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October 29, 2014

Personal and Confidential

Mr. Robert Gunter, Finance Director
The City of Henderson
Henderson Municipal Center
222 1st Street, First Floor
Henderson, KY 42420-3181

RE: The City of Henderson Police and Fire Pension Fund

Dear Robert:

We are enclosing twelve (12) copies of the July 1, 2014 actuarial valuation report for The City of Henderson Police and Fire Pension Fund (Fund). Please note that all references in our report for values prior to July 1, 2006 were prepared by the prior service provider, Mercer in Louisville, KY.

This report contains a detailed description and the results of a valuation of The City of Henderson Police and Fire Pension Fund as of July 1, 2014. The contents of this report recognize the Employee Retirement Income Security Act of 1974 (ERISA), Internal Revenue Service requirements, and reflect generally accepted actuarial principles under GASB #25, #27 and # 50.

The following is a brief description of the exhibits and shows how the information is organized.

Plan Assets

Plan assets are funds that have accumulated and will be used to meet future benefit obligations.

Plan Liabilities

The Normal Cost and Unfunded Past Service Liability in Exhibit A compares plan liabilities and plan assets to show how future benefit obligations will be funded.

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Plan Contribution Levels

Each year the contribution to the plan consists of two parts, i.e., payment of the Normal Cost and payment toward funding the Unfunded Past Service Liability. A range of contributions is allowed, as shown in Exhibit A, depending on how rapidly the Unfunded Past Service Liability is funded.

Cost of Living Adjustments

The significant increase in plan liabilities assuming a three percent and five percent future cost-of-living adjustment is shown in Exhibit B.

Please refer to the Exhibit A regarding the range of contributions assuming no future cost-of-living adjustments. The anticipated annual benefit payment for the current year is \$352,545 and this is greater than the amortization of the unfunded past service liability for 20 years. It is recommended that tax revenues should be substantially greater than the anticipated annual benefit payment to reduce the unfunded past service liability.

The information and valuation results shown in this report are, to the best of our knowledge, complete and accurate and are based upon:

1. Employee census data as of July 1, 2014 submitted by The City of Henderson. This data was not audited by us, but appears to be sufficient and reliable for purposes of the report.
2. Financial data as of June 30, 2014 submitted by The City of Henderson. This data was not audited by us, but appears to be sufficient and reliable for purposes of the report.
3. Actuarial assumptions which, individually and in the aggregate, are reasonably related to the experience of the plan and to reasonable expectations and which represent our best estimate of anticipated experience under the plan.
4. Actuarial methods as stated in the report and our interpretation of plan provisions as summarized in the report.

It is our opinion that this Actuarial Report is, to the best of our knowledge, complete and accurate. The actuarial methods and assumptions are applied on an objective basis, are reasonable individually and in the aggregate, and represent the Actuary's best estimate of future experience as required by the Employee Retirement Income Security Act of 1974. Therefore, the information contained in this Actuarial Report fully and fairly discloses the actuarial position of The City of Henderson Police and Fire Pension Fund.

The undersigned actuary has met the Qualification Standards of the American Academy of Actuaries as required to render the actuarial opinion contained herein.

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Mr. Robert Gunter, Finance Director
The City of Henderson
Page Three
October 29, 2014

Please let us know if you have any questions regarding this report.

Cordially,

A handwritten signature in black ink, appearing to read "Bob J. Bolin". The signature is fluid and cursive, with a long horizontal stroke at the end.

