

# City Manager's Weekly Report

Friday, July 17, 2015

**Department:**

Administration - City Manager

**Notable Notes:**

Mayor and Council -

Please find the attached communication which outlines our FY16 Municipal Street Aid allocation of \$482,777.42. You will recall that these funds were being considered for elimination during the Legislative session that ended last month and which Newark and other local governments rely heavily on to supplement necessary street improvements within our communities.

I am happy to share that our 2015 Pension Valuation Report will be on your next Council meeting agenda. Of note is the fact that our funding status is 71.2% for FY2015. This represents a 4.5% increase over 2014 and is the largest one year jump in at least a decade. Sticking with Finance I share that you will also be receiving your CAFR documents in advance to a presentation from our independent auditors in accordance with Council's request.

This week and next police officers from around the state are participating in FBI Advanced Law Enforcement Rapid Response Training (ALERRT) at the University of Delaware's Dickenson Residence Hall Complex. Use of this now vacant facility provides a good training opportunity for first responders.

Parks and Recreation reports that this first summer for Camp REAL is going well with various agencies being involved to provide the children of College Park and the surrounding area with a great camp experience.

I can now report that Marvin Howard, Parking Administrator, has had good feedback related to the new uniforms and outlook of our Parking Ambassadors. This change was made a few weeks ago. Businesses and visitors to downtown have shared that staff are more approachable and more helpful. Our new approach which has been successful in other cities encourages engagement to warn people when they observe them parking in an incorrect spot, giving directions, saying hello, and ultimately sharing general city information as well as enforce the parking laws. Additional staff training is also planned as we fully implement the switch from our former parking enforcement model.

In our continued partnership efforts with the University of Delaware I can report that we will again work with the UD to fund improvements to Academy Street in association with the heavy construction that has occurred for years now along this roadway. The University was interested in repairing a section in front of its new building and were prepared to fund a 6" base. We will be funding another 4" to allow this section, which is among some of the worst, to be completed this year and to the appropriate level. We worked with UD in a similar fashion in advance to the ICE Lab opening and have plans to complete the remaining portions of the street, which is our responsibility, in 2017.

**Activity or Project:**

2016 CIP and Operating Budget Process

**Description:**

Please take note of and place in your calendar the below target dates for budget related

engagements. October 6 - Target Date for Planning Commission CIP Review October 12 - Budget Workshop before Council Meeting – 6 p.m. November 2 - Target Date for Budget Hearing (not a Council meeting night) November 3 - Contingency Date for Planning Commission CIP Review November 16 - Contingency Date for Budget Hearing (not a Council meeting night) November 23 - Target Date for CIP and Operating Budget Approval December 14 - Contingency Date for CIP and Operating Budget Approval

Status: Started

Expected Completion: 12/14/2015

Execution Status: On Track

**Activity or Project:**

Separated Bike/Pedestrian Bridge over White Clay

Description:

We have been informed by the Department of Transportation that our application for transportation alternatives funding to develop a separated bike/pedestrian bridge over the White Clay Creek at Paper Mill Road has been approved for concept plan funding and that DeIDOT will assign a design firm to work with us on this phase in the near future. This idea has been considered for some time in consideration with the limited space and increased usage of the existing bike/pedestrian feature of the bridge as a result of the increase in trails and bike lanes funneling to this location.

Status: Started

Expected Completion: 12/31/2015

Execution Status: On Track

**Activity or Project:**

Delaware Municipal Electric Corporation

Description:

If you attended the spring training session hosted by DEMEC you will recall that capacity performance compliance liability was something that the Federal Energy Resources Commission (FERC) would be endorsing, which was later confirmed by a FERC ruling. This then prompted DEMEC to take quick and long-term action to secure capacity while eliminating liability for non-conformance. To that end a 10-year fixed hedge of 50MW of Capacity Performance Compliant capacity has been entered into and will start delivery in 2018/2019 from Calpine.

Status: Started

Expected Completion: 12/31/2015

Execution Status: On Track

**Department:**

Alderman's Court

**Notable Notes:**

Three court sessions were held this past week.

The State of Delaware video phone system technician came to Alderman's Court to access us for the installation of our own video phone system which will make it more convenient for the judges to video prisoners in our court.

**Activity or Project:**

Court Sessions

Description:

We processed 20 arraignments, 33 trials, 19 capias returns, 7 case reviews, 1 violation of probation hearing and transported 3 prisoners from the various prisons for court.

Status: Completed

Expected Completion: 7/15/2015

Execution Status: Completed

**Activity or Project:**

Description:

Status:

Expected Completion:

Execution Status:

**Activity or Project:**

Description:

Status:

Expected Completion:

Execution Status:

**Department:**

Community Relations

**Notable Notes:**

This week was exceptionally good for engagement via social media, particularly with heightened interest in posting of several employment opportunities and information about the Cycle Track. We gained 36 Facebook "likes," which pushed us over the 2,000 mark to 2,029, and had a total post reach of over 16,000. Perhaps most impressive was the response to our Parking Ambassador position over the weekend, which has reached over 8,000 views. Response to the Cycle Track prototype demonstration was remarkably positive.

We are very excited to be nearing the openings of Grain (formerly Mojo) and Duck Donuts next week! Ribbon cutting dates have not yet been set.

**Activity or Project:**

Gift Card Program Conversion

**Description:**

Converting our gift card program to a new provider is running well. Final proofs of our card stock as well as the holder/mailler that customers will receive when they purchase the cards via an online web portal (an entirely new feature that was impossible with the old provider) have been approved, and we are awaiting physical printed proofs in order to verify colors. TransCard solutions, the provider, is nearing final agreements with banking institutions who will hold the funds in the program.

Status: In-Progress

Expected Completion: 7/25/2015

Execution Status: On Track

**Activity or Project:**

12th Annual Food and Brew Fest

**Description:**

Working with our partners at Out and About Magazine, we are nearing the date of the 12th Annual Food and Brew Fest. This year will feature 18 total venues, including Ali Baba, Arena's, Buffalo Wild Wings, Caffe Gelato, Catherine Rooney's, The Deer Park Tavern, Del Pez, Grain, The Greene Turtle, Grotto Pizza, Home Grown Cafe, Iron Hill, Kildare's, Klondike Kate's, Santa Fe, The Stone Balloon Ale House, and Taverna, in addition to special features at The Delaware Growler. We are extremely excited that the grand opening of Grain will coincide with this event!

Status: Near Completion

Expected Completion: 7/25/2015

Execution Status: On Track

**Activity or Project:****Description:**

Status:   
Expected Completion:   
Execution Status:

**Department:**

Electric Department

**Notable Notes:**

SevOne, a data center under construction at the Star Campus, is working out details to have Bloom Energy's fuel cells as uninterrupted power with a City feed as an emergency back up. It is necessary to work out a standby rate and an interconnection agreement which will be satisfactory for all parties involved although it is not yet fully clear what their plans are. Staff has continued to reach out to obtain additional information.

An outage on a transformer at the West Main Substation was caused by a squirrel chewing through a cable on Sunday night. The outage lasted two hours and ended when the circuit was switched to another. The damaged cable was repaired and the circuit switched back three days later.

The electricians and line crews continued working at the new substation transformer preparing it for SCADA communications and installing the equipment necessary for utilization.

The line crews also helped with tree trimming along West Main Street from Corbit Street to South Main Street.

The SCADA system is being migrated onto a new server that will give better accessibility to engineering outside the office. The new system is being tested for bugs and slowly implemented while the old system stays running as a backup.

**Activity or Project:**

Alder Creek

**Description:**

Installing underground cables and padmount transformers for the complex.

