



---

# Bloomington Fire Department Relief Association

## January 1, 2016 Actuarial Valuation

**Prepared by:**

Milliman, Inc.

**Robert A. Behar**

FSA, EA, MAAA

**Timothy J. Herman**

FSA, EA, MAAA

71 S. Wacker Drive, Suite 3100

Chicago, IL 60606

Tel +1 312 726 0677

Fax +1 312 499 5695

milliman.com



71 South Wacker Drive  
31<sup>st</sup> Floor  
Chicago, IL 60606  
USA

Tel +1 312 726 0677  
Fax +1 312 499 5695

milliman.com

February 26, 2016

Bloomington Fire Department Relief Association  
10 West 95th Street  
Bloomington, MN 55420

**Re: Actuarial Valuation Report as of January 1, 2016  
Bloomington Fire Department Relief Association Pension Fund**

Dear Board Members:

As requested, we have performed an actuarial valuation of the Bloomington Fire Department Relief Association Pension Fund ("the Fund") as of January 1, 2016, for the Plan Year ending December 31, 2016. Our findings are set forth in this actuarial valuation report.

The actuarial valuation was performed using information (verbal and written) as of the valuation date, furnished by the Bloomington Fire Department Relief Association and the Fund's accountant. This information includes, but is not limited to, plan documents and statutory provisions, employee data, and financial information. This data was relied upon as submitted. Although we have not performed a detailed audit of the data provided, we have reviewed the data for reasonableness and consistency. Since the results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with our understanding of the requirements of Sections 356.20 through 356.23 and Section 69.77, Minnesota Statutes ("the Statutes"), the Standards for Actuarial Work established by the State of Minnesota Legislative Commission on Pensions and Retirement ("LCPR"), and the generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the Code of Professional Conduct and Qualification Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. In addition, Mr. Behar and Mr. Herman meet the requirements of "approved actuary" under Section 356.215, Subdivision 1, Paragraph (c) of Minnesota Statutes.

All costs, liabilities, rates of interest, and other factors for the Fund have been determined on the basis of actuarial assumptions and methods as described in the Summary of Actuarial Assumptions and Methods in Table 12. Certain actuarial assumptions and methods used in



The work product was prepared solely for the Board of Trustees for the Bloomington Fire Department Relief Association. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any distribution of this work should be in its entirety.

this valuation are prescribed by the Statutes and are noted therein. The remaining actuarial assumptions are individually reasonable (taking into account the experience of the Fund and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the Fund.

Actuarial computations under the Statutes are for purposes of determining the funded status and the contribution sufficiency for the Fund.

The calculations in the enclosed report have been made on a basis consistent with our understanding of the Statutes and the Standards for Actuarial Work established by the LCPR. Determinations for purposes other than meeting the requirements of the Statutes may be significantly different from the results contained in this report. Accordingly, additional determinations are needed for other purposes, such as judging benefit security at plan termination.

This valuation report is only an estimate of the Fund's financial condition as of a single date. It can neither predict the Fund's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of benefits, only the timing of contributions. This valuation is based assumptions as described in the Summary of Actuarial Assumptions and Methods. Other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the Fund. The calculations in the enclosed report have been made on a basis consistent with our understanding of the Fund's funding requirements and goals. Note that analysis of the impact of GASB Statements No. 67 and No. 68 are outside the scope of this report and provided in a separate report.

Milliman's work is prepared solely for the use and benefit of the Fund. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s):

(a) The Fund may provide a copy of Milliman's work, in its entirety, to the Fund's professional service advisors who are subject to a duty of confidentiality and who agree to not use



The work product was prepared solely for the Board of Trustees for the Bloomington Fire Department Relief Association. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any distribution of this work should be in its entirety.

(a) The Fund may provide a copy of Milliman's work, in its entirety, to the Fund's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Fund. (b) The Fund may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

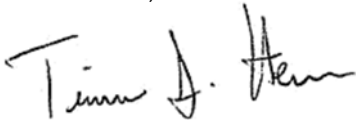
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

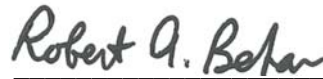
We respectfully submit this report, and we look forward to discussing it with you.

Respectfully submitted,

MILLIMAN, INC.



