Gabriel Roeder Smith & Company
Consultants & Actuaries

CITY OF FAIRFAX RETIREMENT PLAN FOR PUBLIC SAFETY EMPLOYEES

GASB STATEMENT NOS. 67 AND 68 ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

JUNE 30, 2016

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

One Towne Square
Suite 800
Southfield, MI 48076-3723

248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

November 11, 2016

Administrative Committee
City of Fairfax Retirement Plan for Public Safety Employees

Dear Ladies and Gentlemen:

This report provides accounting and financial reporting information that is intended to comply with the Governmental Accounting Standards Board (GASB) Statement Nos. 67 and 68 for the City of Fairfax Retirement Plan for Public Safety Employees ("the City"). These calculations have been made on a basis that is consistent with our understanding of these Statements.

GASB Statement No. 67 is the accounting standard that applies to the stand-alone financial reports issued by retirement systems. GASB Statement No. 68 establishes accounting and financial reporting for state and local government employers who provide their employees (including former employees) pension benefits through a trust.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB Statement Nos. 67 and 68. The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. The calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than the City of Fairfax Retirement Plan for Public Safety Employees ("the City") only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

This report is based upon information, furnished to us by the City, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

This report complements the actuarial valuation report that was provided to the City and should be considered in conjunction with that report. Please see the actuarial valuation report as of June 30, 2016 for additional discussion of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, the information contained within this report is accurate and fairly represents the actuarial position of the City of Fairfax Retirement Plan for Public Safety Employees. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

This information is intended to assist in preparation of the financial statements of the City of Fairfax Retirement Plan for Public Safety Employees. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

The signing actuaries are independent of the plan sponsor.

Brian B. Murphy, Heidi G. Barry and Shana M. Neeson are Members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

Brian B Murphy

Brian B. Murphy, FSA, EA, FCA, MAAA

Heidi G Barry

Heidi G. Barry, ASA, MAAA

Shana M Neeson

Shana M. Neeson, ASA, MAAA

BBM/HGB/SMN:ah

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SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY
AS OF JUNE 30, 2016

		2016
Actuarial Valuation Date		June 30, 2016
Measurement Date of the Net Pension Liability		June 30, 2016
Employer's Fiscal Year Ending Date (Reporting Date)		June 30, 2016
Membership		
Number of		
- Retirees and Beneficiaries		101
- Inactive, Nonretired Members		6
- Active Members		137
- Total		244
Covered Payroll^		$ 11,490,902
Net Pension Liability		
Total Pension Liability		$ 70,664,928
Plan Fiduciary Net Position		61,411,038
Net Pension Liability		$ 9,253,890
Plan Fiduciary Net Position as a Percentage of Total Pension Liability		86.90%
Net Pension Liability as a Percentage of Covered Payroll		80.53%
Development of the Single Discount Rate		
Single Discount Rate		6.75%
Long-Term Expected Rate of Investment Return		6.75%
Long-Term Municipal Bond Rate*		2.85%
Last year ending June 30 in the 2017 to 2116 projection period for which projected benefit payments are fully funded		2089
Total Pension Expense		$ 2,797,454

Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 2,041,536
Changes in assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	7,186,640	-
Total	$ 7,186,640	$ 2,041,536

**Source:* *"20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. In describing this index, the Bond Buyer notes that the bonds' average credit quality is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA. The rate shown is as of June 30, 2016, the most recent date available on or before the measurement date.*

^*Based on June 30 census data. Covered employee payroll for employer's disclosure may differ.*

DISCUSSION

Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability. Similarly, GASB Statement No. 68 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose the net pension liability, pension expense, and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report and the retirement system and/or plan sponsor will be responsible for preparing and disclosing that information to comply with these accounting standards.

Financial Statements

GASB Statement No. 68 requires state or local governments to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Paragraph 57 of GASB Statement No. 68 states, "Contributions to the pension plan from the employer subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period should be reported as a deferred outflow of resources related to pensions." The information contained in this report does not incorporate any contributions made to the City subsequent to the measurement date of June 30, 2016.

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

Pension plans that prepare their own, stand-alone financial statements are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 67. The *statement of fiduciary net position* presents the assets and liabilities of the pension plan at the end of the pension plan's reporting period. The *statement of changes in fiduciary net position* presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expenses, and net increase or decrease in the fiduciary net position.

Notes to Financial Statements

GASB Statement No. 68 requires the notes of the employer's financial statements to disclose the total pension expense, the pension plan's liabilities and assets, and deferred outflows and inflows of resources related to pensions.

GASB Statement Nos. 67 and 68 require the notes of the financial statements for the employers and pension plans, to include certain additional information. The list of disclosure items should include:

- a description of benefits provided by the plan;
- the type of employees and number of members covered by the pension plan;
- a description of the plan's funding policy, which includes member and employer contribution requirements;
- the pension plan's investment policies;
- the pension plan's fiduciary net position, net pension liability, and the pension plan's fiduciary net position as a percentage of the total pension liability;
- the net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes;
- significant assumptions and methods used to calculate the total pension liability;
- inputs to the discount rates; and
- certain information about mortality assumptions and the dates of experience studies.

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with GASB Statement No. 67. This information includes:

- the composition of the pension plan's Board and the authority under which benefit terms may be amended;
- a description of how fair value is determined;
- information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- annual money-weighted rate of return.

Required Supplementary Information

GASB Statement No. 67 requires a 10-year fiscal history of:

- sources of changes in the net pension liability;
- information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll; and
- a comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

General Implications of Contribution Allocation Procedure or Funding Policy on Future Expected Plan Contributions and Funded Status

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 6.75% on the actuarial value of assets), then the following outcomes are expected:

1. The employer normal cost as a percentage of pay will decrease to the level of the current new entrants (i.e. members hired after July 1, 2014) normal cost as time passes and the majority of the active population is comprised of members hired after this date;
2. A small unfunded liability will remain for an extended period;
3. The unfunded liability is not expected to be fully amortized during the lifetimes of current members; and
4. The funded status of the plan is expected to increase gradually towards a 100% funded ratio.

This funding policy results in an expected crossover date in 2089 and a GASB single discount rate of 6.75%. The projections in this report are strictly for the purpose of determining the GASB single discount rate and are different from a funding projection for the ongoing plan.

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. The net pension liability and pension expense should be measured as of the pension plan's fiscal year end (measurement date) on a date that is within the employer's prior fiscal year. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of June 30, 2016 and a measurement date of June 30, 2016.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Bond Buyer Index) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 2.85% (based on the weekly rate closest to but not later than the measurement date of the "20-Bond GO Index" rate from the Bond Buyer Index); and the resulting Single Discount Rate is 6.75%.