Status:   
Expected Completion:   
Execution Status:

**Activity or Project:**

**Description:**

Status:   
Expected Completion:   
Execution Status:

**Activity or Project:**

Description:

Status:   
Expected Completion:   
Execution Status:

**Department:**

Finance Department

**Notable Notes:**

The City has received the 2015 Actuarial Valuation for the Pension Plan, which is attached in this report. It will also be distributed to Council and posted to the City's website in advance of the July 27, 2015 meeting of Council. I am thrilled to report that the plan's funded level has increased for the fourth consecutive year from 66.7% to 71.2% on higher than expected asset gains. The 4.5% increase is the largest one-year increase in at least the last ten years. The Actuarially Determined Contribution (ADC), formerly known as the Annual Required Contribution (ARC), decreased to \$3.0 million.

Payments and Utility Billing

The group handled 506 phone calls the week of 7/6/15 with an average call length of 4:42 and an average hold & queue time (average speed of answer) of 7:09. The group also processed 4,616 utility payments and CityView transactions while the Welcome Center staff greeted 383 visitors. 200 service calls were initiated by Payments and Utility Billing in response to the calls and visitors. The group's average speed of answer and abandonment rate improved this week. Our statistics will continue to improve as our newest staff members recently completed their onboarding training and continue to participate in more advanced training, which will be reinforced with experience over time.

Accounting

With the successful completion of the 2014 independent financial audit and the publication of the Comprehensive Annual Financial Report (CAFR), the Finance team is putting increased attention on the 2016 budget process. Volunteer accounting intern Eric Xiang joined our staff on 7/13/15 to assist with various budget compilation tasks, research, spreadsheet work, account reconciliation, and other accounting work to help with the department's workload. Items such as meeting summaries and preliminary budget drafts will be posted to 2016 Budget Central as they become available.

**Activity or Project:**

## Independent Financial Audit - 2014

### Description:

The status of the audit has not changed from last week's report. The 2014 independent audit is complete and the CAFR has been published. The lead auditors at CliftonLarsenAllen have prepared the bound versions of the CAFR along with the various transmittals that constitute the audit reporting. I am pleased to report that the internal control letter reports no material weaknesses and no deficiencies. Even the segregation of duties deficiency, which had been a mainstay on the City's internal control report due to limited staffing levels, was cleared from the deficiency list as a result of targeted measures taken by our organization during 2013 to improve controls. Administration and Finance Department staff deserve the credit for modified roles in purchasing, payroll, billing and cashiering. The auditors will present their findings at the July 27, 2015 meeting of Council.

Status: Completed

Expected Completion: 6/30/2015

Execution Status: Completed

### Activity or Project:

Purchasing Card Upgrade

### Description:

We are working with Fulton Bank to upgrade the City's existing purchasing cards, or "P-Cards." The upgrade will reduce workload and improve efficiency by automatically posting transactions to the City's financial accounting system and reduce costs through a rebate program. There is no cost for the program upgrade.

Status: Started

Expected Completion: 10/31/2015

Execution Status: On Track

### Activity or Project:

### Description:

Status:

Expected Completion:

Execution Status:

### Department:

Parks and Recreation Department

**Notable Notes:**

Park Superintendent Zaleski is continuing to prepare a plan and cost estimate to re-do the landscaping at City Hall. He is also working with an Eagle Scout candidate on a park project.

The parks crew committed significant time this week doing tree work at several park sites. Recent rain and wind events have caused considerable tree damage.

We replaced a tree at the Phillips Park Rain Garden.

The crew committed considerable time last week helping to clean up debris from the July 4 fireworks display. They also completed several general park maintenance work orders.

Our contractor doing rehab work at tennis court sites is making very good progress. The project should be completed within the next two weeks.

The most recent Tennis with the Mayor session was held on July 12 at Lewis Park.

Wilson Center Coordinator DeBruin attend a GIS Committee meeting and an additional training session. The training focused on the use of ArcMap.

Summer camps are progressing very well. Four different camps occurred at the Wilson Center last week. We also held a youth Soccer at Downes Elementary School.

Youth Golf and Skate Boarding Camps are taking place this week.

Last week 12 volunteers committed more than 400 volunteer hours at various camps and events.

We're very happy to report that the new summer youth camp at Dickey Park is progressing very well.

Recreation Superintendent Spadafino attended a meeting pertaining to the planned Triathlon to be held at the Reservoir and Redd Park on August 16.

**Activity or Project:**

Tree Inventory Contract: CIP Project No. K1503

**Description:**

The project will entail completing a street and park tree inventory. The contract will be presented for Council action at their July 27 meeting.

Status: Started

Expected Completion: 10/2/2015

Execution Status: On Track

**Activity or Project:**

**Description:**

Status:

Expected Completion:

Execution Status:

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**Activity or Project:**

Description:

Status:

Expected Completion:

Execution Status:

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**Department:**

Planning and Development Department

**Notable Notes:**Building Maintenance

- This week Facilities Maintenance completed the following:
  - Replaced a broken door closer on a door in the basement of the Police Station.
  - Hung various storage containers and bulletin boards for the Finance Department.
  - Met with contractors about City Hall HVAC upgrades for the 2016 Capital Budget.
  - Worked on repairing the wall in the second floor ladies room.
  - Replaced a soap dispenser in the first floor ladies room.

Code Enforcement

- The Certificate of Occupancy was issued for 2000 Fountainview Drive, Unit 301 this week.
- The final building inspection was done for Unique Impressions at 61 E. Main Street.

Community Development

- The Planning and Development Department has processed two applications for the Home Improvement Program this week.

Parking

- The Parking Division is repainting the yellow curbs in the lots and fire lanes this week.
- Parking Manager Marvin Howard also spent time with the contractors working on the Lot 2 expansion this week. The new expanded lot is tentatively due to open the end of July.
- Some time was spent on lease extension negotiations for a piece of Municipal Lot 3.

## Planning

- This week, the Planning and Development Department received an application for a Special Use Permit from the Delaware Junior Volleyball Club to open an indoor recreation facility at 100 Interchange Blvd. – Zoned MOR.
- On Wednesday Development Manager Mike Fortner attended a GIS training and GIS Committee meeting.
- Considerable time was spent preparing projects for Council review on July 27<sup>th</sup>. Tentatively scheduled are: Revisions to the approved elevations for the Candlewood Suites hotel and the lifting of a deed restriction on the Embassy Suites parcel.
- On Thursday a Subdivision Advisory Committee (SAC) meeting for the expansion of Millcroft Nursing Home was held. Staff comments regarding the major subdivision and special use permit application will be forwarded to the developer's engineer later this week.
- This week, Subdivision Advisory Committee comments were sent to the owner of 6 Annabelle Street regarding his application for a minor subdivision and special use permit to convert as existing RM zoned single family home into a four unit apartment building.
- The Planning and Development Department completed:
  - 15 Deed Transfer Affidavits
  - 41 Building Permit Reviews
  - 2 Certificate of Occupancies

### **Activity or Project:**

Planning Commission

#### Description:

Considerable time was spent preparing for the August Planning Commission. Amendments to Chapters 27 and 32 regarding floodplain regulations will be considered at this meeting. Other projects are also being reviewed for suitability for consideration.

Status: Started

Expected Completion: 8/4/2015

Execution Status: On Track

### **Activity or Project:**

Newark Shopping Center Paving

#### Description:

This week paving of the parking lot began at the Newark Shopping Center. The project is phased and the expected completion date is early August.

Status: Started

Expected Completion: 8/15/2015

Execution Status: On Track

### **Activity or Project:**

## Duck Donuts Final Inspection

### Description:

The final building inspection and associated tests were approved for Duck Donuts – 145 E. Main Street. A soft opening is scheduled for this weekend; followed by a grand opening later this summer.

Status: Completed

Expected Completion: 7/15/2015

Execution Status: Completed

### Department:

Police Department

### Notable Notes:

Lt. VanCampen has been working on a complaint of homeless people living in tents on city property. People living on the property were contacted and issued a written warning for trespassing and given ten days to leave the property. They were also provided contact information for social service agencies. A check of the site a few days later revealed that all of the tents were removed and no one was on site.

Our police recruits attending the Delaware State Police Academy will be graduating on Friday, July 31<sup>st</sup>. The ceremony will be held at Delaware State University in Dover. Our recruits attending the New Castle County Police Academy are reported to be doing well and will be graduating later in the fall.