Timothy J. Herman, FSA, MAAA, EA  
Principal & Consulting Actuary



Robert A. Behar, FSA, MAAA, EA  
Principal & Consulting Actuary



**Bloomington Fire Department Relief Association**  
**Table of Contents**

**TRANSMITTAL LETTER**

**TABLE OF CONTENTS**

**REPORT HIGHLIGHTS**

**COMMENTARY**

Purpose .....	2
Report Highlights.....	2
Asset Information .....	2
Actuarial Balance Sheet .....	2
Actuarial Cost Method.....	3
Sources of Actuarial Gains and Losses .....	3
Determination of Minimum Bloomington Obligation .....	4
Changes in Actuarial Assumptions .....	4
Changes in Plan Provisions.....	4

**ASSET INFORMATION**

Table 1 - Accounting Balance Sheet .....	5
Table 2 - Changes in Assets Available for Benefits .....	6

**MEMBERSHIP DATA**

Table 3A - Active Members .....	7
Table 3B - Deferred Vested Members .....	7
Table 4 - Service Retirements .....	8
Table 5 - Disability Retirements.....	8
Table 6 - Survivors.....	8
Table 7 - Reconciliation of Members .....	9

**FUNDING STATUS**

Table 8 - Actuarial Balance Sheet .....	10
Table 9 - Determination of Unfunded Actuarial Accrued Liability (UAAL) and Supplemental Contribution Rate .....	11
Table 10 - Changes in Unfunded Actuarial Accrued Liability (UAAL) .....	12
Table 11 - Determination of Minimum Bloomington Obligation .....	13

**ACTUARIAL ASSUMPTIONS**

Table 12 - Summary of Actuarial Assumptions and Methods .....	14
---	----



The work product was prepared solely for the Board of Trustees for the Bloomington Fire Department Relief Association. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any distribution of this work should be in its entirety.

**Bloomington Fire Department Relief Association**  
***Table of Contents (continued)***

**PLAN PROVISIONS**

Table 13 - Summary of Plan Provisions..... 18

**HISTORICAL RESULTS**

Table 14 - Schedule of Funding Progress .....20



The work product was prepared solely for the Board of Trustees for the Bloomington Fire Department Relief Association. It may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Any distribution of this work should be in its entirety.

**Bloomington Fire Department Relief Association**  
**Report Highlights**

	January 1, 2015 <u>Valuation</u>	January 1, 2016 <u>Valuation</u>
<b>A. CONTRIBUTIONS % OF PAYROLL (Table 11)</b>		
1. Relief Association financial requirements - Section 69.77	12.97%	15.10%
2. Minimum City of Bloomington obligation - Section 69.77	9.14%	9.84%
<b>B. FUNDING RATIOS</b>		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 152,114,148	\$ 147,828,626
b. Current Benefit Obligations (Table 8)	<u>133,092,570</u>	<u>133,948,916</u>
c. Funding Ratio	114.29%	110.36%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 152,114,148	\$ 147,828,626
b. Actuarial Accrued Liability (Table 9)	<u>133,798,748</u>	<u>132,836,377</u>
c. Funding Ratio	113.69%	111.29%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 182,553,867	\$ 174,579,862
b. Current and Expected Future Benefit Obligations	<u>164,238,467</u>	<u>159,587,613</u>
c. Funding Ratio	111.15%	109.39%
<b>C. PLAN PARTICIPANTS</b>		
1. Active Members		
a. Number (Table 3A)	125	118
b. Projected Annual Benchmark Earnings	\$ 10,773,375	\$ 10,274,496
c. Average Annual Benchmark Earnings (Actual dollars)	\$ 86,187	\$ 87,072
d. Average Age	39.0	40.1
e. Average Service	10.2	11.3
f. Additional Members on Leave of Absence	-	-
2. Others		
a. Service Retirements (Table 4)	146	144
b. Disability Retirements (Table 5)	14	16
c. Survivors (Table 6)	27	28
d. Deferred Retirements (Table 3B)	17	16
e. Terminated Other Non-Vested (Table 7)	-	-
f. Total	<u>204</u>	<u>204</u>

## **Bloomington Fire Department Relief Association Commentary**

### ***Purpose***

The purpose of this valuation is to determine the financial status of the Plan. To achieve this purpose, an actuarial valuation is made at the beginning of each fiscal year as required by Section 69.77 of Minnesota Statutes.

### ***Report highlights***

The financial status of the Plan can be measured by three different funding ratios:

The *Accrued Benefit Funding Ratio* is a measure of current funding status and, when viewed over a period of years, presents a view of the funding progress. It is based upon benefits that have been earned by service to the valuation date. This year's ratio is 110.36%. The corresponding ratio for the prior year was 114.29%.

The *Accrued Liability Funding Ratio* is also a measure of funding status and funding progress. It is based on the actuarial cost method that has historically been used by the State. For 2016 the ratio is 111.29%, which is a decrease from the 2015 value of 113.69%.

The *Projected Benefit Funding Ratio* is a measure of the adequacy or deficiency in the contribution level. This year's ratio of 109.39% shows that the current statutory contributions have a small surplus over full funding.