SECTION B

FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Fairfax Retirement Plan for Public Safety Employees. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

PENSION EXPENSE UNDER GASB STATEMENT NO. 68
FISCAL YEAR ENDED JUNE 30, 2016

A. Expense

1. Service Cost	$	1,660,398
2. Interest on the Total Pension Liability		4,608,292
3. Current-Period Benefit Changes		-
4. Employee Contributions (made negative for addition here)		(777,157)
5. Projected Earnings on Plan Investments (made negative for addition here)		(4,265,948)
6. Pension Plan Administrative Expense		-
7. Other Changes in Plan Fiduciary Net Position		(32,681)
8. Recognition of Outflow (Inflow) of Resources due to Liabilities		(444,360)
9. Recognition of Outflow (Inflow) of Resources due to Assets		2,048,910
10. Total Pension Expense	**$**	**2,797,454**

STATEMENT OF OUTFLOWS AND INFLOWS ARISING FROM THE CURRENT REPORTING PERIOD

FISCAL YEAR ENDED JUNE 30, 2016

A. Outflows (Inflows) of Resources due to Liabilities		
1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	$	(1,105,294)
2. Assumption Changes (gains) or losses	$	-
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}		6.0579
4. Outflow (Inflow) of Resources to be recognized in the current pension expense for the difference between expected and actual experience of the Total Pension Liability	$	(182,455)
5. Outflow (Inflow) of Resources to be recognized in the current pension expense for Assumption Changes	$	-
6. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Liabilities	$	(182,455)
7. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for the difference between expected and actual experience of the Total Pension Liability	$	(922,839)
8. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for Assumption Changes	$	-
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Liabilities	$	(922,839)
B. Outflows (Inflows) of Resources due to Assets		
1. Net difference between projected and actual earnings on pension plan investments (gains) or losses	$	5,199,537
2. Recognition period for Assets {in years}		5.0000
3. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Assets	$	1,039,907
4. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets	$	4,159,630

STATEMENT OF OUTFLOWS AND INFLOWS ARISING FROM THE CURRENT AND PRIOR REPORTING PERIODS
FISCAL YEAR ENDED JUNE 30

A. Outflows and Inflows of Resources due to Liabilities and Assets to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Due to Liabilities	$ -	$ 444,360	$ (444,360)
2. Due to Assets	2,048,910	-	2,048,910
3. Total	$ 2,048,910	$ 444,360	$ 1,604,550

B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	$ -	$ 444,360	$ (444,360)
2. Assumption Changes	-	-	-
3. Net Difference between projected and actual earnings on pension plan investments	2,048,910	-	2,048,910
4. Total	$ 2,048,910	$ 444,360	$ 1,604,550

C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
1. Differences between expected and actual experience	$ -	$ 2,041,536	$ (2,041,536)
2. Assumption Changes	-	-	-
3. Net Difference between projected and actual earnings on pension plan investments	7,186,640	-	7,186,640
4. Total	$ 7,186,640	$ 2,041,536	$ 5,145,104

D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2017	$ 1,604,550
2018	1,604,550
2019	1,604,551
2020	595,549
2021	(253,532)
Thereafter	(10,564)
Total	$ 5,145,104

STATEMENT OF FIDUCIARY NET POSITION
AS OF JUNE 30, 2016

		2016*
Assets		
Cash and Deposits	$	-
Receivables		
Accounts Receivable - Sale of Investments	$	-
Accrued Interest and Other Dividends		-
Contributions		-
Accounts Receivable - Other		-
Total Receivables	$	-
Investments		
Money Market Fund	$	1,150,692
Common Stock		11,358,202
Mutual Funds		48,897,491
Real Estate		-
Accrued Income		4,653
Total Investments	$	61,411,038
Total Assets	$	61,411,038
Liabilities		
Payables		
Accounts Payable - Purchase of Investments	$	-
Accrued Expenses		-
Accounts Payable - Other		-
Total Liabilities	$	-
Net Position Restricted for Pensions	$	61,411,038

* *Assets by category were provided by the plan administrator in total for both the Public Safety Retirement Plan and the General Employees Retirement Plan. The numbers above were computed by prorating based on the market value of the Public Safety Plan to the total market value of both plans.*

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR YEAR ENDED JUNE 30, 2016

		2016
Additions		
Contributions		
Employer	$	1,359,471
Employee		777,157
Other		32,681
Total Contributions	$	2,169,309
Investment Income		
Net Appreciation in Fair Value of Investments	$	(1,857,545)
Interest and Dividends		1,305,329
Less Investment Expense		(381,373)
Net Investment Income	$	(933,589)
Other	$	-
Total Additions	$	1,235,720
Deductions		
Benefit payments, including refunds of employee contributions	$	3,878,524
Pension Plan Administrative Expense		-
Other		-
Total Deductions	$	3,878,524
Net Increase in Net Position	$	(2,642,804)
Net Position Restricted for Pensions		
Beginning of Year	$	64,053,842
End of Year	$	61,411,038

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Fairfax Retirement Plan for Public Safety Employees. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
FISCAL YEAR ENDED JUNE 30, 2016

A. Total pension liability		
1. Service Cost	$	1,660,398
2. Interest on the Total Pension Liability		4,608,292
3. Changes of benefit terms		-
4. Difference between expected and actual experience of the Total Pension Liability		(1,105,294)
5. Changes of assumptions		-
6. Benefit payments, including refunds of employee contributions		(3,878,524)
7. Net change in Total Pension Liability	$	1,284,872
8. Total Pension Liability – beginning		69,380,056
9. Total Pension Liability – ending	**$**	**70,664,928**
B. Plan fiduciary net position		
1. Contributions – employer	$	1,359,471
2. Contributions – employee		777,157
3. Net investment income		(933,589)
4. Benefit payments, including refunds of employee contributions		(3,878,524)
5. Pension Plan Administrative Expense		-
6. Other		32,681
7. Net change in plan fiduciary net position	$	(2,642,804)
8. Plan fiduciary net position – beginning		64,053,842
9. Plan fiduciary net position – ending	**$**	**61,411,038**
C. Net pension liability	**$**	**9,253,890**
D. Plan fiduciary net position as a percentage of the Total Pension Liability		**86.90%**
E. Covered-employee payroll*	**$**	**11,490,902**
F. Net pension liability as a percentage of covered-employee payroll		**80.53%**

* *Based on June 30 census data. Covered employee payroll for employer's disclosure may differ.*

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE EMPLOYERS' NET PENSION LIABILITY AND RELATED RATIOS

Fiscal year ending June 30,	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service Cost	$ 1,660,398	$ 1,687,952	$ 1,721,480							
Interest on the Total Pension Liability	4,608,292	4,549,584	4,482,529							
Benefit Changes	-	-	143,528							
Difference between expected and actual experience of the Total Pension Liability	(1,105,294)	(1,642,507)	(1,925,872)							
Assumption Changes	-	-	-							
Benefit Payments and Refunds	(3,878,524)	(3,544,481)	(3,278,507)							
Net Change in Total Pension Liability	1,284,872	1,050,548	1,143,158							
Total Pension Liability - Beginning	69,380,056	68,329,508	67,186,350							
Total Pension Liability - Ending (a)	$ 70,664,928	$ 69,380,056	$ 68,329,508							
Plan Fiduciary Net Position										
Employer Contributions	$ 1,359,471	$ 1,854,639	$ 1,772,644							
Employee Contributions	777,157	781,168	816,864							
Pension Plan Net Investment Income	(933,589)	(647,840)	7,567,450							
Benefit Payments and Refunds	(3,878,524)	(3,544,481)	(3,278,507)							
Pension Plan Administrative Expense	-	-	-							
Other	32,681	25,352	26,399							
Net Change in Plan Fiduciary Net Position	(2,642,804)	(1,531,162)	6,904,850							
Plan Fiduciary Net Position - Beginning	64,053,842	65,585,004	58,680,154							
Plan Fiduciary Net Position - Ending (b)	$ 61,411,038	$ 64,053,842	$ 65,585,004							
Net Pension Liability - Ending (a) - (b)	9,253,890	5,326,214	2,744,504							
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	86.90 %	92.32 %	95.98 %							
Covered-Employee Payroll*	$ 11,490,902	$ 11,474,760	$ 11,561,315							
Net Pension Liability as a Percentage of Covered-Employee Payroll	80.53 %	46.42 %	23.74 %							

Notes to Schedule:

* *Based on June 30 census data. Covered employee payroll for employer's disclosure may differ.*

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE EMPLOYERS' NET PENSION LIABILITY

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll*	Net Pension Liability as a % of Covered Payroll
2014	$68,329,508	$65,585,004	$2,744,504	95.98%	$11,561,315	23.74%
2015	69,380,056	64,053,842	5,326,214	92.32%	11,474,760	46.42%
2016	70,664,928	61,411,038	9,253,890	86.90%	11,490,902	80.53%

* *Based on June 30 census data. Covered employee payroll for employer's disclosure may differ.*

