

# **Belmont Contributory Retirement System**

**Actuarial Valuation and Review as of  
January 1, 2016**

The logo for Segal Consulting is a large, solid blue chevron pointing to the right. Inside the chevron, the company name "Segal Consulting" is written in white, preceded by a white stylized star icon.

✦ Segal Consulting

*January 6, 2017*

*Belmont Contributory Retirement System  
455 Concord Avenue  
Belmont, MA 02478-0900*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of January 1, 2016. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2017 and later years and analyzes the preceding two years' experience.*

*This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which our calculations were based was prepared by the staff of the Belmont. That assistance is gratefully acknowledged.*

*The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.*

*An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. We have not been retained to perform an analysis of the potential range of financial measurements, except where otherwise noted.*

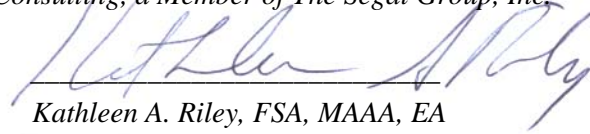
*The actuarial calculations were directed under my supervision. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in my opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.*

*We look forward to reviewing this report at your next meeting and to answering any questions.*

*Sincerely,*

*Segal Consulting, a Member of The Segal Group, Inc.*

By:



*Kathleen A. Riley, FSA, MAAA, EA  
Senior Vice President and Actuary*

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## SECTION 1: Valuation Summary for the Belmont Contributory Retirement System

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### Purpose

This report has been prepared by Segal Consulting to present a valuation of the Belmont Contributory Retirement System as of January 1, 2016. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of Massachusetts General Law, Chapter 32;
- The characteristics of covered active participants, inactive participants, and retired participants and beneficiaries as of January 1, 2016;
- The assets of the System as of December 31, 2015;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Certain disclosure information required by Governmental Accounting Standards Board Statements (GASB) Numbers 67 and 68 as of December 31, 2015 for the Belmont Contributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan, is provided in a separate report.

### Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

1. The actuarial valuation report as of January 1, 2016 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected.
2. The actuarial value of assets as of December 31, 2015 was \$91.2 million, or 102.7% of the market value of assets of \$88.8 million (as reported in the Annual Statement). As of December 31, 2013, the actuarial value of assets was 93.8% of market value. During the plan years ended December 31, 2014 and December 31, 2015, the market value rates of return were 6.71% and 1.06%, respectively. Because the actuarial value of assets gradually recognizes market value fluctuations, the actuarial rates of return for the plan years ended December 31, 2014 and December 31, 2015 were 9.85% and 7.46%, respectively.

## SECTION 1: Valuation Summary for the Belmont Contributory Retirement System

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3. The total unrecognized investment loss as of December 31, 2015 was \$2,371,274. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years, to the extent it is not offset by recognition of investment gains derived from future experience. This implies that earning the assumed rate of investment return (net of expenses) on a market value basis will result in investment losses on the actuarial value of assets in the next few years. The unrecognized investment losses are not reflected in the attached funding schedules.
4. The following actuarial assumptions were changed with this valuation:
  - The investment return assumption was lowered from 7.75% to 7.50%.
  - The mortality assumption for employees was changed from the RP-2000 Employee Mortality Table projected 27 years using Scale AA to the RP-2000 Employee Mortality Table projected generationally using Scale BB2D from 2009.
  - The mortality assumption for non-disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected 19 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009.
  - The mortality assumption for disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table set forward 3 years projected 19 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015.
  - The administrative expense assumption was increased from \$175,000 to \$290,000.
  - The allowance for net 3(8)(c) reimbursements was changed from \$200,000 for 2014, increasing 4.0% per year, to \$200,000 for 2016, increasing 3.0% per year.

Changing these assumptions resulted in a net increase in the unfunded actuarial accrued liability of \$6.7 million and a net increase in the employer normal cost of \$406,000.

5. The unfunded liability has increased from \$73.7 million as of January 1, 2014 to \$74.7 million as of January 1, 2016. The unfunded liability was expected to decrease to \$72.3 million. The increase of \$2.4 million from the expected unfunded liability is primarily due to the assumption changes described above and data changes, partially offset by salaries increasing less than expected, an investment gain on an actuarial basis and other miscellaneous experience.

## SECTION 1: Valuation Summary for the Belmont Contributory Retirement System

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6. The fiscal 2017, 2018 and 2019 appropriations have been set to the amounts in the funding schedule from the January 1, 2014 actuarial valuation, which are \$8,427,189, \$9,014,711 and \$9,643,193, respectively. The results of this valuation will first be reflected in the fiscal 2020 appropriation. The fiscal 2020 and later appropriations are calculated to increase at a uniform rate over the entire funding schedule, as shown in Chart 16. The System is expected to be fully funded by June 30, 2029, two years later than the prior funding schedule. The appropriation increases 6.97% through 2019 and then 4.45% thereafter. This will result in a total fiscal 2020 appropriation of \$10,072,315. These amounts reflect payment of the appropriation in two equal amounts on July 1 and December 31. If the appropriation is made in one payment on July 1, the amount will be lower.
7. On a market value basis, the funded ratio has decreased from 54.54% as of January 1, 2014 to 53.55% as of January 1, 2016. On an actuarial basis, the funded ratio has increased from 51.16% as of January 1, 2014 to 54.98% as of January 1, 2016.

## SECTION 1: Valuation Summary for the Belmont Contributory Retirement System

### Summary of Key Valuation Results

	2016	2014
<b>Contributions for fiscal year beginning July 1:</b>		
Recommended for fiscal 2017 and 2015	\$8,427,189	\$7,364,523
Recommended for fiscal 2018 and 2016	9,014,711	7,877,958
Recommended for fiscal 2019 and 2017	9,643,193	8,427,189
<b>Funding elements for plan year beginning January 1:</b>		
Normal cost, including administrative expenses and net 3(8)c reimbursements	\$4,167,753	\$3,665,948
Market value of assets (MVA)	88,806,012	82,305,953
Actuarial value of assets (AVA)	91,177,286	77,213,290
Actuarial accrued liability	165,850,771	150,911,920
Unfunded actuarial accrued liability	74,673,485	73,698,630
Funded ratio based on market value of assets	53.55%	54.54%
Funded ratio based on actuarial value of assets	54.98%	51.16%
<b>Demographic data for plan year beginning January 1:</b>		
Number of retired participants and beneficiaries	348	346
Number of inactive participants entitled to a return of their employee contributions	219	155
Number of inactive participants with a vested right to a deferred or immediate benefit	11	9
Number of active participants	460	458
Total payroll	\$25,031,508	\$24,186,238
Average payroll	54,416	52,808

*Notes: Payroll figures are for the prior calendar year and reflect annualized salaries for participants hired during the year.  
Salaries for AFSCME custodians were adjusted to reflect retroactive payments made in calendar 2015 for prior years.*



## SECTION 1: Valuation Summary for the Belmont Contributory Retirement System

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### Important Information About Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal Consulting (“Segal”) relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the Belmont Contributory Retirement System. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** The valuation is based on the market value of assets as of the valuation date, as provided by the Belmont Contributory Retirement System. The Belmont Contributory Retirement System uses an “actuarial value of assets” that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan’s assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

## SECTION 1: Valuation Summary for the Belmont Contributory Retirement System

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The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Belmont Contributory Retirement System. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- Sections of this report may include actuarial results that are not rounded, but that does not imply precision.
- If the Belmont Contributory Retirement System is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Belmont Contributory Retirement System should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

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### A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, inactive participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

*A historical perspective of how the participant population has changed over the past four valuations can be seen in this chart.*

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#### CHART 1

##### Participant Population: 2009 – 2015

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Year Ended December 31	Active Participants	Inactive Participants	Retired Participants and Beneficiaries	Ratio of Non-Actives to Actives
2009	425	142	343	1.14
2011	432	141	341	1.12
2013	458	164	346	1.11
2015	460	230	348	1.26

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## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

### Active Participants

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 460 active participants with an average age of 46.2, average years of service of 11.7 years and average payroll of \$54,416. The 458 active participants in the prior valuation had an average age of 46.1, average service of 11.6 years and average payroll of \$52,808.