### ***Asset information (Tables 1 and 2)***

The actuarial value of assets is determined as the market value of the Special Fund as of December 31, 2015, less liabilities payable as of December 31, 2015. The calculation of the actuarial value of assets is shown in Table 1.

The term "Actuarial Value of Assets" is used to indicate that the value was determined for use in this actuarial valuation. Since Minnesota Statutes refer to this value as "Current Assets", the latter phrase will be used in some sections of this report.

### ***Actuarial balance sheet (Table 8)***

An actuarial balance sheet provides a method for evaluating current and future levels of funding. The current benefit obligation used to measure current funding level is calculated as follows:

For active members – a benchmark salary and service are projected to retirement to determine benefits for each member and the ratio of credited service to total service establishes the portion of the projected benefit to be used in calculating the current funding level.

For non-active members - the discounted value of benefits.



## **Commentary (continued)**

### **Actuarial cost method (Table 9)**

The approach used by the Bloomington Fire Department Relief Association to determine funding requirements is the "Entry Age Normal" actuarial cost method. The primary characteristic of this method is that it allocates costs as a level of percentage of benchmark payroll.

A comparison of this actuarial method (Table 9) to the actuarial balance sheet (Table 8) illustrates the two techniques for allocating liabilities of active members to past and future. As noted in the prior section, the balance sheet allocates benefits and the corresponding liabilities, on the basis of service. The method used in Table 9 allocates liabilities so that the cost each year will be a constant percentage of payroll. Both approaches, however, calculate the value of all future benefits the same way (see line F of Table 8 and line A5, column 1, of Table 9).

An unfunded actuarial accrued liability, Table 9, line B3, is computed under the entry age normal actuarial cost method by comparing the liabilities allocated to past service (actuarial accrued liability) to the current assets.

For the first plan year in which current assets are less than the actuarial accrued liability, an initial base is established equal to the initial unfunded actuarial accrued liability (UAAL) and is amortized as a level dollar amount over 20 years. For subsequent years in which the UAAL exceeds \$0, bases will be established for actuarial losses, assumption changes, and plan amendments to be amortized over 20 years as a level dollar amount from the date of the establishment of the base and will be incorporated into the required contribution development.

If however, current assets exceed the actuarial accrued liability, a supplemental credit equal to 10% of the excess is used to offset the normal cost and expense determination of the required contribution. In addition, all previously unamortized bases that existed at the beginning of the plan year prior to the attainment of current assets exceeding actuarial accrued liabilities shall be considered fully amortized at the end of that prior plan year.

### **Sources of actuarial gains and losses (Table 10)**

The assumptions used in making the calculations using the entry age normal actuarial cost method are based on long-term expectations. Each year, the actual experience will deviate from the long-term expectation. For an analysis of the major components of the actuarial gain or loss refer to Table 10.

## ***Commentary (continued)***

### ***Determination of Minimum Bloomington Obligation (Table 11)***

This report determines the Minimum Bloomington Obligation. This amount is the Relief Association's Financial Requirement, less the amounts paid by Member and State of Minnesota contributions.

The required contributions, set forth in Chapter 69, consist of:

A normal cost based on the entry age normal actuarial cost method.

A supplemental contribution for amortizing any unfunded actuarial accrued liability (the Fund is allowed a credit toward required contributions equal to 10% of the unfunded actuarial accrued liability, if it is negative) as of the valuation date.

An allowance for expenses.

Table 11 shows the estimate of the current year minimum obligation of \$1,552,692 for the City of Bloomington.

### ***Changes in actuarial assumptions***

All actuarial assumptions are the same as those used in the prior valuation. Table 12 contains a summary of all actuarial assumptions and methods.

### ***Changes in plan provisions***

All plan provisions are the same as those used in the prior valuation. Table 13 contains a summary of current plan benefits.

**Bloomington Fire Department Relief Association**  
**Accounting Balance Sheet**

January 1, 2016

		Market Value
A. ASSETS		
1. Cash, Equivalents, Short-Term Securities	\$	22,320
2. Investments		
a. Fixed Income		-
b. Equity		-
c. Real Estate		-
3. Other Assets		148,212,889
B. TOTAL ASSETS	\$	148,235,209
C. AMOUNTS CURRENTLY PAYABLE	\$	(406,583)
D. ASSETS AVAILABLE FOR BENEFITS		
1. Total Assets	\$	147,828,626
2. Unrestricted Fund Balance		-
3. Total Assets Available for Benefits	\$	147,828,626
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	\$	148,235,209
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS		
1. Market Value of Assets Available for Benefits (D.3)	\$	147,828,626
2. Actuarial Value of Assets (F.1)	\$	147,828,626

