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Retirement



Actuarial Valuation Report

Sussex County

Sussex County Employee Pension Plan

For the Fiscal Year Ending June 30, 2015

Measurement Date June 30, 2015

Introduction

This report documents the results of the actuarial valuation for the fiscal year ending June 30, 2015 of the Sussex County Employee Pension Plan for the plan sponsor and for Sussex County. The plan is a single-employer plan and does not issue a separate financial statement. As a result, all reporting requirements are included in the employer's financial statement. These results are based on a Measurement Date of June 30, 2015. The information provided in this report is intended strictly for documenting information relating to County and plan disclosure and reporting requirements.

Determinations for purposes other than the financial accounting requirements may be significantly different from the results in this report. Thus, the use of this report for purposes other than those expressed here may not be appropriate.

This valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board. In addition, the valuation results are based on our understanding of the financial accounting and reporting requirements under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 68 (GASB 68) including any guidance or interpretations provided by the County and/or its audit partners prior to the issuance of this report. The information in this report is not intended to supersede or supplant the advice and interpretations of the County's auditors. Additional disclosures may be required under GASB 67.

Future actuarial measurements may differ significantly from the current measurements presented in this report due (but not limited to) to such factors as the following:

- Plan experience differing from that anticipated by the economic or demographic assumptions;
- Changes in actuarial methods or 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.

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such future measurements.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by Sussex County as of the valuation date. While we cannot verify the accuracy of all the information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy or completeness of the information and believe that it has produced appropriate results.



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Sussex County Employee Pension Plan

The actuarial assumptions and methods used in this valuation are described in the Actuarial Assumptions and Methods section of this report. Sussex County selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB 68. Aon Hewitt provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

The undersigned are familiar with the near-term and long-term aspects of pension valuations and collectively meet the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. The information provided in this report is dependent upon various factors as documented throughout this report, which may be subject to change. Each section of this report is considered to be an integral part of the actuarial opinions.

To our knowledge, no colleague of Aon Hewitt¹ providing services to Sussex County has any material direct or indirect financial interest in Sussex County. Thus, we believe there is no relationship existing that might affect our capacity to prepare and certify this actuarial report for Sussex County.

A handwritten signature in black ink that reads "Fred Peterson".

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November 2015

¹ Aon Consulting, Inc. and Hewitt Associates LLC are operating as Aon Hewitt.

Table of Contents

Accounting Requirements

Development of Net Pension Expense	2
Reconciliation of Net Pension Liability	4
Gain/Loss	5
Deferred Outflows/Inflows	6
Sensitivity	7
Disclosure – Changes in Net Pension Liability and Related Ratios	8

Funding Requirements

Recommended Contribution	10
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Appendix

Participant Data	16
Asset Allocation	14
Actuarial Assumptions and Methods	18
Actuarial Assumptions and Methods—Tables	20
Actuarial Assumptions and Methods—Discussion	22
Plan Provisions	23



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Accounting Requirements



Development of GASB 68 Net Pension Expense

Calculation Details

The following table illustrates the Net Pension Liability under GASB 68, which is effective for June 30, 2015 fiscal year and later.

	Transition July 1, 2014	Fiscal Year Ending June 30, 2015
(1) Total Pension Liability	\$82,510,864	\$88,206,659
(2) Plan Fiduciary Net Position	<u>\$70,886,608</u>	<u>\$74,242,415</u>
(3) Net Pension Liability*	\$11,624,256	\$13,964,244
(4) Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85.91%	84.17%
(5) Deferred Outflow of Resources for contributions made after measurement date	\$0	\$0

Expense

The following table illustrates the pension expense under GASB 68.

	Fiscal Year Ending June 30, 2015
(1) Service Cost	\$1,876,088
(2) Interest Cost	6,211,311
(3) Expected Investment Return	(5,328,535)
(4) Admin Expense	80,891
(5) Plan Changes	0
(6) Amortization of Unrecognized	
(a) Liability (Gain)/Loss	133,743
(b) Asset (Gain)/Loss	459,941
(c) Assumption Changes	<u>0</u>
(7) Total Expense	\$3,433,439

*The Net Pension Liability replaces the Net Pension Obligation of (\$18,807,623) as of July 1, 2014.



Shown below are details regarding the calculation of Service and Interest Cost components of the Expense.