Among the active participants, there were none with unknown age and/or service information.

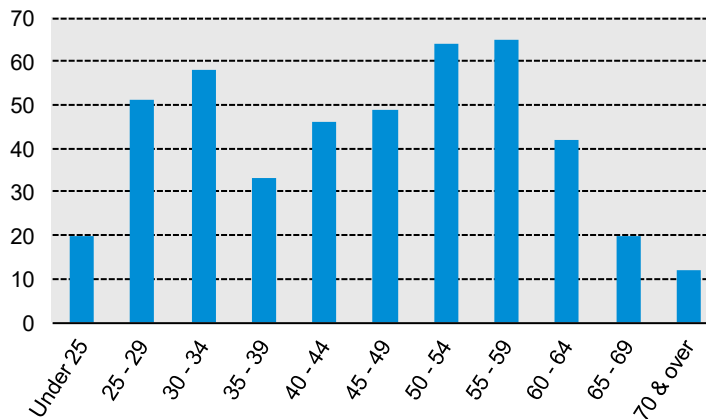
### Inactive Participants

In this year's valuation, there were 11 participants with a vested right to a deferred or immediate vested benefit and 219 participants entitled to a return of their employee contributions.

*These graphs show a distribution of active participants by age and by years of service.*

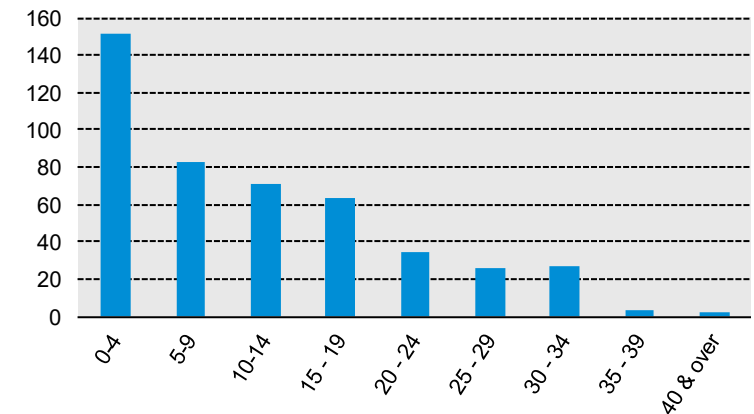
**CHART 2**

**Distribution of Active Participants by Age as of December 31, 2015**



**CHART 3**

**Distribution of Active Participants by Years of Service as of December 31, 2015**

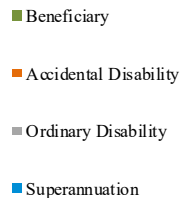


## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

### Retired Participants and Beneficiaries

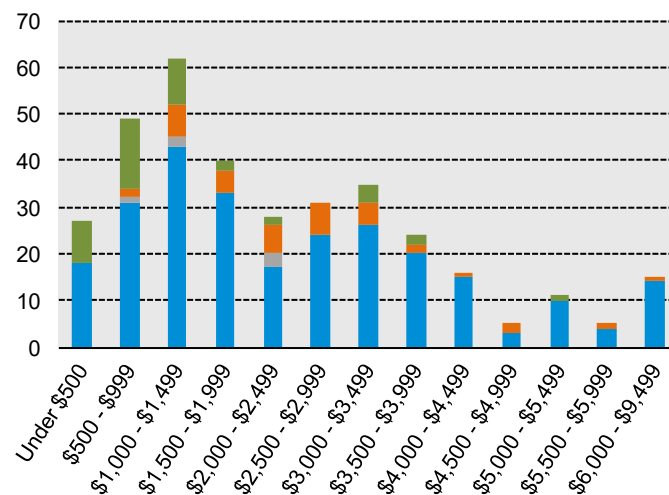
As of December 31, 2015, 303 retired participants and 45 beneficiaries were receiving total monthly benefits of \$832,787, excluding COLAs reimbursed by the Commonwealth. For comparison, in the previous valuation, there were 299 retired participants and 47 beneficiaries receiving monthly benefits of \$779,173, excluding COLAs reimbursed by the Commonwealth.

*These graphs show a distribution of the current retired participants and beneficiaries based on their monthly amount and age, by type of pension.*



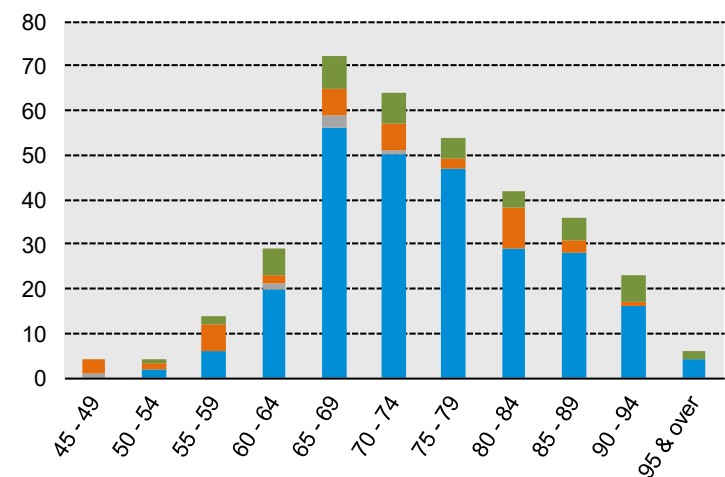
**CHART 4**

**Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of December 31, 2015**



**CHART 5**

**Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2015**



## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

### B. FINANCIAL INFORMATION

Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

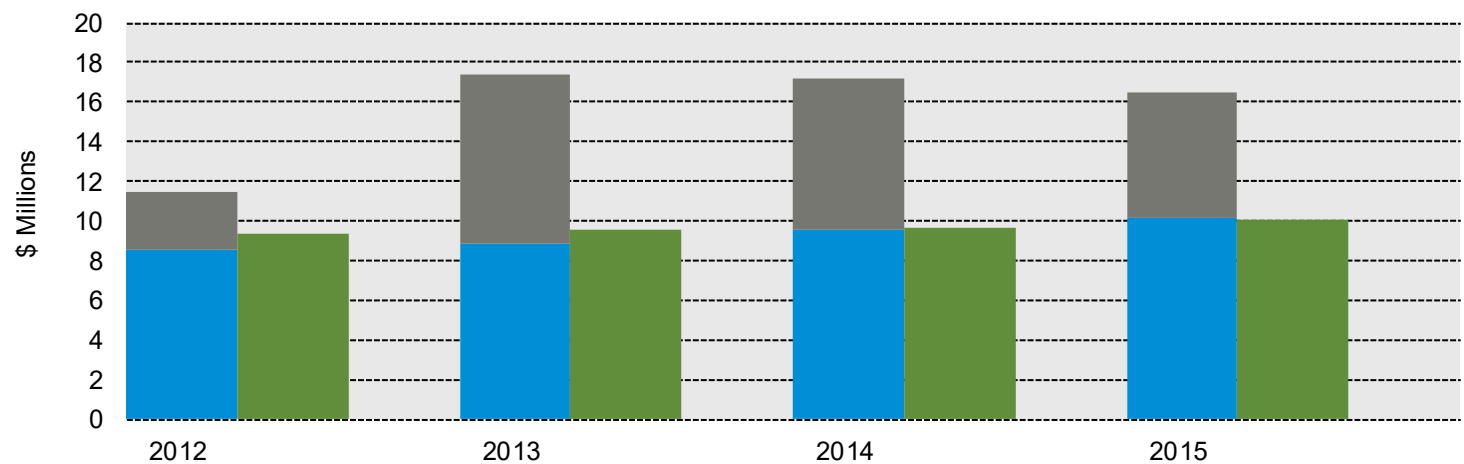
Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits C and D.