**Bloomington Fire Department Relief Association**  
**Change in Assets Available for Benefits**

December 31, 2015

		Market Value
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$	152,114,148
B. OPERATING REVENUES		
1. Member Contributions	\$	-
2. State of Minnesota Contributions		540,186
3. City of Bloomington Contributions		1,175,095
4. Investment Income		455,480
5. Investment Expenses		(136,992)
6. Net Gain / (Loss)		(1,749,065)
7. Other		-
8. Net Change in Unrealized Gain / (Loss)		-
8. Total Operating Revenue	\$	284,704
C. OPERATING EXPENSES		
1. Service Retirements	\$	(4,883,583)
2. Disability Benefits <sup>1</sup>		-
3. Survivor Benefits <sup>1</sup>		-
4. Refunds		-
5. Administrative Expenses		(93,226)
6. Total Operating Expenses	\$	(4,976,809)
D. OTHER CHANGES IN RESERVES	\$	406,583
E. ASSETS AND PAYABLES AT END OF PERIOD	\$	147,828,626

<sup>1</sup> Actual breakdown between unrealized and realized gain was provided to Milliman, Inc. as of the year end. The cost value as of the beginning of the year was estimated based on information provided by Union Bank and Trust, Wells Fargo Advisors, LLC and the auditor.

<sup>1</sup> Included in Item C.1

**Bloomington Fire Department Relief Association**

**TABLE 3A**

**Active Members as of December 31, 2015**

Age	Participant Count								TOTAL
	YEARS OF SERVICE								
	<u>&lt;1</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
<25	-	1	-	-	-	-	-	-	1
25-29	-	7	3	-	-	-	-	-	10
30-34	-	7	11	4	-	-	-	-	22
35-39	-	8	6	5	3	-	-	-	22
40-44	-	1	6	8	14	3	-	-	32
45-49	-	-	3	2	15	-	3	-	23
50-54	-	-	-	2	5	-	-	-	7
55-59	-	-	-	-	1	-	-	-	1
60-64	-	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-	-
All	-	24	29	21	38	3	3	-	118

**TABLE 3B**

**Deferred Vested Members as of December 31, 2015**

Age	Participant Count								TOTAL
	YEARS OF RETIREMENT								
	<u>&lt;1</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
<50	13	-	-	-	-	-	-	-	13
50-54	3	-	-	-	-	-	-	-	3
55-59	-	-	-	-	-	-	-	-	-
60-64	-	-	-	-	-	-	-	-	-
65-69	-	-	-	-	-	-	-	-	-
70-74	-	-	-	-	-	-	-	-	-
75-79	-	-	-	-	-	-	-	-	-
80-84	-	-	-	-	-	-	-	-	-
85+	-	-	-	-	-	-	-	-	-
All	16	-	-	-	-	-	-	-	16

**Bloomington Fire Department Relief Association**

**TABLE 4**

**Service Retired Members as of December 31, 2015**

Age	Participant Count								TOTAL
	YEARS OF RETIREMENT								
	<u>&lt;1</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
<50	-	-	-	-	-	-	-	-	-
50-54	1	11	1	-	-	-	-	-	13
55-59	-	3	14	2	1	1	-	-	21
60-64	-	-	6	22	4	1	-	1	34
65-69	-	-	-	6	12	1	-	-	19
70-74	-	-	-	-	4	25	-	-	29
75-79	-	-	-	-	1	-	15	3	19
80-84	-	-	-	-	-	-	1	4	5
85+	-	-	-	-	-	-	-	4	4
All	1	14	21	30	22	28	16	12	144

**TABLE 5**

**Disabled Members as of December 31, 2015**

Age	Participant Count								TOTAL
	YEARS OF RETIREMENT								
	<u>&lt;1</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
<50	-	4	3	-	-	-	-	-	7
50-54	-	3	-	3	-	-	-	-	6
55-59	-	3	-	-	-	-	-	-	3
60-64	-	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-	-
All	-	10	3	3	-	-	-	-	16

**TABLE 6**

**Survivor Members as of December 31, 2015**

Age	Participant Count								TOTAL
	YEARS OF RETIREMENT								
	<u>&lt;1</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30+</u>	
<50	-	-	-	-	-	-	-	-	-
50-54	-	-	-	-	-	-	-	-	-
55-59	-	-	-	-	-	-	-	-	-
60-64	-	1	-	-	-	-	-	1	2
65-69	-	1	-	-	1	-	-	2	4
70-74	-	1	-	-	-	-	-	4	5
75-79	1	2	-	1	-	-	-	2	6
80-84	-	-	1	1	-	-	1	4	7
85+	-	-	1	-	-	-	-	3	4
All	1	5	2	2	1	-	1	16	28