	Fiscal Year Ending June 30, 2015
(1) Development of Service Cost:	
(a) Normal Cost at Measurement Date	1,876,088
(2) Development of Interest Cost:	
(a) Total Pension Liability at Measurement Date	82,510,864
(b) Normal Cost at Measurement Date	1,876,088
(c) Benefit Payments	3,196,734
(d) Discount Rate	<u>7.50%</u>
(e) Interest Cost	6,211,311
(3) Development of Expected Investment Return:	
(a) Plan Fiduciary Net Position at Measurement Date	70,886,608
(b) Contributions—Employer	3,604,600
(c) Benefit Payments	3,196,734
(d) Administrative Expenses	80,891
(e) Other	0
(f) Expected Return on Assets	<u>7.50%</u>
(g) Expected Return	5,328,535



Reconciliation of Net Pension Liability

Shown below are details regarding the Total Pension Liability, Plan Fiduciary Net Position, and Net Pension Liability for the Measurement Period from July 1, 2014 to June 30, 2015:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance recognized at 7/1/2014 (based on 6/30/2014 Measurement Date)	\$82,510,864	\$70,886,608	\$11,624,256
Changes recognized for the fiscal year:			
-Service Cost	1,876,088	N/A	1,876,088
-Interest on the total pension liability	6,211,311	N/A	6,211,311
-Changes of benefit terms	0	N/A	0
-Differences between expected and actual experience	805,130	N/A	805,130
-Changes of assumptions	0	N/A	0
-Contributions from the employer	N/A	3,604,600	(3,604,600)
-Net investment income	N/A	3,028,832	(3,028,832)
-Benefit payments	(3,196,734)	(3,196,734)	0
-Administrative expense	N/A	(80,891)	80,891
Net Changes	5,695,795	3,355,807	2,339,988
Balance recognized at 6/30/2015 (based on 6/30/2015 Measurement Date)	\$88,206,659	\$74,242,415	\$13,964,244

Liability (Gain)/Loss

The following table illustrates the liability gain/loss under GASB 68.

	Fiscal Year Ending June 30, 2015
(1) Pension Liability Prior Measurement Date	\$82,510,864
(2) Service Cost	1,876,088
(3) Interest Cost	6,211,311
(4) Plan Changes	0
(5) Assumption Changes	0
(6) Benefit Payments	(3,196,734)
(7) Expected Pension Liability	87,401,529
(8) Actual Pension Liability	<u>88,206,659</u>
(9) Pension Liability (Gain)/Loss	\$805,130
(10) Average Future working Life Expectancy	<u>6.02</u>
(11) Pension Liability (Gain)/Loss Amortization	\$133,743

Asset (Gain)/Loss

The following table illustrates the asset gain loss under GASB 68.

	Fiscal Year Ending June 30, 2015
(1) Pension Asset Prior Measurement Date	\$70,886,608
(2) Contributions—Employer	3,604,600
(3) Expected Investment Income	5,328,535
(4) Benefit Payments	(3,196,734)
(5) Administrative Expense	(80,891)
(6) Other	0
(7) Expected Pension Asset	76,542,118
(8) Actual Pension Asset	<u>74,242,415</u>
(9) Pension Asset (Gain)/Loss	\$2,299,703
(10) Amortization Factor	<u>5</u>
(11) Pension Asset (Gain)/Loss Amortization	\$459,941



Deferred Outflows/Inflows

The following table illustrates the Deferred Inflows and Outflows at the end of the fiscal year under GASB 68.

	Deferred Outflows	Deferred Inflows
(1) Difference between actual and expected experience	\$671,387	\$0
(2) Assumption Changes	\$0	\$0
(3) Difference Between Expected and Actual Earnings on Pension Plan Investments	\$1,839,762	\$0
(4) Total	\$2,511,149	\$0

Amortization of Deferred Inflows/Outflows

The table below lists the amortization bases included in the deferred inflows/outflows as of June 30, 2015.