Bob J. Bolin, FSA, EA
Chief Actuary

Enclosures

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**ACTUARIAL VALUATION
FOR
THE CITY OF HENDERSON
POLICE AND FIRE PENSION FUND
AS OF JULY 1, 2014**



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City of Henderson Police and Fire Pension Fund

Exhibit A

Valuation Highlights for 2013 vs. 2014 Plan year

	Prior Year July 1, 2013	Current Year July 1, 2014
1. Basic data included in Valuation		
a. Active employees	0	0
b. Individuals receiving benefits	22	20
c. Terminated with vested benefits	0	0
d. Total Participants	22	20
2. Covered Payroll of Active Participants	\$0	\$0
3. Monthly Retirement Income for Costs		
a. Active employees	0	0
b. Terminated with vested benefits	0	0
c. Individuals receiving benefits	\$31,216	\$29,378
d. Total retirement income	31,216	29,378
4. Funding Valuation using Salary Increases		
a. Normal Cost as of Valuation Date	0	0
b. Past Service Liability	4,408,308	4,027,203
c. Value of Plan Assets	(2,038)	(6,991)
d. Unfunded Past Service Liability	4,410,346	4,034,194
5. Contribution Range		
a. Normal Cost plus 10 year amortization of Unfunded Past Service Liability	543,756	497,380
b. Normal Cost plus 15 year amortization of Unfunded Past Service Liability*	396,671	362,840
c. Normal Cost plus 20 year amortization of Unfunded Past Service Liability	324,521	296,843

*The plan sponsor has adopted a funding policy of amortizing the unfunded past service liability over 15 years. This includes any changes in assumptions or experience gains or losses.

City of Henderson Police and Fire Pension Fund

Exhibit B

Impact of Annual Cost-of-Living Adjustments on July 1, 2014 Valuation Results

	No COLA	3% COLA	5% COLA
Past Service Liability	4,027,203	5,349,920	6,353,949
Value of Plan Assets	(\$6,991)	(\$6,991)	(\$6,991)
Unfunded Past Service Liability	\$4,034,194	\$5,356,911	\$6,360,940
Amortization of Unfunded Past Service Liability for the period indicated			
10 years	\$497,380	\$660,459	\$784,246
15 Years	\$362,840	\$481,806	\$572,110
20 Years	\$296,843	\$394,171	\$468,049

City of Henderson Police and Fire Pension Fund

Exhibit C

Statement of Net Assets FYE June 30, 2014

Item

ASSETS

Cash	\$36.00
Investments	0.00
Receivables	
Due from General Fund	0.00
Accrued Interest	<u>0.00</u>
Total Assets	\$36.00

LIABILITIES

Accounts Payable	(\$7,027.00)
Due to Other Funds	<u>0.00</u>
Total Liabilities	(7,027.00)

NET ASSETS

(\$6,991.00)

City of Henderson Police and Fire Pension Fund

Exhibit D

Statement of Income July 1, 2013 through June 30, 2014

<u>Item</u>	
INCOME	
Contributions	
Employer	\$0.00
Employee	0.00
Tax Revenue	361.00
Transfer from General Fund	412,000.00
Transfer from General Fund - Employee	0.00
Investment Income	<u>5.00</u>
Total Income	\$412,366.00
EXPENSES	
All Benefits Paid	(411,006.00)
Professional Services	(2,782.00)
Trust Fees	<u>0.00</u>
Total Expenses	(\$413,788.00)
NET INCOME	(\$1,422.00)
Adjustment for prior year receivables	0.00
Beginning Assets July 1, 2013	<u>(5,569.00)</u>
Ending Assets June 30, 2014	(\$6,991.00)

CITY OF HENDERSON POLICE AND FIRE PENSION FUND
EXHIBIT E

DETERMINATION OF ANNUAL PENSION COST UNDER GASB STATEMENT NO. 27

Fiscal Year Ending (1)	Applicable Valuation Report Used	Annual Required Contribution (ARC) (2)	Interest on Net Pension Obligation (NPO) (3)	Adjustment to ARC (4)	Amortization Factor (5)	Annual Pension Cost (6)	Contributions Made (7)	Change in NPO (8)	NPO Balance at End of Fiscal Year (9)
6/30/2007	7/1/2006	363,343	(26,413)	(59,390)	11.118387	396,320	392,639	3,681	(656,641)
6/30/2008	7/1/2007	375,317	(26,266)	(59,059)	11.118387	408,110	424,749	(16,639)	(673,280)
6/30/2009	7/1/2008	370,618	(26,931)	(60,556)	11.118387	404,243	291,013	113,230	(560,050)
6/30/2010	7/1/2009	385,099	(22,402)	(50,372)	11.118387	413,069	16,083	396,986	(163,064)
6/30/2011	7/1/2010	405,070	(6,523)	(14,666)	11.118387	413,213	424,775	(11,562)	(174,626)
6/30/2012	7/1/2011	384,553	(6,985)	(15,706)	11.118387	393,274	418,000	(24,726)	(199,352)
6/30/2013	7/1/2012	401,983	(7,974)	(17,930)	11.118387	411,939	418,000	(6,061)	(205,413)
6/30/2014	7/1/2013	396,671	(8,217)	(18,475)	11.118387	406,929	412,000	(5,071)	(210,484)