*The chart depicts the components of changes in the actuarial value of assets over the last four years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.*

- Benefits paid
- Net investment income
- Net contributions

**CHART 6**

**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended December 31, 2012 – 2015**



## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

### CHART 7 Determination of Actuarial Value of Assets

	Year Ended		
	December 31, 2015	December 31, 2014	
1. Market value of assets at the end of the year		\$88,806,012	\$87,722,297
2. Calculation of unrecognized return*	Original <u>Amount</u>	Unrecognized <u>Return</u>	Unrecognized <u>Return</u>
(a) Year ended December 31, 2015	-\$5,870,027	-\$4,696,022	
(b) Year ended December 31, 2014	-852,858	-511,715	-\$682,287
(c) Year ended December 31, 2013	5,751,229	2,300,492	3,450,738
(d) Year ended December 31, 2012	2,679,853	535,971	1,071,941
(e) Year ended December 31, 2011	-4,123,559	<u>0</u>	<u>-824,712</u>
(f) Total unrecognized return		-2,371,274	3,015,680
3. Preliminary actuarial value: (1) - (2f)		91,177,286	84,706,617
4. Adjustment to be within 20% corridor		0	0
5. Final actuarial value of assets: (3) + (4)		<u>91,177,286</u>	<u>\$84,706,617</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)		102.7%	96.6%
7. Amount deferred for future recognition: (1) - (5)		-\$2,371,274	\$3,015,680

\* Unrecognized return is the difference between the total return and the expected return on a market value basis and is recognized over a five-year period.

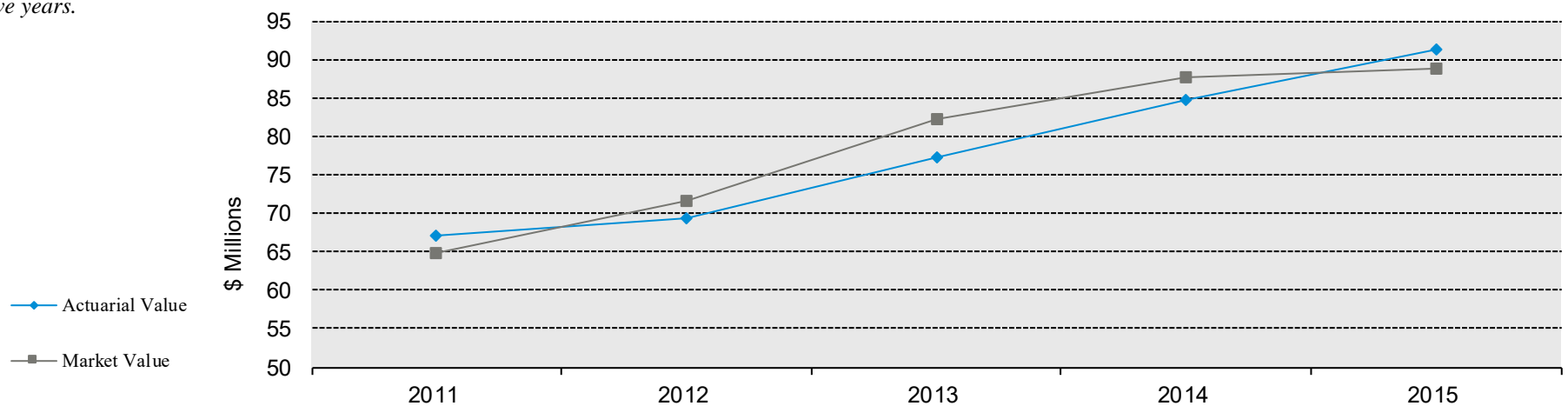
## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

Both the actuarial value and market value of assets are representations of the Belmont Contributory Retirement System's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Belmont Contributory Retirement System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

*This chart shows the change in the actuarial value of assets versus the market value over the past five years.*

**CHART 8**

**Actuarial Value of Assets vs. Market Value of Assets as of December 31, 2011 – 2015**





## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

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### C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The net experience gain over the two-year period ending December 31, 2015 is \$4,321,176. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience over the past two years.*

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### CHART 9

#### Actuarial Experience for Two-Year Period Ended December 31, 2015

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1. Net gain from investments*	\$1,369,448
2. Net gain from net 3(8)(c) reimbursements out of System and administrative expenses	49,924
3. Net gain from other experience**	<u>2,901,804</u>
4. Net experience gain: (1) + (2) + (3)	\$4,321,176

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\* Details in Chart 10

\*\* Details in Chart 13

## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

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### Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Belmont Contributory Retirement System's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets was 7.75% for 2015 and 2014. The actual rate of return on an actuarial basis for the 2015 and 2014 plan years was 7.46% and 9.85%, respectively.

Since the actual return for the two-year period was greater than the assumed return, the Belmont Contributory Retirement System experienced an actuarial gain of \$1,369,448 during the two-year period ending December 31, 2015 with regard to its investments.

*This chart shows the gain/(loss) due to investment experience.*

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### CHART 10 Actuarial Value Investment Experience

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	Year Ended	
	December 31, 2015	December 31, 2014
1. Actual return	\$6,321,197	\$7,598,751
2. Average value of assets	84,781,353	77,160,578
3. Actual rate of return: (1) ÷ (2)	7.46%	9.85%
4. Assumed rate of return	7.75%	7.75%
5. Expected return: (2) x (4)	\$6,570,555	\$5,979,945
6. Actuarial gain/(loss): (1) – (5)	<u>-\$249,358</u>	<u>\$1,618,806</u>

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## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

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Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last four years.

Based upon this experience and future expectations, we have lowered the assumed rate of return from 7.75% to 7.50%.

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

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### CHART 11

#### Investment Return – Actuarial Value vs. Market Value: 2012 - 2015

Year Ended December 31	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2012	\$2,995,512	4.49%	\$7,670,611	11.91%
2013	8,522,632	12.35	11,280,295	15.81
2014	7,598,751	9.85	5,521,768	6.71
2015	<u>6,321,197</u>	7.46	<u>934,243</u>	1.06
Total	\$25,438,092		\$25,406,917	

## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

### Administrative Expenses

Administrative expenses for the years ended December 31, 2015 and 2014 were \$154,097 and \$182,627, respectively, compared to the assumption of \$182,000 for calendar 2015 and \$175,000 for calendar 2014. This resulted in a gain of \$21,847 over the two-year period, including an adjustment for interest. Based on budgeted expenses from the System, we have increased the assumption from \$175,000 to \$290,000 for 2016.

