Retirement Age (b)	55.4	66.6	65.1	64.9
Average Past Years Service	17.6	15.1	9.7	12.5
Average Future Years Service	7.9	9.7	12.4	10.9
Total Compensation	\$478,731	\$1,801,951	\$1,720,219	\$4,000,902
Average Compensation	\$68,390	\$54,605	\$40,958	\$48,791
Gross Normal Cost (N.C.)	\$59,738	\$191,941	\$182,266	\$433,945
N.C. as % of Pay	12.5%	10.7%	10.6%	10.8%
Minimum Valuation Contribution (M.C.)	\$0	\$249,436	\$222,483	\$471,918
M.C. as % of Pay	0.0%	13.8%	12.9%	11.8%

*Includes employees formerly with Police, Hwy Management, & Fire Retirees

**Includes employees formerly with Cafeteria

(a) Represents refund of contributions for 10 terminated non-vested members, a transfer to MERF and, 11 true vested terminated participants.

(b) Normal Retirement Age reflects assumed ages. In most instances, this is age 65.

(c) Total compensation includes active and deferred active participants.

TOWN OF EASTON RETIREMENT PLAN

VI. (a) COMPARISON OF DATA FROM PREVIOUS REPORT

This section will present a comparison of various data in this report with the same items from our previous report.

	July 1, 2015	July 1, 2016
1. Participants		
a. Active	96	82
b. Term Vested*	21	22
c. Retired	62	71
d. Totals	<u>179</u>	<u>175</u>
2. Annual Compensation	\$4,177,769	\$4,000,902
3. Average Compensation	\$43,977	\$48,791
4. Average Age (actives)	53.8	53.9
5. Average Past Service	12.1	12.5
6. Accrued Pension Liability (EAN)**	\$18,317,009	\$19,516,741
7. Total Assets (Market Value)	\$16,705,436	\$16,165,062
8. Unfunded Accrued liab (GAS (6 less 7))	\$1,611,573	\$3,351,679
9. Gross Normal Cost (Entry Age)**	455,050 10.9%	433,945 10.8%
10. Minimum Valuation Contribution	\$409,886 9.8%	\$471,918 11.8%

* Represents refund of contributions for 10 terminated non-vested members, a transfer to MERF and, 11 true vested terminated participants.

** All funding figures are based on age 65 NRAs for non-Highway members.

Note percentages represent costs as a percentage of total compensation

TOWN OF EASTON RETIREMENT PLAN

VI (b). HISTORY OF PLAN CONTRIBUTIONS AND LIABILITIES

Plan Year Beginning	Participants		Compensation	Market Value Assets	Range of Contributions		(*)	Actual Contributions	
	Act. -	Other			Minimum	Maximum		Town	Employees
7/1/1986	64	14	\$945,624	\$1,253,180	\$88,832	\$130,500	(9.39%)	\$117,500	\$20,899
7/1/1991	73	33	1,588,075	2,023,877	195,388	227,926	12.30%	220,000	32,516
7/1/1996	70	43	1,918,495	4,442,412	181,653	223,045	(9.47%)	252,000	47,595
7/1/2001	94	56	2,778,270	7,597,652	163,334	179,923	(5.88%)	125,000	74,729
7/1/2005	94	74	3,101,382	9,136,909	312,971	388,480	(10.09%)	469,000	171,527
7/1/2006	98	76	3,383,482	10,393,040	281,877	357,367	(8.33%)	415,000	151,167
7/1/2007	101	79	3,653,516	12,148,662	226,574	289,343	(6.20%)	360,000	159,743
7/1/2008	106	82	3,976,756	11,594,813	443,603	506,433	(11.15%)	254,000	187,906
7/1/2009	106	84	4,192,581	9,129,252	574,604	801,346	(13.71%)	540,000	186,486
7/1/2010	105	82	4,481,699	10,177,663	573,152	799,894	(12.79%)	691,269	191,095
7/1/2011	100	89	4,167,096	12,450,507	326,051	556,626	(7.82%)	640,421	179,562
7/1/2012	103	87	4,185,068	12,333,042	504,949	739,333	(12.07%)	590,000	190,442
7/1/2013	106	93	4,370,460	14,255,507	388,096	622,506	(8.88%)	620,000	186,906
7/1/2014	99	93	4,226,506	16,724,248	360,822	403,505	(8.54%)	574,570	171,338
7/1/2015	96	93	4,177,769	16,705,436	409,886	468,187	(9.81%)	424,000	191,745
7/1/2016	82	93	4,000,902	16,165,062	471,918	530,219	(11.80%)	Unknown	

