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PERA

Public Employees
Retirement Association
of New Mexico

INVESTED IN TOMORROW.

**Volunteer Firefighters Retirement Fund of New Mexico
Annual Actuarial Valuation
as of June 30, 2020**





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

October 29, 2020

The Retirement Board
Public Employees Retirement Association
Santa Fe, New Mexico

Members of the Board:

We have conducted the annual actuarial valuation of the Volunteer Firefighters Retirement Fund as of June 30, 2020; the results of the valuation are contained in the following report. The annual valuation is used to determine the sufficiency of the statutory contribution rates and, if necessary, the amount required to fund the annual normal cost and fully amortize the unfunded actuarial accrued liability with annual payments over a 25-year period. The results of this valuation apply to the fiscal year beginning July 1, 2020 and ending June 30, 2021 (FY 2021). Information contained in our report for plan years ending prior to June 30, 2010 is based upon valuations performed by the Fund's prior actuary.

In performing the valuation, we relied on data supplied by the Public Employees Retirement Association (PERA) and performed limited tests on the data for consistency and reasonableness. In determining the Fund's liabilities, future events, such as investment returns, deaths, retirements, etc., are anticipated based upon the set of actuarial assumptions as approved by the Board. New demographic assumptions and methods were adopted for the June 30, 2020 valuation as follows:

Summary of Recommendations	
Withdrawal – Less than 5 years of service	Altered pattern of rates
Withdrawal – More than 5 years of service	Altered pattern of rates
Retirement	Altered pattern of rates
Mortality	Will be determined by next PERA experience study
Service Accruals	Decreased assumption from 0.75 to 0.65 Years of future accrual
Administrative Expenses	Increase from \$45,000 to \$60,000 annually

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: fund experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.



This actuarial valuation was performed to determine the adequacy of statutory contributions to fund the plan. The asset values used to determine unfunded liabilities and funded ratios are not market values but less volatile market related values. A smoothing technique is applied to market values to determine the market related values. The unfunded liability amounts and funded ratios using the market value of assets would be different. The interest rate used for determining liabilities is based on the expected return on assets. Therefore, liability amounts in this report cannot be used to assess a settlement of the obligation.

Measuring pension obligations and actuarially determined contributions requires the use of assumptions regarding future economic and demographic experience. Whenever assumptions are made about future events, there is risk that actual experience will differ from expected. Actuarial valuations include the risk that actual future measurements will deviate from expected future measurements due to actual experience that is different than the actuarial assumptions. The primary areas of risk in this actuarial valuation are:

- Investment Risk – the potential that investment returns will be different than expected.
- Longevity and Other Demographic Risks – the potential that mortality or other demographic experience will be different than expected.
- Contribution Risk – The potential that actual contributions are different than the actuarially determined contributions.

Annual actuarial valuations are performed for PERA which re-measure the assets and liabilities and compute a new actuarially determined contribution. PERA also has experience studies performed every four to five years to analyze the discrepancies between actuarial assumptions and actual experience and determine if the actuarial assumptions need to be changed. Annual actuarial valuations and periodic experience studies are practical ways to monitor and reassess risk.

This is to certify that the undersigned are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Fund.

Respectfully submitted,

A handwritten signature in blue ink that reads 'John J. Garrett'.

John J. Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink that reads 'Jonathan T. Craven'.

Jonathan T. Craven, ASA, EA, FCA, MAAA
Consulting Actuary



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Section I: Board Summary

The table below summarizes the results of the June 30, 2020 actuarial valuation as compared with the prior year.