Date Established	Type of Base	Period		Balance		Annual Payment
		Original	Remaining	Original	Remaining	
7/1/2014	Liability (Gain)/Loss	6.02	5.02	\$805,130	\$671,387	\$133,743
7/1/2014	Asset (Gain)/Loss	5	4	\$2,299,703	<u>\$1,839,762</u>	<u>\$459,941</u>
	Total Charges				\$2,511,149	\$593,684

Amounts Recognized in the deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

Year End June 30:

2016	\$593,684
2017	\$593,684
2018	\$593,684
2019	\$593,682
2020	\$133,743
2021	\$2,672
2021 and after	\$0

Sensitivity

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability for fiscal year ending June 30, 2014:

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
(1) Total Pension Liability	\$95,148,853	\$82,510,864	\$72,202,131
(2) Plan Fiduciary Net Position	\$70,886,608	\$70,886,608	\$70,886,608
(3) Net Pension Liability	(\$24,262,245)	(\$11,624,256)	(\$1,315,523)

The following table illustrates the impact of interest rate sensitivity on the Net Pension Liability for fiscal year ending June 30, 2015:

	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
(1) Total Pension Liability	\$100,727,014	\$88,206,659	\$77,940,351
(2) Plan Fiduciary Net Position	\$74,242,415	\$74,242,415	\$74,242,415
(3) Net Pension Liability	(\$26,484,599)	(\$13,964,244)	(\$3,697,936)



Disclosure—Changes in the Net Pension Liability and Related Ratios

Changes in the Net Pension Liability and Related Ratios

GASB 68 is effective for fiscal year ending June 30, 2015. The follow exhibit is a 10 year history of change in Net Pension Liability.

	Fiscal Year Ending									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total Pension Liability										
Service Cost	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$1,876,088
Interest Cost	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$6,211,311
Changes of Benefit Terms	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$0
Differences Between Expected and Actual Experiences	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$805,130
Changes of Assumptions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$0
Benefit Payments, Including Refunds of Member Contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(\$3,196,734)
Net Change in Total Pension Liability	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$5,695,795
Total Pension Liability (Beginning)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$82,510,864
Total Pension Liability (Ending)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$82,510,864	\$88,206,659
Plan Fiduciary Net Position										
Contributions—Employer	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$3,604,600
Contributions—Member	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$0
Net Investment Income	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$3,028,832
Benefit Payments, Including Refunds of Member Contributions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(\$3,196,734)
Administrative Expense	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$80,891
Other	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$0
Net Change in Plan Fiduciary Net Position	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$3,517,589
Plan Fiduciary Net Position (Beginning)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$70,886,608
Plan Fiduciary Net Position (Ending)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$70,886,608	\$74,242,415
Net Pension Liability (Ending)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$11,624,256	\$13,964,244
Net Position as a % of Pension Liability Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	85.91%	84.17%
Net Pension Liability as a % of Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$20,427,138	\$21,081,346
	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	56.91%	66.24%

Disclosure—Contribution Schedule

Contributions

GASB 68 is effective for fiscal year ending June 30, 2015. The follow exhibit is a 10 year history of Contributions.

	2006	2007	2008	2009	Fiscal Year Ending		2012	2013	2014	2015
					2010	2011				
Actuarially Determined Contribution (ARC)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	2,868,624	2,757,068
Contributions made in Relation to the ARC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	3,587,012	3,604,600
Contribution Deficiency (excess)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	(718,388)	(847,532)
Covered-Employee Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$20,427,138	21,081,346
Contributions as a % of Payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17.56%	17.10%

Investment Returns

The following exhibit is a 10-year history of Investment Returns. This Exhibit is not required to be reported in the CAFR.

	2006	2007	2008	2009	Fiscal Year Ending		2012	2013	2014	2014
					2010	2011				
Annual Money-Weighted Rate of Return, Net of Investment Expense	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	17.56%	4.26%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year history is compiled, we will present information for those years for which information is available

Funding – Recommended Contribution

Plan Assets

	2014	2015
<u>ASSETS AS OF JUNE 30TH</u>		
Cash	\$916,349	\$855,785
U.S. Treasuries	4,549,767	4,970,379
Government Agencies	1,081,385	1,115,533
Bonds and Notes	1,363,293	1,345,404
Common Stocks and Convertibles	13,057,450	13,752,559
Fidelity Funds	5,347,732	6,001,563
Delaware Local Government Retirement Investment Pool	44,534,700	46,158,675
Receivables	53,662	54,942
Payable to General Fund	17,730	12,425
Net Position Restricted for Pensions	\$70,886,608	\$74,242,415
Net Position Restricted for Pensions as of July 1st	\$60,065,070	70,886,608
<u>INCOME</u>		
Contribution	\$3,588,251	\$3,604,600
Interest, Dividends, Capital Gains, and Realized/Unrealized Gain/(Loss)	10,528,510	3,253,825
Accrued Income	0	0
TOTAL INCOME	\$14,116,761	\$6,858,425
<u>DISBURSEMENTS</u>		
Benefit Payments	\$2,972,657	\$3,196,734
Investment Expense	\$184,503	\$224,993
Other Professional Services	\$138,063	\$80,891
TOTAL DISBURSEMENTS	\$3,295,223	\$3,502,618
Net Position Restricted for Pensions as of June 30th	<u>\$70,886,608</u>	<u>\$74,242,415</u>

