

City of Holyoke Retirement System

*Actuarial Valuation and Review
as of January 1, 2007*

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May 17, 2007

*City of Holyoke Retirement System
20 Korean Veterans Plaza, Room 207
Holyoke, MA 01040*

Dear Board Members:

We are pleased to submit this Actuarial Valuation and Review as of January 1, 2007. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2008 and later years and analyzes the preceding two years' experience.

The census information and financial information on which our calculations were based was prepared by the Holyoke Retirement System. That assistance is gratefully acknowledged. The actuarial calculations were completed under my supervision.

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

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

Sincerely,

THE SEGAL COMPANY

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

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SECTION 1: Valuation Summary for the City of Holyoke Retirement System

Purpose

This report has been prepared by The Segal Company to present a valuation of the City of Holyoke Retirement System as of January 1, 2007. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of M.G.L. Chapter 32;
- The characteristics of covered active participants, inactive participants, and retired participants and beneficiaries as of January 1, 2007;
- The assets of the Plan as of December 31, 2006;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

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

- The actuarial valuation report as of January 1, 2007 is based on financial information as of that date. Changes in the value of assets subsequent to that date are not reflected.
- During the plan years ended 2005 and 2006, the market value rates of return were 5.28% and 10.85%, respectively. Because the actuarial value of assets gradually recognizes market value fluctuations over a four-year period, the actuarial rates of return for the plan years ended 2005 and 2006 were 5.55% and 10.64%, respectively. The actuarial value of assets as of December 31, 2006 was \$175.3 million, or 99.5% of the market value of assets of \$176.2 million.
- The unfunded liability has decreased from \$93.7 million as of January 1, 2005 to \$90.4 million as of January 1, 2007. The decrease is slightly larger than expected due to favorable experience, partially offset by the factors identified below.

SECTION 1: Valuation Summary for the City of Holyoke Retirement System

- This valuation reflects the following:
 - In 2004, the Public Employee Retirement Administration Commission approved a new mortality table and interest rate to be used in the calculation of the optional form of payment factors. This valuation reflects the change to the new factors.
 - A liability for a deferred retirement allowance has been calculated for inactive vested members with a reported final average salary.
 - Section 90 ACD increases were approved for fiscal 2006 and fiscal 2007.
- The preliminary recommended contribution for fiscal 2008 is \$11,962,582. This is based on a 13-year level dollar amortization of the 2003 ERI liability and an 18-year level dollar amortization of all other unfunded liabilities (2002 ERI, fiscal 2004 and 2005 Section 90 ACD increases, fiscal 2006 and 2007 Section 90 ACD increases, and the remaining unfunded liability). Because fiscal 2008 has already been budgeted at \$11,783,144, the increase will first be reflected in the fiscal 2009 appropriation of \$12,073,533.

SECTION 1: Valuation Summary for the City of Holyoke Retirement System

Summary of Key Valuation Results

	2007	2005
Contributions:		
Recommended for fiscal 2008 and 2006	\$11,783,144	\$10,061,673
Recommended for fiscal 2009 and 2007	12,073,533	11,704,521
Funding elements for plan year beginning January 1:		
Normal cost	\$6,524,115	\$5,923,881
Market value of assets	176,153,710	155,466,851
Actuarial value of assets	175,326,173	154,649,632
Actuarial accrued liability	265,688,005	248,324,816
Unfunded actuarial accrued liability	90,361,832	93,675,184
GASB 25/27:		
Annual required contributions	\$11,783,144	\$10,061,673
Actual contributions	--	10,061,673
Percentage contributed	--	100.00%
Funded ratio	65.99%	62.28%
Demographic data for plan year beginning January 1:		
Number of retired participants and beneficiaries	915	947
Number of inactive participants entitled to a return of their employee contributions	227	221
Number of inactive participants with a vested right to a deferred or immediate benefit	25	N/A
Number of active participants	1,289	1,319
Total payroll	\$47,912,004	\$46,177,102
Average payroll	37,170	35,009

SECTION 2: Valuation Results for the City of Holyoke Retirement System

A. PARTICIPANT DATA

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

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

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

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

CHART 1
Participant Population: 2000 – 2006

Year Ended December 31	Active Participants	Inactive Participants	Retired Participants and Beneficiaries
2000	1,410	182	860
2002	1,429	234	875
2004	1,319	221	947
2006	1,289	252	915

SECTION 2: Valuation Results for the City of Holyoke Retirement System

Active Participants

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 1,289 active participants with an average age of 45.2, average years of service of 11.2 years and average payroll of \$37,170. The 1,319 active participants in the prior valuation had an average age of 44.3, average service of 10.4 years and average payroll of \$35,009.

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

Inactive Participants

In this year's valuation, there were 25 participants with a vested right to a deferred or immediate vested benefit and 227 participants entitled to a return of their employee contributions.

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

CHART 2
Distribution of Active Participants by Age as of December 31, 2006

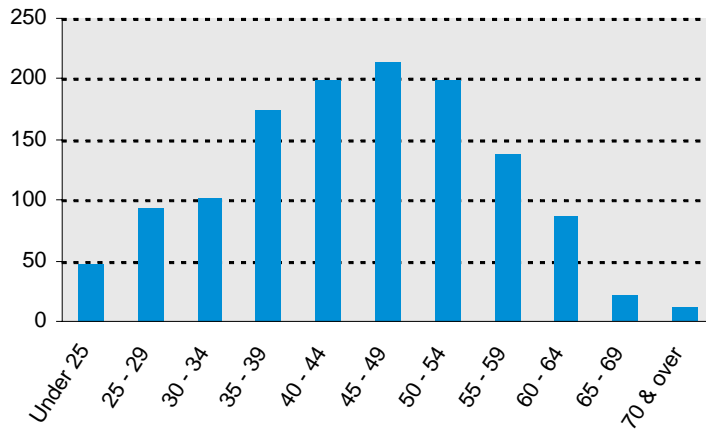
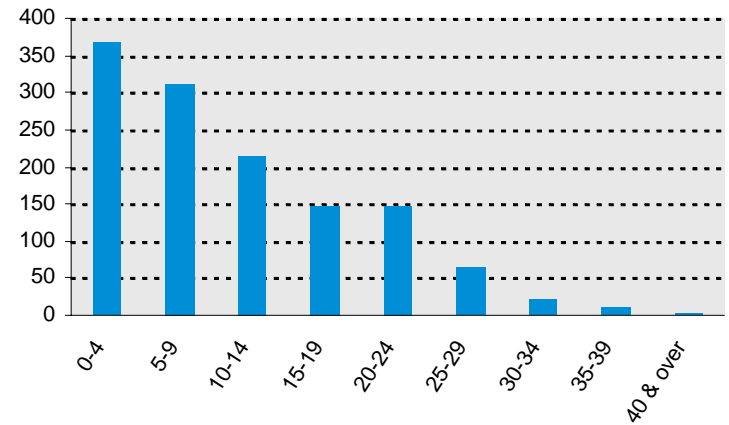