Deputy Chief Feeney continues working on the "Mass Causality Recovery" tabletop exercise. The exercise will take place in mid-August.

Corporal Spadola has been working with the city and Aetna Fire Company on "National Night Out" that is scheduled for August 6<sup>th</sup>. Various public safety displays will be set up in the evening on Academy Street between Delaware Avenue and Main Street. More information will follow as plans are finalized.

### Activity or Project:

N/A

### Description:

N/A

Status: Completed

Expected Completion: 7/15/2015

Execution Status: Completed

### Activity or Project:

Description:

Status:

Expected Completion:

Execution Status:

**Activity or Project:**

Description:

Status:

Expected Completion:

Execution Status:

**Department:**

Public Works and Water Resources Department

**Notable Notes:**

We held the temporary cycle track mock-up on Delaware Avenue this Tuesday and it was very well received and attended. We estimate there were around 60-75 riders and somewhere around 100 attendees. As part of the process we asked each rider to complete a survey and provide feedback and recommendations. We are compiling the surveys and will take this information back to the DelDOT steering committee. Here is a link to the News Journal video covering the event:  
<http://www.delawareonline.com/media/cinematic/video/30175537/expanded-bike-lane-in-newark-tested/>

Here is a link to the Newark Post article: [http://www.newarkpostonline.com/news/article\\_0aefc33b-bcbc-53c4-94b4-679b689f3b91.html](http://www.newarkpostonline.com/news/article_0aefc33b-bcbc-53c4-94b4-679b689f3b91.html)

We hosted a trench excavation safety training seminar at our maintenance yard training room with the Delaware Chapter of the American Public Works Association. All PW&WR field personnel were in attendance, and we had seven employees receive full 8-hour OSHA competent person training. In all, around 50 people were in attendance between Newark, DNREC, Middletown, Artesian, Tidewater, Pennoni, JMT and other companies. We are very happy with the joint partnership with APWA and will look to host more events like this moving forward.

**Activity or Project:**

Arbour Park Booster Station

Description:

The gas service that will power our new natural gas generator was installed this week. The contractor has begun running control and power conduit. The project is moving along nicely.

Status: In-Progress

Expected Completion: 8/31/2015

Execution Status: On Track

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**Activity or Project:**

2015 Water Main Replacement

Description:

The contractor has milled out the main alignment on North, Prospect, and Wilbur Streets and begun laying pipe and replacing hydrants on Prospect.

Status: In-Progress

Expected Completion: 12/31/2015

Execution Status: On Track

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**Activity or Project:**

2015 Street Contract

Description:

The contractor is planning to mobilize to Hillside Road on Wednesday, July 22nd, weather depending, and begin replacing curb. From there they will move to East Park Place.

Status: Started

Expected Completion: 12/31/2015

Execution Status: On Track

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7/12/2015 to 7/18/2015



STATE OF DELAWARE  
DEPARTMENT OF TRANSPORTATION  
800 BAY ROAD  
P.O. BOX 778  
DOVER, DELAWARE 19903

JENNIFER COHAN  
SECRETARY

July 1, 2015

Carol S. Houck  
City Manager, Newark  
220 South Main Street  
Newark, DE 19711

Reference: Municipal Street Aid Funds (MSAF) – FY16

The Delaware State Senate, 148<sup>th</sup> General Assembly, passed Senate Substitute No. 1 for Senate Bill No. 160, which allocates funds for the Municipal Street Aid program. This year, the allocation (Section 101 (b)) is "The sum of \$5,000,000 Dollars".

The mileage and population figures located within your boundary for this program are based on the figures recently provided by your town representative on the "Affidavit". Your payment for Fiscal Year 2016 is based on 65.83 miles of Municipally Maintained Streets and a Population figure of 33005. The allocated funds for your municipality are \$ \$482,777.42.

These funds are for Fiscal Year 2016, which begins July 01, 2015 and ends on June 30, 2016. The funds are to be used "...pursuant to the provisions of 30 Del.C.c.51." Additionally, House Substitute No. 1 for House Bill No. 145 exempts "...projects wholly funded by the Municipal Street Aid program prevailing wage requirements."

A complete copy of Title 30 can be found on the State Auditor's web page at [www.state.de.us/auditor](http://www.state.de.us/auditor). **Funds will not be released to the municipality until 1) The Program Compliance Coordinator has received an "Affidavit" from the Municipality, and 2) the "Municipal Street Aid Annual Report" has been received by the Office of the State Treasurer. Pursuant to Title 30, 5156 (b) the report must be filed with the Delaware State Treasury not later than October 1<sup>st</sup>. This report is for the previous years funds.**

If you have any questions regarding this information, please do not hesitate to contact me. I can be reached by e-mail: [Karen.Brittingham@State.de.us](mailto:Karen.Brittingham@State.de.us). My direct phone number is 302.760.4805.

Sincerely,

  
Karen Emory Brittingham  
Program Compliance Coordinator



## City of Newark, Delaware



July 10 at 4:07pm · 🌐

Are you good with people, enjoy being outside and have a good driving record? Looking for some night and weekend work? Consider a job as a Parking Ambassador with us here at the City of Newark! Starts at \$18.27, with paid vacation and holidays!

For full details, check out [www.cityofnewarkde.us/jobs](http://www.cityofnewarkde.us/jobs)

8,196 people reached

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**ACTUARIAL VALUATION AS OF JANUARY 1, 2015**

**FOR FISCAL YEAR ENDING DECEMBER 31, 2015**



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[www.milliman.com](http://www.milliman.com)

June 19, 2015

Mr. Andrew Haines  
Deputy City Manager  
City of Newark  
220 South Main Street  
Newark, Delaware 19711

Dear Andrew:

This report presents the results of the January 1, 2015 actuarial valuation of the Amended Pension Plan for Employees of City of Newark, Delaware for determining contributions for the fiscal year ending December 31, 2015.

### Purpose

The main purposes of this report are:

- to assess the relative funded position of the plan;
- to determine the funding policy contribution for the fiscal year ending December 31, 2015; and
- to determine the employee contribution rate for the plan year beginning January 1, 2016 for police members.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the City. Actuarial computations under GASB Statements No. 25 and 27 are no longer required and thus are no longer included in this report. Actuarial computations under GASB Statements No. 67 and 68 for purposes of fulfilling financial accounting requirements are provided in a separate report. The calculations in the enclosed report have been made on a basis consistent with our understanding of the City's funding requirements and goals. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of the City. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party.

Milliman's work product was prepared solely for the City of Newark, Delaware for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception:

- The City may provide a copy of Milliman's work, in its entirety, to the City's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the City.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

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

#### Data Reliance

In performing this analysis, we relied on data and other information (both written and oral), such as the plan provisions, provided by City of Newark, Delaware. We have not audited or verified this data and other information. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

#### Variability of Results

Future actuarial measurements may differ significantly from the current measurements presented in this valuation due to actual plan experience deviating from the actuarial assumptions, the natural operation of the plan's actuarial cost method (such as the expiration of an amortization period or additional cost or contribution requirements based on the plan's funded status), and changes in plan provisions, actuarial assumptions, and applicable law. An assessment of the potential range and cost effect of such differences is beyond the scope of this project.

Certification

We hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices based on our understanding of the benefits provided by the City, which are consistent with the principles prescribed by the Actuarial Standards Board, the Code of Professional Conduct, and the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States of the American Academy of Actuaries. We further certify that all costs and liabilities have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the Plan where available and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the Plan.

We are members of the American Academy of Actuaries and meet its qualification standards to render this actuarial opinion.