Actuarial Value of Assets at July 1, 2015

(1)	Market Value of Assets as of prior valuation	\$70,886,608
(2)	Benefit Payments	\$3,196,734
(3)	Expenses	\$80,891
(4)	Contributions	\$3,604,600
(5)	Expected Return at 7.0%	\$5,328,535
(6)	Expected Value of Assets: (1) - (2) - (3) + (4) + (5)	\$76,542,118
(7)	Market Value of Assets	\$74,242,415
(8)	(Gain)/Loss for Prior Years:	
	(a) 2015:	N/A
	(b) 2014	N/A
	(c) 2013	N/A
	(d) 2012	N/A
(9)	Unrecognized (Gain)/Loss:	
	(a) 2015: 80% of (8)(a)	\$0
	(b) 2013: 60% of (8)(b)	\$0
	(c) 2012: 40% of (8)(c)	\$0
	(d) 2011: 20% of (8)(d)	\$0
	(e) Total	\$0
(10)	Actuarial Asset Value as of current valuation: (7) + (9)(e)	\$74,242,415

Actuarial value of assets has been set to market value at July 1, 2015. Investment gains and losses in future years will be spread over 5-year periods.

Recommended Contribution

	Without COLA	With COLA
(1) Number of Participants:		
Retired Participants	185	185
Disabled Participants	16	16
Vested Terminations	82	82
Active Participants	480	480
TOTAL	763	763
(2) Actuarial Accrued Liability:		
Retired Participants	\$31,768,494	\$35,837,301
Disabled Participants	\$2,292,644	\$2,646,850
Vested Terminations	\$2,839,822	\$3,229,414
Active Participants	\$40,581,563	\$46,493,094
TOTAL	\$77,482,523	\$88,206,659
(3) Asset Value	\$74,242,415	\$74,242,415
(4) Unfunded Actuarial Accrued Liability: (2) - (3)	\$3,240,108	\$13,964,244
(5) Annual Normal Cost	\$1,549,900	\$1,782,976
(6) Amortization Charges	\$295,655	\$1,274,217
(7) Annual Required Contribution Payable at 07/01/2015: (5) + (6)	\$1,845,555	\$3,057,193
(8) Covered Payroll	\$21,081,346	\$21,081,346
(9) Annual Required Contribution as a Percentage of Payroll: (7) / (8)	8.75%	14.50%

Amortizations of Unfunded Accrued Liability:

Date Established	Initial Amount	Initial Period	Remaining Period	Remaining Amount	Amortization Payment
With COLA					
7/1/2015	\$13,964,244	20	20	\$13,964,244	\$1,274,217
Without COLA					
7/1/2015	\$3,240,108	20	20	\$3,240,108	\$295,655



Appendix

Participant Data

The actuarial valuation was based on personnel information from Sussex County records as of January 1, 2014. Following are some of the pertinent characteristics from the personnel data as of that date. Prior year characteristics are also provided for comparison purposes. Both age and service have been determined using years and months as of the valuation date.

	July 1, 2014	July 1, 2015
Active Participants		
Number	480	476
Average Age	47.0	47.3
Average Service	11.9	12.4
Inactives With Deferred Benefits		
Number	82	80
Average Current Age	49.3	49.0
Inactives Receiving Payment		
Number	201	215
Average Current Age	69.2	69.6
Average Monthly Benefit	\$1,246	\$1,284
Total Participants		
Number	763	771

Asset Allocation

The following table illustrates the allocation, based on the investment policy statement, of the Plan Fiduciary Net Position as of June 30, 2015:

Asset Class	Target Allocation Total
Domestic Equity	40% - 50%
International Equity	10% - 15%
Domestic Fixed Income	20% - 25%
International Fixed Income	0% - 5%
Real Estate and Other	5% - 15%
Cash	5% - 10%
Total	100.0%

