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PERA

Public Employees
Retirement Association
of New Mexico

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**Volunteer Firefighters Retirement Fund of New Mexico
Annual Actuarial Valuation
as of June 30, 2017**





Cavanaugh Macdonald

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The experience and dedication you deserve

October 26, 2017

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, 2017; 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 30-year period. The results of this valuation apply to the fiscal year beginning July 1, 2017 and ending June 30, 2018 (FY 2018). 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.

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.

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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, appearing to read 'John J. Garrett', with a stylized, flowing script.

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

A handwritten signature in blue ink, appearing to read 'Jonathan T. Craven', with a stylized, flowing script.

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, 2017 actuarial valuation as compared with the prior year.

Table I-1: Comparative Summary of Principal Results

Valuation Date	June 30, 2017	June 30, 2016
Actuarial Accrued Liability (AAL)		
Active Members	\$ 18,327,515	\$ 17,996,285
Deferred Vested Members	5,848,281	6,981,487
Non-Vested Inactive Members*	532,928	382,664
Retired Members and Survivors	<u>21,679,729</u>	<u>19,895,842</u>
Total	\$ 46,388,453	\$ 45,256,278
Actuarial Value of Assets	\$ 67,985,320	\$ 64,899,802
Funded Ratio	146.6 %	143.4 %
Unfunded Actuarial Accrued Liability (UAAL)	\$ (21,596,867)	\$ (19,643,524)
(AAL - Actuarial Value of Assets)		
Calculation of Required Contribution		
(Fiscal Year Ending)	June 30, 2018	June 30, 2017
Normal Cost		
Retirement	\$ 1,587,745	\$ 1,661,996
Termination	411,526	425,443
Pre-Retirement Survivors	23,006	23,883
Disability	-	-
Total Normal Cost	<u>\$ 2,022,277</u>	<u>\$ 2,111,322</u>
Expected Administrative Expenses	45,000	45,000
UAAL Amortization Amount (30 Years)	<u>(1,778,253)</u>	<u>(1,590,343)</u>
Actuarially Determined Contribution	\$ 289,024	\$ 565,979

* 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 30 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 \$2,111,322 to \$2,022,277. 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 increased from \$(19,643,524) to \$(21,596,867). The funded ratio of the Fund increased from 143.4% to 146.6%. We note the following key findings:

- The Fund experienced an actuarial loss on Fund assets of \$240,312 as a result of investment return on the actuarial value of assets being less than the assumed rate. This represents a 0.5% 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 \$2,232,362 on Fund liabilities due to non-investment related experience. This represents a 6.8% increase to the funded ratio.
- The Fund received \$190,692 more in contributions than the actuarially determined amount which results in a 0.4% increase 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 the accounting 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, 2017 and is compared with that reported for the prior year.

Table II-1: Summary of Membership Data as of June 30, 2017

Group	June 30, 2017	June 30, 2016
Total Active Members	7,491	7,823
Deferred Vested Members	382	451
Non-Vested Inactive Members	48	31
Retirees		
Service*	1,140	1,054
Disabled	0	0
Beneficiaries	<u>71</u>	<u>59</u>
Total Retirees	1,211	1,113
Total	9,132	9,418

Table II-2: Deferred Members, Retired Members and Beneficiaries as of June 30, 2017

Group	Number	Total Annual Benefits	Average Annual Benefits	Average Age
Deferred Vested	382	\$ 583,500	\$ 1,527	58.66
Retirees				
Service*	1,140	2,064,000	1,811	68.27
Disability	0	0	N/A	N/A
Survivors	<u>71</u>	<u>66,400</u>	935	73.45
Retiree Totals	1,211	\$2,130,400	\$ 1,759	68.58
Total	1,593	\$2,713,900	\$ 1,704	66.20

*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, 2017	June 30, 2016
Beginning of Year Market Value	\$ 61,049,688	\$ 62,103,236
Audit Adjustment	-	(178,739)
Revised Beginning of Year Market Value	\$ 61,049,688	\$ 61,924,497
Revenues:		
Member Contributions	-	-
Employer Contributions/Appropriations	750,000	750,000
Purchases of Service	-	-
Investment Income		
Interest, dividends, etc.	1,397,506	1,391,057
Realized/Unrealized gains (losses)	5,527,997	(1,099,392)
Security lending	17,691	10,672
Other Income	1,425	502
Settlement Award	-	50,885
Total Revenues	\$ 7,694,619	\$ 1,103,724
Expenditures:		
Benefit Payments	2,030,784	1,835,318
Refunds of Member Contributions	-	-
Investment Expenses	260,963	96,313
Administrative Expenses	51,792	46,902
Total Expenditures	\$ 2,343,539	\$ 1,978,533
End of Year Market Value	\$ 66,400,768	\$ 61,049,688