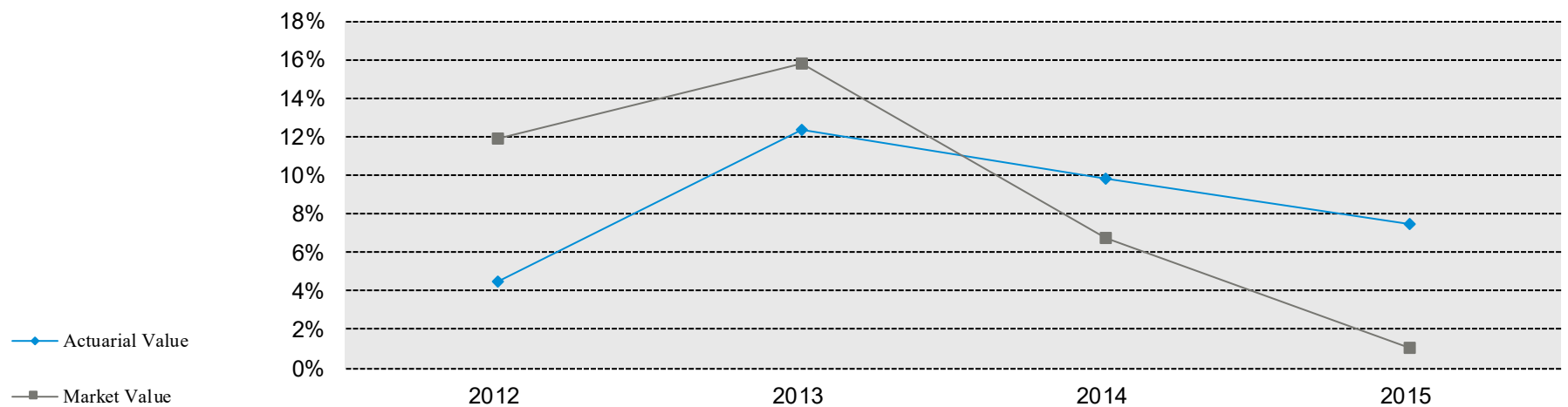
### Net 3(8)(c) Reimbursements

Net 3(8)(c) reimbursements for the years ended December 31, 2015 and 2014 were \$177,800 and \$204,142, respectively, compared with the assumption of \$208,000 and \$200,000, respectively. This resulted in a gain of \$28,077 over the two-year period, including an adjustment for interest. The net 3(8)(c) reimbursement assumption is \$200,000 for 2016 and \$206,000 for 2017.

*This chart illustrates how this leveling effect has actually worked over the years 2012 - 2015.*

**CHART 12**

**Market and Actuarial Rates of Return for Years Ended December 31, 2012 - 2015**



## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

### Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net gain from this other experience for the two-year period ending December 31, 2015 amounted to \$2,901,804, which is 1.7% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the Belmont Contributory Retirement System for the two-year period ending December 31, 2015 is shown in the chart below.

The following actuarial assumptions were changed with this valuation:

- The investment return assumption was lowered from 7.75% to 7.50%.

- The mortality assumption for employees was changed from the RP-2000 Employee Mortality Table projected 27 years using Scale AA to the RP-2000 Employee Mortality Table projected generationally using Scale BB2D from 2009.
- The mortality assumption for non-disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected 19 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009.
- The mortality assumption for disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table set forward 3 years projected 19 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015.
- The administrative expense assumption was increased from \$175,000 to \$290,000.
- The allowance for net 3(8)(c) reimbursements was changed from \$200,000 for 2014, increasing 4.0% per year, to \$200,000 for 2016, increasing 3.0% per year.

Changing these assumptions resulted in a net increase in the unfunded actuarial accrued liability of \$6.7 million and a net increase in the employer normal cost of \$406,000.

*The chart shows elements of the experience gain/(loss) for the most recent years.*

### CHART 13

#### Experience Due to Changes in Demographics for Two-Year Period Ended December 31, 2015

1. Fewer deaths than expected amongst retired members and beneficiaries	-\$71,512
2. Salary increases less than expected for continuing actives	3,607,687
3. Loss due to service adjustments for active participants	-1,187,943
4. Miscellaneous experience gain	<u>553,572</u>
5. Net gain	\$2,901,804

## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

The unfunded liability was expected to decrease from \$73.7 million as of January 1, 2014 to \$72.3 million as of January 1, 2016. The actual unfunded liability as of January 1, 2016 of \$74.7 million is \$2.4 million higher than expected as detailed in Chart 14 below.

### CHART 14

#### Development of Unfunded Actuarial Accrued Liability and (Gain)/Loss

	Year Ended	
	December 31, 2015	December 31, 2014
1. Unfunded actuarial accrued liability at beginning of year	\$73,252,360	\$73,698,630
2. Normal cost at beginning of year, including administrative assumption and allowance for net 3(8)(c) reimbursement	3,812,586	3,665,948
3. Total contributions	-10,338,934	-9,742,819
4. Interest		
(a) For whole year on (1) + (2)	\$5,972,533	\$5,995,755
(b) For half year on (3)	<u>-387,698</u>	<u>-365,154</u>
(c) Total interest	<u>5,584,835</u>	<u>5,630,601</u>
5. Expected unfunded actuarial accrued liability	\$72,310,847	\$73,252,360
6. Changes due to:		
(a) Experience gain	-\$4,321,176	--
(b) Assumption changes	<u>6,683,814</u>	--
(c) Total changes	<u>2,362,638</u>	--
7. Unfunded actuarial accrued liability at end of year	<u>\$74,673,485</u>	--

## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

### D. RECOMMENDED CONTRIBUTION

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability.

The recommended contributions for fiscal 2017, 2018 and 2019 are set to the amounts in the funding schedule from the January 1, 2014 actuarial valuation which are \$8,427,189, \$9,014,711 and \$9,643,193, respectively. The results of this valuation will first be reflected in the fiscal 2020 appropriation. The fiscal 2020 and later

appropriations are calculated to increase at a uniform rate over the entire funding schedule, as shown in Chart 16. The System is expected to be fully funded by fiscal 2029, two years later than the prior funding schedule. The appropriation increases 6.97% per year through fiscal 2019 and then 4.45% per year thereafter. This will result in a total fiscal 2020 appropriation of \$10,072,315. These amounts reflect payment of the appropriation in two equal amounts on July 1 and December 31. If the appropriation is made in one payment on July 1, the amount will be lower.

*The chart compares this valuation's recommended contribution with the prior valuation.*

**CHART 15**  
**Recommended Contribution**

	Year Beginning January 1			
	2016		2014	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$3,677,753	14.14%	\$3,290,948	13.09%
2. Administrative expenses and allowance for net 3(8)(c) payments	490,000	1.88%	375,000	1.49%
3. Expected employee contributions	<u>-2,520,966</u>	<u>-9.69%</u>	<u>-2,417,389</u>	<u>-9.61%</u>
4. Employer normal cost: (1) + (2) + (3)	\$1,646,787	6.33%	\$1,248,559	4.97%
5. Actuarial accrued liability	165,850,771		150,911,920	
6. Actuarial value of assets	<u>91,177,286</u>		<u>77,213,290</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$74,673,485		\$73,698,630	
8. Employer normal cost projected to July 1, 2016 and 2014, respectively, adjusted for timing	1,701,799	6.45%	1,297,269	5.06%
9. Projected unfunded actuarial accrued liability	77,423,117		76,501,166	
10. Payment on projected unfunded actuarial accrued liability, adjusted for timing	6,725,390	25.47%	6,067,254	23.66%
11. Total recommended contribution: (8) + (10)	<u>\$8,427,189</u>	<u>31.92%</u>	<u>\$7,364,523</u>	<u>28.72%</u>
12. Projected payroll	\$26,403,830		\$25,640,813	

*Note: Recommended contributions are assumed to be paid in two equal installments on July 1 and December 31.*