CHART 3
Distribution of Active Participants by Years of Service as of December 31, 2006



SECTION 2: Valuation Results for the City of Holyoke Retirement System

Retired Participants and Beneficiaries

As of December 31, 2006, 735 retired participants and 180 beneficiaries were receiving total monthly benefits of \$1,390,125 excluding COLAs reimbursed by the Commonwealth. For comparison, in the previous valuation, there were 760 retired participants and 187 beneficiaries receiving monthly benefits of \$1,340,263 excluding COLAs reimbursed by the Commonwealth.

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

CHART 4
Distribution of Retired Participants and Beneficiaries by Type and by Monthly Amount as of December 31, 2006

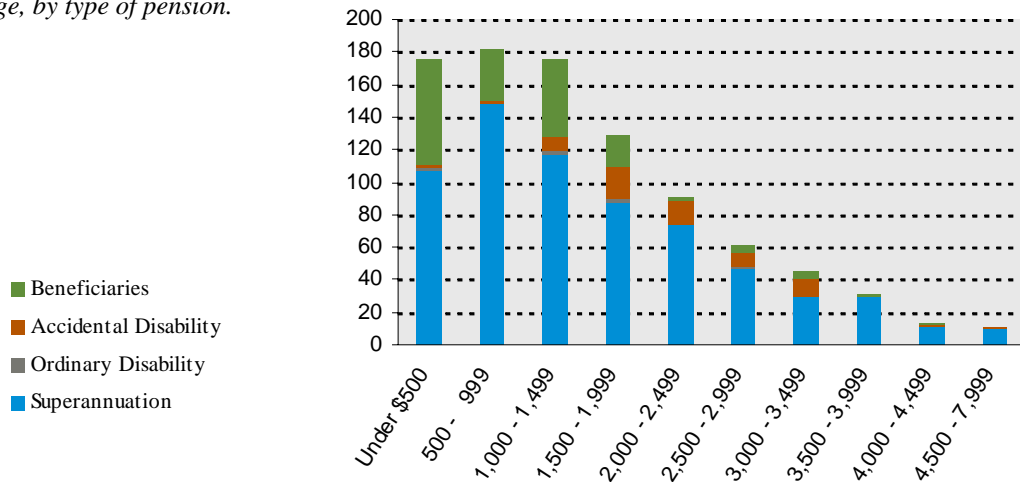
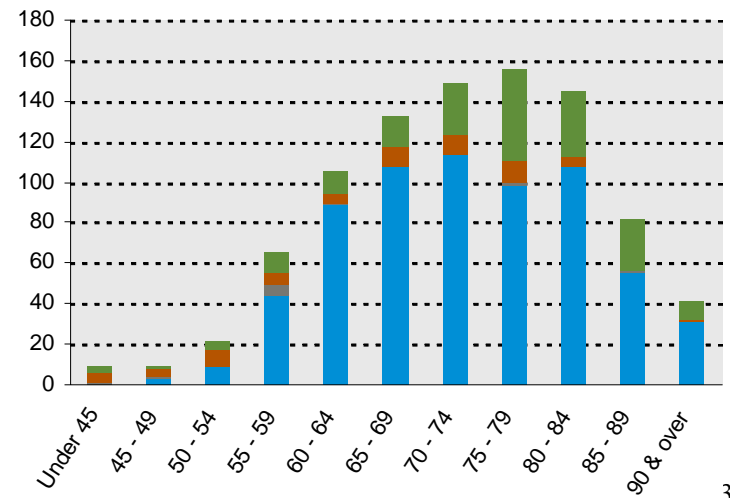


CHART 5
Distribution of Retired Participants and Beneficiaries by Type and by Age as of December 31, 2006



SECTION 2: Valuation Results for the City of Holyoke Retirement System

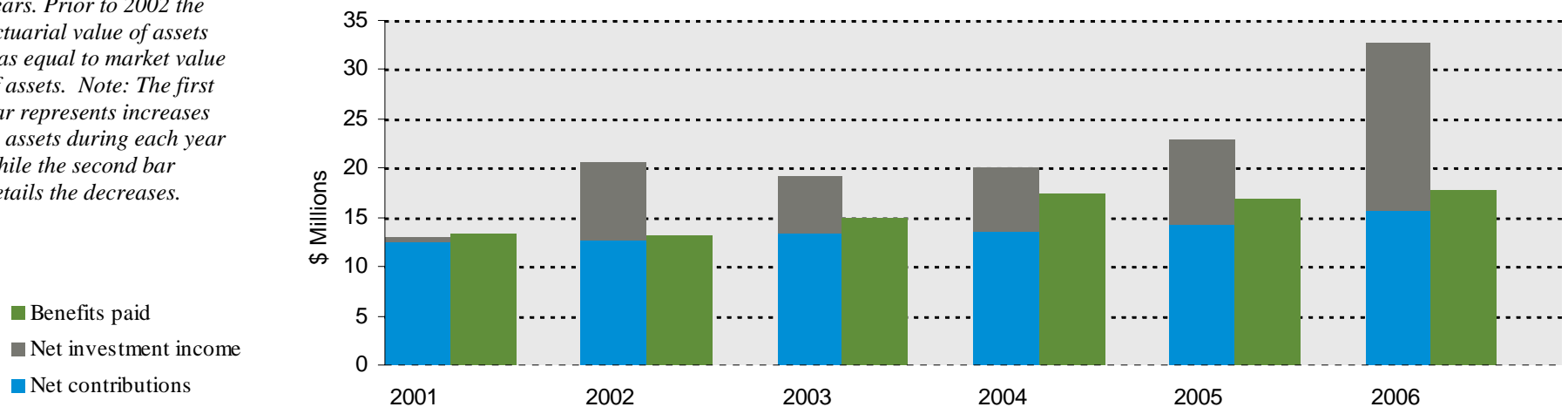
B. FINANCIAL INFORMATION

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

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

The chart depicts the components of changes in the actuarial value of assets over the last six years. Prior to 2002 the actuarial value of assets was equal to market value of assets. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6
Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended December 31, 2001 – 2006