SCHEDULE OF CONTRIBUTIONS

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution*	Contribution Deficiency (Excess)	Covered Payroll**	Actuarially Determined Contribution as a % of Payroll
2014	$ 1,772,644	$ 1,772,644	$ -	$ 11,561,315	15.49%
2015	1,854,639	1,854,639	-	11,474,760	16.64%
2016	1,359,471	1,359,471	-	11,490,902	12.24%

* *We do not compute a dollar amount for the Actuarial Determined Contribution. It is our understanding that the plan contributes a percent-of-payroll corresponding to the Actuarially Determined Contribution. The amount shown in this column therefore matches the actual contributions. Contributions other than the Actuarial Determined Contributions are accounted for separately.*

** *Actual contributions are based on pay actually paid throughout the year which is different from the payrolls reported above. Covered payroll is based on June 30 census data. Covered employee payroll for employer's disclosure may differ.*

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date:

Notes	Actuarially determined contribution amounts are calculated as of June 30 each year, which is 1 year prior to the beginning of the fiscal year in which contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age actuarial cost method
Amortization Method	Level percent-of-payroll
Remaining Amortization Period	10 years, open
Asset Valuation Method	5-year smoothed market value for funding purposes
Payroll Growth	3.5%
Price Inflation	3.0%
Salary Increases	4.0% to 8.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition and date of hire
Mortality	RP-2000 Combined Healthy Mortality Table for males and females projecteed to 2020 using projection scale AA

Other Information:

Notes	Cost-of-living adjustments: 2.8% compound (2.5% compound for members hired after 7/1/14)

The following table was provided by the Plan’s investment consultant, NEPC, LLC.

SCHEDULE OF INVESTMENT RETURNS

FY Ending June 30,	Annual Money Weighted Rate of Return
2014	14.50 %
2015	(1.10)%
2016	(1.50)%

The Dollar Weighted Return is calculated net of all investment management expenses and additional plan investment related expenses that are reported by the client's custodian and/or were provided to NEPC by the client.

SECTION D

NOTES TO FINANCIAL STATEMENTS

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Fairfax Retirement Plan for Public Safety Employees. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

Long-Term Expected Return on Plan Assets

The assumed rate of investment return was adopted by the plan's Administrative Committee after considering input from the plan's investment consultant(s) and actuary(s). Additional information about the assumed rate of investment return is included in our actuarial valuation report as of June 30, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate arithmetic expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Finally, the arithmetic portfolio expected return is converted into a geometric expected return using assumed asset class standard deviations and correlations. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates of geometric returns are summarized in the following table:

ASSET ALLOCATION

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
Large Cap Equities	20.00%	5.92%
Small/Mid Cap Equities	5.00%	6.71%
International Equities	12.00%	6.95%
Emerging International Equities	8.00%	9.49%
Core Bonds	10.00%	1.17%
Global Multi-Sector Fixed Income	10.00%	2.76%
Real Assets (Liquid)	5.00%	4.84%
Global Asset Allocation	15.00%	5.15%
Risk Parity	15.00%	4.61%
Cash	0.00%	0.00%
Total	100.00%	

** 30-year geometric returns.*

The figures in the above table were supplied by the City's investment consultant, NEPC, LLC. Gabriel, Roeder, Smith & Company does not provide investment advice.

Single Discount Rate

A Single Discount Rate of 6.75% was used to measure the total pension liability. This Single Discount Rate was based on an expected rate of return on pension plan investments of 6.75% and a municipal bond rate of 2.85%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2089. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2089, and the municipal bond rate was applied to all benefit payments after that date.

Regarding the sensitivity of the net pension liability to changes in the Single Discount Rate, the following presents the plan’s net pension liability, calculated using a Single Discount Rate of 6.75%, as well as what the plan’s net pension liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

SENSITIVITY OF THE NET PENSION LIABILITY TO THE SINGLE DISCOUNT RATE ASSUMPTION

	1% Decrease 5.75%	Current Single Rate 6.75%	1% Increase 7.75%
Total Pension Liability	$ 79,698,922	$ 70,664,928	$ 63,159,481
Plan Fiduciary Net Position	61,411,038	61,411,038	61,411,038
Net Pension Liability/(Asset)	$ 18,287,884	$ 9,253,890	$ 1,748,443

SUMMARY OF POPULATION STATISTICS

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	101
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	6
Active Plan Members	137
Total Plan Members	244

SECTION E

SUMMARY OF BENEFITS

PUBLIC SAFETY EMPLOYEES
BENEFIT PROVISIONS EVALUATED/CONSIDERED

Normal Age and Service Retirement

The benefits are described in the terms of amounts payable to and after Social Security Full Retirement Age (SSFRA).

	EMPLOYEES HIRED BEFORE 4/1/83	EMPLOYEES HIRED BETWEEN 4/1/83 AND 6/30/14	EMPLOYEES HIRED 7/1/14 AND LATER
Eligibility	Age 50 with 5 years of service, or 20 years of service regardless of age.	Age 55 with 5 years of service, or 25 years of service regardless of age.	Age 57 with 7 years of service, or 25 years of service regardless of age.
Amount	To SSFRA: Straight life benefit of 0.5% of 3-year highest average earnings times the first 20 years of service plus 2.0% of 3-year highest average earnings times all credited service up to the maximum years of service. At SSFRA: Straight life benefit of 0.5% of 3-year highest average earnings times the first 20 years of service plus 0.5% of 3-year highest average pay times all credited service up to the maximum years of service. Total service includes credit for sick leave unused at retirement. For retirements before January 1, 2004, the maximum number of years is 30. For retirements after January 1, 2004, the maximum is 30 plus years of creditable service attributable to eligible unused sick leave.	To Age 55: Straight life benefit of 2.5% of 3-year highest average earnings times total service. From age 55 to SSFRA: Straight life benefit of 1.5% of 3-year highest average earnings times total service. At SSFRA: Straight life benefit of 1.3% of 3-year highest average earnings times total credited service. Total service includes credit for sick leave unused at retirement.	To Age 55: Straight life benefit of 2.5% of 5-year highest average earnings times total service. From age 55 to SSFRA: Straight life benefit of 1.5% of 5-year highest average earnings times total service. At SSFRA: Straight life benefit of 1.3% of 5-year highest average earnings times total credited service. Total service includes credit for sick leave unused at retirement.

Deferred (Vested) Retirement

	EMPLOYEES HIRED BEFORE 4/1/83	EMPLOYEES HIRED BETWEEN 4/1/83 AND 6/30/14	EMPLOYEES HIRED 7/1/14 AND LATER
Eligibility	5 years of service.	5 years of service.	7 years of service.
Amount	Accrued normal retirement benefit payable at age 50.	Accrued normal retirement benefit payable at normal retirement age.	Accrued normal retirement benefit payable at normal retirement age.