## SECTION 2: Valuation Results for the Belmont Contributory Retirement System

**CHART 16**  
**Funding Schedule**

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2002 ERI Liability	(4) Amortization of 2003 ERI Liability	(5) Amortization of Remaining Unfunded Liability	(6) Total Plan Cost: (2) + (3) + (4) + (5)	(7) Total Unfunded Actuarial Accrued Liability at Beginning of Fiscal Year	(8) Percent Increase in Total Cost
2017	\$1,701,799	\$23,032	\$76,706	\$6,625,652	\$8,427,189	\$77,423,117	-
2018	1,758,724	23,032	80,158	7,152,797	9,014,711	76,129,597	6.97%
2019	1,817,543	-	83,765	7,741,885	9,643,193	74,178,892	6.97%
2020	1,878,318	-	87,534	8,106,462	10,072,315	71,480,470	4.45%
2021	1,941,113	-	91,474	8,487,946	10,520,533	68,190,788	4.45%
2022	2,005,995	-	95,591	8,887,111	10,988,697	64,247,473	4.45%
2023	2,073,033	-	99,892	9,304,769	11,477,694	59,582,649	4.45%
2024	2,142,299	-	104,386	9,741,766	11,988,451	54,122,486	4.45%
2025	2,213,866	-	109,085	10,198,987	12,521,937	47,786,711	4.45%
2026	2,287,810	-	-	10,791,353	13,079,163	40,488,087	4.45%
2027	2,364,210	-	-	11,296,976	13,661,186	32,131,847	4.45%
2028	2,443,147	-	-	11,825,962	14,269,109	22,615,083	4.45%
2029	2,524,704	-	-	12,041,853	14,566,557	11,826,091	2.08%
2030	2,608,969	-	-	-	2,608,969	-	-82.09%

*Notes: Contributions for fiscal years 2017, 2018, and 2019 are based on the prior funding schedule.*

*Recommended contributions are assumed to be paid in two equal installments on July 1 and December 31.*

*Item (2) reflects 3.0% growth in payroll as well as a 0.15% adjustment to total normal cost to reflect the effects of mortality improvement due to generational mortality assumption.*

*Projected normal cost does not reflect the future impact of pension reform for future hires.*

*Item (4) increases at 4.50%.*

*Projected unfunded actuarial accrued liability does not reflect deferred investment losses.*



### SECTION 3: Supplemental Information for the Belmont Contributory Retirement System

#### EXHIBIT A

#### Table of Plan Coverage

Category	Year Ended December 31		Change From Prior Year
	2015	2013	
Active participants in valuation:			
Number	460	458	0.4%
Average age	46.2	46.1	N/A
Average years of service	11.7	11.6	N/A
Total payroll	\$25,031,058	\$24,186,238	3.5%
Average payroll	54,416	52,808	3.0%
Member contributions	23,937,610	22,005,538	8.8%
Inactive participants entitled to a return of their employee contributions	219	155	41.3%
Inactive participants with a vested right to a deferred or immediate benefit	11	9	22.2%
Retired participants:			
Number in pay status	258	254	1.6%
Average age	74.9	74.7	N/A
Average monthly benefit	\$2,556	\$2,400	6.5%
Disabled participants:			
Number in pay status	45	45	0.0%
Average age	69.2	68.3	N/A
Average monthly benefit	\$2,504	\$2,428	3.1%
Beneficiaries in pay status:			
Number in pay status	45	47	-4.3%
Average age	75.3	74.2	-N/A
Average monthly benefit	\$1,347	\$1,283	5.0%

Notes: Payroll figures are for the prior calendar year and reflect annualized salaries for participants hired during the year.  
Salaries for AFSCME custodians were adjusted to reflect retroactive payments made in calendar 2015 for prior years.

### SECTION 3: Supplemental Information for the Belmont Contributory Retirement System

#### EXHIBIT B

#### Participants in Active Service as of December 31, 2015 By Age, Years of Service, and Average Payroll

Age	Years of Service									
	Total	0-4	5-9	10-14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40 & over
Under 25	20	20	--	--	--	--	--	--	--	--
	\$25,801	\$25,801	--	--	--	--	--	--	--	--
25 - 29	51	43	7	1	--	--	--	--	--	--
	\$42,453	\$40,331	\$47,032	\$101,628	--	--	--	--	--	--
30 - 34	58	26	25	6	1	--	--	--	--	--
	\$52,225	\$43,599	\$56,836	\$70,764	\$49,979	--	--	--	--	--
35 - 39	33	15	7	10	1	--	--	--	--	--
	\$55,784	\$50,867	\$49,302	\$67,594	\$56,819	--	--	--	--	--
40 - 44	46	15	4	15	8	4	--	--	--	--
	\$56,815	\$54,622	\$32,911	\$52,520	\$75,874	\$66,928	--	--	--	--
45 - 49	49	11	6	8	10	8	6	--	--	--
	\$65,321	\$33,703	\$46,923	\$64,515	\$85,499	\$91,677	\$73,992	--	--	--
50 - 54	64	9	14	8	6	6	7	14	--	--
	\$68,437	\$43,202	\$56,359	\$50,274	\$60,672	\$87,050	\$79,305	\$97,036	--	--
55 - 59	65	8	11	6	21	4	8	6	1	--
	\$57,242	\$33,276	\$38,059	\$54,018	\$58,016	\$80,663	\$70,816	\$81,655	\$114,328	--
60 - 64	42	3	6	7	11	8	2	4	--	1
	\$53,845	\$47,239	\$44,134	\$50,561	\$50,223	\$45,643	\$62,504	\$75,570	--	\$156,166
65 - 69	20	--	3	5	5	2	3	2	--	--
	\$37,884	--	\$32,274	\$23,640	\$45,895	\$39,570	\$57,512	\$30,758	--	--
70 & over	12	1	--	5	--	2	--	1	2	1
	\$45,529	\$19,256	--	\$47,471	--	\$17,763	--	\$41,054	\$69,907	\$73,340
Total	460	151	83	71	63	34	26	27	3	2
	\$54,416	\$40,748	\$49,129	\$55,519	\$62,430	\$68,408	\$71,660	\$83,455	\$84,714	\$114,753

**SECTION 3: Supplemental Information for the Belmont Contributory Retirement System**

**EXHIBIT C**

**Summary Statement of Income and Expenses on an Actuarial Value Basis**

	<b>Year Ended December 31, 2015</b>	<b>Year Ended December 31, 2014</b>
<b>Net assets at actuarial value at the beginning of the year</b>	\$84,706,617	\$77,213,290
<b>Contribution income:</b>		
Employer contributions	\$7,877,960	\$7,364,523
Employee contributions	2,460,974	2,378,296
Less administrative expenses	<u>-154,097</u>	<u>-182,627</u>
Net contribution income	10,184,837	9,560,192
<b>Net investment income</b>	<u>6,321,197</u>	<u>7,598,751</u>
<b>Total income available for benefits</b>	\$16,506,034	\$17,158,943
<b>Less benefit payments:</b>		
Pensions	-\$9,876,184	-\$9,574,476
Net 3(8)(c) reimbursements	-177,800	-204,142
Refunds, annuities, Option B refunds and net transfers	<u>18,619</u>	<u>113,002</u>
Net benefit payments	-\$10,035,365	-\$9,665,616
<b>Change in reserve for future benefits</b>	\$6,470,669	\$7,493,327
<b>Net assets at actuarial value at the end of the year</b>	\$91,177,286	\$84,706,617

**SECTION 3: Supplemental Information for the Belmont Contributory Retirement System**

**EXHIBIT D**

**Development of the Fund Through December 31, 2015**

<b>Year Ended December 31</b>	<b>Employer Contributions</b>	<b>Employee Contributions</b>	<b>Other Contributions</b>	<b>Net Investment Return*</b>	<b>Administrative Expenses</b>	<b>Benefit Payments</b>	<b>Actuarial Value of Assets at End of Year</b>
2011	\$6,183,034	\$2,042,979	\$734	N/A	\$170,279	\$9,407,715	\$67,144,549
2012	6,466,198	2,205,781	0	2,995,512	177,678	9,309,440	69,324,922
2013	6,899,432	2,173,952	0	8,522,632	179,468	9,528,180	77,213,290
2014	7,364,523	2,378,296	0	7,598,751	182,627	9,665,616	84,706,617
2015	7,877,960	2,460,974	0	6,321,197	154,097	10,035,365	91,177,286

