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December 23, 2013

Ms. Donna Mitchell
Controller/Treasurer
City of Dover
5 E. Reed Street
Weyandt Hall, Suite 300
Dover, DE 19901

Re: Interim Valuation Reports for Fiscal Year Ending June 30, 2014

Dear Donna:

Enclosed are the results of the interim actuarial valuations for the General Employee Pension Plan, Police Pension Plan and the Other Postemployment Benefit (OPEB) Plan for the fiscal year ending June 30, 2014 for the City of Dover, Delaware. These results are based on our understanding of the funding policy of the City and provide the necessary financial statement information in accordance with GASB 27 and 45.

This analysis does not reflect the new accounting standards for pension plans, GASB Statements 67 and 68. These new standards will replace GASB Statements 25 and 27. At this point, there is no change to GASB 43 and 45 for retiree medical plans. GASB 67 is effective for fiscal years beginning after June 15, 2013, which is the fiscal year ending June 30, 2014 for the City of Dover. In the coming months, we will provide information on the new disclosures.

The results for each of the plans are based on projecting the liabilities from the July 1, 2012 actuarial valuations for one year using a roll-forward method, assuming no liability gains or losses. The normal cost rate was assumed to remain unchanged at 4.60% for the General Employee Pension Plan.

In addition, for purposes of the GASB 45 accounting liabilities, the liabilities reflect a change in the discount rate from 5.25% to 5.60% to reflect the fact that the fiscal year ending June 30, 2014 is the sixth year of the City's 10-year phase-in to full funding the Annual Required Contribution.

Actual asset experience during the year ending June 30, 2013 was reflected and for the General Employee Pension Plan, the actuarial value of assets was developed in accordance with the asset valuation method. For purposes of allocating assets among

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the different internal funds of the City (General Fund, Water Fund, and Electric Fund), we have modified the method used for the General Employee Pension Plan to be consistent with the method utilized for the OPEB plan. For the OPEB plan, assets by Fund were developed based on contributions, disbursements and investment income attributed to each internal fund during the fiscal year ending June 30, 2013. This same approach was used for the General Employee Pension Plan due to the large disparity of contributions made by each Fund. Previously, assets in the General Employee Pension Plan, was allocated such that the funded ratio for each of the funds was set to the funded ratio for the plan in total.

The attached exhibits display the results for each of the plans.

This analysis is based on the census data, plan provisions and actuarial assumptions and methods used in the July 1, 2012 Actuarial Valuations, except as noted above, dated July 12, 2013 for the OPEB plan and January 10, 2013 for the pension plans. Please refer to these reports for more information.

Future actuarial measurements may differ significantly from the current measurements presented in this analysis due to actual plan experience deviating from the actuarial assumptions, and changes in plan provisions, actuarial assumptions, and applicable law. An assessment of the potential range and cost effect of such differences is beyond the scope of this analysis.

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The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

Ms. Donna Mitchell
December 23, 2013
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I am a member of the American Academy of Actuaries and meet its qualification standards to render this actuarial opinion.

Sincerely,



Scott Porter, FSA

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CC: Beth Lehman – SB Company, LLC 200 International Circle, Suite 5500 Hunt Valley, Maryland 21030

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CITY OF DOVER, DELAWARE

Interim Actuarial Valuation

FISCAL YEAR ENDING JUNE 30, 2014

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CITY OF DOVER, DELAWARE

**Police Pension Plan
Interim Actuarial Valuation**

FISCAL YEAR ENDING JUNE 30, 2014

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CITY OF DOVER, DELAWARE

Police Pension Plan Actuarial Valuation

Market Value of Assets as of June 30, 2013

Assets		
Operating Account	(\$3)	
Cash equivalents	830,066	
Mutual Funds	<u>10,205,143</u>	
Total		\$11,035,206
Liabilities		
Accounts payable	<u>-</u>	
Total		<u>-</u>
Net Assets		\$11,035,206

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CITY OF DOVER, DELAWARE

Police Pension Plan Actuarial Valuation

Change in Market Value of Assets

Market Value of Assets as of June 30, 2012		\$10,687,727
Income		
City's contributions	495,000	
State contributions and other income	579,599	
Net Investment income	<u>792,743</u>	
Total		1,867,342
Disbursements		
Benefit payments	(1,514,334)	
Administrative Expenses	<u>(5,529)</u>	
Total		<u>(1,519,863)</u>
Net increase/ (decrease)		347,479
Market Value of Assets as of June 30, 2013		\$11,035,206
Estimated rate of return		7.77%