PUBLIC SAFETY EMPLOYEES
BENEFIT PROVISIONS EVALUATED/CONSIDERED

EMPLOYEES HIRED BEFORE 4/1/83	EMPLOYEES HIRED BETWEEN 4/1/83 AND 6/30/14	EMPLOYEES HIRED 7/1/14 AND LATER
	Disability Retirement	
Eligibility 5 years of service.	**Eligibility** 5 years of service.	**Eligibility** 7 years of service.
Amount Computed in the same manner as normal retirement except that 'total service' is the smallest of: (i) twice the years of credited service. (ii) the years of credited service the participant would have had at age 60. (iii) 30 years.	**Amount** Computed in the same manner as normal retirement except that 'total service' is: (i) actual accrued service if the disability is from non-duty related causes. (ii) the number of years of service the participant would have had at normal retirement date if the disability is from duty related causes.	**Amount** Computed in the same manner as normal retirement except that 'total service' is: (i) actual accrued service if the disability is from non-duty related causes. (ii) the number of years of service the participant would have had at normal retirement date if the disability is from duty related causes.
Benefit payable prior to Social Security age, when combined with worker's compensation, Social Security, VRS benefits, and any earned income may not exceed 75% of 3-year highest average earnings.	Benefit payable prior to Social Security age, when combined with worker's compensation, Social Security, VRS benefits, and any earned income, may not exceed 75% of 3-year highest average earnings.	Benefit payable prior to Social Security age, when combined with worker's compensation, Social Security, VRS benefits, and any earned income, may not exceed 75% of 5-year highest average earnings.
	Benefits for Death before Retirement	
Eligibility 5 years of service.	**Eligibility** 5 years of service.	**Eligibility** 7 years of service.
Amount The spouse or parent receives the same monthly benefit that would have been payable if the member had retired at death, elected the joint and 100% survivor option and died immediately thereafter.	**Amount** The spouse or parent receives the same monthly benefit that would have been payable if the member had retired at death, elected the joint and 100% survivor option and died immediately thereafter.	**Amount** The spouse or parent receives the same monthly benefit that would have been payable if the member had retired at death, elected the joint and 100% survivor option and died immediately thereafter.
Minimum benefit is 15% of 3-year highest average earnings. Benefits for dependent children and parents may also be payable. Special rules apply if the spouse was less than 40 years old when the member died.	Minimum benefit is 15% of 3-year highest average earnings. Benefits for dependent children and parents may also be payable. Special rules apply if the spouse was less than 40 years old when the member died.	Minimum benefit is 15% of 5-year highest average earnings. Benefits for dependent children and parents may also be payable. Special rules apply if the spouse was less than 40 years old when the member died.

PUBLIC SAFETY EMPLOYEES
BENEFIT PROVISIONS EVALUATED/CONSIDERED

EMPLOYEES HIRED BEFORE 4/1/83	EMPLOYEES HIRED BETWEEN 4/1/83 AND 6/30/14	EMPLOYEES HIRED 7/1/14 AND LATER
	Benefit Increases after Retirement	
Monthly benefits are adjusted annually, to reflect changes in the Inflation Index (CPI) since retirement, with maximum increase of 5% in any year.	Monthly benefits are adjusted annually, to reflect changes in the Inflation Index (CPI) since retirement, with maximum increase of 5% in any year.	Monthly benefits are adjusted annually, to reflect changes in the Inflation Index (CPI) since retirement, with maximum increase of 3% in any year.
	Member Contributions	
5.5% of member pay. No contributions after 30 years of credited service. Interest credited, based on actual investment return but not less than 4% annually until June 30, 2014. Starting July 1, 2014, interest credited at a rate of 3.0% annually.	7.0% of member pay. Interest credited, based on actual investment return but not less than 4% annually until June 30, 2014. Starting July 1, 2014, interest credited at a rate of 3.0% annually.	7.0% of member's pay. Interest credited at the rate of 3.0% annually.
	Optional Forms of Benefit Payment	
Option 1: Reduced benefits are paid to the member for life. Upon death of the member a designated portion of the member's benefit is payable to the contingent annuitant for life. Upon death of the contingent annuitant, the member's benefit will revert to the unreduced straight life amount if the retiree is alive at that time.	Same.	Same.
Option 2: Members retiring prior to eligibility for VRS or OASDI benefits may elect to receive a higher amount prior to commencement of those benefits and a lower amount later.	Same.	Same.
Option factors are based upon the 1984 actuarial equivalent tables of the Virginia Retirement System.	Same.	Same.

SECTION F

ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS

ACTUARIAL COST METHODS USED

Age and Service and Casualty Benefits. Normal cost and the allocation of benefit values between service rendered before and after the valuation date were determined using an individual **entry-age actuarial cost method** having the following characteristics:

(i) the annual normal costs for each individual active member, payable from the date of employment to the date of retirement, are sufficient to accumulate the value of the member's benefit at the time of retirement; and

(ii) each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

The value of assets used for GASB Statement Nos. 67 and 68 reporting purposes was the fair market value of assets.

ACTUARIAL ASSUMPTIONS USED

The actuarial assumptions used in performing the GASB valuation are shown in this Section of the report. The assumptions were established for the June 30, 2012 actuarial valuation, based upon a study of experience during the period July 1, 2006 to June 30, 2011.

Economic Assumptions

The investment return rate used in making the valuation was 6.75% per year, compounded annually (net after administrative expenses). This rate of return is not the assumed real rate of return. The real rate of return over wages is the portion of investment return which is more than the wage inflation rate. Considering wage inflation recognition of 3.50%, the 6.75% investment return rate translates to ***an assumed real rate of return of 3.25% over wages***. ***The assumed real return over prices would be higher.***

Pay increase assumptions for individual active members are shown on page 26. Part of the assumption for each age is for a merit and/or seniority increase, and the other 3.50% recognizes wage inflation.

Total active member payroll is assumed to increase 3.50% a year, which is the portion of the individual pay increase assumptions recognizing wage inflation.

Price inflation is assumed to be 3% per year. For all members hired prior to 7/1/2014, the 5% COLA cap was valued by assuming that the actual COLA paid would average 2.8% annually. For all members hired after 7/1/2014, the 3% COLA cap was valued by assuming that the actual COLA paid would average 2.5% annually.

The number of active members is assumed to continue at the present number.

Non-Economic Assumptions

The mortality table used to measure non-disabled retired life mortality is the RP-2000 Combined Healthy Mortality Table for males and females projected to 2020 using projection scale AA. The base table is the RP-2000 Combined Healthy Mortality Table projected to the valuation date and the provision for future mortality improvement is 8 years of additional projection with scale AA. The mortality tables used to measure disabled retired life mortality were the same as described above, set-forward 10-years. Related values for sample ages are shown on page 27.

ACTUARIAL ASSUMPTIONS USED

The probabilities of retirement for members eligible to retire are shown on page 28.

The probabilities of withdrawal from service, ***death-in-service*** and ***disability*** are shown for sample ages on page 26.

The entry age actuarial cost method of valuation was used in determining liabilities and normal cost.

Differences in the past between assumed experience and actual experience ("actuarial gains and losses") become part of actuarial accrued liabilities.

The data about persons now covered and about present assets was furnished by the Plan's administrative staff. Although examined for general reasonableness, the data was not audited by the Actuary.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA).

ACTUARIAL ASSUMPTIONS USED

PAY INCREASE ASSUMPTIONS FOR AN INDIVIDUAL MEMBER

	Pay Increase Assumptions For An Individual Employee		
Sample Ages	Merit & Seniority	Base (Economy)	Increase Next Year
20	5.0%	3.5%	8.5%
25	4.0	3.5	7.5
30	2.5	3.5	6.0
35	2.0	3.5	5.5
40	1.5	3.5	5.0
45	1.0	3.5	4.5
50	0.5	3.5	4.0
55	0.5	3.5	4.0
60	0.5	3.5	4.0
65	0.5	3.5	4.0
Ref	399		

RATES OF SEPARATION FROM ACTIVE EMPLOYMENT BEFORE RETIREMENT

	% of Active Members Separating Within Next Year					
Sample	Death		Disability*		Other	
Ages	Men	Women	Men	Women	Men	Women
25	0.0231%	0.0117%	0.0850%	0.0340%	18.50%	20.35%
30	0.0302	0.0162	0.1400	0.0540	9.80	10.78
35	0.0524	0.0286	0.2050	0.0890	4.60	5.06
40	0.0689	0.0392	0.2700	0.1220	2.40	2.64
45	0.0871	0.0611	0.3900	0.2920	2.00	2.20
50	0.1115	0.0892	0.5100	0.4590	1.40	1.54
55	0.1852	0.1736	0.2550	0.2290	1.00	1.10
60	0.3665	0.3430	0.0000	0.0000	1.00	1.10
Ref	#454x0.75sb0	#455x0.75sb0	458	459	ab989x1	ab989x1.1