The market value rate of return for the plan year was 11.07%. The Fund's cash flow is (2.09)% 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, 2017

1. Actuarial Value Beginning of Year	\$	64,899,802
2. Market Value End of Year		66,400,768
3. Market Value Beginning of Year (with audit adjustment)		61,049,688
4. Cash Flow		
a. Contributions	\$	750,000
b. Service Purchases		-
c. Benefit Payments and Refunds		(2,030,784)
d. Administrative Expenses		(51,792)
e. Other		1,425
f. Net	\$	(1,331,151)
5. Investment Income		
a. Market Total (2 - 3 - 4f)	\$	6,682,231
b. Assumed Rate		7.25 %
c. Amount for Immediate Recognition		4,656,981
d. Amount for Phased-In Recognition		2,025,250
6. Phased-In Recognition of Investment Income		
a. Current Year: $0.25 \times 5d$	\$	506,313
b. First Prior Year (2016)	\$ (4,524,180) x 25%	(1,131,045)
c. Second Prior Year (2015)	\$ (3,365,626) x 25%	(841,407)
d. Third Prior Year (2014)	\$ 4,903,308 x 25%	1,225,827
e. Total Recognized Investment Gain	\$	(240,312)
7. Audit Adjustment	\$	-
8. Actuarial Value End of Year (1 + 4f + 5c + 6e + 7)	\$	67,985,320
9. Difference Between Market & Actuarial Values (2 - 8)	\$	(1,584,552)
10. Rate of Return on Actuarial Value		6.88 %
11. Actuarial Value of Assets as a % of Market Value of Assets		102.4 %



Section III: Fund Assets

The actuarial valuation assumes the rate of investment return on the assets of the Fund is 7.25% annually for the first 9 years and 7.75% thereafter. 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, 2017.

Table III-3: Actuarial Investment Gain (Loss) for the Year Ended June 30, 2017

1. Beginning of Year Actuarial Value of Assets (AVA)	\$ 64,899,802
2. Employee and Employer Contributions	750,000
3. Benefit Payments	(2,030,784)
4. Administrative Expenses	(51,792)
5. Other	1,425
6. Interest $[1 \times 7.25\% + (2 + 3 + 4 + 5) \times 7.25\% \times 0.5]$	4,656,981
7. Expected End of Year AVA	68,225,632
8. Actual End of Year AVA	67,985,320
9. Actuarial Investment Gain (Loss) (8 - 7)	\$ (240,312)



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, 2017

	Actuarial Accrued Liability	Present Value of Future Normal Cost	Total Actuarial Present Value
Active Members			
Service Retirement	\$15,641,877	\$ 8,709,847	\$24,351,724
Termination Benefits	2,498,469	2,722,201	5,220,670
Disability Retirement	-	-	-
Survivor Benefits	187,169	143,203	330,372
Total for Active Members	\$18,327,515	\$11,575,251	\$29,902,766
Inactive Vested Members and Inactive Holding Liability	\$ 6,381,209		\$ 6,381,209
Retirees and Beneficiaries			
Service Retirements	\$21,140,477		\$21,140,477
Disability Retirements	-		-
Beneficiaries	539,252		539,252
Total for Retirees and Beneficiaries	\$21,679,729		\$21,679,729
Total	\$46,388,453	\$11,575,251	\$57,963,704



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, 2017	June 30, 2016
1. Actuarial Accrued Liability	46,388,453	45,256,278
2. Actuarial Value of Assets	67,985,320	64,899,802
3. Unfunded Actuarial Accrued Liability (1 - 2)	(21,596,867)	(19,643,524)
Funded Ratio (2 / 1)	146.6%	143.4%