(1) This schedule is a continuation of the schedule developed by Mercer as shown in the July 1, 2005 actuarial valuation report. The starting point for this schedule is the fiscal year ending June 30, 2007.

(2) ARC is based upon the actuarial report as of the most recent valuation date prior to the end of the fiscal year. The valuation report used for each fiscal year is listed in the column between columns (1) and (2). ARC amount shown is for the basic valuation without any future COLA reflected, and assuming amortization of unfunded actuarial liability over 30 years for valuations prior to July 1, 2005 and over 15 years for valuations on or after July 1, 2005.

(3) The NPO as of June 30, 2006 was (660,322). Interest on NPO is 8 percent for valuations prior to July 1, 2004 and 4 percent for valuations on or after July 1, 2004.

(4) Adjustment to ARC equals prior year NPO ending balance divided by amortization factor, i.e., (5).

(5) Amortization factor is based upon the same amortization period as used in the determination of ARC.

(6) Annual Pension Cost = (2) + (3) - (4)

(7) Contribution based on fiscal year contribution information as provided by the City.

(8) Change in NPO = (6) - (7)

(9) NPO Balance = Prior year NPO balance + (8)

CITY OF HENDERSON POLICE AND FIRE PENSION FUND

EXHIBIT F

SCHEDULE OF EMPLOYER CONTRIBUTIONS AS REQUIRED UNDER GASB STATEMENT NO. 25						
Fiscal Year Ending	Annual Pension Cost (APC) (a)	Contribution Made for the Year (b)	Percentage of APC Contributed (b)/(a)	Net Pension Obligation	Annual Required Contribution (c)	Percentage of ARC Contributed (b)/(c)
6/30/1996	240,714	240,822	100.0%	(108)	240,714	100.0%
6/30/1997	240,715	250,725	104.2%	(10,118)	240,714	104.2%
6/30/1998	240,804	264,629	109.9%	(33,943)	240,714	109.9%
6/30/1999	257,304	291,474	113.3%	(68,113)	257,004	113.4%
6/30/2000	239,511	311,932	130.2%	(140,534)	238,910	130.6%
6/30/2001	240,130	332,469	138.5%	(232,873)	238,890	139.2%
6/30/2002	243,726	347,047	142.4%	(336,194)	241,670	143.6%
6/30/2003	242,729	340,802	140.4%	(434,267)	239,762	142.1%
6/30/2004	242,539	359,532	148.2%	(551,260)	238,705	150.6%
6/30/2005	253,768	373,444	147.2%	(670,936)	243,939	153.1%
6/30/2006	389,806	379,192	97.3%	(660,322)	356,298	106.4%
6/30/2007	396,320	392,639	99.1%	(656,641)	363,343	108.1%
6/30/2008	408,110	424,749	104.1%	(673,280)	375,317	113.2%
6/30/2009	404,243	291,013	72.0%	(560,050)	370,618	78.5%
6/30/2010	413,069	16,083	3.9%	(163,064)	385,099	4.2%
6/30/2011	413,213	424,775	102.8%	(174,626)	405,070	104.9%
6/30/2012	393,274	418,000	106.3%	(199,352)	384,553	108.7%
6/30/2013	411,939	418,000	101.5%	(205,413)	401,983	103.9%
6/30/2014	406,929	412,000	101.2%	(210,484)	396,671	103.9%

(1) Annual pension cost and annual required contribution information was extracted from past valuation reports. These reports were completed by Mercer for years prior to June 30, 2007.