*\* Net of investment fees.*

**SECTION 3: Supplemental Information for the Belmont Contributory Retirement System**

**EXHIBIT E**

**Table of Amortization Bases as of July 1, 2016**

Type	Annual Payment	Years Remaining	Outstanding Balance as of July 1, 2016
2002 ERI	\$23,032	2.00	\$43,660
2003 ERI	76,706	9.00	607,034
Remaining unfunded liability	<u>6,625,652</u>	13.00	<u>76,772,423</u>
Total	\$6,725,390		\$77,423,117

*Notes: Recommended contributions are assumed to be paid in two equal installments on July 1 and December 31.*

*The 2002 ERI liability is amortized in level payments.*

*The 2003 ERI payments increase 4.50% per year.*

*Payment on remaining unfunded liability reflects adjustment to set fiscal 2017 appropriation to budgeted amount.*

### SECTION 3: Supplemental Information for the Belmont Contributory Retirement System

#### Exhibit F Department Results

	Town of Belmont	Housing Authority	Light Department	Water	School	Police and Fire	Total
<b>Active members:</b>							
Number	141	7	27	11	159	115	460
Total Payroll	\$7,963,176	\$363,437	\$2,384,359	\$724,659	\$5,351,822	\$8,244,055	\$25,031,508
Average age	47.0	55.8	47.1	54.0	46.1	43.8	46.2
Average service	11.5	17.8	13.8	21.5	8.3	14.8	11.7
Average annual payroll	\$56,476	\$51,920	\$88,310	\$65,878	\$33,659	\$71,687	\$54,416
Accumulated contributions	7,247,518	468,542	2,037,571	1,023,801	3,822,720	9,337,458	23,937,610
<b>Pensioners and beneficiaries:</b>							
Number	109	4	29	14	68	124	348
Annual benefit payments	\$2,843,089	\$75,823	\$895,440	\$453,126	\$1,059,286	\$4,794,378	\$10,121,142
State funded COLA	27,284	0	10,620	12,062	15,801	61,927	127,694
Net payments (funded by Town)	2,815,805	75,823	884,820	441,064	1,043,485	4,732,451	9,993,448
Average benefit	25,833	18,956	30,511	31,505	15,345	38,165	28,717
<b>Inactive members:</b>							
Number	37	0	4	1	182	6	230
Accumulated contributions	\$593,379	\$0	\$67,644	\$16,245	\$635,816	\$259,184	\$1,572,268
<b>Appropriations by department:</b>							
Total 2017 appropriation	\$2,838,565	\$145,222	\$723,497	\$221,822	\$1,753,532	\$2,744,551	\$8,427,189
Payroll allocation of 2018 appropriation excluding ERI payments	2,834,987	129,388	848,861	257,987	1,905,314	2,934,984	8,911,521
ERI payments	76,180	27,010	0	0	0	0	103,190
Total 2018 appropriation	2,911,167	156,398	848,861	257,987	1,905,314	2,934,984	9,014,711
Payroll allocation of 2019 appropriation excluding ERI payments	3,041,104	138,795	910,577	276,744	2,043,838	3,148,370	9,559,428
ERI payments	79,608	4,157	0	0	0	0	83,765
Total 2019 appropriation	3,120,712	142,952	910,577	276,744	2,043,838	3,148,370	9,643,193

Note: Fiscal 2017, 2018 and 2019 appropriations are based on the funding schedule shown in the January 1, 2014 valuation report.

### SECTION 3: Supplemental Information for the Belmont Contributory Retirement System

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#### EXHIBIT G

#### Definitions of Pension Terms

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The following list defines certain technical terms for the convenience of the reader:

**Assumptions or actuarial assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Withdrawal rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal cost:**

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial accrued liability for actives:**

The value of all projected benefit payments for current members less the portion that will be paid by future normal costs.

**Actuarial accrued liability for pensioners:**

The single-sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

**Unfunded actuarial accrued liability:**

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There are many approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

### SECTION 3: Supplemental Information for the Belmont Contributory Retirement System

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**Amortization of the unfunded actuarial accrued liability:**

Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

**Investment return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.



## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

### EXHIBIT I

#### Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:

1. Retired participants as of the valuation date (including 45 beneficiaries in pay status)	348
2. Participants active during the year ended December 31, 2015 with total accumulated contributions of \$23,937,610 and projected 2016 payroll of \$26,016,467	460
3. Inactive participants entitled to a return of their employee contributions	219
4. Inactive participants with a vested right to a deferred or immediate benefit as of December 31, 2015	11

The actuarial factors as of January 1, 2016 are as follows:

1. Normal cost	\$3,677,753
2. Administrative expenses and allowance for net 3(8)(c) reimbursement	490,000
3. Expected employee contributions	<u>-2,520,966</u>
4. Employer normal cost: (1) + (2) + (3)	\$1,646,787
5. Actuarial accrued liability	165,850,771
Retired participants and beneficiaries	\$91,693,872
Active participants	71,332,243
Inactive participants	2,824,656
6. Actuarial value of assets (\$88,806,012 as reported in the Annual Statement)	91,177,286
7. Unfunded actuarial accrued liability: (5) – (6)	74,673,485

The actuarial factors projected to July 1, 2016 are as follows:

1. Employer normal cost projected to July 1, 2016, adjusted for timing	\$1,701,799
2. Projected unfunded actuarial liability	77,423,117
3. Payment on projected unfunded actuarial accrued liability, adjusted for timing	6,725,390
4. Recommended contribution: (1) + (3)	<u>\$8,427,189</u>
5. Projected payroll	\$26,403,830
6. Total recommended contribution as a percentage of projected payroll: (4) ÷ (5)	31.92%

*Notes: Recommended contributions are assumed to be paid in two equal installments on July 1 and December 31.  
Recommended contribution set equal to the budgeted amount determined with the previous valuation.*

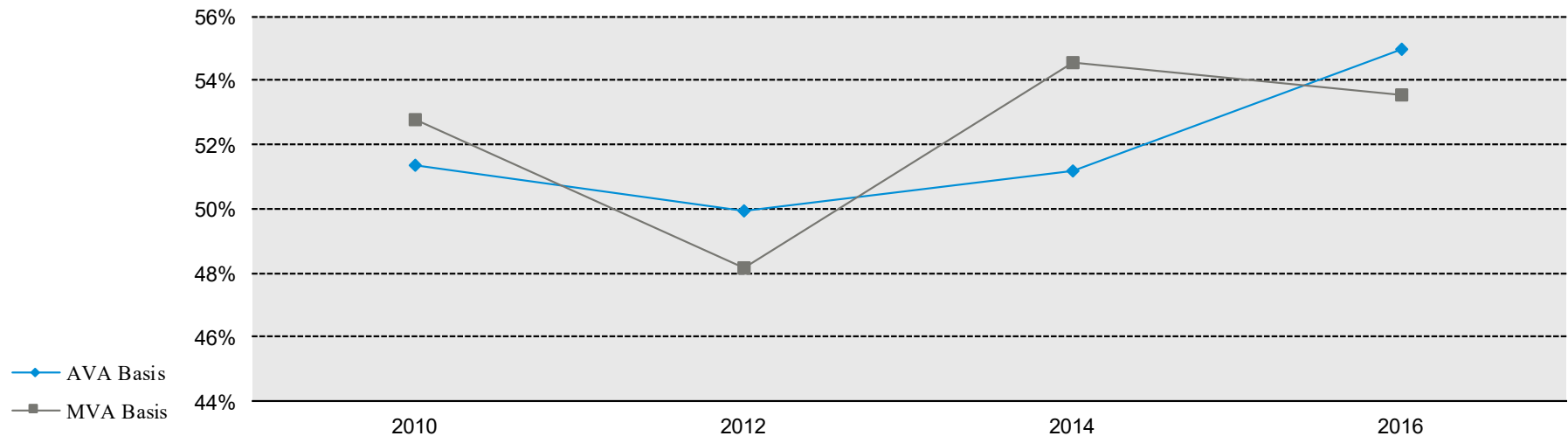
## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

### EXHIBIT II Funded Ratio

A critical piece of information regarding the System's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the System as calculated. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

These measurements are not necessarily appropriate for assessing the sufficiency of System assets to cover the estimated cost of settling the System's benefit obligation or the need for or the amount of future contributions.