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, 2017, the funded ratio of the Fund is 146.6% as compared to a ratio of 143.4% as of June 30, 2016. 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 require 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	\$ (19,643,524)	143.4 %
2. Normal Cost	2,111,322	
3. Expected Contributions	(565,979)	
4. Other Income/Expense	50,367	
5. Interest [$1 \times 7.25\% + (2 + 3 + 4) \times 7.25\% \times 0.5$]	(1,366,311)	
6. Expected End of Year	\$ (19,414,125)	139.9 %
7. Actuarial Experience (Gain) / Loss		
Additional Contributions (with interest)	\$ (190,692)	0.4 %
Investment Experience	240,312	(0.5)%
Liability Experience	(2,232,362)	6.8 %
Total Actuarial Experience (Gain) / Loss	\$ (2,182,742)	
8. End of Year Prior to Assumption/Method/Plan Changes (6 + 7)	\$ (21,596,867)	146.6 %
9. Assumption/Method Changes	-	
10. Plan Changes	-	
11. Actual End of Year (8 + 9 + 10)	\$ (21,596,867)	146.6 %



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 30 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, 2017**

1. Present Value of Future Benefits	\$ 57,963,704
2. Present Value of Future Normal Costs	11,575,251
3. Actuarial Accrued Liability (1 - 2)	\$ 46,388,453
4. Actuarial Value of Assets	67,985,320
5. Unfunded Actuarial Accrued Liability (UAAL) (3 - 4)	\$ (21,596,867)
6. UAAL Amortization Payment (30 years)	(1,778,253)
7. Total Normal Cost	2,022,277
8. Expected Administrative Expenses	45,000
9. Total Normal Cost and Administrative Expenses	2,067,277
Actuarially Determined Contribution (6 + 9)	\$ 289,024



Section VI: Accounting 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. GASB Statement No. 25 information is provided below.

Table VI-1: GASB Statement No. 25 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)
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 %
6/30/2010	47,346,417	20,465,920	-	231.3 %
6/30/2009	48,192,255	19,869,273	-	242.5 %
6/30/2008	48,437,876	16,945,857	-	285.8 %

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

Table VI-2: Solvency Test

Aggregate Accrued Liabilities For					Portion of Accrued Liabilities Covered by Actuarial Value of Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirees, Survivors and Inactive Members	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	(1)	(2)	(3)
6/30/2017	\$ -	\$ 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
6/30/2015	-	26,280,594	17,635,798	61,575,304	N/A	100.00	100.00
6/30/2014	-	25,218,190	16,297,916	57,997,323	N/A	100.00	100.00
6/30/2013	-	23,246,567	14,519,733	52,179,180	N/A	100.00	100.00

Section VI: Accounting 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		
6/30/2017	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
6/30/2015	127	226,500	16	28,300	1,004	1,727,501	12.96%	1,721
6/30/2014	139	262,048	8	11,300	893	1,529,301	19.61%	1,713
6/30/2013	109	399,400	14	17,600	762	1,278,553	42.58%	1,678

Table VI-4: Summary of Actuarial Methods and Assumptions

Valuation Date	June 30, 2017
Actuarial cost method	Entry Age, Level Dollar
Amortization method	Level Dollar, Open
Remaining amortization period	30 years
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
Administrative Expenses	\$45,000 annually
Investment rate of return*	7.25% for 1st 9 years, 7.75% thereafter
* Includes inflation at 2.25% for 1st 9 years, 2.75% thereafter	

Appendix A: Additional Membership Data



Table A-1: Schedule of Active Participant Data as of June 30, 2017

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	1,740	163	12	0	0	0	0	1,915
30 to 34	584	153	39	4	0	0	0	780
35 to 39	465	158	61	14	4	0	0	702
40 to 44	904	180	51	30	15	1	0	1,181
45 to 49	334	109	52	32	15	8	0	550
50 to 54	308	152	78	36	25	23	10	632
55 to 59	250	145	61	25	36	10	4	531
60	53	21	8	5	7	2	0	96
61	53	23	7	6	7	1	0	97
62	55	17	8	3	2	2	0	87
63	45	29	8	1	1	1	0	85
64	57	28	10	5	0	2	0	102
65	34	21	5	2	1	0	0	63
66	41	14	4	5	3	0	1	68
67	43	23	4	5	3	1	0	79
68	46	13	6	2	4	0	0	71
69	32	25	5	3	0	1	0	66
70	36	32	4	2	0	0	0	74
71	23	21	2	0	0	0	0	46
72	23	19	2	0	0	0	0	44
73	24	14	1	0	1	0	0	40
74	21	14	3	0	1	0	1	40
75	13	9	7	1	0	1	0	31
76	9	13	2	0	0	0	0	24
77	11	8	1	0	0	1	0	21
78	7	3	0	0	0	0	0	10
79	10	6	0	0	1	0	0	17
80 & Over	22	14	2	1	0	0	0	39
Total	5,243	1,427	443	182	126	54	16	7,491