The following table illustrates the expected rate of return for asset classes relevant to the Plan Fiduciary Net Position as of June 30, 2015:

Asset Class	Expected Nominal Return	Expected Real Rate of Return
Domestic Equity	6.9%	4.4%
International Equity	7.2%	4.7%
Domestic Fixed Income	4.1%	1.6%
International Fixed Income	3.4%	0.9%
Real Estate and Other	6.2%	3.7%
Cash	3.2%	0.7%

The asset classes here are broad. More specific classes are likely relevant here. Also, these returns assume a passive investment strategy. Most important, the majority of the funds are invested in the Delaware Local Government Investment Fund. The allocations and strategies in that fund likely change from time to time and expected returns are likely higher than those shown here.

Returns are geometric.

Actuarial Assumptions and Methods

Expected Return on Assets	7.5%
Discount Rate	7.5%*
Salary Increases	Valuation year pay is the pay rate as of the Actuarial Valuation date. Such pay is assumed to increase each year as follows:
General Inflation	

Age	Rate
20 - 24	.045
25 - 29	.055
30 - 34	.050
35 - 39	.045
40 - 59	.035
60+	.030

Benefit and Compensation Limits	The IRC section 415 benefit limit and the IRC section 401(a)(17) compensation limit have been projected at 2.50% per year.
Optional Payment Form Election Percentage	Life annuity
Retirement Age	
Active Participants	See Table 1
Terminated Vested Participants	65
Withdrawal Rates	See Table 2
Disability Rates	None
Cost of living increases for retiree benefits	1.4%

*Based on the employer’s funding policy, projected assets are projected to always be sufficient to cover projected benefit payments, so the EROA is used as the discount rate.

** Mortality assumption has been revised effective at the July 1, 2014 measurement date for purposes of GASB68.

Decrement Timing	Beginning of year decrements
Amortization Basis for Funding	20-year amortization (closed period)
Administrative Expenses	Actual administrative expenses during the measurement period are recognized in expense
Actuarial Cost Method	Entry Age Normal cost method.
Measurement Date	June 30, 2015
Measurement Period	July 1, 2014 to June 30, 2015
Census Data	As of January 1, 2014 and July1, 2015

Changes in Methods/Assumptions Since the Prior Year

Method Changes

The valuation reflects GASB 68 which is first effective for the fiscal year ending June 30, 2015.

Assumption Changes

Mortality: changed from RP-2000 Mortality to RP-2014 Mortality with fully generational projections at Scale MP-2014.

The new assumption was effective for GASB 68 accounting at 7/1/2014. For funding, this is a change at 7/1/2015.

Actuarial Assumptions and Methods

Table 1

Retirement Rates

The following retirement rates have been used for all participants except Dispatchers and Paramedics:

Age	<30 Years	30+ Years
55	.00	.15
56	.00	.08
57	.00	.08
58	.00	.08
59	.00	.08
60	.20	.08
61	.20	.40
62	.20	.30
63	.25	.30
64	.10	.10
65	.25	.50
66	.10	.10
67	.10	.10
68	.15	.10
69	.15	1.00
70	1.00	1.00

Effective January 1, 2001, Dispatchers and Paramedics are assumed to retire at the earliest date they were eligible for benefits at age 55 or later.

Table 2

Withdrawal Rates

Sample rates are as follows:

Age	Male Termination Rate	Female Termination Rate
20	.116	.087
25	.092	.069
30	.072	.054
35	.056	.042
40	.044	.033
45	.036	.027
50	.024	.018
55	.026	.015
60	.096	.000

In addition, a set of factors has been applied to the above rates to reflect the higher incidence of turnover during the first 5 years of employment. These factors are 2.0/2.0/2.0/1.2/1.2/1.0 for years 0 through 5, respectively, for males and 4.0/2.4/1.0/1.0/1.0/2.0 for years 0 through 5, respectively, for females.

Actuarial Assumptions and Methods

Discussion of Actuarial Assumptions and Methods

Sussex County selected the economic and demographic assumptions and prescribed them for use for purposes of compliance with GASB 68. Aon Hewitt provided guidance with respect to these assumptions, and it is our belief that the assumptions represent reasonable expectations of anticipated plan experience.