Table I-1: Comparative Summary of Principal Results

Valuation Date	June 30, 2020	June 30, 2019
Actuarial Accrued Liability (AAL)		
Active Members	\$ 17,510,145	\$ 19,408,782
Deferred Vested Members	4,821,553	4,817,440
Non-Vested Inactive Members*	718,655	627,940
Retired Members and Survivors	<u>27,289,313</u>	<u>25,664,698</u>
Total	\$ 50,339,666	\$ 50,518,860
Actuarial Value of Assets	\$ 73,916,369	\$ 72,011,279
Funded Ratio	146.8 %	142.5 %
Unfunded Actuarial Accrued Liability (UAAL) (AAL - Actuarial Value of Assets)	\$ (23,576,703)	\$ (21,492,419)
Calculation of Required Contribution (Fiscal Year Ending)	June 30, 2021	June 30, 2020
Normal Cost		
Retirement	\$ 1,477,389	\$ 1,703,488
Termination	415,597	480,885
Pre-Retirement Survivors	34,252	35,855
Disability	-	-
Total Normal Cost	<u>\$ 1,927,238</u>	<u>\$ 2,220,228</u>
Expected Administrative Expenses	60,000	45,000
UAAL Amortization Amount (25 Years)	<u>(1,998,973)</u>	<u>(1,822,255)</u>
Actuarially Determined Contribution (not less than \$0)	\$ -	\$ 442,973

* Members with at least 5 years of service and a last reported date within the last 5 years who are not valued as active are valued similarly to deferred vested members in order to recognize potential liability these members hold.



Section I: Board Summary

Summary of Key Findings

The funding policy for the Fund determines the employer contribution required to fund the annual normal cost plus an amount to fully amortize the unfunded actuarial accrued liability (UAAL) over 25 years. This resulting contribution amount is compared to the expected statutory contribution amount to assess the sufficiency of the statutory contribution. The Fund has maintained a significant surplus of assets over liabilities.

The Fund's normal cost contribution decreased from \$2,220,228 to \$1,927,238. The annual amount of expected administrative expenses is added to the normal cost in the calculation of the actuarial determined contribution. The surplus of the Fund's actuarial value of assets over the actuarial accrued liability results in a negative UAAL amount which has decreased from \$(21,492,419) to \$(23,576,703). The funded ratio of the Fund increased from 142.5% to 146.8%. We note the following key findings:

- The Fund experienced an actuarial loss on Fund assets of \$1,302,254 as a result of investment return on the actuarial value of assets being less than the assumed rate. This represents a 2.4% decrease to the funded ratio. Table III-3 provides the calculation of the investment loss for this year.
- The Fund experienced a net actuarial gain of \$2,031,351 on Fund liabilities due to non-investment related experience. This represents a 5.4% increase to the funded ratio.
- The Fund received \$207,716 more in contributions than the actuarially determined amount which results in a 0.4% increase to the funded ratio.
- As a result of an experience study performed in the last year, there were assumption changes made for the current valuation. These changes resulted in a decrease of \$1,390,154 to Fund liabilities and an increase of 3.9% to the funded ratio.

Section II of the report provides summarized information on the membership data used in the valuation. Section III covers the Fund's assets and Section IV covers the Fund's liabilities. The results of the valuation are provided in Section V and additional disclosure information is in Section VI. The appendices provide additional information on: A) the Fund members, B) the actuarial assumptions and methods, and C) the summary of the benefit provisions of the Fund. It is important to note that all information contained in this report for periods prior to June 30, 2010 were produced by a prior actuarial consulting firm.



Section II: Membership Data

Data regarding the membership of the Fund for use in the valuation were furnished by PERA. The following table summarizes the membership data as of June 30, 2020 and is compared with that reported for the prior year.

Table II-1: Summary of Membership Data as of June 30, 2020

Group	June 30, 2020	June 30, 2019
Total Active Members	8,014	8,182
Deferred Vested Members	309	309
Non-Vested Inactive Members	58	51
Retirees		
Service*	1,424	1,331
Disabled	0	0
Beneficiaries	<u>113</u>	<u>98</u>
Total Retirees	1,537	1,429
Total	9,918	9,971

Table II-2: Deferred Members, Retired Members and Beneficiaries as of June 30, 2020

Group	Number	Total Annual Benefits	Average Annual Benefits	Average Age
Deferred Vested	309	\$ 472,500	\$ 1,529	60.48
Retirees				
Service*	1,424	2,584,500	1,815	69.44
Disability	0	0	N/A	N/A
Survivors	<u>113</u>	<u>112,999</u>	1,000	74.59
Retiree Totals	1,537	\$2,697,499	\$ 1,755	69.82
Total	1,846	\$3,169,999	\$ 1,717	68.26

*Includes 1 co-payee



Section III: Fund Assets

The following tables provide information on the Fund’s market value of assets and cash flow.