* *50% of disabilities are assumed to be duty related for post-4/1/83 members.*

ACTUARIAL ASSUMPTIONS USED

DEATH AFTER RETIREMENT

NON-DISABLED

	Men			Women		
Sample Age Now	Future Life Expectancy (years)	Expected Total Life (years)	Portion of Age 55 Lives Still Alive	Future Life Expectancy (years)	Expected Total Life (years)	Portion of Age 55 Lives Still Alive
55	28.0	83.0	100%	29.9	84.9	100%
60	23.5	83.5	98	25.3	85.3	98
65	19.2	84.2	95	21.0	86.0	95
70	15.2	85.2	89	17.1	87.1	90
75	11.6	86.6	79	13.5	88.5	81
80	8.4	88.4	65	10.2	90.2	69
85	5.9	90.9	45	7.4	92.4	53
Ref	#454x1sb0			#455x1sb0		

DISABLED

	Men			Women		
Sample Age Now	Future Life Expectancy (years)	Expected Total Life (years)	Portion of Age 55 Lives Still Alive	Future Life Expectancy (years)	Expected Total Life (years)	Portion of Age 55 Lives Still Alive
55	19.2	74.2	100%	21.0	76.0	100%
60	15.2	75.2	93	17.1	77.1	94
65	11.6	76.6	84	13.5	78.5	85
70	8.4	78.4	68	10.2	80.2	73
75	5.9	80.9	47	7.4	82.4	56
80	4.1	84.1	23	5.3	85.3	34
85	2.9	87.9	7	4.1	89.1	14
Ref	#454x1sb-10			#455x1sb-10		

ACTUARIAL ASSUMPTIONS USED

PROBABILITIES OF RETIREMENT FOR MEMBERS ELIGIBLE TO RETIRE

Percent of Eligible Members Retiring Within Next Year

	Member Hired		
Attained Ages	Before April 1, 1983	After April 1, 1983 and Before July 1, 2014*	After July 1, 2014*
40	30%		
41	30		
42	30		
43	20		
44	20		
45	17	16%	16%
46	15	16	16
47	10	16	16
48	10	16	16
49	10	16	16
50	10	12	12
51	10	12	12
52	30	12	12
53	30	12	12
54	30	12	12
55	30	12	12
56	30	12	12
57	30	8	12
58	30	12	12
59	30	25	25
60	100	100	100

** An additional 10% is added for the first year eligible for the 25 and out provision.*

MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Marriage Assumption:	100% of males and 100% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.
Pay Increase Timing:	Reported pays were pay rates at July 1 including the COLA for the year. Other increases are assumed to occur uniformly throughout the year. This situation is approximated by assuming that pay increases occur six months after the beginning of the fiscal year.
Decrement Timing:	Decrements are assumed to occur mid-year (i.e., January 1).
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Disability and turnover do not operate during retirement eligibility.
Service Credit Accruals:	It is assumed that members accrue one year of service credit per year.
Loads:	The normal cost and actuarial accrued liability, for age and service benefits were increased by 2.1% to account for inclusion of unused sick leave in the service used to calculate retirement benefits. Optional benefit factors are described in Sections 66-126 and 66-366 of the City of Fairfax Code of Ordinances. The factors used are not actuarially equivalent. Liabilities were increased 1.4% to reflect this.
Incidence of Contributions:	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report, and the actual payroll payable at the time contributions are made.
Benefit Service:	Exact Fractional service is used to determine the amount of benefit payable.
Normal Form of Benefit:	The assumed normal form of benefit is the straight life form.

SECTION G

CALCULATION OF THE SINGLE DISCOUNT RATE

CALCULATION OF THE SINGLE DISCOUNT RATE

GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a municipal bond rate is required, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Bond Buyer Index) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond rate is 2.85%; and the resulting Single Discount Rate is 6.75%.

The tables in this section provide background for the development of the Single Discount Rate.

The **Projection of Contributions** table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities).

The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years.

The **Present Values of Projected Benefit Payments** table shows the development of the SDR. It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

There may be cases where schedules do not add, or where they do not exactly balance to other related schedules due to rounding.

SINGLE DISCOUNT RATE DEVELOPMENT
PROJECTION OF CONTRIBUTIONS

Year	Payroll for Current Employees	Contributions from Current Employees	Normal Cost and Expense Contributions	UAL Contributions	Total Contributions
0	$ 11,490,902				
1	11,133,479	$ 775,357	$ 827,953	$ 335,742	$ 1,939,052
2	10,672,606	747,082	785,768	444,976	1,977,826
3	10,421,693	729,518	768,787	553,816	2,052,121
4	10,091,603	706,412	745,126	711,708	2,163,246
5	9,806,641	686,465	723,811	986,142	2,396,418
6	9,613,042	672,913	708,311	1,107,370	2,488,594
7	9,346,235	654,236	687,606	1,046,793	2,388,636
8	8,982,404	628,768	661,170	989,531	2,279,469
9	8,590,507	601,335	632,832	935,401	2,169,568
10	8,192,657	573,486	602,994	884,232	2,060,713
11	7,827,942	547,956	577,164	835,862	1,960,983
12	7,514,701	526,029	554,867	790,138	1,871,034
13	7,218,494	505,295	532,379	746,916	1,784,590
14	6,943,524	486,047	511,353	706,057	1,703,457
15	6,682,495	467,775	491,613	667,434	1,626,822
16	6,252,900	437,703	458,699	630,924	1,527,326
17	5,742,584	401,981	419,748	596,411	1,418,139
18	5,283,270	369,829	384,572	563,785	1,318,186
19	4,870,540	340,938	353,068	532,945	1,226,951
20	4,510,423	315,730	325,048	503,791	1,144,569
21	4,158,413	291,089	297,621	476,233	1,064,943
22	3,779,797	264,586	268,540	450,181	983,307
23	3,374,738	236,232	238,261	425,555	900,048
24	2,960,029	207,202	208,015	402,276	817,493
25	2,534,208	177,395	178,099	380,271	735,764
26	2,123,442	148,641	148,880	359,469	656,990
27	1,793,480	125,544	124,944	339,805	590,293
28	1,497,449	104,821	103,123	321,217	529,161
29	1,206,362	84,445	82,084	303,645	470,174
30	932,701	65,289	62,535	287,035	414,859
31	661,433	46,300	43,261	271,334	360,895
32	457,919	32,054	29,249	256,491	317,794
33	326,569	22,860	20,525	242,460	285,845
34	192,979	13,509	11,777	229,197	254,482
35	92,484	6,474	5,448	216,659	228,581
36	31,296	2,191	1,767	204,807	208,765
37	2,958	207	134	193,604	193,945
38	-	-	-	183,013	183,013
39	-	-	-	173,002	173,002
40	-	-	-	163,538	163,538
41	-	-	-	154,592	154,592
42	-	-	-	146,136	146,136
43	-	-	-	138,142	138,142
44	-	-	-	130,585	130,585
45	-	-	-	123,442	123,442
46	-	-	-	116,689	116,689
47	-	-	-	110,306	110,306
48	-	-	-	104,272	104,272
49	-	-	-	98,568	98,568
50	-	-	-	93,176	93,176

SINGLE DISCOUNT RATE DEVELOPMENT
PROJECTION OF CONTRIBUTIONS (CONCLUDED)