SECTION 2: Valuation Results for the City of Holyoke Retirement System

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

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

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

**CHART 7
Determination of Actuarial Value of Assets**

	Year Ended	
	December 31, 2006	December 31, 2005
1. Market value of assets		
	\$176,153,710	\$160,925,030
2. Calculation of unrecognized return*	Original <u>Amount</u>	Unrecognized <u>Return</u>
(a) Year ended December 31, 2006	\$4,156,119	\$3,117,089
(b) Year ended December 31, 2005	-4,585,271	-2,292,635
(c) Year ended December 31, 2004	12,331	3,083
(d) Year ended December 31, 2003	15,516,090	<u>N/A</u>
(e) Total unrecognized return	827,537	<u>3,879,022</u>
3. Preliminary actuarial value: (1) - (2e)	175,326,173	446,235
4. Adjustment to be within 20% corridor	0	160,478,795
5. Final actuarial value of assets: (3) + (4)	<u>\$175,326,173</u>	<u>\$160,478,795</u>
6. Actuarial value as a percentage of market value: (5) ÷ (1)	99.5%	99.7%

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

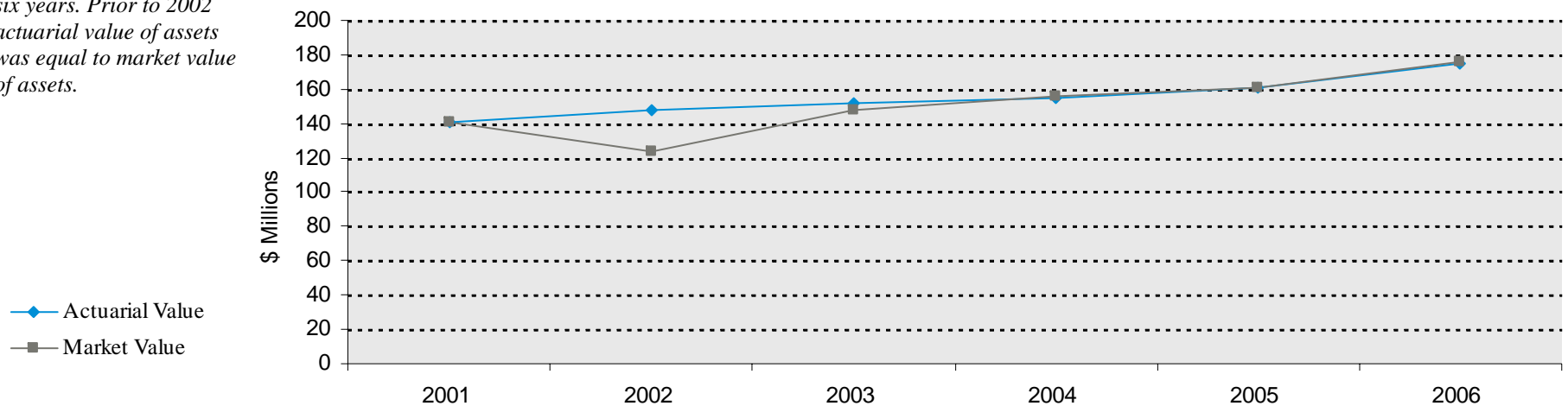
SECTION 2: Valuation Results for the City of Holyoke Retirement System

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

This chart shows the change in the actuarial value of assets versus the market value over the past six years. Prior to 2002 actuarial value of assets was equal to market value of assets.

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of December 31, 2001 – 2006



SECTION 2: Valuation Results for the City of Holyoke Retirement System

C. ACTUARIAL EXPERIENCE

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

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

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

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

The total gain over the two-year period is \$1,619,450. A discussion of the major components of the actuarial experience is on the following pages.

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

CHART 9
Actuarial Experience for Two-Year Period Ended December 31, 2006

1. Net (loss) from investments*	-\$335,235
2. Net gain from other experience**	<u>1,954,685</u>
3. Net experience gain: (1) + (2)	<u>\$1,619,450</u>

* Details in Chart 10

** Details in Chart 13

SECTION 2: Valuation Results for the City of Holyoke Retirement System

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Holyoke Retirement System’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 8.25%. The actual rate of return on an actuarial basis for the 2006 plan year was 10.64% and 5.55% for the 2005 year.

Since the actual return for the two-year period was less than the assumed return, the Holyoke Retirement System experienced an actuarial loss during the two-year period ending December 31, 2006 with regard to its investments.

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

CHART 10
Actuarial Value Investment Experience

	Year Ended	
	December 31, 2006	December 31, 2005
1. Actual return	\$16,963,828	\$8,501,495
2. Average value of assets	159,420,570	153,313,466
3. Actual rate of return: (1) ÷ (2)	10.64%	5.55%
4. Assumed rate of return	8.25%	8.25%
5. Expected return: (2) x (4)	\$13,152,197	\$12,648,361
6. Actuarial gain/(loss): (1) – (5)	<u>\$3,811,631</u>	<u>-\$4,146,866</u>

SECTION 2: Valuation Results for the City of Holyoke Retirement System

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

Based upon this experience and future expectations, we have maintained the assumed rate of return of 8.25%.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2001 - 2006

Year Ended December 31	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2001	\$686,076	0.49%	\$686,076	0.49%
2002	7,776,013	5.54	-16,863,029	-12.02
2003	5,800,431	3.94	25,615,406	20.92
2004	6,363,023	4.24	12,004,310	8.26
2005	8,501,495	5.55	8,130,511	5.28
2006	<u>16,963,828</u>	10.64	<u>17,345,131</u>	10.85
Total	\$46,090,866		\$46,918,405	
	Five-year average return	6.05%		6.40%