Respectfully submitted,

By: 

Tim Nugent, F.S.A.  
Member American Academy of Actuaries

By: 

Scott F. Porter, F.S.A.  
Member American Academy of Actuaries

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

January 1, 2015 Actuarial Valuation

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# AMENDED PENSION PLAN FOR EMPLOYEES OF CITY OF NEWARK, DELAWARE

January 1, 2015 Actuarial Valuation

## SECTION I – SUMMARY OF RESULTS

### Executive Summary

GASB has issued two new statements on how pensions are accounted for on the pension plan's financial statements as well as the employer's financial statements. Statement No. 67 Financial Reporting for Pension Plans is effective for the plan year ending December 31, 2014 and replaces Statement No. 25. Statement No. 68 Accounting and Financial Reporting for Pensions is effective for the fiscal year ending December 31, 2015 and replaces Statement No. 27. These standards are vastly different than the prior standards, but like the prior standards, do not dictate the funding of the pension plan. This valuation no longer provides the accounting information on the prior standards and information regarding GASB Statements Nos. 67 and 68 will be provided in a separate report.

Due to the change in the accounting standards, some of the pension terms used in this report have been modified. Most notably the Annual Required Contribution (ARC) has been replaced by the Actuarially Determined Contribution (ADC).

The purpose of this report is to determine the ADC for the fiscal year ending December 31, 2015 in accordance with the City's funding policy. Assuming the City continues to provide for basic and essential services and is able to maintain the City's infrastructure, the City intends to fund between 100% and 110% of the ADC based on parameters set forth in this actuarial valuation report. It is our understanding that the City intends to fund 105% of this year's ADC or \$3.15 million.

The ADC decreased from \$3.17 million for the fiscal year ending December 31, 2014 to \$3.00 million for the fiscal year ending December 31, 2015. The ADC is allocated to police (\$1.15 million) and nonpolice (\$1.85 million). The police portion is offset by State insurance tax proceeds estimated at \$0.28 million, resulting in a net City funding police contribution of \$0.87 million. The expected State insurance tax proceeds remained at \$0.28 million for 2015.

The ADC comprises the Normal Cost and an amortization of the Unfunded Accrued Liability plus an interest adjustment. The determination of the Normal Cost has been modified to be consistent with the version of Entry Age Normal specified by GASB Statement Nos. 67 and 68. This change had an insignificant impact on the ADC. The normal cost decreased from \$1.18 million as of January 1, 2014 to \$1.17 million as of January 1, 2015.

**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

January 1, 2015 Actuarial Valuation

**SECTION I – SUMMARY OF RESULTS**  
(Continued)

The amortization payment is based on a 27-year amortization of the unfunded liability. The amortization period decreased by 1 from the prior year. The amortization payment decreased from \$1.88 million as of January 1, 2014 to \$1.73 million as of January 1, 2015 as the Unfunded Accrued Liability decreased from \$24.37 million as of January 1, 2014 to \$22.13 million as of January 1, 2015. As of January 1, 2015, the funded ratio increased from 66.7% based on the actuarial value of assets and 71.7% based on the market value of assets to 71.2% and 73.1%, respectively.

The decrease in the ADC is primarily due an actuarial gain experienced during the year and a reduction in the number of active members from 213 to 202. The actuarial gain is primarily due to actuarial value of assets earning more than expected. The market value of assets estimated rate of return during the prior year is 6.32%. However, for purposes of determining contributions, asset gains and losses are smoothed in over a 3-year period. Recognition of asset gains and losses in prior years resulted in an estimated return on the actuarial value of assets of 11.45%, which is more than the assumed return of 7%, resulting in an actuarial gain. As of January 1, 2015, the actuarial value of assets is 97.4% of market value or \$1.43 million higher. An actuarial value of assets less than the market value of assets is a function of prior investment gains that have yet to be fully recognized. Unless future investment losses are experienced, recognition of these deferred gains will help decrease the contribution requirements in the near future.

Actual salary increases for continuing actives are estimated to be 4.2% for police and 4.0% for nonpolice as compared to expected increases of 4.9% for police and 3.9% for nonpolice. This resulted in very slight actuarial gains for the year.

Funding Policy

Assuming the City continues to provide for basic and essential services and is able to maintain the City's infrastructure, the City intends to fund between 100% and 110% of the ADC based on parameters set forth in this actuarial valuation report. Contributions are made on a monthly basis during the year less any amounts received by the State for police. The amortization period for police may remain "open", while the amortization period for non-police may be "closed". The ADC is based on a level dollar amortization of the unfunded actuarial accrued liability over 27 years for both police and nonpolice. The amortization period has been reduced by 1 since the prior year. Along with State insurance tax proceeds, the City contributed 113.9% of the ADC for the year ending December 31, 2014.

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

January 1, 2015 Actuarial Valuation

**SECTION I – SUMMARY OF RESULTS**  
(Continued)

Discussion of Supporting Exhibits

Exhibit 1 summarizes the assets as of December 31, 2013 and December 31, 2014. The State contribution for Police made in early 2015 is included as a receivable contribution for the prior year.

Exhibit 2 summarizes the change in assets from the prior year in total as well as separately for police and nonpolice. The allocation of assets is determined such that the rate of return for police and nonpolice would be the same.

Exhibit 3 develops the actuarial value of assets as of January 1, 2015 and displays the estimated rates of return for the last three years on the market value and actuarial value of assets.

Exhibit 4 summarizes the actuarial experience for the year ending December 31, 2014 in total as well as separately for police and nonpolice. In total, the plan experienced an actuarial gain of \$1.48 million. The exhibit also shows the change in the funded ratio from 66.7% as of January 1, 2014 to 71.2% as of January 1, 2015 on an actuarial value basis.

Exhibit 5 develops the normal cost separately for police and nonpolice as of January 1, 2015 based on the GASB 67/68 version of the Entry Age Normal cost method. The City normal cost rates for police and nonpolice are 12.0% and 8.7%, respectively.

Exhibit 6 summarizes the development of the ADC and the Net City funding policy contribution for the fiscal year ending December 31, 2015 year in total as well as separately for police and nonpolice. The ADC equals the normal cost plus a 27-year amortization of the unfunded liability plus a half-year interest adjustment to account for payments made monthly throughout the year. The Net City funding policy contribution equals the ADC less a contribution from the State of Delaware insurance tax proceeds. The State contribution is estimated to be \$283,781.

Exhibit 7 provides a historical view of the plan's funded ratio since January 1, 2009 on both a market value and actuarial value basis. Since 2009, the funded ratio has increased from 53.9% to 73.1% on a market value basis whereas the funded ratio has decreased from 72.2% to 71.2% on actuarial value basis.

Exhibit 7 also provides a historical view of the actuarially determined contribution compared to the actual contribution made by the City and received from the State. In total, contributions into the plan have exceeded the actuarially determined contribution since January 1, 2009.

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

January 1, 2015 Actuarial Valuation

**SECTION I – SUMMARY OF RESULTS**  
(Continued)

Exhibit 8 summarizes the expected benefit payments from the plan projected over the next 10 fiscal years.

Census Data

Section III summarizes the census data provided by the City utilized in the preparation of the actuarial valuation. The section shows a summary of the census data by union affiliation, a reconciliation of the data from the prior year, an age service scatter of the active employees and an age benefit profile of the retirees receiving benefits as of January 1, 2015.

Summary of Principal Plan Provisions

Section IV summarizes the principal plan provisions as of the valuation date utilized in the preparation of this actuarial valuation.

Actuarial Assumptions and Methods

Section V summarizes the actuarial assumptions and methods utilized in the preparation of this actuarial valuation. The liabilities provided in this report are heavily dependent upon the assumptions utilized.