(2) Contribution levels were based on a valuation of the plan assuming no future cost-of-living adjustments to participants in the plan. Effective in 1990, legislation was passed which provides that the Board may grant an annual cost-of-living adjustment if actuarially supportable up to a maximum of 5%.

CITY OF HENDERSON POLICE AND FIRE PENSION FUND
EXHIBIT G

(1) Actuarial accrued liability based on the entry age normal funding method.

SCHEDULE OF FUNDING PROGRESS AS REQUIRED UNDER GASB STATEMENTS NO. 25 AND NO. 50						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Past Service Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b) - (a))/(c)
7/1/1997 *	50,028	3,123,569	3,073,541	1.6%	27,519	11168.8%
7/1/1998	17,087	3,114,400	3,097,313	0.5%	28,980	10687.8%
7/1/1999	25,264	2,901,240	2,875,976	0.9%	30,165	9534.1%
7/1/2000	69,520	2,943,918	2,874,398	2.4%	31,522	9118.7%
7/1/2001	108,135	3,014,607	2,906,472	3.6%	32,832	8852.6%
7/1/2002	181,527	3,063,190	2,881,663	5.9%	34,813	8430.1%
7/1/2003	219,527	3,086,503	2,866,976	7.1%	35,756	8018.2%
7/1/2004	260,571	4,434,100	4,173,529	5.9%	37,543	11116.7%
7/1/2005	331,833	4,451,738	4,119,905	7.5%	39,641	10393.0%
7/1/2006	402,328	4,603,711	4,201,383	8.7%	0	Undefined
7/1/2007	469,739	4,809,574	4,339,835	9.8%	0	Undefined
7/1/2008	495,824	4,781,321	4,285,497	10.4%	0	Undefined
7/1/2009	380,205	4,833,147	4,452,942	7.9%	0	Undefined
7/1/2010	(12,581)	4,671,290	4,683,871	-0.3%	0	Undefined
7/1/2011	(9,631)	4,437,007	4,446,638	-0.2%	0	Undefined
7/1/2012	(5,617)	4,463,789	4,469,406	-0.12%	0	Undefined
7/1/2013	(2,038)	4,408,308	4,410,346	0.05%	0	Undefined
7/1/2014	(6,991)	4,027,203	4,034,194	-0.17%	0	Undefined

(2) Actuarial value of assets is equal to value as reported by the City of Henderson.

(3) Information used in preparing this exhibit has been extracted from valuation reports prepared by Mercer prior to July 1, 2006 completed as of the valuation date except where noted by an "****". Information for those years has been estimated based on employee data changes in those interim years since an actual valuation was not completed as of that date.

(4) Information included in this schedule does not anticipate any future retiree cost-of-living increases.

THE CITY OF HENDERSON
POLICE AND FIRE PENSION FUND

EXHIBIT H

PLAN SPECIFICATIONS

Effective Date:	June 30, 1946
Governing Provisions:	Kentucky Revised Statutes 95.621 to 95.629
Eligibility:	Police and firefighters hired on or prior to August 1, 1988 remain covered by this plan unless the employee elected to transfer pension coverage to the County Employees Retirement System (CERS). All police and firefighters hired after August 1, 1988 are covered under CERS.
Retirement Date:	Anytime after completion of at least twenty (20) years of service.
Retirement Benefit:	50% of final monthly salary plus 2% of final monthly salary per year of service between 20 and 25, plus 3% of final monthly salary per year of service between 25 and 30.
Vesting:	Rights in a service retirement monthly benefit vest upon completion of twenty (20) years of service. A participant withdrawing from service prior to twenty (20) years of service will receive a refund of his contributions, without interest.
Death Benefits:	<p>The surviving spouse is entitled to immediate income equal to 50% of the participant's last rate of pay regardless of the length of the participant's service if death is due to occupational causes; otherwise one year of service is required. This death benefit ceases at the spouse's death or remarriage. In addition, \$ 24 per month is payable to the spouse for each minor child until each child attains age eighteen (18).</p> <p>If no spouse survives or if the spouse remarries, each minor child is entitled to \$ 24 until the child reaches age eighteen (18).</p>