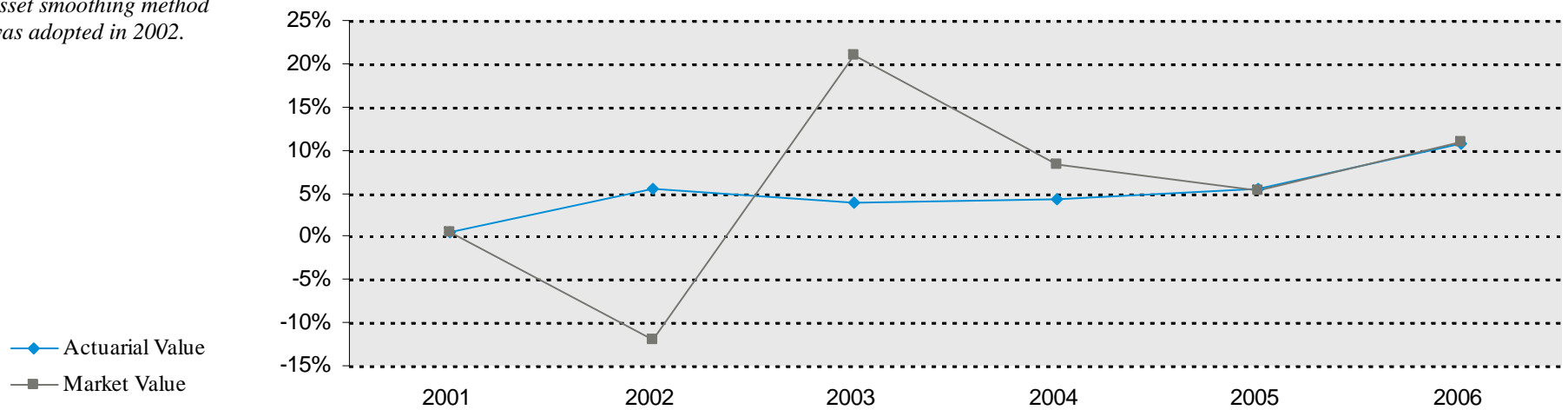
*Notes: Each year's yield is weighted by the average asset value in that year.
An asset smoothing method was adopted in 2002.*

SECTION 2: Valuation Results for the City of Holyoke Retirement System

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

This chart illustrates how this leveling effect has actually worked over the years 2001 - 2006. An asset smoothing method was adopted in 2002.

CHART 12
Market and Actuarial Rates of Return for Years Ended December 31, 2001 - 2006



SECTION 2: Valuation Results for the City of Holyoke Retirement System

Other Experience

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

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

The net gain from this other experience for the two-year period ending December 31, 2006 amounted to \$1,954,685 which is 0.7% of the actuarial accrued liability. Detail is shown in the chart below.

Assumption Changes

In 2004, the Public Employee Retirement Administration Commission approved a new mortality table and interest rate to be used in the calculation of the optional form of payment factors. This valuation reflects the change to the new factors.

A liability for a deferred retirement allowance has been calculated for inactive vested members with a reported final average salary.

These two items increased the unfunded actuarial accrued liability by \$465,286.

Fiscal 2006 and Fiscal 2007 Section 90 ACD Increases

The additional unfunded actuarial accrued liability attributable to the fiscal 2006 and fiscal 2007 Section 90 ACD increases was \$573,824.

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

CHART 13

Experience Due to Changes in Demographics for Two-Year Period Ended December 31, 2006

1. Deaths among retired members and beneficiaries	\$102,046
2. Salary increases less than expected	985,687
3. Miscellaneous experience	<u>866,952</u>
4. Total	\$1,954,685

SECTION 2: Valuation Results for the City of Holyoke Retirement System

D. RECOMMENDED CONTRIBUTION

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

The preliminary recommended contribution for fiscal 2008 is \$11,962,582. This is based on a 13-year level dollar amortization of the 2003 ERI liability and an 18-year level dollar amortization of all other unfunded liabilities (2002 ERI, fiscal 2004 and 2005 Section 90 ACD increases, fiscal 2006 and 2007 Section 90 ACD increases, and the remaining unfunded liability). Because fiscal 2008 has

already been budgeted at \$11,783,144, the increase will first be reflected in the fiscal 2009 appropriation of \$12,073,533.

Exhibit G in Section 3 shows the recommended contributions through fiscal 2028 based on this funding schedule.

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

CHART 14
Recommended Contribution

	Year Beginning January 1			
	2007		2005	
	Amount	% of Payroll	Amount	% of Payroll
1. Total normal cost	\$6,524,115	13.11%	\$5,923,881	12.47%
2. Expected employee contributions	<u>-4,338,279</u>	<u>-8.72%</u>	<u>-4,080,451</u>	<u>-8.59%</u>
3. Employer normal cost: (1) + (2)	\$2,185,836	4.39%	\$1,843,430	3.88%
4. Actuarial accrued liability	265,688,005		248,324,816	
5. Actuarial value of assets	<u>175,326,173</u>		<u>154,649,632</u>	
6. Unfunded actuarial accrued liability: (4) - (5)	\$90,361,832		\$93,675,184	
7. Employer normal cost projected to July 1, 2007 and 2005, adjusted for timing*	2,273,742	4.48%	1,908,325	3.96%
8. Projected unfunded actuarial accrued liability	94,015,396		97,462,715	
9. Payment on projected unfunded actuarial accrued liability, adjusted for timing*	9,688,840	19.09%	9,586,972	19.88%
10. Preliminary recommended contribution: (7) + (9), adjusted for timing*	<u>\$11,962,582</u>	23.57%	<u>\$11,495,297</u>	23.84%
11. Budgeted appropriation	<u>\$11,783,144</u>	23.22%	<u>\$10,061,673</u>	20.87%
12. Projected payroll	\$50,748,477		\$48,222,434	

*Recommended contributions are assumed to be paid on July 1 and December 31.

SECTION 2: Valuation Results for the City of Holyoke Retirement System

The recommended contribution is based on all of the data described in the previous sections, the actuarial assumptions described in Section 4, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

Reconciliation of Recommended Contribution

The chart below details the changes in the recommended contribution from the prior valuation to the current year's valuation.

The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.

CHART 15
Reconciliation of Recommended Contribution from July 1, 2005 to July 1, 2007

Budgeted Appropriation for Fiscal 2006	\$10,061,673
Expected increase for July 1, 2007 appropriation	\$1,721,471
Effect of investment loss	35,679
Effect of fiscal 2006 and fiscal 2007 Section 90 increases	61,071
Effect of gain from salary increases less than expected	-104,906
Effect of changes in the actuarial assumptions	39,073
Effect of net other changes	<u>148,521</u>
Total	<u>\$1,900,909</u>
Preliminary Recommended Contribution for Fiscal 2008	\$11,962,582
Budgeted Appropriation for Fiscal 2008	\$11,783,144

SECTION 2: Valuation Results for the City of Holyoke Retirement System

E. INFORMATION REQUIRED BY THE GASB

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of GASB reporting requirements. Chart 16 below presents a graphical representation of this information for the Plan.