Table III-1: Market Value Reconciliation

	June 30, 2020	June 30, 2019
Beginning of Year Market Value	\$ 71,836,631	\$ 69,287,453
Audit Adjustment	-	-
Revised Beginning of Year Market Value	\$ 71,836,631	\$ 69,287,453
Revenues:		
Member Contributions	-	-
Employer Contributions/Appropriations	750,000	750,000
Purchases of Service	-	-
Investment Income		
Interest, dividends, etc.	1,387,214	1,914,058
Realized/Unrealized gains (losses)	(2,154,175)	2,686,588
Security lending	14,368	15,366
Other Income	-	1,000
Settlement Award	-	-
Total Revenues	\$ (2,593)	\$ 5,367,012
Expenditures:		
Benefit Payments	2,625,832	2,456,858
Refunds of Member Contributions	-	-
Investment Expenses	304,019	298,058
Administrative Expenses	67,207	62,918
Total Expenditures	\$ 2,997,058	\$ 2,817,834
End of Year Market Value	\$ 68,836,980	\$ 71,836,631

The market value rate of return for the plan year was (1.49)%. The Fund’s cash flow is (2.76)% as a percentage of average market value.



Section III: Fund Assets

The actuarial value of assets represents a "smoothed" value developed with the purpose of dampening the impact of market volatility on the assets used in determining valuation results. The actuarial value of assets has been calculated by spreading the recognition of unexpected investment income over four years. The amount of unexpected investment income in each year is the difference between expected actuarial value investment income and actual market value investment income. Table III-2 provides the calculation of the amount of the current year excess investment income to be phased-in as well as the amount of deferred investment income from prior years calculated in the development of the actuarial value of assets.

Table III-2: Development of Actuarial Value of Assets as of June 30, 2020

1. Actuarial Value Beginning of Year		\$	72,011,279
2. Market Value End of Year			68,836,980
3. Market Value Beginning of Year (with audit adjustment)			71,836,631
4. Cash Flow			
a. Contributions		\$	750,000
b. Service Purchases			-
c. Benefit Payments and Refunds			(2,625,832)
d. Administrative Expenses			(67,207)
e. Other			-
f. Net		\$	(1,943,039)
5. Investment Income			
a. Market Total (2 - 3 - 4f)		\$	(1,056,612)
b. Assumed Rate			7.25 %
c. Amount for Immediate Recognition			5,150,383
d. Amount for Phased-In Recognition			(6,206,995)
6. Phased-In Recognition of Investment Income			
a. Current Year: 0.25 * 5d		\$	(1,551,749)
b. First Prior Year (2019)	\$	(669,317) x 25%	(167,329)
c. Second Prior Year (2018)	\$	(357,957) x 25%	(89,489)
d. Third Prior Year (2017)	\$	2,025,250 x 25%	506,313
e. Total Recognized Investment Gain		\$	(1,302,254)
7. Audit Adjustment		\$	-
8. Actuarial Value End of Year		\$	73,916,369
(1 + 4f + 5c + 6e + 7)			
9. Difference Between Market & Actuarial Values (2 - 8)		\$	(5,079,389)
10. Rate of Return on Actuarial Value			5.42 %
11. Actuarial Value of Assets as a % of Market Value of Assets			107.4 %



Section III: Fund Assets

The actuarial valuation assumes the rate of investment return on the assets of the Fund is 7.25% annually. This assumption is based upon the reasonable long-term expected return on the assets. In each year, the Fund will experience actuarial gains and losses due to the actual investment return of the assets. Table III-3 provides the calculation of the gain or loss due to the investment experience on the actuarial value of assets for the year ended June 30, 2020.