THE CITY OF HENDERSON
POLICE AND FIRE PENSION FUND

EXHIBIT H

PLAN SPECIFICATIONS, CONTINUED

- Death Benefits (cont.): If neither a spouse nor minor children survive the participant, then dependent parents are entitled to 25% of the participant's salary.
- These benefits are also payable upon the death of a retired participant.
- Disability Benefits: Benefit equal to 50% of the participant's final monthly salary. Upon his death, his survivors receive benefits under the death benefit provisions.
- Employee Contributions: Each active participant contributes at the same rate as required by the Social Security Administration (currently 7.65%).

THE CITY OF HENDERSON
POLICE AND FIRE PENSION FUND

EXHIBIT H

ACTUARIAL ASSUMPTIONS

Investment Return:	4% compounded annually. Prior to the July 1, 2004 actuarial valuation, 8% compounded annually.
Salary Increases:	5% compounded annually.
Retirement Age:	Completion of 20 years of service.
Turnover:	None
Mortality:	Pre- and post-retirement is the UP 1994 Mortality Table projected to 2002 with separate tables for males and females. Disabled lives based upon the mortality table in Revenue Ruling 96-7.
Disability:	None.
Pre-retirement Death Benefit:	100% marriage assumption with husbands three years older than their wives.
Asset Valuation Method:	Market value.
Actuarial Cost Method:	Entry Age Normal Method.



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October 29, 2014

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Mr. Robert Gunter, Finance Director
The City of Henderson
Henderson Municipal Center
222 1st Street, First Floor
Henderson, KY 42420-3181

RE: GASB 67 for City of Henderson Police & Fire Pension Fund at June 30, 2014

Attached are information and exhibits for preparing the notes to the Financial Statements for the City of Henderson.

Value of Investments: Investments are reported at fair market value.

Plan Description: This is a single employer defined benefit plan that provides pensions for police and firefighters that were hired prior to August 1, 1988.

Plan membership at June 30, 2014 is as follows:

Inactive members or beneficiaries receiving benefits:	20
Inactive members entitled to future benefits:	0
Active members:	0
Total	<u>20</u>

Benefits Provided: The Plan provides retirement, disability and death benefits. Plan members receive a benefit of 50% of final monthly salary for completion of 20 years of service with increases for service greater than 20. Retirement is upon the completion of 20 years of service. Early and late retirement benefits are actuarially adjusted.

Contributions: The City contributes the cost calculated by an independent Actuary. Such actuarially determined cost is the estimated amount necessary to **finance any unfunded accrued liability over 15 years. For the year ending June 30, 2014,** the City contributed \$ 412,000.

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Investment Categories:

<u>Asset Class</u>	<u>Allocation</u>
Cash	100.0%

Rates of Return: For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of expense, was 0.00%.

Allocated Insurance Contracts: There are none.

Deferred Retirement Option Programs: None.

Net Pension Liability as of June 30, 2014:

Total Pension Liability	\$4,893,846
Plan Fiduciary Net Position	(6,991)
City's Net Pension Liability	4,900,837
Plan Fiduciary Net Position as a percentage of the total pension liability	-0.143%

Primary Actuarial Assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2014 using the following primary assumptions:

Inflation:	None
C.O.L.A.:	2%
Mortality:	RP-2000, projected to valuation date

Discount Rate: The discount rate used to measure the total pension liability was 4.0%. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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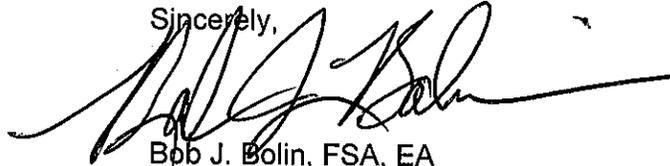
Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 4.0%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.0%) or 1-percentage-point higher (5.0%) than the current rate:

	1% Decrease 3.0%	Current Discount 4.0%	1% Increase 5.0%
City Net Pension Liability	\$5,459,180	\$4,900,837	\$4,436,975

GASB 67 requires that the Actuary use realistic assumptions, therefore, the mortality experience uses the 2014 table, and a 2% COLA was assumed on future benefit payments.