Year	Payroll for Current Employees	Contributions from Current Employees	Normal Cost and Expense Contributions	UAL Contributions	Total Contributions
51	-	-	-	88,079	88,079
52	-	-	-	83,261	83,261
53	-	-	-	78,706	78,706
54	-	-	-	74,401	74,401
55	-	-	-	70,331	70,331
56	-	-	-	66,484	66,484
57	-	-	-	62,847	62,847
58	-	-	-	59,409	59,409
59	-	-	-	56,159	56,159
60	-	-	-	53,087	53,087
61	-	-	-	50,183	50,183
62	-	-	-	47,438	47,438
63	-	-	-	44,843	44,843
64	-	-	-	42,390	42,390
65	-	-	-	40,071	40,071
66	-	-	-	37,879	37,879
67	-	-	-	35,807	35,807
68	-	-	-	33,848	33,848
69	-	-	-	31,997	31,997
70	-	-	-	30,246	30,246
71	-	-	-	28,592	28,592
72	-	-	-	27,028	27,028
73	-	-	-	25,549	25,549
74	-	-	-	24,152	24,152
75	-	-	-	22,830	22,830
76	-	-	-	21,582	21,582
77	-	-	-	20,401	20,401
78	-	-	-	19,285	19,285
79	-	-	-	18,230	18,230
80	-	-	-	17,233	17,233
81	-	-	-	16,290	16,290
82	-	-	-	15,399	15,399
83	-	-	-	14,557	14,557
84	-	-	-	13,760	13,760
85	-	-	-	13,008	13,008
86	-	-	-	12,296	12,296
87	-	-	-	11,623	11,623
88	-	-	-	10,988	10,988
89	-	-	-	10,387	10,387
90	-	-	-	9,818	9,818
91	-	-	-	9,281	9,281
92	-	-	-	8,774	8,774
93	-	-	-	8,294	8,294
94	-	-	-	7,840	7,840
95	-	-	-	7,411	7,411
96	-	-	-	7,006	7,006
97	-	-	-	6,622	6,622
98	-	-	-	6,260	6,260
99	-	-	-	5,918	5,918
100	-	-	-	5,594	5,594

SINGLE DISCOUNT RATE DEVELOPMENT
PROJECTION OF PLAN FIDUCIARY NET POSITION

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 6.75%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	$ 61,411,038	$ 1,939,052	$ 3,961,959	$ -	$ 4,078,087	$ 63,466,217
2	63,466,217	1,977,826	4,164,392	-	4,211,378	65,491,029
3	65,491,029	2,052,121	4,334,918	-	4,344,858	67,553,090
4	67,553,090	2,163,246	4,596,839	-	4,479,041	69,598,538
5	69,598,538	2,396,418	4,812,923	-	4,617,676	71,799,709
6	71,799,709	2,488,594	4,749,837	-	4,771,410	74,309,875
7	74,309,875	2,388,636	4,529,088	-	4,944,856	77,114,280
8	77,114,280	2,279,469	4,721,308	-	5,124,147	79,796,589
9	79,796,589	2,169,568	4,961,183	-	5,293,591	82,298,565
10	82,298,565	2,060,713	5,177,089	-	5,451,693	84,633,881
11	84,633,881	1,960,983	5,435,283	-	5,597,444	86,757,025
12	86,757,025	1,871,034	5,451,562	-	5,737,230	88,913,726
13	88,913,726	1,784,590	5,554,816	-	5,876,509	91,020,009
14	91,020,009	1,703,457	5,772,863	-	6,008,751	92,959,353
15	92,959,353	1,626,822	5,986,274	-	6,130,027	94,729,929
16	94,729,929	1,527,326	6,208,409	-	6,238,863	96,287,709
17	96,287,709	1,418,139	6,498,767	-	6,330,749	97,537,831
18	97,537,831	1,318,186	6,711,649	-	6,404,746	98,549,115
19	98,549,115	1,226,951	6,912,977	-	6,463,295	99,326,384
20	99,326,384	1,144,569	7,164,388	-	6,504,679	99,811,244
21	99,811,244	1,064,943	7,409,771	-	6,526,618	99,993,033
22	99,993,033	983,307	7,678,753	-	6,527,248	99,824,836
23	99,824,836	900,048	7,916,269	-	6,505,245	99,313,860
24	99,313,860	817,493	8,110,185	-	6,461,576	98,482,744
25	98,482,744	735,764	8,287,768	-	6,396,867	97,327,608
26	97,327,608	656,990	8,435,379	-	6,311,379	95,860,597
27	95,860,597	590,293	8,550,607	-	6,206,317	94,106,599
28	94,106,599	529,161	8,642,344	-	6,082,847	92,076,263
29	92,076,263	470,174	8,689,509	-	5,942,275	89,799,203
30	89,799,203	414,859	8,704,021	-	5,786,255	87,296,295
31	87,296,295	360,895	8,706,953	-	5,615,420	84,565,657
32	84,565,657	317,794	8,670,097	-	5,430,894	81,644,248
33	81,644,248	285,845	8,596,364	-	5,235,087	78,568,816
34	78,568,816	254,482	8,511,611	-	5,029,267	75,340,954
35	75,340,954	228,581	8,376,115	-	4,815,025	72,008,445
36	72,008,445	208,765	8,187,485	-	4,595,685	68,625,411
37	68,625,411	193,945	7,964,918	-	4,374,227	65,228,665
38	65,228,665	183,013	7,707,042	-	4,153,145	61,857,782
39	61,857,782	173,002	7,449,966	-	3,933,813	58,514,631
40	58,514,631	163,538	7,194,178	-	3,716,328	55,200,318
41	55,200,318	154,592	6,916,770	-	3,501,525	51,939,666
42	51,939,666	146,136	6,642,211	-	3,290,265	48,733,855
43	48,733,855	138,142	6,369,176	-	3,082,672	45,585,492
44	45,585,492	130,585	6,097,912	-	2,878,912	42,497,077
45	42,497,077	123,442	5,832,725	-	2,679,011	39,466,804
46	39,466,804	116,689	5,564,610	-	2,483,144	36,502,027
47	36,502,027	110,306	5,292,603	-	2,291,840	33,611,571
48	33,611,571	104,272	5,017,757	-	2,105,659	30,803,744
49	30,803,744	98,568	4,740,816	-	1,925,135	28,086,631
50	28,086,631	93,176	4,462,372	-	1,750,795	25,468,230

SINGLE DISCOUNT RATE DEVELOPMENT
PROJECTION OF PLAN FIDUCIARY NET POSITION (CONCLUDED)

Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 6.75%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
51	$ 25,468,230	$ 88,079	$ 4,183,231	$ -	$ 1,583,151	$ 22,956,228
52	22,956,228	83,261	3,904,150	-	1,422,696	20,558,036
53	20,558,036	78,706	3,625,770	-	1,269,909	18,280,881
54	18,280,881	74,401	3,348,927	-	1,125,249	16,131,603
55	16,131,603	70,331	3,074,591	-	989,145	14,116,488
56	14,116,488	66,484	2,803,684	-	861,991	12,241,279
57	12,241,279	62,847	2,537,362	-	744,135	10,510,898
58	10,510,898	59,409	2,277,052	-	635,862	8,929,117
59	8,929,117	56,159	2,024,543	-	537,367	7,498,101
60	7,498,101	53,087	1,781,973	-	448,725	6,217,939
61	6,217,939	50,183	1,551,323	-	369,875	5,086,673
62	5,086,673	47,438	1,334,587	-	300,618	4,100,142
63	4,100,142	44,843	1,133,687	-	240,611	3,251,909
64	3,251,909	42,390	950,010	-	189,372	2,533,661
65	2,533,661	40,071	784,795	-	146,298	1,935,234
66	1,935,234	37,879	638,819	-	110,678	1,444,972
67	1,444,972	35,807	512,149	-	81,722	1,050,352
68	1,050,352	33,848	404,373	-	58,598	738,424
69	738,424	31,997	314,408	-	40,468	496,481
70	496,481	30,246	240,750	-	26,524	312,501
71	312,501	28,592	181,652	-	16,012	175,453
72	175,453	27,028	135,072	-	8,256	75,665
73	75,665	25,549	99,019	-	2,668	4,863
74	4,863	24,152	71,625	-	-	-
75	-	-	-	-	-	-
76	-	-	-	-	-	-
77	-	-	-	-	-	-
78	-	-	-	-	-	-
79	-	-	-	-	-	-
80	-	-	-	-	-	-
81	-	-	-	-	-	-
82	-	-	-	-	-	-
83	-	-	-	-	-	-
84	-	-	-	-	-	-
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89	-	-	-	-	-	-
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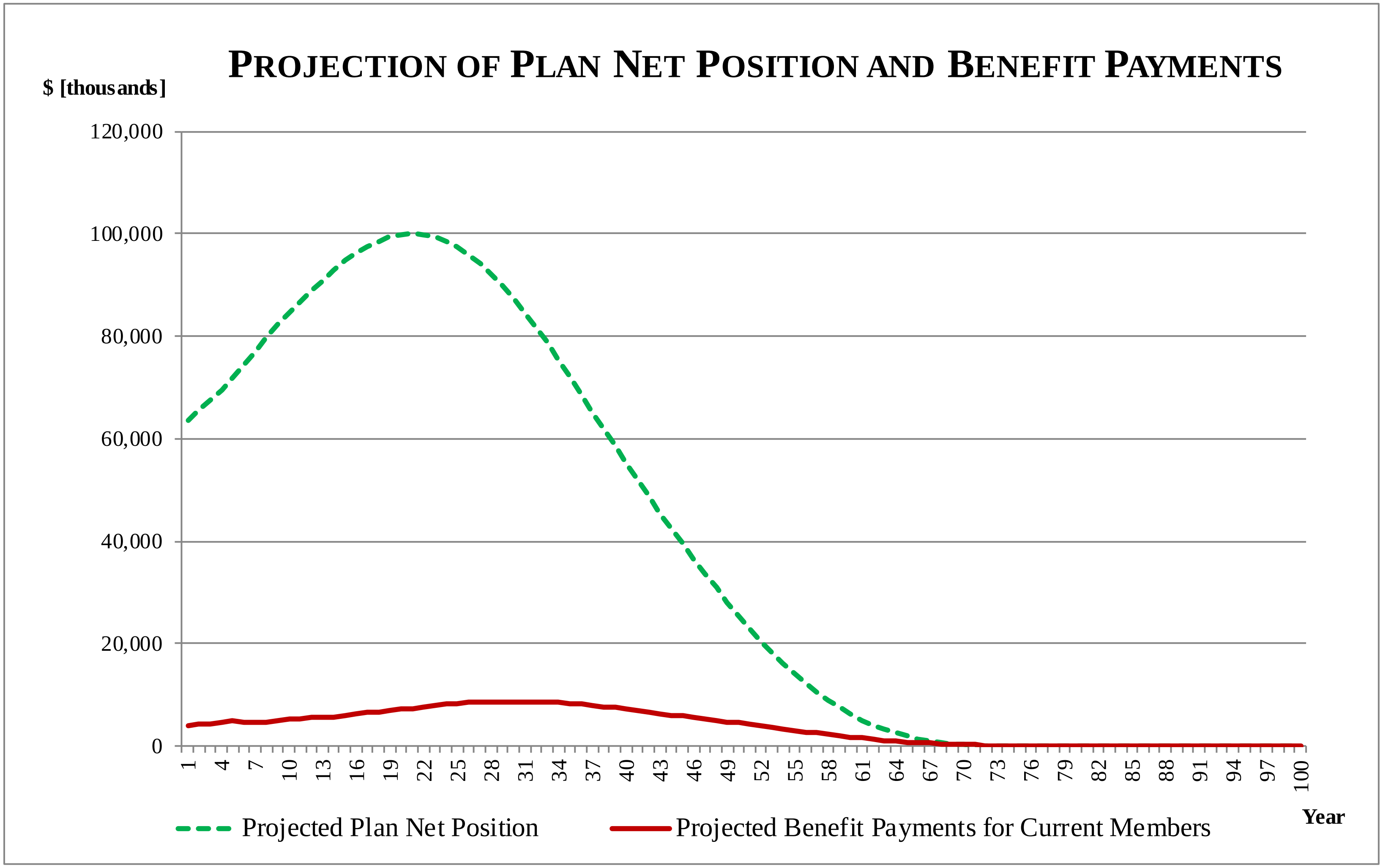
93	-	-	-	-	-	-
94	-	-	-	-	-	-
95	-	-	-	-	-	-
96	-	-	-	-	-	-
97	-	-	-	-	-	-
98	-	-	-	-	-	-
99	-	-	-	-	-	-
100	-	-	-	-	-	-

SINGLE DISCOUNT RATE DEVELOPMENT
PRESENT VALUES OF PROJECTED BENEFIT PAYMENTS

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf ^((a)-.5)	(h)=((c)/(1+sdr)^(a-.5)
1	$ 61,411,038	$ 3,961,959	$ 3,961,959	$ -	$ 3,834,653	$ -	$ 3,834,689
2	63,466,217	4,164,392	4,164,392	-	3,775,720	-	3,775,827
3	65,491,029	4,334,918	4,334,918	-	3,681,808	-	3,681,982
4	67,553,090	4,596,839	4,596,839	-	3,657,393	-	3,657,634
5	69,598,538	4,812,923	4,812,923	-	3,587,182	-	3,587,486
6	71,799,709	4,749,837	4,749,837	-	3,316,312	-	3,316,655
7	74,309,875	4,529,088	4,529,088	-	2,962,235	-	2,962,597
8	77,114,280	4,721,308	4,721,308	-	2,892,699	-	2,893,107
9	79,796,589	4,961,183	4,961,183	-	2,847,464	-	2,847,920
10	82,298,565	5,177,089	5,177,089	-	2,783,497	-	2,783,995
11	84,633,881	5,435,283	5,435,283	-	2,737,533	-	2,738,074
12	86,757,025	5,451,562	5,451,562	-	2,572,115	-	2,572,671
13	88,913,726	5,554,816	5,554,816	-	2,455,111	-	2,455,689
14	91,020,009	5,772,863	5,772,863	-	2,390,148	-	2,390,756
15	92,959,353	5,986,274	5,986,274	-	2,321,786	-	2,322,420
16	94,729,929	6,208,409	6,208,409	-	2,255,683	-	2,256,341
17	96,287,709	6,498,767	6,498,767	-	2,211,876	-	2,212,563
18	97,537,831	6,711,649	6,711,649	-	2,139,889	-	2,140,594
19	98,549,115	6,912,977	6,912,977	-	2,064,711	-	2,065,430
20	99,326,384	7,164,388	7,164,388	-	2,004,497	-	2,005,233
21	99,811,244	7,409,771	7,409,771	-	1,942,062	-	1,942,812
22	99,993,033	7,678,753	7,678,753	-	1,885,303	-	1,886,066
23	99,824,836	7,916,269	7,916,269	-	1,820,720	-	1,821,491
24	99,313,860	8,110,185	8,110,185	-	1,747,372	-	1,748,146
25	98,482,744	8,287,768	8,287,768	-	1,672,725	-	1,673,496
26	97,327,608	8,435,379	8,435,379	-	1,594,864	-	1,595,629
27	95,860,597	8,550,607	8,550,607	-	1,514,426	-	1,515,181
28	94,106,599	8,642,344	8,642,344	-	1,433,886	-	1,434,629
29	92,076,263	8,689,509	8,689,509	-	1,350,550	-	1,351,274
30	89,799,203	8,704,021	8,704,021	-	1,267,265	-	1,267,969
31	87,296,295	8,706,953	8,706,953	-	1,187,533	-	1,188,215
32	84,565,657	8,670,097	8,670,097	-	1,107,734	-	1,108,391
33	81,644,248	8,596,364	8,596,364	-	1,028,865	-	1,029,495
34	78,568,816	8,511,611	8,511,611	-	954,306	-	954,908
35	75,340,954	8,376,115	8,376,115	-	879,733	-	880,304
36	72,008,445	8,187,485	8,187,485	-	805,547	-	806,085
37	68,625,411	7,964,918	7,964,918	-	734,097	-	734,602
38	65,228,665	7,707,042	7,707,042	-	665,414	-	665,884
39	61,857,782	7,449,966	7,449,966	-	602,547	-	602,984
40	58,514,631	7,194,178	7,194,178	-	545,067	-	545,472
41	55,200,318	6,916,770	6,916,770	-	490,912	-	491,287
42	51,939,666	6,642,211	6,642,211	-	441,617	-	441,962
43	48,733,855	6,369,176	6,369,176	-	396,687	-	397,005
44	45,585,492	6,097,912	6,097,912	-	355,777	-	356,069
45	42,497,077	5,832,725	5,832,725	-	318,787	-	319,054
46	39,466,804	5,564,610	5,564,610	-	284,902	-	285,146
47	36,502,027	5,292,603	5,292,603	-	253,842	-	254,064
48	33,611,571	5,017,757	5,017,757	-	225,442	-	225,644
49	30,803,744	4,740,816	4,740,816	-	199,531	-	199,713
50	28,086,631	4,462,372	4,462,372	-	175,936	-	176,100