Table III-3: Actuarial Investment Gain (Loss) for the Year Ended June 30, 2020

1. Beginning of Year Actuarial Value of Assets (AVA)	\$ 72,011,279
2. Employee and Employer Contributions	750,000
3. Benefit Payments	(2,625,832)
4. Administrative Expenses	(67,207)
5. Other	-
6. Interest [1 x 7.25% + (2 + 3 + 4 + 5) x 7.25% x 0.5]	5,150,383
7. Expected End of Year AVA	75,218,623
8. Actual End of Year AVA	73,916,369
9. Actuarial Investment Gain (Loss) (8 - 7)	\$ (1,302,254)



Section IV: Fund Liabilities

The total actuarial present value of benefits is the value as of the valuation date of all future benefits expected to be paid to current members of the Fund. An actuarial cost method allocates each individual's present value of benefits to past and future years of service. The actuarial accrued liability includes the portion of the active member present value of benefits allocated to past service as well as the entire present value of benefits for retirees, beneficiaries and inactive members. The portion of the actuarial present value allocated to the future service of active members is called the present value of future normal costs. Table IV-1 presents the calculation and allocation of the actuarial present value of benefits.

Table IV-1: Allocation of the Actuarial Present Value of Benefits as of June 30, 2020

	Actuarial Accrued Liability	Present Value of Future Normal Cost	Total Actuarial Present Value
Active Members			
Service Retirement	\$14,833,836	\$ 8,471,246	\$23,305,082
Termination Benefits	2,381,556	2,915,089	5,296,645
Disability Retirement	-	-	-
Survivor Benefits	294,753	222,318	517,071
Total for Active Members	\$17,510,145	\$11,608,653	\$29,118,798
Inactive Vested Members and Inactive Holding Liability	\$ 5,540,208		\$ 5,540,208
Retirees and Beneficiaries			
Service Retirements	\$26,385,530		\$26,385,530
Disability Retirements	-		-
Beneficiaries	903,783		903,783
Total for Retirees and Beneficiaries	\$27,289,313		\$27,289,313
Total	\$50,339,666	\$11,608,653	\$61,948,319



Section IV: Fund Liabilities

Under the valuation funding method, an unfunded actuarial accrued liability (UAAL) exists to the extent that the actuarial accrued liability exceeds the actuarial value of assets as presented in Section III. The calculation of the UAAL and Funded Ratio as of the valuation date is shown in Table IV-2.

Table IV-2: Calculation of the Unfunded Actuarial Accrued Liability and Funded Ratio

	June 30, 2020	June 30, 2019
1. Actuarial Accrued Liability	50,339,666	50,518,860
2. Actuarial Value of Assets	73,916,369	72,011,279
3. Unfunded Actuarial Accrued Liability (1 - 2)	(23,576,703)	(21,492,419)
Funded Ratio (2 / 1)	146.8%	142.5%

The funded ratio is the ratio of the actuarial value of assets (Table III-2) to the actuarial accrued liability (Table IV-1) as of the valuation date. As of June 30, 2020, the funded ratio of the Fund is 146.8% as compared to a ratio of 142.5% as of June 30, 2019. The ratio is a commonly used measure of the funding progress and can be useful in reviewing the historical trend of a Fund's funding progress. Such a review should also consider the impact to this measure over the historical period due to changes to Fund benefits, changes to the actuarial assumptions and methods, and the significant impact that investment experience can have on the ratio over short-term periods. We caution that no single "point in time" measure can provide a universal basis for comparing one Fund's funded status to another.



Section IV: Fund Liabilities

The calculation of the Fund's actuarial assets and liabilities requires the use of several assumptions concerning the future experience of the Fund and its members. In each annual valuation, the latest year of actual experience is compared to that expected by the prior valuation. The differences are actuarial gains and losses which decrease or increase the UAAL. Table IV-3 provides the reconciliation of the UAAL.

Table IV-3: Reconciliation of the UAAL

	UAAL	Funded Ratio
1. Beginning of Year	\$ (21,492,419)	142.5 %
2. Normal Cost	2,220,228	
3. Expected Contributions	(549,550)	
4. Other Income/Expense	67,207	
5. Interest [1 x 7.25% + (2 + 3 + 4) x 7.25% x 0.5]	<u>(1,495,202)</u>	
6. Expected End of Year	\$ (21,249,736)	139.5 %
7. Actuarial Experience (Gain) / Loss		
Additional Contributions (with interest)	\$ (207,716)	0.4 %
Investment Experience	1,302,254	(2.4)%
Liability Experience	<u>(2,031,351)</u>	5.4 %
Total Actuarial Experience (Gain) / Loss	\$ (936,813)	
8. End of Year Prior to Assumption/Method/Plan Changes (6 + 7)	\$ (22,186,549)	142.9 %
9. Assumption/Method Changes	(1,390,154)	3.9 %
10. Plan Changes	-	
11. Actual End of Year (8 + 9 + 10)	\$ (23,576,703)	146.8 %



Section V: Actuarial Funding Calculation

Section IV of this report presented the Fund’s actuarial accrued liability as the portion of the present value of benefits allocated to past years of service. The portion of the active members’ present value of benefits allocated to future years of service is funded through annual normal cost contributions from the employer. The normal cost amount was developed as of the valuation date and presented in Table V-1.