**Bloomington Fire Department Relief Association  
Reconciliation of Members**

	<u>Actives</u>	<u>Deferred Retirement</u>		
A. ON JANUARY 1, 2015	125	17		
B. ADDITIONS		1		
C. DELETIONS				
1. Service Retirement		(2)		
2. Disability	(1)			
3. Death – Survivor				
4. Death – Other				
5. Terminated – Deferred	(1)			
6. Terminated – Refund				
7. Terminated – Other Non-Vested	(5)			
8. Leave of Absence				
9. Returned as Active				
D. DATA ADJUSTMENTS				
Vested	6	16		
Non-Vested	112	-		
E. TOTAL ON DECEMBER 31, 2015	118	16		
			<u>Recipients</u>	
	<u>Retirement Annuitants</u>	<u>Disabled</u>	<u>Survivors</u>	
A. ON JANUARY 1, 2015	146	14	27	
B. ADDITIONS	2	1	1	
C. DELETIONS				
1. Service Retirement				
2. Death	(3)			
3. Annuity Expired				
4. Returned as Active				
D. DATA ADJUSTMENTS	(1)	1		
E. TOTAL ON DECEMBER 31, 2015	144	16	28	

**Bloomington Fire Department Relief Association  
Actuarial Balance Sheet**

January 1, 2016

A. CURRENT ASSETS (Table 1; Line F.2)			\$ 147,828,626
B. EXPECTED FUTURE ASSETS			
1. Present Value of Expected Future Statutory Supplemental Contributions			\$ -
2. Present Value of Future Normal Costs			<u>26,751,236</u>
3. Total Expected Future Assets			<u>26,751,236</u>
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS			<u>\$ 174,579,862</u>
D. CURRENT BENEFIT OBLIGATIONS	<u>Non-Vested</u>	<u>Vested</u>	<u>Total</u>
1. Benefit Recipients			
a. Retirement Annuities		\$ 61,192,551	\$ 61,192,551
b. Disability Benefits		15,398,373	15,398,373
c. Surviving Spouse and Child Benefits		6,220,861	6,220,861
2. Deferred Retirements		11,681,362	11,681,362
3. Former Members Without Vested Rights		-	-
4. Active Members			
a. Retirement Annuities	\$ 30,280,894	\$ 4,128,926	\$ 34,409,820
b. Disability Benefits <sup>1</sup>	4,459,551	-	4,459,551
c. Surviving Spouse and Child Benefits	277,583	-	277,583
d. Deferred Retirements <sup>1</sup>	308,815	-	308,815
e. Refund Liability Due to Death or Withdrawal	-	-	-
5. Total Current Benefit Obligations	<u>\$ 35,326,843</u>	<u>\$ 98,622,073</u>	<u>\$ 133,948,916</u>
E. EXPECTED FUTURE BENEFIT OBLIGATIONS			<u>\$ 25,638,697</u>
F. TOTAL CURRENT AND EXPECTED FUTURE BENEFIT OBLIGATIONS			<u>\$ 159,587,613</u>
G. CURRENT UNFUNDED ACTUARIAL LIABILITY (D.5 - A)			\$ (13,879,710)
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F - C)			\$ (14,992,249)

<sup>1</sup> Vested benefits for these obligations are included in the vested benefits of Item D.4.a.



**Bloomington Fire Department Relief Association**  
**Determination of Unfunded Actuarial Accrued Liability (UAAL) and Supplemental Contribution Rate**

January 1, 2016

	<u>Actuarial Present Value of Projected Benefits</u>	<u>Actuarial Present Value of Future Normal Costs</u>	<u>Actuarial Accrued Liability</u>
<b>A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)</b>			
1. Active Members			
a. Retirement Benefits	\$ 55,635,732	\$ 20,666,139	\$ 34,969,593
b. Disability Benefits	8,465,486	5,507,705	2,957,781
c. Surviving Spouse and Child Benefits	509,893	377,979	131,914
d. Deferred Retirements	483,355	199,413	283,942
e. Refund Liability Due to Death or Withdrawal	-	-	-
f. Total	<u>\$ 65,094,466</u>	<u>\$ 26,751,236</u>	<u>\$ 38,343,230</u>
2. Deferred Retirements	\$ 11,681,362		\$ 11,681,362
3. Former Members Without Vested Rights	-		-
4. Annuitants	82,811,785		82,811,785
5. Total	<u>\$ 159,587,613</u>	<u>\$ 26,751,236</u>	<u>\$ 132,836,377</u>
<b>B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)</b>			
1. Actuarial Accrued Liability (A.5)			\$ 132,836,377
2. Current Assets (Table 1; Line F.2)			147,828,626
3. Unfunded Actuarial Accrued Liability (B.1 - B.2)			<u>\$ (14,992,249)</u>
<b>C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE</b>			
1. Level Dollar Amortization Factor to December 31, 2036			N/A
2. Supplemental Contribution (B.3 / C.1)			N/A
3. Supplemental Credit for Surplus Assets (10% * B.3)			\$ (1,499,225)
4. Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:			\$ 10,274,496
5. Supplemental Contribution Rate (C.3 / C.4)			(14.59%)