The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the

actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under the GASB. High ratios indicate a well-funded plan with assets sufficient to pay most benefits. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although the GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets (65.99%) and the market value of assets (66.30%).

The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

These graphs show key GASB factors.

CHART 16
Required Versus Actual Contributions

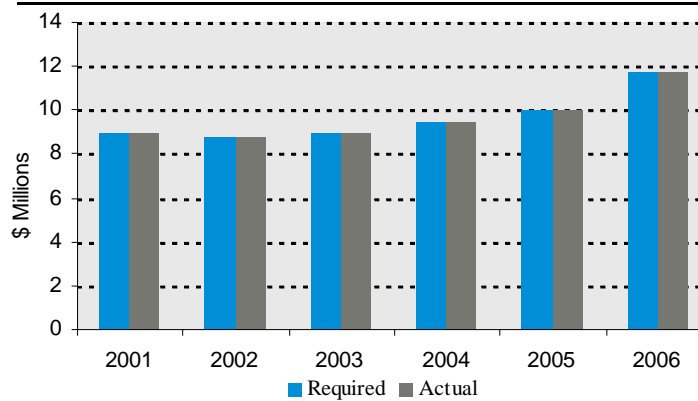
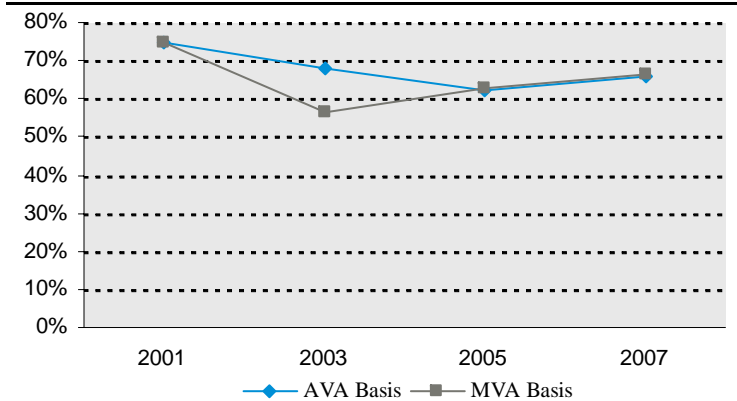


CHART 17
Funded Ratio



SECTION 3: Supplemental Information for the City of Holyoke Retirement System

EXHIBIT A

Table of Plan Coverage

Category	Year Ended December 31		Change From Prior Year
	2006	2004	
Active participants in valuation:			
Number	1,289	1,319	-2.3%
Average age	45.2	44.3	N/A
Average service	11.2	10.4	N/A
Total payroll	\$47,912,004	\$46,177,102	3.8%
Average payroll	37,170	35,009	6.2%
Member contributions	39,633,353	34,808,906	13.9%
Inactive participants entitled to a return of their employee contributions	227	221	N/A
Inactive participants with a vested right to a deferred or immediate vested benefit	25	N/A	N/A
Retired participants:			
Number in pay status	659	680	-3.1%
Average age	73.1	72.6	N/A
Average monthly benefit	\$1,595	\$1,489	7.1%
Disabled participants:			
Number in pay status	76	80	-5.0%
Average age	63.9	63.7	N/A
Average monthly benefit	\$2,073	\$1,974	5.0%
Beneficiaries in pay status	180	187	-3.7%

SECTION 3: Supplemental Information for the City of Holyoke Retirement System

EXHIBIT B

**Participants in Active Service as of December 31, 2006
By Age, Years of Service, and Average Payroll**

Age	Years of Service									
	Total	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 & over
Under 25	47	43	4	--	--	--	--	--	--	--
	\$20,929	\$20,844	\$21,844	--	--	--	--	--	--	--
25 – 29	94	62	31	1	--	--	--	--	--	--
	\$29,821	\$29,426	\$30,606	\$29,951	--	--	--	--	--	--
30 – 34	102	44	43	15	--	--	--	--	--	--
	\$35,626	\$34,910	\$36,165	\$36,184	--	--	--	--	--	--
35 – 39	175	61	54	39	20	1	--	--	--	--
	\$37,664	\$30,917	\$32,782	\$51,349	\$44,955	\$33,281	--	--	--	--
40 – 44	199	47	48	41	39	24	--	--	--	--
	\$39,644	\$28,594	\$34,722	\$41,699	\$49,155	\$52,162	--	--	--	--
45 – 49	214	47	50	31	36	39	11	--	--	--
	\$38,840	\$28,417	\$29,950	\$32,951	\$46,478	\$55,608	\$55,945	--	--	--
50 – 54	199	30	37	36	25	35	33	3	--	--
	\$39,973	\$29,247	\$34,188	\$31,445	\$35,731	\$44,110	\$61,413	\$72,145	--	--
55 – 59	138	18	25	25	17	21	15	14	3	--
	\$40,044	\$32,758	\$31,414	\$35,986	\$25,818	\$43,186	\$50,252	\$65,159	\$79,861	--
60 – 64	87	11	18	17	9	19	4	2	7	--
	\$38,862	\$25,748	\$40,644	\$31,517	\$32,788	\$39,285	\$32,168	\$38,784	\$83,233	--
65 – 69	22	6	2	5	1	5	1	1	--	1
	\$28,452	\$17,762	\$46,952	\$27,546	\$24,788	\$32,110	\$21,605	\$30,027	--	\$50,759
70 & over	12	--	--	5	--	3	1	1	1	1
	\$17,630	--	--	\$13,164	--	\$24,129	\$10,785	\$16,527	\$28,545	\$17,490
Total	1,289	369	312	215	147	147	65	21	11	2
	\$37,170	\$28,940	\$33,338	\$37,570	\$41,778	\$46,830	\$54,721	\$59,656	\$77,341	\$34,125

SECTION 3: Supplemental Information for the City of Holyoke Retirement System

EXHIBIT C

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended December 31, 2006	Year Ended December 31, 2005
Contribution income:		
Employer contributions	\$11,704,521	\$10,061,673
Employee contributions	3,956,419	4,118,962
Federal Grant Reimbursement and other contributions	<u>70,551</u>	<u>118,553</u>
Net contribution income	\$15,731,491	\$14,299,188
Net investment income	<u>16,963,828</u>	<u>8,501,495</u>
Total income available for benefits	\$32,695,319	\$22,800,683
Less benefit payments:		
Pensions	-\$16,840,051	-\$16,142,285
Net 3(8)(c) reimbursements	-234,145	-192,993
Refunds, annuities, and Option B refunds	<u>-773,745</u>	<u>-636,242</u>
Net benefit payments	-\$17,847,941	-\$16,971,520
Change in reserve for future benefits	\$14,847,378	\$5,829,163