**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION II - Exhibit 1**

**Market Value of Assets as of December 31, 2013 and December 31, 2014**

	<u>December 31, 2013</u>	<u>December 31, 2014</u>
Assets		
Principal Financial Group	\$802,830	\$1,331,122
Russell Investments		
Large Cap Defensive Equity Fund	4,748,397	5,280,436
Equity I Fund	9,467,804	10,430,567
Russell 1000 Index Fund	4,770,966	5,404,610
Small Cap Fund	2,748,047	2,859,460
All International Markets Fund	10,657,521	10,184,714
Fixed Income I Fund	15,296,690	16,219,335
Global Real Estate Securities Fund	990,626	1,141,924
Real Estate Equity Fund	2,827,222	3,145,920
Receivable	-	-
Russell Subtotal	<u>51,507,273</u>	<u>54,666,966</u>
Total	52,310,103	55,998,088
Receivables		
State contribution for Police	<u>148,232</u>	<u>141,891</u>
Total	148,232	141,891
Total Plan Assets	52,458,335	56,139,979

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION II - Exhibit 2**

**Change in Market Value of Assets**

	<u>Police</u>	<u>Nonpolice</u>	<u>Total</u>
Market Value of Assets as of January 1, 2014	\$22,100,025	\$30,358,310	\$52,458,335
<b>Income</b>			
City's contributions <sup>1</sup>	1,083,907	2,239,691	3,323,598
Employee contributions	289,697	208,331	498,028
State of Delaware Insurance Tax Proceeds	283,781	-	283,781
Investment and other income <sup>2</sup>	<u>1,533,848</u>	<u>2,092,787</u>	<u>3,626,635</u>
Total	3,191,233	4,540,809	7,732,042
<b>Disbursements</b>			
Benefit payments and contribution refunds <sup>3</sup>	(1,277,763)	(2,339,984)	(3,617,747)
Administrative Expenses <sup>2</sup>	(56,946)	(77,697)	(134,643)
Investment Management Fees <sup>2</sup>	<u>(126,039)</u>	<u>(171,969)</u>	<u>(298,008)</u>
Total	(1,460,748)	(2,589,650)	(4,050,398)
Net increase/ (decrease)	1,730,485	1,951,159	3,681,644
Market Value of Assets as of December 31, 2014	23,830,510	32,309,469	56,139,979
Estimated rate of return (net of investment fees)	6.32%	6.32%	6.32%

<sup>1</sup> Prorata allocation of City contributions paid based on Annual Required Contribution for each group in prior year's actuarial valuation report for police

<sup>2</sup> Balance allocated based on beginning of year balance and one-half of the excess of contributions over benefit payments

<sup>3</sup> Allocated based on retiree roster as of December 31, 2014

**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION II - Exhibit 3**

**Development of Actuarial Value of Assets as of January 1, 2015**

<u>Year</u> <u>Ending</u>	<u>Expected</u> <u>Return</u> <sup>1</sup>	<u>Actual</u> <u>Return</u>	<u>Unexpected</u> <u>Return</u>	<u>Percentage</u> <u>Weight</u>	<u>Amount</u> <u>Deferred</u>
2014	\$ 3,424,998	\$ 3,328,627	\$ (96,371)	67%	\$ (64,247)
2013	3,214,390	7,708,420	4,494,030	33%	1,498,010
<b>Total</b>	<b>\$ 6,639,388</b>	<b>\$11,037,047</b>	<b>\$ 4,397,659</b>		<b>\$ 1,433,763</b>
Market Value of Assets as of December 31, 2014					56,139,979
Actuarial Value of Assets as of January 1, 2015					54,706,216
Ratio of Actuarial Value to Market Value					97.4%
Estimated rate of return					11.45%

<sup>1</sup> Based on actuarial value of assets and actual cash flows during the year

**Estimated Historical Rates of Return**

<u>Fiscal Year Ending</u>	<u>Market</u> <u>Value</u>	<u>Actuarial</u> <u>Value</u>
December 31, 2014	6.32%	11.45%
December 31, 2013	17.18%	10.25%
December 31, 2012	13.10%	8.36%
<b>3 - Year Average</b>	<b>12.11%</b>	<b>10.01%</b>

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION II - Exhibit 4**

**Actuarial Experience for Year Ending December 31, 2014**

	<u>Police</u>	<u>Nonpolice</u>	<u>Total</u>
Actuarial Accrued Liability BOY	\$29,733,602	\$43,392,712	\$73,126,314
Actuarial Value of Assets BOY	<u>20,538,607</u>	<u>28,213,424</u>	<u>48,752,031</u>
Unfunded Accrued Liability BOY	9,194,995	15,179,288	24,374,283
Funded Ratio BOY	69.1%	65.0%	66.7%
Gross Normal Cost BOY	736,349	923,626	1,659,975
Interest	695,194	1,127,204	1,822,398
Contributions Made w/ Interest	(1,715,393)	(2,533,703)	(4,249,096)
Increases in UAL due to:			
Plan Changes	-	-	-
Assumption Changes	-	-	-
Method Changes	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>
Expected UAL	8,911,145	14,696,415	23,607,560
Actuarial Accrued Liability EOY	\$31,435,337	\$45,398,372	\$76,833,709
Actuarial Value of Assets EOY	<u>23,221,901</u>	<u>31,484,315</u>	<u>54,706,216</u>
Unfunded Accrued Liability EOY	8,213,436	13,914,057	22,127,493
Funded Ratio EOY	73.9%	69.4%	71.2%
(Gain)/Loss	(697,709)	(782,358)	(1,480,067)

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION II - Exhibit 5**

**Development of Normal Cost as of January 1, 2015**

	<u>Police</u>	<u>Nonpolice</u>	<u>Total</u>
<u>Present Value of Benefits</u>			
Active Members			
Retirement	\$20,913,516	\$24,996,822	\$45,910,338
Withdrawal	0	1,267,612	1,267,612
Death	174,522	930,448	1,104,970
Disability	790,502	2,703,891	3,494,393
Contribution refund	329,832	49,834	379,666
Subtotal	22,208,372	29,948,607	52,156,979
Terminated vested members	0	946,899	946,899
Retirees and beneficiaries	15,362,323	22,559,125	37,921,448
Total	37,570,695	53,454,631	91,025,326
Actuarial Accrued Liability	31,435,337	45,398,372	76,833,709
<u>Entry Age Normal Costs</u>			
Gross Normal Costs	740,727	889,435	1,630,162
Member Contributions	276,146	198,326	474,472
City Normal Costs (int. adj for timing on ee ctrbs)	473,767	697,706	1,171,473
Member Payroll (Employees less certain retirement age)	3,959,845	7,989,101	11,948,946
Gross Normal Cost Rate	18.7%	11.1%	13.6%
Member Contribution Rate	7.0%	2.5%	4.0%
City Normal Cost Rate (int. adj for timing on ee ctrbs)	12.0%	8.7%	9.8%

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION II - Exhibit 6**

**Actuarially Determined Contribution For Fiscal Year Ending December 31, 2015**

	<u>Police</u>	<u>Nonpolice</u>	<u>Total</u>
Actuarial Accrued Liability	\$31,435,337	\$45,398,372	\$76,833,709
Actuarial Value of Assets <sup>1</sup>	<u>23,221,901</u>	<u>31,484,315</u>	<u>54,706,216</u>
Unfunded Liability	8,213,436	13,914,057	22,127,493
Normal Cost	\$473,767	\$697,706	\$1,171,473
Amortization Payment <sup>2</sup>	640,385	1,084,851	1,725,236
Half Year Interest at 7.00%	<u>38,995</u>	<u>62,389</u>	<u>101,384</u>
Actuarially Determined Contribution	1,153,147	1,844,946	2,998,093
State of Delaware Insurance Tax Proceeds <sup>3</sup>	283,781	-	283,781
Net City Contribution	869,366	1,844,946	2,714,312

<sup>1</sup> Actuarial Value of Assets are set such that the ratio of actuarial value to market value is equivalent for police and nonpolice.

<sup>2</sup> The ARC is based on a 27-year amortization of the unfunded liability.