Average Age: 42.57

Average Service: 3.96



Appendix A: Additional Membership Data

**Table A-2: Number of Annual Retirement Allowances of Benefit Recipients
as of June 30, 2017**

Type of Pension	Number	Total Annual Benefits	Average Annual Pension
Two Life 66 2/3% Survivor Pension	1,139	2,063,250	1,811
Single Life Pension	72	67,150	933
Total Normal Retirement Pensions	1,211	\$2,130,400	\$ 1,759
Total Pensions Being Paid	1,211	\$2,130,400	\$ 1,759

Table A-3: Distribution of Participants Receiving Benefits as of June 30, 2017

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	158	\$ 319,500	2	2,000	160	321,500
60 to 64	243	466,500	6	6,800	249	473,300
65 to 69	261	484,500	9	7,800	270	492,300
70 to 74	245	415,500	17	14,800	262	430,300
75 to 79	133	213,000	19	18,800	152	231,800
80 to 84	74	120,000	12	11,000	86	131,000
85 to 89	23	39,000	2	1,800	25	40,800
90 to 94	3	6,000	2	1,800	5	7,800
95 to 99						
100 & Over						
Total	1,140	\$2,064,000	71	\$ 66,400	1,211	\$2,130,400

* Includes 1 co-payee



**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							
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	Total
Average Monthly Benefit*	\$125	\$125	\$125	\$125	\$125	\$250	\$250	\$151
Number of Retirees*	2	6	605	217	64	194	43	1,131

* Does not include 9 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)**

	2012-13 Retirees	2013-14 Retirees	2014-15 Retirees	2015-16 Retirees	2016-17 Retirees	All Current Retirees
Number	101	114	118	129	107	1,139
Average Monthly Benefit at Retirement	\$127	\$156	\$156	\$158	\$164	\$134
Average Attained Age at Retirement	62.41	63.19	62.99	62.44	62.81	61.05



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, 2016	7,823	451	31	1,054	0	59	9,418
Increase (Decrease) From:							
Service Retirement	(79)	(28)	0	107			0
Disability Retirement							
Deaths	(46)	(60)		(24)		(1)	(131)
Survivors						13	13
Co-Payee							
Other Pension Terminations							
Vested Terminations	(20)	20	0				
Non-Vested Terminations	(854)		17				(837)
New Entrants/Rehires	667	(3)	(1)				663
Data Corrections/Changes		2	3	3		0	8
Released After 5 Years			(2)				(2)
June 30, 2017	7,491	382	48	1,140	0	71	9,132

* 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 30-year period. As of June 30, 2017, actuarial value of assets exceeded accrued liabilities. The excess was amortized over 30 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, 2017 except as noted)

The rate of investment return: 7.25% per annum net of investment expenses for the first 9 years, 7.75% thereafter.

The expected administrative expenses (effective June 30, 2014): \$45,000 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	18.0%
	1	10.0
	2	8.5
	3	8.0
	4	7.5
25	5 & Over	6.9
30		5.9
35		5.2
40		5.0
45		5.0
50		5.0
55		5.0
60		5.0



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	25.0
57	20.0
58	23.0
59	23.0
60	25.0
61	30.0
62	30.0
63	30.0
64	30.0
65	30.0
66	30.0
67	45.0
68	45.0
69	45.0
70	100.0



Appendix B: Summary of Actuarial Assumptions and Methods

Mortality Assumption (effective June 30, 2014): RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. This assumption includes between 5% and 8% margin sufficient to allow for modest future improvement in the rates of mortality.

Sample Mortality Rates								
Pre-Retirement			Post-Retirement			Disabled		
Age	Male	Female	Age	Male	Female	Age	Male	Female
25	0.0003	0.0002	45	0.0012	0.0008	45	0.0178	0.0056
30	0.0004	0.0002	50	0.0015	0.0012	50	0.0209	0.0085
35	0.0007	0.0004	55	0.0026	0.0024	55	0.0251	0.0143
40	0.0009	0.0005	60	0.0050	0.0046	60	0.0314	0.0200
45	0.0012	0.0008	65	0.0099	0.0089	65	Uses healthy post-retirement rates upon surviving to normal retirement age.	
50	0.0015	0.0012	70	0.0169	0.0153	70		
55	0.0021	0.0022	75	0.0294	0.0243	75		
60	0.0036	0.0036	80	0.0537	0.0404	80		
65	0.0059	0.0053	85	0.0976	0.0695	85		



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 38.60 was assumed in cases where insufficient data was provided. Active members were assumed to accrue 0.75 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.