**Bloomington Fire Department Relief Association**  
**Changes in Unfunded Actuarial Accrued Liability (UAAL)**

December 31, 2015

A. UAAL AT BEGINNING OF YEAR	\$ (18,315,400)
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING	
1. Normal Cost and Expenses	\$ 3,227,959
2. Contributions	(1,715,281)
3. Interest	(956,705)
4. Total	<u>\$ 555,973</u>
C. EXPECTED UAAL AT END OF YEAR (A + B.4)	\$ (17,759,427)
D. INCREASE / (DECREASE) DUE TO ACTUARIAL LOSSES / (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED	
1. Age and Service Retirements	\$ (2,056)
2. Disability Retirements	(290,580)
3. Death-in-Service Benefits	(158,156)
4. Withdrawal	(592,728)
5. Benchmark Salary Increases and COLA	(6,196,040)
6. Contribution Income <sup>1</sup>	-
7. Investment Income	10,052,997
8. Mortality of Annuitants	(77,026)
9. Other Items	(1,010,697)
10. Total	<u>\$ 2,767,178</u>
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.10)	\$ (14,992,249)
F. CHANGE IN UAAL DUE TO PLAN AMENDMENTS	-
G. CHANGE IN UAAL DUE TO CHANGES IN ACTUARIAL ASSUMPTIONS	<u>-</u>
H. UAAL AT END OF YEAR (E + F + G)	<u><u>\$ (14,992,249)</u></u>

<sup>1</sup> Included in Item D.7.

**Bloomington Fire Department Relief Association  
Determination of Minimum Bloomington Obligation**

January 1, 2016

	<u>Percent of Benchmark Payroll</u>	<u>Dollar Amount</u>
<b>A. RELIEF ASSOCIATION FINANCIAL REQUIREMENTS - SECTION 69.77</b>		
1. Normal Cost		
a. Retirement Benefits	22.32%	\$ 2,293,502
b. Disability Benefits	5.84%	600,440
c. Surviving Spouse and Child Benefits	0.41%	42,336
d. Deferred Retirements	0.18%	18,974
e. Refund Liability Due to Death or Withdrawal	-	-
f. Total	28.75%	\$ 2,955,252
2. Supplemental Contribution Amortization	(14.59%)	(1,499,049)
3. Allowance for Administrative Expenses	0.94%	96,489
4. Total	15.10%	\$ 1,552,692
<b>B. MINIMUM BLOOMINGTON OBLIGATION - SECTION 69.77</b>		
1. State of Minnesota Contributions	5.26%	540,186
2. City of Bloomington Contributions (A.4 - B.1)	9.84%	1,012,506
Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:		\$ 10,274,496

**Bloomington Fire Department Relief Association  
Summary of Actuarial Assumptions and Methods**

<i>Interest:</i>	6.00% per annum, as mandated by the Statutes
<i>Mortality:</i>	Pre-retirement: RP 2000 non-annuitant table with white collar adjustment, generationally projected using Scale AA, and set back two years for males and females.  Post-retirement: RP 2000 annuitant mortality table with white collar adjustment, generationally projected using Scale AA for males and females.  Post-disability: RP 2000 non-annuitant mortality table with white collar adjustment, set forward eight years for males and females
<i>Retirement age:</i>	Members are assumed to retire after attaining age 50 and completing 20 years of service.
<i>Separation:</i>	Graded rates shown in the rate table.
<i>Disability:</i>	Graded rates shown in the rate table.
<i>Social Security:</i>	N/A
<i>Index Salary increases (for certain Bloomington Patrol Officers):</i>	4.0% per annum, as mandated by the Statutes.
<i>COLA increases:</i>	Based on increases in Index Salary.
<i>Actuarial cost method:</i>	Entry age normal cost method with normal costs expressed as a level percentage of earnings from each member's date of joining the Association to the member's assumed retirement age, as mandated by the Statutes.
<i>Asset valuation method:</i>	Market value, as mandated by the Statutes. Trusteed funds are reported the Fund's accountant.
<i>Member contributions:</i>	None.
<i>City of Bloomington Contributions:</i>	Relief Association financial requirements less State of Minnesota Contributions. See Table 11 for development.

