

## EXHIBIT "A"

### PRB Board Rule #4 (continued)

#### Alternate Cash Flow Projection Valuation

If a pension fund has less than 50 participants, the Fund may show "Actuarial Soundness" using an Alternate Cash Flow Projection Valuation as defined in this paragraph. This valuation will project the assets, future income and future benefit obligations of the pension fund. The assumptions used for an Alternate Cash Flow Projection Valuation will not necessarily be the same assumptions used by the Pension Review Board for regularly scheduled valuations, because of the small number of fund participants. The Alternate Cash Flow Projection Valuation must show that the current assets projected with future income will always be sufficient to cover all benefit obligations. An Alternate Cash Flow Projection Valuation is not required to be done on a regular basis, but will be completed when requested by the Fund and at the expense of the pension fund.

For a pension fund to be able to use the Alternate Cash Flow Projection Valuation, it must also meet the following conditions:

1. The fund uses a PRB Recognized Investment Management and Trust Arrangement.
2. The local pension board, as well as the local city council, must certify to the PRB that they understand the risks involved in using a cash flow model for a small group, and that they assume responsibility for any future funding shortfall risk that might occur as a result of the utilization of the Alternate Cash Flow Projection Valuation.

An investment management and trust arrangement will be a Recognized Investment Management and Trust Arrangement by the PRB if it contains the following independent and separately accountable components:

1. Investment Advisory and Reporting, including, but not limited to
    - a. Pension plan prudent asset allocation advice
    - b. Choosing independent investment managers or funds
    - c. Reporting the results of the investment managers versus their benchmark at least quarterly.
  2. Investment Management, including, but not limited to
    - a. Investing plan assets on a plan-specific basis which pertains to the stated asset allocation designated by the local pension board with the assistance of the investment advisor
    - b. Regular reporting of results through the recognized investment management and trust arrangement.
  3. Trust, Custodial and Administrative Services, including, but not limited to
    - a. Trust and/or custodian agreement with an independent trustee and/or custodian
    - b. Year-end plan [mancial reporting to the PRB.
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Certified By:  
David B. Clark, Interim Executive Director  
Agency # 137.00