<sup>3</sup> Estimated State Contribution based on information provided by City

**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION II - Exhibit 7**

**Historical Summary of Assets and Liabilities**

Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	
				Market Value	Actuarial Value
1/1/2015	\$56,139,979	\$54,706,216	\$76,833,709	73.1%	71.2%
1/1/2014	52,458,335	48,752,031	73,126,314	71.7%	66.7%
1/1/2013	45,011,398	44,467,160	68,475,265	65.7%	64.9%
1/1/2012	39,527,483	40,760,760	62,857,392	62.9%	64.8%
1/1/2011	39,147,761	37,139,934	60,197,225	65.0%	61.7%
1/1/2010	34,698,735	37,710,603	56,605,675	61.3%	66.6%
1/1/2009	29,052,504	38,956,105	53,944,288	53.9%	72.2%

**Historical Summary of City Contributions**

Fiscal Year	Actuarially Determined Contribution	City Contribution Paid	State Insurance Tax Proceeds	Contribution Deficiency (Excess)	Percentage Contributed
2014	\$3,166,294	\$3,323,598	\$283,781	(\$441,085)	113.9%
2013	3,070,787	2,610,000	296,464	164,323	94.6%
2012	2,832,003	2,545,659	377,658	(91,314)	103.2%
2011	2,614,758	2,450,000	293,738	(128,980)	104.9%
2010	2,277,619	2,200,000	269,544	(191,925)	108.4%
2009	1,958,483	1,733,484	287,483	(62,484)	103.2%

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION II - Exhibit 8**

**Expected Benefit Payments by Fiscal Year**

<u>Fiscal</u> <u>Year</u>	<u>Police</u>	<u>Nonpolice</u>	<u>Total</u>
2015	\$ 1,722,000	\$ 2,538,000	\$ 4,260,000
2016	1,735,000	2,652,000	4,387,000
2017	1,787,000	2,740,000	4,527,000
2018	1,865,000	2,845,000	4,710,000
2019	1,940,000	2,973,000	4,913,000
2020	2,068,000	3,105,000	5,173,000
2021	2,132,000	3,244,000	5,376,000
2022	2,235,000	3,367,000	5,602,000
2023	2,516,000	3,535,000	6,051,000
2024	2,670,000	3,682,000	6,352,000

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION III – CENSUS DATA**

**Summary of Participant Data as of January 1, 2015**

	<u>AFSCME</u>	<u>Communications Workers of America</u>	<u>Management</u>	<u>Fraternal Order of Police</u>	<u>Special Police</u>	<u>Totals</u>
1. Active participants						
a. Number	60	55	22	64	1	202
b. Total plan compensation	3,293,645	3,008,313	1,752,930	4,395,333	112,200	12,562,421
c. Average plan compensation	54,894	54,697	79,679	68,677	112,200	62,190
d. Average age	46.8	49.3	51.3	39.0	56.0	45.5
e. Average vesting service	14.9	13.1	20.4	12.1	7.3	14.1
2. Inactive participants with deferred benefits						
a. Number	*	9	5	0	0	14
b. Total monthly benefits	*	5,072	5,816	0	0	10,888
c. Average monthly benefit	*	564	1,163	0	0	778
3. Participants in pay status						
a. Number	*	92	17	55	6	170
b. Total monthly benefits	*	152,645	49,520	108,154	5,382	315,701
c. Average monthly benefit	*	1,659	2,913	1,966	897	1,857

\* AFSCME and CWA inactive participants are grouped under CWA

**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION III – CENSUS DATA**

The change in participation from January 1, 2014 to January 1, 2015 is shown below.

	<b>Active Participants</b>	<b>Inactive Participants with Deferred Benefits</b>	<b>Participants in Pay Status</b>	<b>Total</b>
Participants as of January 1, 2014	213	12	160	385
Terminated non-vested	0	0	0	0
Terminated vested	(4)	4	0	0
Died without beneficiary	0	0	0	0
Died with beneficiary	0	0	0	0
Retired	(9)	(1)	10	0
Received lump sum distribution	(2)	(1)	0	(3)
New participants or beneficiaries during plan year	4	0	0	4
Rehired	0	0	0	0
Net data adjustments	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Participants as of December 31, 2014	202	14	170	386
New participants as of January 1, 2015	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Participants as of January 1, 2015	202	14	170	386

The above participant counts include 7 alternate payees currently receiving benefits under Qualified Domestic Relations Orders.

The above counts include 9 members entitled to police and non-police benefits. They are included in the above counts twice.

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
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**January 1, 2015 Actuarial Valuation**

**SECTION III – CENSUS DATA**

**Summary of Active Data as of January 1, 2015**

*Number of Participants by Age and Service Groups*

Age	Years of Credited Service										Total
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up	
<b>0-24</b>	2	3	-	-	-	-	-	-	-	-	5
<b>25-29</b>	-	6	2	-	-	-	-	-	-	-	8
<b>30-34</b>	1	9	14	1	-	-	-	-	-	-	25
<b>35-39</b>	-	6	9	9	5	-	-	-	-	-	29
<b>40-44</b>	-	-	6	9	6	4	-	-	-	-	25
<b>45-49</b>	1	2	1	10	13	5	1	-	-	-	33
<b>50-54</b>	-	2	7	6	6	6	9	1	-	-	37
<b>55-59</b>	-	-	4	2	4	9	5	1	1	-	26
<b>60-64</b>	-	-	2	4	1	1	2	1	-	1	12
<b>65-69</b>	-	-	-	1	-	-	-	-	-	-	1
<b>70&amp;Up</b>	-	-	-	-	-	-	-	-	-	1	1
<b>Total</b>	4	28	45	42	35	25	17	3	1	2	202

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION III – CENSUS DATA**

**Summary of Inactive Data as of January 1, 2015**

**Participants with Deferred Benefits**

<b>Age</b>	<b>Number of Participants</b>	<b>Monthly Benefit</b>
< 30	0	\$0
30 - 34	1	531
35 - 39	1	386
40 - 44	1	308
45 - 49	2	1,185
50 - 54	1	1,605
55 - 59	2	2,783
60 - 64	5	3,468
65 & Up	<u>1</u>	<u>623</u>
Total	14	\$10,888

**Participants in Pay Status**

<b>Age</b>	<b>Number of Participants</b>	<b>Monthly Benefit</b>
< 55	11	\$26,307
55 - 59	21	49,060
60 - 64	28	62,637
65 - 69	36	61,845
70 - 74	30	49,022
75 - 79	21	36,732
80 - 84	14	22,238
85 - 89	8	7,085
90 & Up	<u>1</u>	<u>775</u>
Total	170	\$315,701

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**AMENDED PENSION PLAN FOR EMPLOYEES OF  
CITY OF NEWARK, DELAWARE**

**January 1, 2015 Actuarial Valuation**

**SECTION IV – SUMMARY OF PRINCIPAL PLAN PROVISIONS  
as of JANUARY 1, 2015**

- 1) Type of Plan: The Plan is a contributory, defined benefit plan. Contributions by Local 1670, Employees Council, Management Employees and Special Police members are 2½% of Compensation. Police members contribute a variable percentage based on the recommended employer contribution for police employees that shall not increase or decrease by more than 2% of Compensation from the previous year and shall not exceed 7% of Compensation.

Contributions for Police members cease upon accumulation of a benefit percentage of 67.5%. Effective March 24, 2014, Police members who have accumulated a benefit percentage of 67.5% may elect to continue contributions such that the 67.5% benefit percentage applies to final average earnings at retirement rather than be frozen at the point 67.5% is attained. The election must occur within 90 days. The contribution rate only applies to the increase in a member's salary that occurs after 67.5% benefit percentage is attained.

- 2) Eligibility for Membership: All employees immediately upon date of hire who meet one of the five eligible classes of membership: Local 1670 employees hired prior to April 1, 2014, Employees Council hired prior to January 1, 2014, Exempt employees hired prior to January 1, 2012, police employees, and Special police (Chief of Police) hired prior to January 1, 2012. The plan is closed to all membership classes except for police employees. Benefits are determined by membership class, but eligibility and vesting are based on total service.

- 3) Definitions:

- a. Actuarial Equivalence: Equality in value such that the present value of the amount under any form of payment is essentially the same as the present value under the normal form of annuity payment. Actuarially Equivalent factors are based on the 1983 Group Annuity Mortality Table (blend of 90% male/10% female rates for participants and 10% male/90% female rates for beneficiaries) and an interest rate of 8%.
- b. Continuous Service: The employee's uninterrupted employment period. Periods of approved leave of absences do not constitute an interruption of continuous service if the absence is due to layoff, military service, maternity, sickness, or disability and (except for military service or unpaid job-related disability) does not exceed 12 months.

