

Methodologies for Ascertaining Truth
Scientific
Adversarial [Western Legal Systems]

Litigation Valuations
Divorce [The Marital Couple, Dependents]
Trust and Estates
Breach of Contract
Torts
Pain & Suffering, Consortium, Punitive

Types of Valuations
Stochastic [Investment/Stockholder suits]
Deterministic [Class Actions]
Scenario [Few Parties; “Forecaster, not a Prophet”; “Ten Thousand clones”]
Blended

Interests Being Valued
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Life Insurance
Lost Income
Marginal Expenses

The litigation consultants singular responsibility - - - Respond to a question or a directive

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Under Oath - - Under Pains and Penalties of Perjury - - Code of Conduct

The Whole Truth - - Part of the Truth - - ASoP No. 17 Problems

Advocacy, Independence, Some of Both
When are you or can you be an advocate
When does your client cease to be your client
Who is your client [“Follow the money”]
Consulting for both parties in a dispute [Standard Defaults]
Conflicts of Interest
Supplying questions to your interrogator [“Do you want a big number or a small one?”]
Always give the same answer to the same question no matter who’s asking
Golf Rules vs. Football Rules - - - “Everyone lies?” - - - “You’ve got to lie?”

Record Keeping

Sample Valuation Report [Determining the Value of a Pension]

Question or Directive

Opinion or Conclusion

Basis for Opinion or Conclusion

Data

Assumptions

Mortality [Exact Age]

Investment Return

Retirement/Withdrawal

Pre-retirement Compensation Adjustments

Post-retirement COLAs

Law [Determining the Marital Estate Share]

Plan Provisions

Assumption Comment [Are you presenting an opinion or a conclusion?]

Caveats

Tax comment [optional]

Optional Modes of Payment [optional]

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August 22, 2011

Michael F. Smith, Esq.
Attorney at Law
123 Main Street
Ripton, Massachusetts

RE: Doe v. Doe

Dear Attorney Smith:

In accordance with your request concerning the referenced matter, I have prepared an analysis of certain pension benefits which John F. Doe will be entitled to receive on account of his participation, as a City of Ripton, Massachusetts police officer, in the City of Ripton, Massachusetts Contributory Retirement System [the "RCRS"].

It is my opinion that \$705,498.49 provides a good approximation to the September 22, 2011 value of Officer Doe's expected retirement benefit under the City of Ripton, Massachusetts Contributory Retirement System; and that \$556,667.30 of this amount will be attributable on that date to the time period for which he will then have been married to Jane C. Doe.

The preceding opinion was based upon:

- (a) The demographic and financial information that was provided to me by yourself and Officer Doe [i.e., Officer Doe was born on 4-1-1951; his wife Jane was born on 7-1-2001; his MGL Chapter 32 retirement service commenced on 3-1-1984 and has been continuous since that time; the parties were married on 9-1-1985; he is not a veteran of the U.S. Armed Forces; his 2010 calendar year Chapter 32 pension contributions amounted to \$5,000.00; and Officer Doe, when he retires, expects to receive his pension under an Option "A" (i.e. monthly straight-life) form of payment with none of same being assigned to an alternate payee];
- (b) An assumption that Officer Doe will survive until 9-22-2011 and that his mortality thereafter will follow the static, male, blended rates specified in U.S. Internal Revenue Code Section 430(h)(3) for defined benefit pension plan valuation dates occurring during the 2010 calendar year; his life expectation on 9-22-2011 pursuant to this table will be 22.67 years;

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- (c) An assumption that Officer Doe, while alive after 9-22-2011, will work full-time in RCRS-covered Group 4 employment until March 1, 2016 [the time when, if still alive, he'll be expected to first accrue the RCRS 80%-of-average-salary maximum benefit amount] and then retire;
- (d) A 3.01% effective annual interest rate; this figure results from modifying a nominal annual investment rate [compounded semi-annually] of 2.94% [which is the yield for 22.67 years (Officer Doe's life expectation noted above) obtained by linearly interpolating between the "Benchmark Bond" current yield of 2.12% (the U.S. Treasury instrument maturing in 10 years as quoted by www.bloomberg.com at 8:09am this morning) and the corresponding "Long Bond" current yield of 3.41% (the U.S. Treasury instrument maturing in 30 years as quoted by www.bloomberg.com at the same time)]; the noted modification consists of increasing the noted 2.94% rate, after it has been annualized, by 0.40% [compounded annually] of itself for the lesser of : (i) 20 years; and (ii) the time span from 9-22-2011 until Officer Doe is expected to retire [3-1-2016 as noted above].
- (e) An assumption that Officer Doe's post-12/31/2010 pension salary will increase thereafter at a 1.01% per annum rate; this annual increase figure is equal to the 3.01% effective annual interest rate documented in sub-paragraph "d" above reduced by 2% per annum [an adjustment that is at the mid-point of the 1-3% range suggested by the U.S. Supreme Court's Pfeifer decision];
- (f) An assumption that a portion of Officer Doe's pension entitlement, at the time of his retirement, will be inflation-adjusted thereafter at an effective annual rate equal to the 1.01% per annum rate documented in sub-paragraph "e" above [with said portion being equal to the ratio (determined at the time of his retirement) of \$12,000/year (with this figure having been increased at the same 1.01% per annum rate following 9-22-2001) to the total amount of his annualized pension that is payable to him at the time of his retirement];
- (g) The Dewan coverture methodology with 9-22-2011 being the marital estate coverture date;

and
- (h) The provisions of the RCRS as they presently exist.

The actuarial basis specified in sub-paragraphs "b", "c", "d", "e" and "f" above is my current best estimate of the experience that will evolve post-9/22/2011 for Officer Doe and, as such, it is a basis that I believe to be appropriate for determining the noted pension values.

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Note that all or almost all of Officer Doe's benefits under the RCRS will be subject to Federal taxation as they are received by him. This means that the lion's share of the \$705,498.49 and \$556,667.30 valuation opinions given above are expressed in pre-Federal-Income-Tax dollars. Please bear this in mind when comparing these figures with other marital estate assets whose values may be expressed in after-tax-dollars.

Note also that the valuation opinions presented herein would change if Officer Doe were not to retire under an Option "A"/no-assignment form of payment. For instance, if he were to retire under an Option "C"(Joint-and-66.67%-continuation-to-a-Surviving-Jane-Doe)/no-assignment-while-both-parties are alive form of payment, the total 9-22-2011 value of this benefit would be _____ with _____ of this expectation being attributable to Officer Doe and the residual _____ being Jane Doe's expectation.

Please contact me, Counselor, if you have any questions about this valuation report, if you require further detail, or if I can be of any other assistance.

Very truly yours,

/s/ Thomas P. Tierney

Thomas P. Tierney, FSA
Consulting Actuary