SECTION 3: Supplemental Information for the City of Holyoke Retirement System

EXHIBIT D

Development of the Fund Through December 31, 2006

Year Ended December 31	Employer Contributions	Employee Contributions	Other Contributions	Net Investment Return*	Benefit Payments	Actuarial Value of Assets at End of Year
2000	N/A	NA	N/A	N/A	N/A	\$140,947,847
2001	\$8,905,623	\$3,496,860	\$12,386	\$686,076	\$13,453,568	140,595,224
2002	8,770,675	3,850,576	95,540	7,776,013	13,253,769	147,834,259
2003	8,972,351	4,315,286	86,547	5,800,431	14,932,704	152,076,171
2004	9,473,610	3,974,742	163,739	6,363,022	17,401,652	154,649,632
2005	10,061,673	4,118,962	118,553	8,501,495	16,971,520	160,478,795
2006	11,704,521	3,956,419	70,551	16,963,828	17,847,941	175,326,173

* Net of investment fees and administrative expenses. Reflects change in asset method in 2002.

SECTION 3: Supplemental Information for the City of Holyoke Retirement System

EXHIBIT E

Development of Unfunded Actuarial Accrued Liability

	Year Ended	
	December 31, 2006	December 31, 2005
1. Unfunded actuarial accrued liability at beginning of year	\$92,983,850	\$93,675,184
2. Normal cost at beginning of year	6,101,597	5,923,881
3. Total contributions	-15,731,491	-14,299,188
4. Interest		
(a) For whole year on (1) + (2)	\$8,174,549	\$8,216,923
(b) For half year on (3)	<u>-586,333</u>	<u>-532,950</u>
(c) Total interest	<u>7,588,216</u>	<u>7,683,973</u>
5. Expected unfunded actuarial accrued liability	\$90,942,172	\$92,983,850
6. Changes due to:		
(a) Investment loss	\$335,235	--
(b) Salary increases less than expected	-985,687	--
(c) Mortality (gain)	-102,046	--
(d) Miscellaneous experience (gain)	-866,952	--
(e) Assumption changes	465,286	--
(f) 2006 and 2007 Section 90 ACD increases	<u>573,824</u>	--
(g) Total changes	<u>-580,340</u>	--
7. Unfunded actuarial accrued liability at end of year: (5) + (6g)	<u>\$90,361,832</u>	--

SECTION 3: Supplemental Information for the City of Holyoke Retirement System

EXHIBIT F

Table of Amortization Bases as of July 1, 2007

Type*	Annual Payment*	Years Remaining	Outstanding Balance
2002 ERI	\$40,454	18.00	\$395,471
2003 ERI	466,700	13.00	3,861,392
FY04-05 Section 90 ACD	67,690	18.00	661,730
FY06-07 Section 90 ACD	61,071	18.00	597,025
Remaining unfunded liability	<u>9,052,925</u>	18.00	<u>88,499,779</u>
Total	\$9,688,840		\$94,015,397

*Notes: Recommended contributions are assumed to be paid on July 1 and December 31.
Does not reflect adjustment to set fiscal 2008 appropriation to budgeted amount.
Refer to Exhibit G for information on payments in fiscal year 2009 and later.*

SECTION 3: Supplemental Information for the City of Holyoke Retirement System

EXHIBIT G

Funding Schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of 2002 ERI Liability	(4) Amortization of 2003 ERI Liability	(5) Amortization of FY04-05 Section 90 ACD Liability	(6) Amortization of FY06-07 Section 90 ACD Liability	(7) Amortization of Remaining Unfunded Liability	(8) Total Plan Cost: (2) + (3) + (4) + (5) + (6) + (7)	(9) Total Unfunded Actuarial Accrued Liability at the Beginning of the Year
2008	\$2,273,742	\$40,454	\$466,700	\$67,690	\$61,071	\$8,873,487	\$11,783,144	\$94,015,397
2009	2,364,692	40,454	466,700	67,690	61,071	9,072,926	12,073,533	91,679,739
2010	2,459,280	40,454	466,700	67,690	61,071	9,072,926	12,168,121	88,939,733
2011	2,557,651	40,454	466,700	67,690	61,071	9,072,926	12,266,492	85,973,677
2012	2,672,745	40,454	466,700	67,690	61,071	9,072,926	12,381,586	82,762,921
2013	2,793,019	40,454	466,700	67,690	61,071	9,072,926	12,501,860	79,287,278
2014	2,918,705	40,454	466,700	67,690	61,071	9,072,926	12,627,546	75,524,894
2015	3,050,047	40,454	466,700	67,690	61,071	9,072,926	12,758,888	71,452,114
2016	3,187,299	40,454	466,700	67,690	61,071	9,072,926	12,896,140	67,043,329
2017	3,330,727	40,454	466,700	67,690	61,071	9,072,926	13,039,568	62,270,820
2018	3,480,610	40,454	466,700	67,690	61,071	9,072,926	13,189,451	57,104,579
2019	3,637,237	40,454	466,700	67,690	61,071	9,072,926	13,346,078	51,512,123
2020	3,800,913	40,454	466,700	67,690	61,071	9,072,926	13,509,754	45,458,289
2021	3,971,954	40,454	-	67,690	61,071	9,072,926	13,214,095	38,905,014
2022	4,150,692	40,454	-	67,690	61,071	9,072,926	13,392,833	32,306,383
2023	4,337,473	40,454	-	67,690	61,071	9,072,926	13,579,614	25,163,365
2024	4,532,659	40,454	-	67,690	61,071	9,072,926	13,774,800	17,431,048
2025	4,736,629	40,454	-	67,690	61,071	9,072,926	13,978,770	9,060,814
2026	4,949,777	-	-	-	-	-	4,949,777	-
2027	5,172,517	-	-	-	-	-	5,172,517	-
2028	5,405,280	-	-	-	-	-	5,405,280	-

Notes: Recommended contributions are assumed to be paid on July 1 and December 31.

Assumes contribution of budgeted amount for fiscal year 2008.