The minimum contribution to satisfy the funding policy is the dollar amount necessary to fund the annual normal cost and expected administrative expenses of the Fund and fully amortize the UAAL over 25 years in constant dollar amounts. This resulting contribution amount is compared to the expected statutory contribution amount to assess the sufficiency of the statutory contribution. As this Fund is in a significant surplus funded position, the annual amortized amount of the surplus offsets most of the Fund’s annual normal cost amount. The calculation of the contribution requirement is provided in Table V-1.

**Table V-1: Calculation of Actuarially Determined Contribution
for Fiscal Year Ending June 30, 2020**

1. Present Value of Future Benefits	\$ 61,948,319
2. Present Value of Future Normal Costs	11,608,653
3. Actuarial Accrued Liability (1 - 2)	\$ 50,339,666
4. Actuarial Value of Assets	73,916,369
5. Unfunded Actuarial Accrued Liability (UAAL) (3 - 4)	\$ (23,576,703)
6. UAAL Amortization Payment (25 years)	(1,998,973)
7. Total Normal Cost	1,927,238
8. Expected Administrative Expenses	60,000
9. Total Normal Cost and Administrative Expenses	1,987,238
Actuarially Determined Contribution (6 + 9)	\$ -



Section VI: Additional Disclosure Information

The tables provided in this section present information relevant for the annual financial reporting of the Fund. GASB Statement No. 67 required disclosure information will be provided in a separate supplemental report. Additional disclosure information is provided below.

Table VI-1: Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial		Funded Ratio (a / b)
		Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b - a)	
6/30/2020	\$ 73,916,369	\$ 50,339,666	\$ -	146.8 %
6/30/2019	72,011,279	50,518,860	-	142.5 %
6/30/2018	69,674,334	49,235,772	-	141.5 %
6/30/2017	67,985,320	46,388,453	-	146.6 %
6/30/2016	64,899,802	45,256,278	-	143.4 %
6/30/2015	61,575,304	43,916,392	-	140.2 %
6/30/2014	57,997,323	41,516,826	-	139.7 %
6/30/2013	52,179,180	37,766,300	-	138.2 %
6/30/2012	47,382,330	28,219,348	-	167.9 %
6/30/2011	47,004,974	27,108,848	-	173.4 %

* Entry age, level dollar beginning with the 6/30/2011 valuation; unit credit for prior valuations.

Table VI-2: Solvency Test

Valuation Date	Aggregate Accrued Liabilities For				Portion of Accrued Liabilities Covered by Actuarial Value of Assets		
	(1) Active Member Contributions	(2) Retirees, Survivors and Inactive Members	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	(1)	(2)	(3)
6/30/2020	\$ -	\$ 32,829,521	\$ 17,510,145	\$ 73,916,369	N/A	100.00%	100.00%
6/30/2019	-	31,110,078	19,408,782	72,011,279	N/A	100.00	100.00
6/30/2018	-	30,285,764	18,950,008	69,674,334	N/A	100.00	100.00
6/30/2017	-	28,060,938	18,327,515	67,985,320	N/A	100.00	100.00
6/30/2016	-	27,259,993	17,996,285	64,899,802	N/A	100.00	100.00

Section VI: Additional Disclosure Information



Table VI-3: Schedule of Retirants Added to and Removed from Rolls

Valuation Date	Added to Rolls		Removed from Rolls		Rolls End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number Added	Annual Allowances	Number Removed	Annual Allowances	Number	Annual Allowances		
6/30/2020	131	\$ 229,000	23	\$ 40,500	1,537	\$ 2,697,499	7.51%	\$ 1,755
6/30/2019	103	166,999	28	45,300	1,429	2,508,999	5.10%	1,756
6/30/2018	164	290,000	21	33,100	1,354	2,387,300	12.06%	1,763
6/30/2017	123	231,999	25	41,300	1,211	2,130,400	9.83%	1,759
6/30/2016	126	238,500	17	26,300	1,113	1,939,701	12.28%	1,743