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- c. Credited Service: Employee's years and months of continuous service beginning with the first day of the month coinciding with or next following employment. Credited service shall not include any approved absences exceeding 30 days, except any unpaid job-related disability, nor any period during which the employee did not contribute to the plan. Local 1670 and Management employees, who have made an irrevocable election to do so, will receive additional credited service in proportion to their amount of unused sick leave.
  
- d. Compensation: Basic annual earnings defined as the member's annual base plus longevity pay, excluding any bonus, commission, overtime, or other special compensation. Compensation is limited to IRC Section 401(a)(17).
  
- e. Final Average Compensation: Average Compensation during the:
  - i) 36 month period preceding retirement or termination of employment for Police members
    - (1) Effective March 24, 2014, Police members who have accumulated a benefit percentage of 67.5% must make an election to continue contributions such that final average earnings is based on period preceding retirement else final average earnings would be frozen as of point member accumulated a benefit percentage of 67.5%.
  - ii) 36 consecutive month period of highest compensation for Employees Council and Local 1670 members
  - iii) 60 consecutive month period of highest compensation for Special Police and Management members
  
- f. Credited Interest: Interest on employee Contributions shall be credited with interest at 4% per year.

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4) Retirement Benefits

a. Normal Retirement

Eligibility:

- (1) The later of 5 years of participation and age 65 for Local 1670, Employees Council and Management members
- (2) The later of 5 years of participation and age 50 for Special Police members
- (3) Completion of 20 years of Credited Service for Police members hired on or after January 1, 1989
- (4) The earlier of the completion of 20 years of Credited Service and the later of the member's 50<sup>th</sup> birthday and 5 years participation for Police members hired prior to January 1, 1989

Benefit:

- 1) 2.1% of Final Average Compensation times Credited Service for Local 1670, Management, Employees Council, and Special Police members
- (2) For Police, the sum of:
  - (a) 2.2% of Final Average Compensation times Credited Service earned before January 1, 1978
  - (b) 2.25% of Final Average Compensation times Credited Service earned between January 1, 1978 and December 31, 1987
  - (c) 2.5% of Final Average Compensation times Credited Service earned on or after January 1, 1988
  - (d) 1.0% of Final Average Compensation times Credited Service in excess of 20 years, earned after December 31, 2006.

Effective January 1, 2007, the annual normal retirement benefit for Police members shall not exceed 67.5% of Final Average Compensation.

b. Early Retirement:

Eligibility: The later of age 55 and completion of 15 years Credited Service for Local 1670, Management or Employees Council members. There is no early retirement for Police or Special Police members.

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Benefit: The Normal Retirement Benefit reduced 5% per year for each year commencement is prior to age 65 for members who have earned less than 20 years of service. If have accrued at least 20 years of service, 5% per point below 85 points. Unreduced early retirement benefits are first available upon attainment of 85 “points” (sum of age plus Continuous Service). Age and Continuous Service are calculated to the nearest month.

5) Termination Benefits:

Eligibility: Termination of service other than for reasons of retirement, death or disability.

Benefit: For police members with at least 15 years of Continuous Service, the normal retirement benefit payable when the member would have completed 20 years of service. For Local 1670, Employee Council, Management and Special Police members with at least 5 years of Continuous Service, the normal retirement benefit formula multiplied by the member’s vested percentage as follows payable at age 65 or upon early retirement, reduced accordingly:

Credited Service	Vested Percentage
5	50%
6	60
7	70
8	80
9	90
10+	100

Refund: For police members with less than 15 years of Continuous Service and for Local 1670, Employee Council, Management and Special Police members with less than 5 years of Continuous Service, contributions with interest accumulated at 4% will be refunded. Vested participants may elect a refund in lieu of the deferred vested benefit.

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6) Disability Benefits:

Eligibility: Total and permanent disability.

Benefit: The greater of the Normal Retirement Benefit and 50% (plus 5% for each dependent to a maximum of 20%) of Final Average Compensation less an amount received under the City's long-term insurance disability program payable first of the month upon termination of employment.

Job-Related Benefit: The greater of the Normal Retirement Benefit and 75% (plus 10% for each dependent to a maximum of 25%) of Final Average Compensation less an amount received under the City's long-term disability insurance program payable first of the month upon termination of employment for Police and Special Police members. There is no job-related disability benefit for Local 1670, Employee Council, and Management members.

Additional benefits received for a spouse shall cease upon the earlier of divorce or death and additional benefits received for dependent children cease upon the earlier of attainment of age 18 or death.

7) Death Benefits:

Eligibility: Death while an active member or in receipt of a disability pension.

Benefit: 50% of Final Average Compensation payable the first of the month following death.

Job-Related Benefit: 50% (plus 10% for each dependent child) of Final Average Compensation payable the first of the month following death for Police and Special Police members. There is no job-related disability benefit for Local 1670, Employee Council, and Management members.

Benefits cease upon earlier death or remarriage. Additional benefits for dependent children cease upon the earlier of attainment of age 18 or death.

Eligibility: Death while an inactive member and not receiving a pension.

Benefit: Refund of contributions with interest accumulated at 4%.

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8) Forms of Payment

Normal form: A single life annuity, but the sum of pension benefits paid shall be no less than accumulated employee contributions with interest.

Optional forms: Actuarially reduced joint and 50%, 66 2/3%, 75%, or 100% survivor annuity. Any other actuarially equivalent option may be selected, providing that at least 50% of the actuarial value of total benefits is paid to the participant and that the optional form is approved by the Trustees and the actuary.

9) Changes in Plan Provisions: Effective March 24, 2014, police members who have accumulated a benefit percentage of 67.5% must make an election to continue making employee contributions or final average earnings will be calculated at the point the benefit percentage of 67.5% was attained.

Ordinance 14-09 provided eligible Local 1670, Employees Council and Exempt employees to retire with a Limited Enhanced Early Retirement Option. If an eligible employee retired between July 1, 2014 and September 29, 2014 may have 5 years of age added in determining the early retirement factor. Eligible employees are defined as age 50 and 10 years of Credited Service. Only two members elected to retire under the Limited Enhanced Early Retirement Option.

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**SECTION V - SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS**

**A. Actuarial Assumptions**

Interest Rate: 7.0% per annum, compounded annually, net of investment and administrative expenses.

Salary Scale: Based on 3.5% wage inflation plus reflecting wage progression and longevity increases for each employee group. Illustrative rates are shown below.

<u>Years of Service</u>	<u>Non-Police Management, CWA and Special Police</u>	<u>AFSCME</u>
<3	6.0%	6.0%
3	6.0%	4.75%
4	6.0%	3.5%
5-6	6.0%	3.5%
7-9	3.5%	3.5%
10	4.0%	4.0%
11-14	3.5%	3.5%
15	4.4%	4.4%
16-19	3.5%	3.5%
20	4.9%	4.9%
21+	3.5%	3.5%

<u>Years of Service</u>	<u>Police Proposed Assumption</u>
<5	8.5%
5-7	6.0%
8	4.25%
9	3.5%
10	3.5%
11-12	3.5%
13	5.5%
14	3.5%
15	6.5%
16+	3.5%

Valuation Compensation: Base plus longevity pay as of December 31, 2014.

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Termination: Withdrawal rates vary by employee group, age and service. No terminations are assumed once a member is eligible for early or normal retirement. Illustrative rates are shown below.