**TABLE 12 (continued)**

**Bloomington Fire Department Relief Association  
Summary of Actuarial Assumptions and Methods (continued)**

<i>State of Minnesota contributions:</i>	Prior year State of Minnesota Fire Aid and Supplemental Fire Aid contribution.
<i>Payment on the Unfunded accrued liability:</i>	<p>For the first plan year in which current assets are less than the actuarial accrued liability, an initial base is established equal to the initial unfunded actuarial accrued liability (UAAL) and is amortized as a level dollar amount over 20 years.</p> <p>For subsequent years in which the UAAL exceeds \$0, bases will be established for actuarial losses, assumption changes, and plan amendments to be amortized over 20 years as a level dollar amount from the date of the establishment of the base and will be incorporated into the required contribution development.</p> <p>Otherwise, 10% of the excess of current assets over the actuarial accrued liability is treated as a supplemental credit and any amortization bases that existed prior to the plan's current assets exceeding the actuarial accrued liabilities are considered fully amortized.<sup>1</sup></p>
<i>Administrative expenses:</i>	Prior year administrative expenses (excluding investment expenses) increased by 3.5%, as mandated by the Statutes.
<i>Family composition:</i>	100% of active members are assumed to be married. Female spouses are assumed to be three years younger than male spouses. Duty-related death benefits are increased by 10% for estimated dependent child survivor benefit.
<i>Form of payment:</i>	75% Joint and survivor annuity (fully subsidized), life annuity if single.
<i>Duty assumption:</i>	For purposes of valuing the disability and death benefits an assumption of 75% of the effected population as on-duty and 25% non-duty.

---

<sup>1</sup> Per Minnesota Session Laws 1994, Regular Session, Chapter 541, Section 2. It is Milliman's understanding that this Bloomington special law provision remains valid.

**TABLE 12 (continued)**

**Bloomington Fire Department Relief Association  
Summary of Actuarial Assumptions and Methods (continued)**

<i>Missing data:</i>	<p>The submitted participant data has been reviewed for reasonableness and consistency with data submitted for prior valuations. We have not audited this data, and the results of this valuation may change based on the accuracy of the underlying data. In cases where submitted data was missing or incomplete, the following assumptions were applied:</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">Date of birth:</td> <td>Average age of participant group based on prior year's valuation report.</td> </tr> <tr> <td>Date of hire:</td> <td>Current valuation date minus years of service.</td> </tr> <tr> <td>Years of service:</td> <td>Years of service on last year's valuation plus one year.</td> </tr> <tr> <td>Sex:</td> <td>Male.</td> </tr> <tr> <td>Deferred benefit:</td> <td>Equal to one-third of current year average indexed earnings. Current rate is \$2,360.00 per month.</td> </tr> </table>	Date of birth:	Average age of participant group based on prior year's valuation report.	Date of hire:	Current valuation date minus years of service.	Years of service:	Years of service on last year's valuation plus one year.	Sex:	Male.	Deferred benefit:	Equal to one-third of current year average indexed earnings. Current rate is \$2,360.00 per month.
Date of birth:	Average age of participant group based on prior year's valuation report.										
Date of hire:	Current valuation date minus years of service.										
Years of service:	Years of service on last year's valuation plus one year.										
Sex:	Male.										
Deferred benefit:	Equal to one-third of current year average indexed earnings. Current rate is \$2,360.00 per month.										
<i>Benchmark salary:</i>	<p>Each member is assumed to earn the same salary as Bloomington police patrol officers of the highest grade.</p> <table border="0" style="margin-left: 40px;"> <tr> <td style="padding-right: 20px;">2017</td> <td>\$7,455</td> </tr> <tr> <td>2016</td> <td>7,256</td> </tr> <tr> <td>2015</td> <td>7,079</td> </tr> <tr> <td>2014</td> <td>6,906</td> </tr> </table>	2017	\$7,455	2016	7,256	2015	7,079	2014	6,906		
2017	\$7,455										
2016	7,256										
2015	7,079										
2014	6,906										
<i>Date of most recent experience study:</i>	Unknown										
<i>Benefit not valued:</i>	\$500 lump sum death benefit										

TABLE 12 (continued)

**Bloomington Fire Department Relief Association**  
**Summary of Actuarial Assumptions and Methods (continued)**

*Separations Expressed as the Number of Occurrences per 10,000*

<u>Age</u>	<u>Withdrawal</u>	<u>Disability</u>
20	300	24
21	290	24
22	280	24
23	270	24
24	260	24
25	250	24
26	240	24
27	230	24
28	220	24
29	210	24
30	200	24
31	190	24
32	180	24
33	170	24
34	160	26
35	150	30
36	140	34
37	130	40
38	120	46
39	110	52
40	100	58
41	90	64
42	80	74
43	70	84
44	60	96
45	50	110
46	40	128
47	30	142
48	20	158
49	10	174
50+	-	-

- 17 -

**Bloomington Fire Department Relief Association  
Summary of Plan Provisions**

**GENERAL**

<i>Eligibility:</i>	Members in good and regular standing of the Bloomington Fire Department Relief Association, and who have actively served as fire fighters in the Bloomington Fire Department for at least one month.
<i>Membership dues:</i>	No membership dues are paid to the Special Fund.
<i>Index salary:</i>	The average of the monthly salary for the preceding three years, including the current year of a patrol officer of the highest grade in the employ of the City of Bloomington.
<i>Basic benefit:</i>	One third of the index salary. All benefits under the plan increase each time a pay increase is granted to the Bloomington Police Department.