On a market value basis, the funded ratio has decreased from 54.54% as of January 1, 2014 to 53.55% as of January 1, 2016. On an actuarial basis, the funded ratio has increased from 51.16% as of January 1, 2014 to 54.98% as of January 1, 2016. The chart below depicts a history of the funded ratios for this plan.



## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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### EXHIBIT III

#### Actuarial Assumptions and Actuarial Cost Method

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##### Mortality Rates:

*Pre-Retirement:* RP-2000 Employee Mortality Table projected generationally using Scale BB2D from 2009 (previously, RP-2000 Employee Mortality Table projected 27 years using Scale AA)

*Healthy Retiree:* RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009 (previously, RP-2000 Healthy Annuitant Mortality Table projected 19 years using Scale AA)

*Disabled Retiree:* RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015 (previously, RP-2000 Healthy Annuitant Mortality Table set forward 3 years projected 19 years using Scale AA)

The underlying tables with generational projection to the ages of participants as of the measurement date reasonably reflect the mortality experience of the Plan as of the measurement date based on historical and current demographic data. As part of the analysis, a comparison was made between the actual number of retiree deaths and the projected number based on the prior year's assumption. The mortality tables were then adjusted to future years using the generational projection under Scale BB2D to reflect future mortality improvement between the measurement date and those years

## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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### Termination Rates before Retirement:

#### Groups 1 and 2 - Rate (%)

##### Mortality

Age	Current		Previous		Disability
	Male	Female	Male	Female	
20	0.03	0.02	0.02	0.01	0.01
25	0.04	0.02	0.03	0.01	0.02
30	0.04	0.03	0.04	0.02	0.03
35	0.08	0.05	0.07	0.04	0.06
40	0.11	0.07	0.09	0.05	0.10
45	0.15	0.11	0.11	0.07	0.15
50	0.21	0.17	0.13	0.11	0.19
55	0.30	0.25	0.18	0.20	0.24
60	0.49	0.39	0.32	0.34	0.28

*Notes: Mortality rates shown do not reflect generational projection.*

*90% of the disability rates shown represent accidental disability.*

*20% of the accidental disabilities will die from the same cause as the disability.*

*55% of the death rates shown represent accidental death.*

## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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Group 4 - Rate (%)					
Mortality					
Age	Current		Previous		Disability
	Male	Female	Male	Female	
20	0.03	0.02	0.02	0.01	0.10
25	0.04	0.02	0.03	0.01	0.20
30	0.04	0.03	0.04	0.02	0.30
35	0.08	0.05	0.07	0.04	0.30
40	0.11	0.07	0.09	0.05	0.30
45	0.15	0.11	0.11	0.07	1.00
50	0.21	0.17	0.13	0.11	1.25
55	0.30	0.25	0.18	0.20	1.20
60	0.49	0.39	0.32	0.34	0.85

*Notes: Mortality rates shown do not reflect generational projection.*

*90% of the disability rates shown represent accidental disability.*

*60% of the accidental disabilities will die from the same cause as the disability.*

*90% of the death rates shown represent accidental death.*

#### SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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##### Withdrawal Rates:

Years of Service	Rate per year (%)		Group 4
	Groups 1 and 2	Years of Service	
0	15.0	0 – 10	1.5
1	12.0	11+	--
2	10.0		
3	9.0		
4	8.0		
5	7.6		
6	7.5		
7	6.7		
8	6.3		
9	5.9		
10	5.4		
11	5.0		
12	4.6		
13	4.1		
14	3.7		
15	3.3		
16 – 20	2.0		
21 – 29	1.0		
30+	--		

The termination rates and disability rates were based on historical and current demographic data, adjusted to reflect economic conditions of the area and estimated future experience and professional judgment. As part of the analysis, a comparison was made between the actual number of terminations and disability retirements and the projected number based on the prior year's assumption.

## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

### Retirement Rates:

Age	Rate per year (%)		Group 4
	Groups 1 and 2		
	Male	Female	
45 – 49	--	--	1.0
50 – 51	1.0	1.5	2.0
52	1.0	2.0	2.0
53	1.0	2.5	5.0
54	2.0	2.5	7.5
55	2.0	5.5	15.0
56 – 57	2.5	6.5	10.0
58	5.0	6.5	10.0
59	6.5	6.5	15.0
60	12.0	5.0	20.0
61	20.0	13.0	20.0
62	30.0	15.0	25.0
63	25.0	12.5	25.0
64	22.0	18.0	30.0
65	40.0	15.0	100.0
66 – 67	25.0	20.0	--
68	30.0	25.0	--
69	30.0	20.0	--
70	100.0	100.0	--

The retirement rates were based on historical and current demographic data, adjusted to reflect economic conditions of the area and estimated future experience and professional judgment. As part of the analysis, a comparison was made between the actual number of retirements by age and the projected number based on the prior year's assumption.

#### SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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**Retirement Age for Inactive  
Vested Participants:**

Age 60 for Group 1 and Group 2 members and age 55 for Group 4 members hired prior to April 2, 2012. For members hired April 2, 2012 or later, age 60 for Group 1 members, age 55 for Group 2 members and age 50 for Group 4 members.

The retirement age for inactive vested participants was based on historical and current demographic data, adjusted to reflect the economic conditions of the area and estimated future experience and professional judgment.

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**Unknown Data for Participants:**

Same as those exhibited by participants with similar known characteristics. If not specified, participants are assumed to be male.

**Family Composition:**

80% of participants are assumed to be married. None are assumed to have dependent children. Females are assumed to be three years younger than their spouses.

**Benefit Election:**

All participants are assumed to elect Option A. The benefit election reflects the fact that all benefit elections are actuarially equivalent.

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**Net Investment Return:**

7.5% (previously, 7.75%)

The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes, as well as the Plan's target asset allocation.

**Interest on Employee Contributions:** 3.5%



## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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### Salary Increases:

Years of Service	Group 1	Group 2	Group 4
0	6.00%	6.00%	7.00%
1	5.50%	5.50%	6.50%
2	5.50%	5.50%	6.00%
3	5.00%	5.00%	5.50%
4	5.00%	5.00%	5.00%
5	4.50%	4.50%	5.00%
6	4.50%	4.50%	4.50%
7	4.00%	4.00%	4.50%
8	4.00%	4.00%	4.25%
9+	3.75%	3.75%	4.25%

*Note: Total payroll is projected to increase at 3% per year (previously, 4%).*

The salary scale assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment.

### Administrative Expenses:

\$290,000 for calendar year 2016, increasing 3.0% per year (Previously, \$175,000 for calendar year 2014, increasing 4.0% per year).

The administrative expense assumption is based on information on expenses provided by the Retirement System.

### Allowance for Net 3(8)(c) Payments:

\$200,000 for calendar year 2016, increasing 3.0% per year, added to normal cost (Previously, \$200,000 for calendar year 2014, increasing 4.0% per year).

### 2015 Salary:

2015 salaries are equal to salaries provided in the data, except for employees hired in 2015 for whom salaries were annualized. Salaries for AFSCME custodians were adjusted to reflect retroactive payments made in calendar 2015 for prior years.

### Total Service:

Total creditable service reported in the data.

## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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<b>Actuarial Value of Assets:</b>	Market value of assets as reported in the System's Annual Statement less unrecognized return in each of the last five years. Unrecognized return is equal to the difference between the actual market value return and the expected market value return and is recognized at 20% per year over a five-year period, further adjusted, if necessary, to be within 20% of the market value. Market value of assets as reported in the Annual Statement.
<b>Actuarial Cost Method:</b>	Entry Age Normal Actuarial Cost Method. Entry Age is the age of the participant less total creditable service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary. Normal Cost is determined by using the plan of benefits applicable to each participant.
<b>Justification for Changes in Assumptions:</b>	<p>Based on past experience and future expectations the following assumptions were changed:</p> <ul style="list-style-type: none"><li>➤ The investment return assumption was lowered from 7.75% to 7.50%.</li><li>➤ The mortality assumption for employees was changed from the RP-2000 Employee Mortality Table projected 27 years using Scale AA to the RP-2000 Employee Mortality Table projected generationally using Scale BB2D from 2009.</li><li>➤ The mortality assumption for non-disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table projected 19 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2009.</li><li>➤ The mortality assumption for disabled retirees was changed from the RP-2000 Healthy Annuitant Mortality Table set forward 3 years projected 19 years using Scale AA to the RP-2000 Healthy Annuitant Mortality Table projected generationally using Scale BB2D from 2015.</li><li>➤ The administrative expense assumption was increased from \$175,000, increasing 4.0% per year to \$290,000, increasing 3.0% per year.</li><li>➤ The allowance for net 3(8)(c) reimbursements was changed from \$200,000 for 2014, increasing 4.0% per year, to \$200,000 for 2016, increasing 3.0% per year.</li></ul>

## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

### EXHIBIT IV

#### Summary of Plan Provisions

This exhibit summarizes the major provisions of Chapter 32 of the Laws of Massachusetts.

**Plan Year:** January 1 – December 31

#### Retirement Benefits

Employees covered by the Contributory Retirement Law are classified into one of four groups depending on job classification. Group 1 comprises most positions in state and local government. It is the general category of public employees. Group 4 comprises mainly police and firefighters. Group 2 is for other specified hazardous occupations. (Officers and inspectors of the State Police are classified as Group 3.)

For employees hired prior to April 2, 2012, the annual amount of the retirement allowance is based on the member's final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the following table based on the age of the member at retirement:

#### Age Last Birthday at Date of Retirement

Percent	Group 1	Group 2	Group 4
2.5	65 or over	60 or over	55 or over
2.4	64	59	54
2.3	63	58	53
2.2	62	57	52
2.1	61	56	51
2.0	60	55	50
1.9	59	--	49
1.8	58	--	48
1.7	57	--	47
1.6	56	--	46
1.5	55	--	45

A member's final three-year average salary is defined as the greater of the highest consecutive three-year average annual rate of regular compensation and the average

## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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annual rate of regular compensation received during the last three years of creditable service prior to retirement.

For employees hired on April 2, 2012 or later, the annual amount of the retirement allowance is based on the member's final five-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the following tables based on the age and years of creditable service of the member at retirement:

**For members with less than 30 years of creditable service:**

**Age Last Birthday at Date of Retirement**

Percent	Group 1	Group 2	Group 4
2.50	67 or over	62 or over	57 or over
2.35	66	61	56
2.20	65	60	55
2.05	64	59	54
1.90	63	58	53
1.75	62	57	52
1.60	61	56	51
1.45	60	55	50

**For members with 30 years of creditable service or greater:**

**Age Last Birthday at Date of Retirement**

Percent	Group 1	Group 2	Group 4
2.500	67 or over	62 or over	57 or over
2.375	66	61	56
2.250	65	60	55
2.125	64	59	54
2.000	63	58	53
1.875	62	57	52
1.750	61	56	51
1.625	60	55	50

A member's final five-year average salary is defined as the greater of the highest consecutive five-year average annual rate of regular compensation and the average

## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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annual rate of regular compensation received during the last five years of creditable service prior to retirement.

For employees who became members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation for members who retire after April 2, 2012 will be limited to prohibit “spiking” of a member’s salary to increase the retirement benefit.

For all employees, the maximum annual amount of the retirement allowance is 80 percent of the member’s final average salary. Any member who is a veteran also receives an additional yearly retirement allowance of \$15 per year of creditable service, not exceeding \$300. The veteran allowance is paid in addition to the 80 percent maximum.

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### Employee Contributions

<u>Date of Hire</u>	<u>Contribution Rate</u>
Prior to January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 onward	9%

In addition, employees hired after December 31, 1978 contribute an additional 2 percent of salary in excess of \$30,000.

Employees hired after 1983 who voluntarily withdraw their contributions with less than 10 ten years of credited service receive 3% interest on their contributions.

Employees in Group 1 hired on or after April 2, 2012 with 30 years of creditable service or greater will pay a base contribution rate of 6%.

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### Retirement Benefits (Superannuation)

Members of Group 1, 2 or 4 hired prior to April 2, 2012 may retire upon the attainment of age 55. For retirement at ages below 55, twenty years of creditable service is required.

Members hired prior to April 2, 2012 who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment

## **SECTION 4: Reporting Information for the Belmont Contributory Retirement System**

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of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Members of Group 1 hired April 2, 2012 or later may retire upon the attainment of age 60. Members of Group 2 or 4 hired April 2, 2012 or later may retire upon the attainment of age 55. Members of Group 4 may retire upon attainment of age 50 with ten years of creditable service.

Members hired April 2, 2012 or later who terminate before age 55 (60 for members of Group 1) with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (60 for members of Group 1) provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System.

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### **Ordinary Disability Benefits**

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be determined as if the member retired for superannuation at age 55 (age 60 for Group 1 members hired on or after April 2, 2012), based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

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### **Accidental Disability Benefit**

For a job-connected disability, the benefit is 72 percent of the member's most recent annual pay plus an annuity based on his or her own contributions, plus additional amounts for surviving children. Benefits are capped at 75 percent of annual rate of regular compensation for employees who become members after January 1, 1988.

## SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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### Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid equal to the amount the employee would have received under Option C. The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$250 per month, and there are additional amounts for surviving children.

If an employee's death is job-connected, the spouse will receive 72 percent of the member's most recent annual pay, in addition to a refund of the member's accumulated deductions, plus additional amounts for surviving children. However, in accordance with Section 100 of Chapter 32, the surviving spouse of a police officer, firefighter or corrections officer is killed in the line of duty will be eligible to receive an annual benefit equal to the maximum salary held by the member at the time of death.

Upon the death of a job-connected disability retiree who retired prior to November 7, 1996 and could not elect an Option C benefit, a surviving spouse will receive an allowance of \$6,000 per year if the member dies for a reason unrelated to cause of disability.

### "Heart And Lung Law" And Cancer Presumption

Any case of hypertension or heart disease resulting in total or partial disability or death to a uniformed fireman, permanent member of a police department, or certain employees of a county correctional facility is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. Any case of disease of the lungs or respiratory tract resulting in total disability or death to a uniformed fireman is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. There is an additional presumption for uniformed firemen that certain types of cancer are job-related if onset occurs while actively employed or within five years of retirement.

#### SECTION 4: Reporting Information for the Belmont Contributory Retirement System

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##### Options

Members may elect to receive a full retirement allowance payable for life under Option A. Under Option B a member may elect to receive a lower monthly allowance in exchange for a guarantee that at the time of death any contributions not expended for annuity payments will be refunded to the beneficiary. Option C allows the member to take a lesser retirement allowance in exchange for providing a survivor with two-thirds of the lesser amount. Option C pensioners will have benefits converted from a reduced to a full retirement if the beneficiary predeceases the retiree.

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##### Post-Retirement Benefits

The Board has adopted the provisions of Section 51 of Chapter 127 of the Acts of 1999, which provide that the Retirement Board may approve an annual COLA in excess of the Consumer Price Index but not to exceed a 3% COLA on the first \$12,000 of a retirement allowance. Cost-of-living increases granted prior to July 1, 1998 are reimbursed by the Commonwealth and not reflected in this report.

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##### Changes in Plan Provisions

None.

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