Table VI-4: Summary of Actuarial Methods and Assumptions

Valuation Date	June 30, 2020
Actuarial cost method	Entry Age, Level Dollar
Amortization method	Level Dollar, Open
Remaining amortization period	25 years
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
Administrative Expenses	\$60,000 annually
Investment rate of return*	7.25%
* Includes inflation at 2.50%	



Appendix A: Additional Membership Data

Table A-1: Schedule of Active Participant Data as of June 30, 2020

Nearest Age	Completed Years of Service							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
Under 30	2,075	144	10	0	0	0	0	2,229
30 to 34	859	208	42	3	0	0	0	1,112
35 to 39	696	169	66	25	0	0	0	956
40 to 44	427	166	79	33	10	3	0	718
45 to 49	357	109	51	28	20	10	0	575
50 to 54	315	143	85	38	17	19	7	624
55 to 59	258	122	64	37	22	5	3	511
60	48	22	9	5	2	3	1	90
61	47	29	12	6	2	0	0	96
62	60	20	4	0	2	3	0	89
63	58	21	5	5	4	2	0	95
64	52	20	7	2	5	0	0	86
65	56	13	9	2	1	2	0	83
66	38	27	5	1	1	1	0	73
67	51	24	12	4	0	0	0	91
68	35	18	5	1	1	0	0	60
69	41	10	7	2	3	1	0	64
70	38	14	6	1	2	0	0	61
71	43	18	1	2	3	1	0	68
72	31	22	3	2	0	0	0	58
73	25	30	6	1	0	0	0	62
74	20	14	2	1	0	0	0	37
75	15	11	3	1	1	0	0	31
76	17	13	1	0	0	0	0	31
77	13	7	3	0	0	0	1	24
78	10	5	3	3	0	0	0	21
79	5	8	2	1	0	0	0	16
80 & Over	32	17	3	1	0	0	0	53
Total	5,722	1,424	505	205	96	50	12	8,014

Average Age: 41.85

Average Service: 3.70



Appendix A: Additional Membership Data

Table A-2: Number of Annual Retirement Allowances of Benefit Recipients as of June 30, 2020

Type of Pension	Number	Total Annual Benefits	Average Annual Pension
Two Life 66 2/3% Survivor Pension	1,423	2,583,750	1,816
Single Life Pension	114	113,749	998
Total Normal Retirement Pensions	1,537	\$2,697,499	\$ 1,755
Total Pensions Being Paid	1,537	\$2,697,499	\$ 1,755

Table A-3: Distribution of Participants Receiving Benefits as of June 30, 2020

Attained Age	Retired Member*		Survivor		Totals	
	Number	Annual Pensions	Number	Annual Pensions	Number	Annual Pensions
Under 40						
40 to 44						
45 to 49			1	\$ 800	1	\$ 800
50 to 54			1	800	1	800
55 to 59	140	\$ 288,000	3	4,000	143	292,000
60 to 64	296	571,500	10	10,000	306	581,500
65 to 69	317	592,500	15	16,600	332	609,100
70 to 74	310	543,000	24	22,000	334	565,000
75 to 79	203	328,500	28	29,000	231	357,500
80 to 84	104	169,500	19	17,600	123	187,100
85 to 89	47	78,000	8	8,600	55	86,600
90 to 94	5	9,000	2	1,800	7	10,800
95 to 99	2	4,500	2	1,800	4	6,300
100 & Over						
Total	1,424	\$2,584,500	113	\$112,999	1,537	\$2,697,499

* Includes 1 co-payee



Appendix A: Additional Membership Data

**Table A-4: Distribution of Retirees by Years of Service at Retirement
(not including Disabled Members, Beneficiaries, and Co-Payees)**

	Years of Credited Service at Retirement							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
Average Monthly Benefit*	\$125	\$125	\$125	\$125	\$125	\$250	\$250	\$152
Number of Retirees*	10	22	762	244	70	254	47	1,409

* Does not include 14 retirees whose service at retirement was not provided in the census data.