If you or your Board members have any questions, please contact me.

Sincerely,



Bob J. Bolin, FSA, EA
Chief Actuary

BJB/mht

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City of Henderson Police and Fire Pension Fund

FOR FISCAL YEAR ENDING June 30, 2014

Schedule of Changes in the Net Pension Liability and Related Ratios

	2014*	2013
Total Pension Liability		
Service cost	\$0	\$0
Interest	168,112	170,310
Changes of benefit terms	0	0
Differences between expected and actual experience	(138,211)	186,286
Changes of assumptions*	866,643	0
Benefit Payments	<u>(411,006)</u>	<u>(412,077)</u>
Net chane in total pension liability	485,538	(55,481)
Total pension liability--beginning	4,408,308	4,463,789
Total pension liability--ending (a)	4,893,846	4,408,308
Plan Fiduciary Net Position		
Contributions---Employer	412,000	418,000
Contributions---Employee	0	0
Net investment income(c)	366	(5,875)
Benefit Payments	(411,006)	(412,077)
Administration expenses	(2,782)	0
Other	0	0
Net change in plan fiduciary net position	(1,422)	48
Plan fiduciary net position--beginning	(5,569)	(5,617)
Plan fiduciary net position--ending (b)	(6,991)	(5,569)
Net Pension Liabillity (a) - (b)	4,900,837	4,413,877
Plan fiduciary net position as a percentage of the total pension liability	-0.14%	-0.13%
Covered employee payroll	0	0
Net Pension Liability as a percentage of covered employee payroll	N/A	N/A

* Mortality assumption updated in 2014 and a 2% COLA was assumed

City of Henderson Police and Fire Pension Fund

FOR FISCAL YEAR ENDING June 30, 2014

GASB67 Measurement	06/30/14	06/30/13
Input		
Interest Rate for liability	4%	4%
Contributions by employer	412,000	418,000
Employee contributions	0	0
Benefits paid	411,006	412,077
Plan expenses	(2,782)	0
Plan Assets at Fair Value EOY	(6,991)	(5,569)
Assets BOY	(5,569)	(4,003)
Interest cost	168,112	170,310
Service Cost (Normal Cost)	0	0
Total Pension Liability BOY	4,408,308	4,463,789
Total Pension Liability EOY	4,893,846	4,408,308
Change in assumptions	0	
Plan amendment	0	

City of Henderson Police and Fire Pension Fund
Schedule of Contributions
 Last 10 Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Actuarially Determined Contribution	\$ 396,671	\$ 401,983	\$ 384,553	\$ 405,070	\$ 385,099	\$ 370,618	\$ 375,317	\$ 363,343	N/A	N/A
Contribution in relation to the actuarially determined contribution	\$ 412,000	\$ 418,000	\$ 418,000	\$ 424,775	\$ 16,083	\$ 291,013	\$ 424,749	\$ 392,639	\$ 379,192	\$ 373,444
Contribution deficiency (excess)	\$ (15,329)	\$ (16,017)	\$ (33,447)	\$ (19,705)	\$ 369,016	\$ 79,605	\$ (49,432)	\$ (29,296)	N/A	N/A

Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution as a percentage of covered employee payroll	N/A	U/								

Notes:

Methods and Assumptions:

Actuarial Cost Method	Entry Age
Asset Valuation Method	Market Value
Withdrawal	none
Salary Increases	N/A
Investment Rate of Return	4%
Retirement Age	20 years
Mortality	In the 2014 actuarial valuation, the assumed life expectancies are according to the RP-2000 Mortality Table projected to 2014
COLA	2%