SINGLE DISCOUNT RATE DEVELOPMENT
PVS OF PROJECTED BENEFIT PAYMENTS (CONCLUDED)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf ^((a)-.5)	(h)=((c)/(1+sdr)^(a-.5)
51	$ 25,468,230	$ 4,183,231	$ 4,183,231	$ -	$ 154,502	$ -	$ 154,649
52	22,956,228	3,904,150	3,904,150	-	135,077	-	135,208
53	20,558,036	3,625,770	3,625,770	-	117,513	-	117,629
54	18,280,881	3,348,927	3,348,927	-	101,677	-	101,780
55	16,131,603	3,074,591	3,074,591	-	87,446	-	87,535
56	14,116,488	2,803,684	2,803,684	-	74,698	-	74,777
57	12,241,279	2,537,362	2,537,362	-	63,328	-	63,396
58	10,510,898	2,277,052	2,277,052	-	53,238	-	53,295
59	8,929,117	2,024,543	2,024,543	-	44,341	-	44,390
60	7,498,101	1,781,973	1,781,973	-	36,561	-	36,601
61	6,217,939	1,551,323	1,551,323	-	29,816	-	29,850
62	5,086,673	1,334,587	1,334,587	-	24,028	-	24,056
63	4,100,142	1,133,687	1,133,687	-	19,121	-	19,143
64	3,251,909	950,010	950,010	-	15,010	-	15,028
65	2,533,661	784,795	784,795	-	11,615	-	11,629
66	1,935,234	638,819	638,819	-	8,857	-	8,868
67	1,444,972	512,149	512,149	-	6,652	-	6,660
68	1,050,352	404,373	404,373	-	4,920	-	4,926
69	738,424	314,408	314,408	-	3,583	-	3,588
70	496,481	240,750	240,750	-	2,570	-	2,574
71	312,501	181,652	181,652	-	1,817	-	1,819
72	175,453	135,072	135,072	-	1,266	-	1,267
73	75,665	99,019	99,019	-	869	-	870
74	4,863	71,625	5,025	66,600	41	8,442	590
75	-	51,135	-	51,135	-	6,302	394
76	-	36,053	-	36,053	-	4,320	260
77	-	25,136	-	25,136	-	2,929	170
78	-	17,343	-	17,343	-	1,965	110
79	-	11,854	-	11,854	-	1,306	70
80	-	8,035	-	8,035	-	860	45
81	-	5,404	-	5,404	-	563	28
82	-	3,607	-	3,607	-	365	18
83	-	2,387	-	2,387	-	235	11
84	-	1,567	-	1,567	-	150	7
85	-	1,019	-	1,019	-	95	4
86	-	657	-	657	-	59	2
87	-	419	-	419	-	37	1
88	-	265	-	265	-	23	1
89	-	165	-	165	-	14	1
90	-	99	-	99	-	8	0
91	-	57	-	57	-	5	0
92	-	32	-	32	-	2	0
93	-	18	-	18	-	1	0
94	-	10	-	10	-	1	0
95	-	5	-	5	-	0	0
96	-	3	-	3	-	0	0
97	-	1	-	1	-	0	0
98	-	0	-	0	-	0	0
99	-	0	-	0	-	0	0
100	-	-	-	-	-	-	-
				Totals	$ 85,374,309	$ 27,682	$ 85,401,991


PROJECTION OF PLAN NET POSITION AND BENEFIT PAYMENTS
$ [thousands]
120,000
100,000
80,000
60,000
40,000
20,000
0
1
4
7
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13
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19
22
25
28
31
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40
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79
82
85
88
91
94
97
100
Year
Projected Plan Net Position
Projected Benefit Payments for Current Members

SECTION H

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Actuarial Accrued Liability (AAL)	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."
Actuarial Assumptions	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
Accrued Service	Service credited under the system which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
Actuarial Gain (Loss)	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
Actuarial Present Value (APV)	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
Actuarial Valuation	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.

GLOSSARY OF TERMS

Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)	A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Amortization Method	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered-Employee Payroll	The payroll of employees that are provided with pensions through the pension plan.
Deferred Inflows and Outflows	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
Discount Rate	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: 1. The benefit payments to be made while the pension plans’ fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and 2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

GLOSSARY OF TERMS

Entry Age Actuarial Cost Method (EAN)	The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.
GASB	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
Fiduciary Net Position	The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.
Long-Term Expected Rate of Return	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
Money-Weighted Rate of Return	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.
Multiple-Employer Defined Benefit Pension Plan	A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Municipal Bond Rate	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
Net Pension Liability (NPL)	The NPL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit pension plan.
Non-Employer Contributing Entities	Non-employer contributing entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.

GLOSSARY OF TERMS

Normal Cost The portion of the actuarial present value allocated to a valuation year is called the normal cost. For purposes of application to the requirements of this Statement, the term normal cost is the equivalent of service cost.

Other Postemployment Benefits (OPEB) All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.

Real Rate of Return The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.

Service Cost The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

Total Pension Expense The total pension expense is the sum of the following items that are recognized at the end of the employer's fiscal year:

1. Service Cost
2. Interest on the Total Pension Liability
3. Current-Period Benefit Changes
4. Employee Contributions (made negative for addition here)
5. Projected Earnings on Plan Investments (made negative for addition here)
6. Pension Plan Administrative Expense
7. Other Changes in Plan Fiduciary Net Position
8. Recognition of Outflow (Inflow) of Resources due to Liabilities
9. Recognition of Outflow (Inflow) of Resources due to Assets

Total Pension Liability (TPL) The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.

Unfunded Actuarial Accrued Liability (UAAL) The UAAL is the difference between actuarial accrued liability and valuation assets.

Valuation Assets The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of GASB Statement Nos. 67 and 68, the valuation assets are equal to the market value of assets.

GRS
Gabriel Roeder Smith & Company
Consultants & Actuaries
One Towne Square
Suite 800
Southfield, MI 48076-3723
248.799.9000 phone
248.799.9020 fax
www.gabrielroeder.com

November 11, 2016

Mr. David Hodgkins
City of Fairfax Retirement Plan for Public Safety Employees
10455 Armstrong Street
Suite 312
Fairfax, Virginia 22030

Dear Mr. Hodgkins:

Please find enclosed copies of the GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pensions report of the City of Fairfax Retirement Plan for Public Safety Employees.

Sincerely,

Heidi G Barry

Heidi G. Barry, ASA, MAAA

HGB:ah
Enclosures