**Table A-5: Distribution of Recent Retiree Ages at Retirement
(not including Disabled Members, Beneficiaries, and Co-Payees)**

	2015-16 Retirees	2016-17 Retirees	2017-18 Retirees	2018-19 Retirees	2019-20 Retirees	All Current Retirees
Number	122	114	148	79	115	1,423
Average Monthly Benefit at Retirement	\$169	\$162	\$160	\$149	\$151	\$142
Average Attained Age at Retirement	62.46	62.33	62.01	62.60	65.13	61.39



Appendix A: Additional Membership Data

Table A-6: Status Reconciliation

	Active Members	Vested Terminated Members	Non-Vested Inactive Members*	Pension Recipients			Total
				Service Retired**	Disability Retired	All Beneficiaries	
June 30, 2019	8,182	309	51	1,331	0	98	9,971
Increase (Decrease) From:							
Service Retirement	(97)	(14)		111			
Disability Retirement							
Deaths	(29)	(4)		(23)			(56)
Survivors						15	15
Co-Payee							
Other Pension Terminations							
Vested Terminations	(15)	15					
Non-Vested Terminations	(674)		16				(658)
New Entrants/Rehires	648	(1)					647
Data Corrections/Changes	(1)	4	(2)	5			6
Released After 5 Years			(7)				(7)
June 30, 2020	8,014	309	58	1,424	0	113	9,918

* Members with at least 5 years of service and a last reported date within the last 5 years are valued similarly to deferred vested members in order to recognize potential liability these members hold.

**Includes 1 co-payee



Appendix B: Summary of Actuarial Assumptions and Methods

Actuarial Cost Methods Used for the Valuation

An actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses to time periods. The method used for this valuation is known as the entry age normal level dollar cost method and has the following characteristics:

- i) The total present value of projected benefits of each individual is allocated on a level basis over service from entry age to retirement age. The portion of this present value allocated to the valuation year is the normal cost.
- ii) The actuarial liability is the accumulation of past normal costs on the valuation date.

Unfunded actuarial accrued liability, which is the difference between the actuarial accrued liability and the actuarial value of assets, is amortized over a 25-year period beginning with the June 30, 2020 valuation (the previous amortization period was 30 year). As of June 30, 2020, actuarial value of assets exceeded accrued liabilities. The excess was amortized over 25 years and applied as a credit to the computed normal cost and expected administrative expenses.

The actuarial value of assets used for funding purposes is derived as follows: prior year actuarial value of assets is increased by contributions and expected investment income and reduced by refunds, benefit payments and expenses. To this amount 25% of the difference between expected and actual investment income for each of the previous four years is added.



Appendix B: Summary of Actuarial Assumptions and Methods

Actuarial Assumptions Used for the Valuation (effective June 30, 2020 except as noted)

The rate of investment return: 7.25% per annum net of investment expenses.

The expected administrative expenses: \$60,000 which is included in the calculation of the actuarial determined contribution amount.

The rates of separation from active membership were as follows:

Sample Ages	Years of Service	Percent of Active Members Separating Within Next Year
ALL	0	12.0%
	1	11.0
	2	10.0
	3	8.0
	4	6.0
25	5 & Over	4.0
30		4.0
35		4.0
40		4.0
45		4.0
50		5.0
55		5.0
60		6.0



Appendix B: Summary of Actuarial Assumptions and Methods

The rates of retirement from active membership were as follows:

Ages	Percent of Active Members Retiring Within Next Year
55	35.0%
56	30.0
57	25.0
58	20.0
59	20.0
60	20.0
61	20.0
62	25.0
63	25.0
64	25.0
65	25.0
66	25.0
67	25.0
68	25.0
69	25.0
70	100.0



Appendix B: Summary of Actuarial Assumptions and Methods

Mortality Assumption: RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally.