SECTION 3: Supplemental Information for the City of Holyoke Retirement System

**EXHIBIT H
Department Results**

	Geriatric Authority	Water	Waste Water	Gas & Electric	Housing	All Other	Total
Active Participants							
Number	105	37	55	144	51	897	1,289
Projected annual payroll	\$3,081,637	\$1,547,297	\$1,903,026	\$8,879,605	\$2,530,649	\$31,820,762	\$49,762,976
Average age	42.6	47.6	49.5	46.3	45.7	45.0	45.2
Average service	7.0	17.5	11.5	12.4	13.9	11.1	11.2
Normal cost	\$376,716	\$130,253	\$226,588	\$1,438,701	\$236,974	\$4,114,883	\$6,524,115
Expected employee contributions	275,223	128,147	165,127	811,080	220,836	2,737,866	4,338,279
Employer normal cost	101,493	2,106	61,461	627,621	16,138	1,377,017	2,185,836
Accrued liability	3,936,408	4,367,749	3,751,727	20,313,261	5,675,569	75,037,045	113,081,759
Retired Participants							
Number	82	32	70	148	38	545	915
Total benefits	\$862,827	\$633,030	\$887,369	\$3,912,287	\$641,865	\$9,744,118	\$16,681,496
Average benefits	10,522	19,782	12,677	26,434	16,891	17,879	18,231
Accrued liability	8,553,258	5,802,028	8,109,186	34,724,043	5,917,391	85,689,713	148,795,619
Net 3(8)c liability							1,730,334
Vested Participants							
Number	3	1	4	1	2	14	25
Total expected benefits	\$29,002	\$15,781	\$42,396	\$24,895	\$24,484	\$178,468	\$315,026
Average expected benefits	9,667	15,781	10,599	24,895	12,242	12,748	12,601
Accrued liability	105,954	51,631	148,912	160,072	86,592	825,763	1,378,924
Inactive Participants							
Number	142	-	8	1	3	73	227
Accumulated contributions	\$167,513	-	\$55,363	\$10,969	\$18,191	\$449,332	\$701,368

SECTION 3: Supplemental Information for the City of Holyoke Retirement System

EXHIBIT I

Definitions of Pension Terms

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

Assumptions or actuarial assumptions:

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

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

Normal cost:

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

Actuarial accrued liability for actives:

The equivalent of the accumulated normal costs allocated to the years before the valuation date.

Actuarial accrued liability for pensioners:

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

Unfunded actuarial accrued liability:

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

SECTION 3: Supplemental Information for the City of Holyoke Retirement System

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

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

Investment return:

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

SECTION 4: Reporting Information for the City of Holyoke Retirement System

EXHIBIT I

Summary of Actuarial Valuation Results

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

1. Retired participants as of the valuation date (including 180 beneficiaries in pay status)	915
2. Inactive participants with a right to a return of their contributions	227
3. Inactive participants with a vested right to a deferred or immediate benefit as of December 31, 2006	25
4. Participants active during the year ended December 31, 2006 with total accumulated contributions of \$39,633,353 and projected payroll of \$49,762,976	1,289

The actuarial factors as of the January 1, 2007 are as follows:

1. Normal cost	\$6,524,115
2. Expected employee contributions	<u>-4,338,279</u>
3. Employer normal cost: (1) + (2)	\$2,185,836
4. Actuarial accrued liability	265,688,005
Retired participants and beneficiaries	\$150,525,953 ¹
Active participants	113,081,759
Inactive participants	2,080,293
5. Actuarial value of assets (\$176,153,710 at market value)	175,326,173
6. Unfunded actuarial accrued liability: (4) – (5)	90,361,832

The actuarial factors projected to July 1, 2007 are as follows:

1. Employer normal cost projected to July 1, 2007, adjusted for timing ²	\$2,273,742
2. Projected unfunded actuarial accrued liability	94,015,397
3. Payment on projected unfunded actuarial accrued liability, adjusted for timing ²	9,688,840
4. Preliminary recommended contribution: (1) + (3), adjusted for timing ²	<u>\$11,962,582</u>
5. Budgeted appropriation based on the January 1, 2005 actuarial valuation	<u>\$11,783,144</u>
6. Projected payroll	\$50,748,477

¹ Includes net 3(8)c liability of \$1,730,334.

² Recommended contributions are assumed to be paid on July 1 and December 31.

SECTION 4: Reporting Information for the City of Holyoke Retirement System

EXHIBIT II

Supplementary Information Required by the GASB – Schedule of Employer Contributions

Plan Year Ended December 31	Annual Required Contributions	Actual Contributions	Percentage Contributed
2001	\$8,905,623	\$8,905,623	100.0%
2002	8,770,675	8,770,675	100.0%
2003	8,972,351	8,972,351	100.0%
2004	9,473,610	9,473,610	100.0%
2005	10,061,673	10,061,673	100.0%
2006	11,704,521	11,704,521	100.0%

SECTION 4: Reporting Information for the City of Holyoke Retirement System

EXHIBIT III

Supplementary Information Required by the GASB – Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
01/01/1992	\$51,663,549	\$113,248,628	\$61,585,079	45.62%	\$33,061,832	186.27%
01/01/1993	56,070,637	120,256,243	64,185,606	46.63%	31,545,779	203.47%
01/01/1996	77,942,408	125,981,224	48,038,816	61.87%	33,425,533	143.72%
01/01/1998	103,682,801	161,786,384	58,103,583	64.09%	40,572,345	143.21%
01/01/1999	124,672,189	180,215,921	55,543,732	69.18%	41,606,346	133.50%
01/01/2001	140,947,847	188,431,479	47,483,632	74.80%	41,123,979	115.46%
01/01/2003	147,834,259	218,195,543	70,361,284	67.75%	45,373,511	155.07%
01/01/2005	154,649,632	248,324,816	93,675,184	62.28%	47,514,976	197.15%
01/01/2007	175,326,173	265,688,005	90,361,832	65.99%	49,762,976	181.58%

SECTION 4: Reporting Information for the City of Holyoke Retirement System

EXHIBIT IV

Supplementary Information Required by the GASB

Valuation date	January 1, 2007
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar amortization
Remaining amortization period	As of January 1, 2007, 13 years for 2003 ERI and 18 years for remaining unfunded liability
Asset valuation method	The difference between the expected return and the actual investment return on a market value basis is recognized over a four-year period as described by Revenue Procedure 2000-40.