** Figures in parenthesis are Recommended Contribution as a percentage of compensation.

TOWN OF EASTON RETIREMENT

PLAN APPENDIX APENSION TRUST SUMMARY

PLAN SPONSOR:	Town of Easton, Connecticut
EFFECTIVE DATE:	January 1 1970, October 1, 1984, July 1, 1995, July 1, 2003
ANNIVERSARY DATE:	July 1 of each year
VALUATION DATE:	July 1, 2016
ENHANCED MERS:	Denoted by (EM), Enhanced MERS benefits are effective July 1, 2003 for all employee groups with the exception of the Board of Education. Board Custodians were eligible for EM benefits effective July 1, 2005.
Compensation:	Calendar year W-2 compensation.
Participation:	<p>Eligibility: Age: No minimum. Service: 1 month. The Plan is closed to new entrants (as of 2016).</p> <p>Entry Date: First day of the month coinciding with or following satisfaction of eligibility.</p>
Normal Retirement Benefit	<p>Eligibility: Earlier of 55 years of age with 10 years of service, or 25 years of service at any age. EM – years of service required for retirement is 5.</p> <p>Date Payable: First day of the month coinciding with or following satisfaction of eligibility.</p>
Previous MERS Benefits -	<p>Amount: Payable from retirement to age 62 - 2% per year of service times highest three year average compensation.</p> <p>Payable from age 62 for life - 1.1667% per year of service times Soc. Sec. Earnings Base plus 2% per year of service times highest three year average compensation less the Soc. Sec. Earnings Base.</p> <p>Soc. Sec. Earnings Base equals the average of the highest ten years of the lesser of compensation or the annual Social Security Taxable Wage Base.</p> <p>A maximum benefit of 100% of pay less Social Security PIA benefits and a minimum benefit of \$1,000 per year for Normal Retirement applies</p>

PENSION TRUST SUMMARY (Continued)

Previous MERS Benefits - COLA:	Benefits for retirees will increase at a rate determined annually by the State of Connecticut. Must be age 65 and have retired under Plan II.
Enhanced MERS Benefits - Amount:	<p>Payable from retirement to age 62 - 2% per year of service times highest three year average compensation.</p> <p>Payable from age 62 for life - 1.5% per year of service times lesser of ave. compensation or the "Yearly Breakpoint" plus 2% per year of service times final three year average compensation less the "Yearly Breakpoint".</p> <p>The Yearly Breakpoint is a tabled number that is \$73,200 for 2014, and increases 6% annually.</p> <p>A maximum benefit of 100% of pay less Social Security PIA benefits and a minimum benefit of \$1,000 per year for Normal Retirement applies</p>
	COLA: Benefits for all retirees will increase at a rate determined annually by the State of Connecticut.
Accrued Benefit:	Normal Retirement Benefit based on service to date of determination.
Vesting:	A participant shall have a right to his accrued benefit upon completion of ten years of service. Benefits are payable at age 55 or as an actuarially reduced benefit anytime after termination. Vesting under EM is five years of service.
Disability Benefits:	A participant who is disabled and has completed ten (10) years of service is eligible for an immediate disability benefit equal to his accrued benefit. In no instance will a participant's benefit be more than 100% of his compensation in effect prior to his disability, reduced by any Workers Compensation and/or Social Security Disability benefits. If a disability is determined to have occurred in the course of the participant's employment, the ten year service requirement is waived.

PENSION TRUST SUMMARY (Continued)

Employee Contributions: Members will contribute 2.25% of compensation up to the Taxable Wage Base (\$118,500 for 2016), and 5% of compensation above the Taxable Wage Base.

Enhanced MERS participants will contribute an amount based on their collectively bargained or contractual agreements. We list the different rates in Section IIIB of this report. The remainder of EM participants contribute per the original MERS rates shown above.

Contribution and Interest
Account:

Members are always 100% vested in their contribution and interest account. Interest accumulates at 5% compounded annually, with partial year interest credited in the year of termination.

THE ABOVE PROVISIONS ARE PRESENTED AS A SUMMARY ONLY. FINAL
AUTHORITY RESTS WITH THE ACTUAL PLAN DOCUMENTS ONLY.

TOWN OF EASTON RETIREMENT

PLAN APPENDIX B.

ACTUARIAL ASSUMPTIONS/METHODSFUNDING METHOD

Entry Age Normal Method – Normal cost is the sum of the individual members EA normal costs. Unfunded accrued liabilities as of July 1, 2014 will be amortized over 30 years for the minimum contribution and 10 years for the maximum contribution. Future gains and losses will be amortized over 10 years.

Through July 1, 2013, the Frozen Initial Liability was used.

VALUATION ASSETS

Market Value adjusted by 5 year recognition of actuarial gains and losses.

INTEREST ASSUMPTION

Pre & Post Retirement: 7% Compounded Annually

MORTALITY ASSUMPTION

Pre - Retirement: RP-2014 Projected with Scale MP-2015 for future years
 Post - Retirement: RP-2014 Projected with Scale MP-2015 for future years

TURNOVER

T-2 Turnover

SALARY SCALE

Salaries are assumed to increase 3% per year.

COST OF LIVING ADJUSTMENT

Where applicable, a 3% cost of living adjustment is assumed for original MERS benefits, and 2.6% for Enhanced MERS benefits.

NORMAL RETIREMENT AGE

By EE group:	General Town:	Age 65 with 10 years of service (5 years for EM participants)
	Highway Dept. & Mgmt.	Normal Retirement Date, or one year following Valuation Date if later.