Sample Mortality Rates (Base Rates)								
Pre-Commencement			Post-Commencement			Post-Commencement		
Age	Male	Female	Age	Male	Female	Age	Male	Female
25	0.000733	0.000244	35	0.001793	0.001169	80	0.053460	0.042932
30	0.000717	0.000317	40	0.002156	0.001611	85	0.088524	0.072752
35	0.000797	0.000417	45	0.003275	0.002671	90	0.146859	0.125111
40	0.000958	0.000598	50	0.005604	0.004235	95	0.223428	0.197901
45	0.001455	0.001013	55	0.007342	0.005165	100	0.313988	0.291040
50	0.002490	0.001685	60	0.009893	0.006890	105	Disabled retirees use the same assumption as healthy lives.	
55	0.004071	0.002510	65	0.014089	0.010092	110		
60	0.006743	0.003606	70	0.021101	0.016038	115		
65	0.011612	0.005456	75	0.032952	0.026199	120		



Appendix B: Summary of Actuarial Assumptions and Methods

Miscellaneous and Technical Assumptions

Marriage Assumption:	All members are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses. At retirement, 90% of members are assumed to be married for purposes of valuing death after retirement benefits.
Pay Increase Timing:	N/A.
Decrement Timing:	Decrements of all types are assumed to occur at the beginning of the year.
Eligibility Testing:	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
Decrement Relativity:	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
Decrement Operation:	Neither disability nor withdrawal decrements operate during retirement eligibility.
Incidence of Contributions:	Contributions are assumed to be received in the middle of the year.
Normal Form of Benefit:	A 66-2/3% automatic joint and survivor payment is the assumed normal form of benefit for married members. Straight life is the assumed normal form of benefit for single members.
Benefit Service:	Service nearest the whole year is used to determine the amount of benefit payable.
Average Entry Age:	Age 38.12 was assumed in cases where insufficient data was provided. Active members were assumed to accrue 0.65 years of service credit in each future year.
Non-Vested Inactive Members:	Members with at least 5 years of service and a last reported date within the last 5 years are valued similarly to deferred vested members in order to recognize potential liability these members hold.



Appendix B: Summary of Actuarial Assumptions and Methods

Definitions of Technical Terms

Actuarial Accrued Liability. The difference between the actuarial present value of future benefit payments and the actuarial present value of future normal costs.

Actuarial Cost Method. A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future benefit payments” between future normal cost and actuarial accrued liability.

Actuarial Present Value. The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.

Amortization. Paying off an interest-discounted amount with periodic payments of interest and principal – as opposed to paying off with a lump sum payment.

Experience Gain (Loss). The difference between actual actuarial costs and anticipated actuarial costs – during the period between two valuation dates.

Normal Cost. The actuarial cost allocated to the current year by the actuarial cost method.

Unfunded Actuarial Accrued Liability. The difference between the actuarial accrued liability and the actuarial value of assets. Sometimes referred to as “unfunded accrued liability.”



Appendix C: Summary of Fund Provisions

Membership

Includes any active volunteer non-salaried firefighter whose first year of service credit was earned on or after age 16.

Service Credit

A year of service credit may be granted upon required certification for each year the member

- (1) attended 50% of all scheduled fire drills,
- (2) attended 50% of all scheduled business meetings, and
- (3) participated in at least 50% of all emergency response calls which the fire department held him responsible to attend.

Retirement Eligibility

A member may retire (1) with a full retirement annuity at age 55 with 25 or more years of service credit or (2) with a reduced retirement annuity at age 55 with 10 or more years of service credit.

Retirement Annuity

The full retirement annuity is \$250 per month. The reduced retirement annuity is \$125 per month.

Surviving Spouse Annuity

The surviving spouse of a deceased annuitant receives an annuity equal to 2/3 of the retirement annuity being paid at the time of the member's death. The annuity ceases upon the surviving spouse's marriage or death.

Surviving Dependent Child

If there is no surviving spouse, then a surviving dependent child will receive an annuity equal to 2/3 of the retirement annuity being paid at the time of the member's death. The annuity will cease upon the earlier of the dependent child's 18th birthday or death.

Vested Retirement Annuity

Any member with at least 10 years of service credit who ceases to be a volunteer non-salaried firefighter is eligible for a deferred retirement annuity commencing at age 55. The monthly amount is \$250 if the member has at least 25 years of service credit and \$125 if the member has between 10 and 25 years of service credit.

Public Payments

\$750,000 annually from the State's fire protection fund.