Actuarial assumptions:

Investment rate of return	8.25%		
Projected salary increases		<u>General Employees</u>	<u>Police and Fire Employees</u>
	2007 – 2010	4.00%	4.00%
	2011+	4.75%	5.25%
Cost of living adjustments	3.00% of first \$12,000 of retirement income		

Plan membership:

Retired participants and beneficiaries receiving benefits	915
Inactive participants entitled to a return of their employee contributions	227
Inactive participants with a vested right to a deferred or immediate benefit	25
Active participants	<u>1,289</u>
Total	2,456

SECTION 4: Reporting Information for the City of Holyoke Retirement System

EXHIBIT V

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

<i>Pre-Retirement:</i>	RP-2000 Employee Mortality Table
<i>Healthy Retiree:</i>	RP-2000 Healthy Annuitant Mortality Table
<i>Disabled Retiree:</i>	RP-2000 Healthy Annuitant Mortality Table set forward 2 years

Termination Rates before Retirement:

Groups 1 and 2 - Rate (%)

Age	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.02
25	0.04	0.02	0.02
30	0.04	0.03	0.03
35	0.08	0.05	0.06
40	0.11	0.07	0.10
45	0.15	0.11	0.15
50	0.21	0.17	0.19
55	0.30	0.25	0.24
60	0.49	0.39	0.28

*Notes: 55% of the disability rates shown represent accidental disability.
 40% of the accidental disabilities will die from the same cause as the disability.
 55% of the death rates shown represent accidental death.*

SECTION 4: Reporting Information for the City of Holyoke Retirement System

Termination Rates before Retirement (continued):

Age	Group 4 – Rate (%)		
	Mortality		Disability
	Male	Female	
20	0.03	0.02	0.20
25	0.04	0.02	0.20
30	0.04	0.03	0.30
35	0.08	0.05	0.30
40	0.11	0.07	0.30
45	0.15	0.11	1.00
50	0.21	0.17	1.25
55	0.30	0.25	1.20
60	0.49	0.39	0.85

*Notes: 90% of the disability rates shown represent accidental disability.
 40% of the accidental disabilities will die from the same cause as the disability.
 90% of the death rates shown represent accidental death.*

Withdrawal Rates:

Years of Service	Rate per year (%)		
	Groups 1 and 2	Years of Service	Group 4
0	15.0	0 – 10	1.5
1	12.0	11+	0.0
2	10.0		
3	9.0		
4	8.0		
5 – 9	7.6		
10 – 14	5.4		
15 – 19	3.3		
20 – 24	2.0		
25 – 29	1.0		
30+	0.0		

SECTION 4: Reporting Information for the City of Holyoke Retirement System

Retirement Rates:	Rate per year (%)			
	Groups 1 and 2			
	Age	Male	Female	Group 4
	45 – 49	--	--	1.0
	50 – 54	1.0	1.5	2.0
	55 – 59	2.0	5.5	15.0
	60 – 61	12.0	5.0	20.0
	62 – 64	30.0	15.0	25.0
	65 – 68	40.0	15.0	100.0
	69	30.0	20.0	--
	70	100.0	100.0	--

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

Age of Spouse: Females 3 years younger than their spouses.

Percent Married: 75%

Net Investment Return: 8.25%, net of both operating and investment expenses

Interest on Employee Contributions: 3.5%

Salary Increases:	Year	Groups 1 and 2	Group 4
	2007	4.00%	4.00%
	2008	4.00%	4.00%
	2009	4.00%	4.00%
	2010	4.00%	4.00%
	2011 and later	4.75%	5.25%

Includes allowance for inflation.

2006 Salary: 2006 salary equal to salary reported in the data.

Total Service: Total creditable service reported in the data.

SECTION 4: Reporting Information for the City of Holyoke Retirement System

Net 3(8)c Liability:	Assumed \$234,145 in net annual benefits paid to other municipal retirement systems would result in a liability of \$1,730,334.
Actuarial Value of Assets:	Market value of assets less unrecognized return in each of the last four years. Unrecognized return is equal to the difference between the actual market value return and the expected market value return and is recognized over a four-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age of the participant less service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary.

SECTION 4: Reporting Information for the City of Holyoke Retirement System

EXHIBIT VI

Summary of Plan Provisions

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

Plan Year: January 1 – December 31

Retirement Benefits

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

The annual amount of the retirement allowance is based on the member’s final three-year average salary multiplied by the number of years and full months of creditable service at the time of retirement and multiplied by a percentage according to the following table based on the age of the member at retirement:

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

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

SECTION 4: Reporting Information for the City of Holyoke Retirement System

annual rate of regular compensation received during the last three years of creditable service prior to retirement. The \$30,000 cap on salary used in a benefit determination for any employee hired after January 1, 1979 has been removed.

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

Employee Contributions

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

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

Employees hired after 1983 who leave with less than five years of credited service receive no interest on their contributions, and employees who leave with five but less than ten years receive one-half the rate of regular interest otherwise payable.

Retirement Benefits (Superannuation)

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

Members who terminate before age 55 with ten or more years of creditable service are eligible for a retirement allowance upon the attainment of age 55 (provided they have not withdrawn their accumulated deductions from the Annuity Savings Fund of the System).

Ordinary Disability Benefits

A member who is unable to perform his or her job due to a non-occupational disability will receive a retirement allowance if he or she has ten or more years of creditable service and has not reached age 55. The annual amount of such allowance shall be

SECTION 4: Reporting Information for the City of Holyoke Retirement System

determined as if the member retired for superannuation at age 55, based on the amount of creditable service at the date of disability. For veterans, there is a minimum benefit of 50 percent of the member's most recent year's pay plus an annuity based on his or her own contributions.

Accidental Disability Benefit

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

Death Benefits

In general, the beneficiary of an employee who dies in active service will receive a refund of the employee's own contributions. Alternatively, if the employee were eligible to retire on the date of death, a spouse's benefit will be paid the full amount the employee would have received under Option C (previously, two-thirds of the amount). The surviving spouse of a member who dies with two or more years of credited service has the option of a refund of the employee's contributions or a monthly benefit regardless of eligibility to retire, if they were married for at least one year. There is also a minimum widow's pension of \$500 per month, and there are additional amounts for surviving children.

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

"Heart And Lung Law" And Cancer Presumption

Any case of hypertension or heart disease resulting in total or partial disability or death to a uniformed fireman or permanent member of a police department is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. Any case of disease of the lungs or respiratory tract resulting in

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total disability or death to a uniformed fireman is presumed to have been suffered in the line of duty, unless the contrary is shown by competent evidence. There is an additional presumption for uniformed firemen that certain types of cancer are job-related if onset occurs while actively employed or within five years of retirement.

Options

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

Post-Retirement Benefits

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