<u>Age</u>	<u>Non-Police – Years of Service</u>					
	<u>&lt;1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5+</u>
20	13.3%	11.8%	10.8%	9.8%	8.8%	6.9%
30	10.0	8.5	7.5	6.5	5.5	3.6
40	8.9	7.4	6.4	5.4	4.4	2.8
50	7.9	6.4	5.4	4.6	3.8	2.3
60	7.0	5.7	4.9	4.1	3.3	1.8

<u>Age</u>	<u>Police – Years of Service</u>					
	<u>&lt;1</u>	<u>1-2</u>	<u>2-3</u>	<u>3-4</u>	<u>4-5</u>	<u>5-14</u>
20	17.7%	15.7%	14.4%	13.1%	11.7%	9.1%
30	13.3	11.3	10.0	8.7	7.3	4.7
40	11.9	9.9	8.5	7.2	5.9	3.7
50	10.5	8.5	7.2	6.1	5.1	3.0

For police, rates of turnover between 15-20 years of service are 2% per year.

Retirement: Rates of retirement vary by employee group, age and type of retirement. Illustrative rates are shown below.

<u>Age</u>	<u>Non-Police Rates of Retirement</u>		
	<u>Reduced Retirement</u>	<u>First Eligibility</u>	<u>Ultimate</u>
55-59	2%	20%	10%
60	5%	25%	15%
61	5%	25%	15%
62	10%	30%	20%
63-64	7.5%	25%	15%
65	N/A	40%	40%
66-69	N/A	25%	25%
70	N/A	100%	100%

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(Continued)**

Retirement (continued): For police, 20% is assumed at first eligibility (20 years of service). Thereafter, the assumption is 10% per year for ages before 55 and 25% per year for ages 55 and older. 100% retirement is assumed at the age which the maximum accumulated service credits (67.5% at 25 years) is attained.

Terminated vested members for nonpolice are assumed to commence at age 62 if have completed 15 years of service, otherwise age 65. Police terminated vested members are assumed to commence at 20 years of service.

Disability: Rates of retirement vary by employee group, age and type of disability. For police, 30% of disabilities are assumed to be job-related. Benefits are assumed to commence immediately with an assumed offset equal to 25% of final average compensation until age 65. Illustrative rates are shown below.

<u>Age</u>	<u>Police</u>		<u>Non-Police</u>	
	<u>Male Percentage</u>	<u>Female Percentage</u>	<u>Male Percentage</u>	<u>Female Percentage</u>
20	0.064%	0.055%	0.029%	0.030%
30	0.134%	0.165%	0.048%	0.080%
40	0.314%	0.357%	0.117%	0.211%
50	0.830%	0.854%	0.358%	0.533%
60	2.266%	1.793%	1.256%	1.159%

Mortality: Healthy Lives: RP-2000 Healthy Combined Mortality Table projected on a generational basis using Scale AA. As a generational table, it reflects mortality improvements both before and after the measurement date. For disabled participants, the table described in Revenue Ruling 96-7 for participants not eligible for Social Security disability benefits.

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Marriage: Husbands are assumed to be 3 years older than wives. Among the active population, 80% of members are assumed to be married. This percentage is not individually explicit, but is considered reasonable, when viewed in the aggregate. No children are assumed as the additional cost is de minimus.

Form of Payment: A 3-year certain and life annuity is assumed to approximate the value of the modified cash refund. For vested nonpolice members with less than 10 years of service and all non-vested members, a refund of contributions is assumed.

Employee Contribution Rates: For police, 7% per year is assumed. For non-police, current rate specified in the plan is 2.5%.

Special Data Adjustments: None.

**B. Actuarial Cost Method**

The Entry Age Normal Method specified by GASB statement Nos. 67 and 68 was used for determining the actuarial accrued liability and normal cost. Under this method, a projected benefit is determined at each active participant's assumed retirement age assuming future compensation increases. The plan's accrued liability is the sum of (a) the accumulation of each active participant's normal costs attributable to all prior years of service plus (b) the present value of each inactive participant's future benefits. The plan's normal cost is the sum of each active participant's annual cost for the current year of service determined such that, if it were calculated as a level percentage of his compensation each year, it would accumulate at the valuation interest rate over his total prior and future years of service to his assumed retirement date into an amount sufficient to fund his projected benefit.

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**SECTION V - SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS  
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**C. Asset Valuation Method**

The Asset Valuation method smoothes gains and losses over a 3-year period. The formula for the asset valuation method is as follows:

$$\text{Actuarial Value of Assets} = MV_t - 2/3UR_1 - 1/3UR_2$$

Where

$MV_t$  = Market Value of assets as of the valuation date.

$UR_n$  = Unexpected return during the  $n^{\text{th}}$  year preceding the valuation date. The unexpected return for a year equals the total investment return minus the total expected return. The total expected return equals the actuarial value of assets at the beginning of the year plus the weighted net cash flow during the year multiplied by the expected rate of return.

**D. Changes in Actuarial Assumptions or Methods**

The actuarial cost method was modified to use the version of Entry Age Normal specified in GASB statements Nos. 67 and 68.

NEWARK POLICE DEPARTMENT

WEEK 07/05/15-07/11/15

INVESTIGATIONS

CRIMINAL CHARGES

	2014 TO <u>DATE</u>	2015 TO <u>DATE</u>	THIS WEEK <u>2015</u>	2014 TO <u>DATE</u>	2015 TO <u>DATE</u>	THIS WEEK <u>2015</u>
<u>PART I OFFENSES</u>						
a)Murder/Manslaughter	0	0	0	0	0	0
b)Attempt	1	0	0	1	0	0
Kidnap	1	4	0	1	1	0
Rape	1	4	0	5	1	0
Unlaw. Sexual Contact	5	4	0	2	1	0
Robbery	16	19	0	13	24	0
- Commercial Robberies	3	9	0	2	9	0
- Robberies with Known Suspects	2	1	0	2	1	0
- Attempted Robberies	3	2	0	0	5	0
- Other Robberies	8	7	0	9	9	0
Assault/Aggravated	4	2	0	6	16	0
Burglary	38	30	2	27	17	2
- Commercial Burglaries	7	4	0	4	2	1
- Residential Burglaries	31	24	2	17	14	1
- Other Burglaries	0	2	0	6	1	0
Theft	300	248	11	115	103	2
Theft/Auto	24	20	0	5	7	0
Arson	1	1	0	0	1	0
All Other	31	42	2	101	38	0
TOTAL PART I	422	374	15	276	209	4
<u>PART II OFFENSES</u>						
Other Assaults	145	169	6	124	107	2
Rec. Stolen Property	0	2	0	21	14	0
Criminal Michief	148	97	1	35	89	2
Weapons	11	6	0	28	46	0
Other Sex Offenses	0	1	0	0	2	0
Alcohol	184	120	0	324	203	2
Drugs	80	44	0	200	122	2
Noise/Disorderly Premise	343	232	3	161	103	2
Disorderly Conduct	94	97	3	118	52	0
Trespass	103	99	3	64	43	0
All Other	277	239	5	242	169	2
TOTAL PART II	1385	1106	21	1317	950	12
<u>MISCELLANEOUS:</u>						
Alarm	537	505	18	0	0	0
Animal Control	295	283	13	1	2	0
Recovered Property	132	140	4	0	0	0
Service	13294	16843	638	0	0	0
Suspicious Per/Veh	260	283	13	0	0	0
TOTAL MISC.	14518	18054	686	1	2	0

	THIS WEEK <u>2014</u>	2014 TO <u>DATE</u>	THIS WEEK <u>2015</u>	2015 TO <u>DATE</u>
TOTAL CALLS	685	20,001	814	23,394



Newark Police Department  
Weekly Traffic Report  
07/05/15-07/11/15



TRAFFIC SUMMONSES	2014 YTD	2015 YTD	THIS WEEK 2014	THIS WEEK 2015
Moving/Non-Moving	5,191	4,999	251	67
DUI	88	110	1	3
TOTAL	5,279	5,109	252	70

TRAFFIC ACCIDENTS				
<b>Fatal</b>	2	2	0	0
Personal Injury	96	99	1	4
Property Damage <b>(Reportable)</b>	194	286	4	7
Property Damage <b>(Non-Reportable)</b>	297	189	8	2
Hit and Run	148	157	6	5
TOTAL	737	733	19	18