Calculation of Normal Costs and Liabilities

The method used to calculate the service cost and projected benefit obligation for determining pension expense is the entry age normal cost method. Under this cost method, the actuarial accrued liability is based on a prorated portion of the present value of all benefits earned to date over expected future working life time as defined by GASB. The proration is determined so that the cost with respect to service accrued from date of hire is recognized as a level percentage of pay each year. The Normal Cost is equal to the prorated cost for the year of the valuation.

Accounting Information Under GASB 68

Benefit obligations and expense/(income) are calculated under U.S. Generally Accepted Accounting Principles as set forth in Government Accounting Standards Board Statement 68.

The total pension liability represents the actuarial present value of benefits based on the entry age normal cost method as of the measurement date reflecting all normal costs over the period when benefits were earned.

The pension expense is the annual amount to be recognized in the income statement as the cost of pension benefits for this plan for the period ending June 30, 2015.

Plan Provisions

Plan Type

Single Employer Defined Benefit Pension Plan adopted and administered by the County Council of Sussex County Delaware per Ordinance Number 19, and subsequently amended by Ordinances 52, 73, 190, 281, 318, 359, 890, 1257, 1375, 1485, 1799, 2223, 2228, 2237, and 2346.

Effective Date

June 10, 1975, and amended most recently effective January 1, 2014 requiring 3% employee contributions for employees hired after January 1, 2014.

Eligibility

All employees who receive a regular salary from Sussex County are covered from date of hire provided they regularly work more than 120 working days in a calendar year. Also covered are elected officials and, for time spent prior to March 31, 1965, Justices of the Peace and Constables.

Continuous Employment

Service without interruption except allowable interruptions totaling up to 5 years such as short term disability, approved leaves of absence, U.S. military service, involuntary severance not due to the employee's fault, or voluntary severance up to 1 year.

Years of Service for Benefit Accrual

Continuous Service plus leave time in U.S. military service up to 4 years. If hired prior to September 1, 1998, other State of Delaware service counts towards benefit accrual (but not vesting), but the retirement benefits from this Plan shall be reduced by any amount received from any other State or County Plan. Effective in 2005, one additional Year of Service for Benefit Accrual is credited to a Participant with 2 or more years of U.S. military service.

Average Monthly Earnings

The wages for the highest paid 3 years of Sussex County service divided by 36.

Normal Retirement

Age 62 with 8 years of Continuous Employment, or 30 years of Continuous Employment. For Dispatchers and Paramedics, effective in 2000, age 62 with 8 years of Continuous Employment, or 25 years of Continuous Employment, with at least 8 years in such job function.

Early Retirement

Age 60 with the completion of 15 years of Continuous Employment. For Elected Officials, the earlier of: (1) Age 60 with the completion of 5 years of elected official service, or (2) Age 55 with the completion of 10 years of elected official service. The benefit shall be payable immediately without reduction for early payment.

Deferred Retirement

A Participant may work beyond age 65 and continue to accrue benefits towards his retirement.

Benefit Formula

1.6667% of Average Monthly Earnings times full and fractional Years of Service for Benefit Accrual. For Dispatchers and Paramedics hired after July 1, 2001, 2.0% of Average Monthly Earnings times full and fractional Years of Service for Benefit Accrual. (Dispatchers and Paramedics hired before July 1, 2001, are presumed to also elect this formula as it is more generous.) For employees hired after July 1, 2000, Years of Service for Benefit Accrual for this purpose shall not exceed 30 (25 for Dispatchers and Paramedics).

Employee Contributions

3% employee contributions for employees hired after January 1, 2014.

Eligible Survivor

The surviving spouse, or if none, any minor child(ren), or if none, any surviving parent(s).

Normal Form of Payment

Life Annuity with 50% continuance payable to Eligible Survivor upon death of participant.

Cost of Living Adjustments

Reconsidered annually by the County Council and adopted when considered necessary.

Termination of Service

Vesting in accrued benefit based on Continuous Employment in accordance with the following schedule:

- (a) Less than 8 Years: 0% Vested
- (b) 8 or More Years: 100% Vested

Survivor's Benefit

The Eligible Survivor(s) of a covered employee who has completed 8 years of continuous employment shall be eligible for 50% of the covered employee's current accrued pension benefit, payable immediately, which would otherwise have been payable at Normal Retirement Date.

Disability Benefit

For active employees, none, effective January 1, 2012.

Plan Changes since the Prior Year

The plan has been amended to require 3% employee contributions for those hired after 1/1/2014.