Estimated Historical Rates of Return

<u>Fiscal Year Ending</u>	<u>Market Value</u>
June 30, 2013	7.77%
June 30, 2012	-0.32%
June 30, 2011	20.88%
June 30, 2010	12.21%
June 30, 2009	-13.21%
5 - Year Average	4.81%

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CITY OF DOVER, DELAWARE

Police Pension Plan Actuarial Valuation

Annual Required Contribution For Fiscal Year Ending June 30, 2014

	(110) General <u>Fund</u>	(412) Water <u>Fund</u>	(480) Electric <u>Fund</u>	<u>Total</u>
Actuarial Accrued Liability	\$19,697,000	\$0	\$0	\$19,697,000
Market Value of Assets	<u>11,035,206</u>	<u>-</u>	<u>-</u>	<u>11,035,206</u>
Unfunded Liability	8,661,794	-	-	8,661,794
Normal Cost	\$0	\$0	\$0	\$0
Amortization Payment	1,079,542	-	-	1,079,542
Interest at 7.00%	<u>75,568</u>	<u>-</u>	<u>-</u>	<u>75,568</u>
Annual Required Contribution	1,155,110	-	-	1,155,110

Annual Pension Cost For Fiscal Year Ending June 30, 2014

Net Pension Obligation/(Asset) BOY	(\$106,065)	\$0	\$0	(\$106,065)
Annual Required Contribution	1,155,110	-	-	1,155,110
Interest on Net Pension Obligation	(7,425)	-	-	(7,425)
Adjustment to ARC	<u>14,145</u>	<u>-</u>	<u>-</u>	<u>14,145</u>
Annual Pension Cost	1,161,830	-	-	1,161,830

The ARC is based on a discount rate of 7% and a 11-year amortization (closed) of the unfunded liability.

CITY OF DOVER, DELAWARE

Police Pension Plan Actuarial Valuation

Estimated Pension Obligation as of June 30, 2014

	(110) General <u>Fund</u>	(412) Water <u>Fund</u>	(480) Electric <u>Fund</u>	<u>Total</u>
Net Pension Obligation BOY	(\$106,065)	\$0	\$0	(\$106,065)
Annual Pension Cost	1,161,830	-	-	1,161,830
Estimated Contributions	<u>1,155,110</u>	<u>-</u>	<u>-</u>	<u>1,155,110</u>
Expense Difference	6,720	-	-	6,720
Estimated Net Pension Obligation EOY	(99,345)	-	-	(99,345)

The estimated Net Pension Obligation as of June 30, 2014 assumes contributions will equal the ARC for the year.

Final Net Pension Obligation as of June 30, 2013

	(110) General <u>Fund</u>	(412) Water <u>Fund</u>	(480) Electric <u>Fund</u>	<u>Total</u>
Net Pension Obligation BOY	(\$198,350)	\$0	\$0	(\$198,350)
Annual Pension Cost	1,166,884	-	-	1,166,884
Actual Contributions	<u>1,074,599</u>	<u>-</u>	<u>-</u>	<u>1,074,599</u>
Expense Difference	92,285	-	-	92,285
Net Pension Obligation EOY	(106,065)	-	-	(106,065)

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CITY OF DOVER, DELAWARE

Police Pension Plan Actuarial Valuation

Schedule of Funding Progress

<u>Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAL as a % of Covered Payroll</u>
7/1/2012	\$10,687,727	\$19,867,849	\$9,180,122	53.8%	\$0	N/A
7/1/2010	10,378,602	19,849,553	9,470,951	52.3%	0	N/A
7/1/2009	10,188,899	17,651,507	7,462,608	57.7%	0	N/A
7/1/2008	12,500,717	17,615,785	5,115,068	71.0%	0	N/A
7/1/2007	13,950,322	17,589,169	3,638,847	79.3%	0	N/A
7/1/2006	12,471,057	17,532,104	5,061,047	71.1%	0	N/A

Schedule of Employer Contributions

<u>Fiscal Year End</u>	<u>Annual Pension Cost</u>	<u>Percentage Contributed</u>	<u>NPO (Asset) EOY</u>
6/30/2014 *	\$1,161,830	99.4%	(\$99,345)
6/30/2013	1,166,884	92.1%	(106,065)
6/30/2012	1,005,735	66.4%	(198,350)

<u>Fiscal Year End</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
6/30/2014 *	\$1,155,110	100.0%
6/30/2013	1,155,796	93.0%
6/30/2012	979,132	68.3%
6/30/2011	1,082,956	58.5%
6/30/2010	786,436	63.1%
6/30/2009	520,505	139.4%

* Contributions for fiscal year 2014 are estimated to equal the ARC for the year.

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