**RETIREMENT****Normal retirement benefit:**

<i>Eligibility:</i>	Age 50 with 20 years of service.
<i>Amount:</i>	Basic benefit.
<i>Form of payment:</i>	Fully subsidized 75% Joint and survivor if married, life annuity if single.

**Disability benefit:**

<i>Eligibility:</i>	Inability to perform the duties of a firefighter.
<i>Duty related amount:</i>	Basic benefit is payable at time of disability. This benefit is payable during the period of disability. After attainment of age 50 and 20 combined years of service and disability payments, no evidence of disability is required for the benefit to continue.
<i>Non-duty related amount:</i>	The basic benefit is multiplied by 5% for each year of service up to the date of disability (maximum 20 years). This benefit is payable during the period of disability. After attainment of age 50 and 20 combined years of service and disability payments, no evidence of disability is required for the benefit to continue.



**TABLE 13 (continued)**

**Bloomington Fire Department Relief Association  
Summary of Plan Provisions (continued)**

*Form of payment:* Same as for retirement.

**DEATH**

***Spouse's benefit***

*Duty-related amount:* 75% of the basic benefit is payable for his or her remaining lifetime. Benefits cease on remarriage of the surviving spouse.

*Non-duty related amount:* 75% of the basic benefit multiplied by 5% for each year of service up to the date of death to a maximum of 20 years. This benefit is payable for his or her remaining lifetime. Benefits cease on remarriage of the surviving spouse.

***Children's benefit:***

*Eligibility:* An active member who dies and leaves surviving children.

*Amount:* 12% of the basic benefit is payable to each surviving child until attainment of age 18 or marriage. The maximum benefit paid to all family members will not exceed 100% of the basic benefit.

***Lump sum death benefit:*** \$500 is payable on the death of any active or inactive member:

**TERMINATION**

*Eligibility:* 20 years of service.

*Amount:* The basic benefit is payable at age 50.

**Bloomington Fire Department Relief Association**  
**Schedule of Funding Progress**

January 1, 2016

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Unfunded AAL (UAAL) (B)-(A)	Funded Ratio (A)/(B)
01/01/96	66,622,700	56,410,500	(10,212,200)	118.10%
01/01/97	74,763,000	58,807,600	(15,955,400)	127.13%
01/01/98	87,829,787	59,322,179	(28,507,608)	148.06%
01/01/99	98,908,878	64,855,595	(34,053,283)	152.51%
01/01/00	110,084,568	66,819,827	(43,264,741)	164.75%
01/01/01	103,718,180	71,967,391	(31,750,789)	144.12%
01/01/02	93,960,664	76,035,748	(17,924,916)	123.57%
01/01/03	78,447,409	81,361,778	2,914,369	96.42%
01/01/04	91,904,999	83,388,410	(8,516,589)	110.21%
01/01/05	101,341,890	88,034,799	(13,307,091)	115.12%
01/01/06	105,139,140	84,681,811	(20,457,329)	124.16%
01/01/07	116,978,895	87,345,954	(29,632,941)	133.93%
01/01/08	122,158,440	93,293,969	(28,864,471)	130.94%
01/01/09	88,639,493	97,105,335	8,465,842	91.28%
01/01/10	98,707,362	99,697,775	990,413	99.01%
01/01/11	111,072,465	105,372,331	(5,700,134)	105.41%
01/01/12	110,822,777	107,951,877	(2,870,900)	102.66%
01/01/13	122,544,915	124,210,384	1,665,469	98.66%
01/01/14	143,611,691	129,441,911	(14,169,780)	110.95%
01/01/15	152,114,148	133,798,748	(18,315,400)	113.69%
01/01/16	147,828,626	132,836,377	(14,992,249)	111.29%

The actuarial value of assets is the fair value of investments, adjusted for receivables and payables.

The above schedule of funding progress presents multi-year trend information about whether the actuarial value of assets is increasing or decreasing over time, relative to the actuarial accrued liability for benefits.

The results do not incorporate any legal or contractual funding limitations.