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# Bloomington Fire Department Relief Association

## January 1, 2015 Actuarial Valuation

**Prepared by:**

Milliman, Inc.

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February 14, 2015

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

**Re: *Actuarial Valuation Report as of January 1, 2015  
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, 2015, for the Plan Year ending December 31, 2015. 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, Union Bank and Trust Company, Wells Fargo Advisors, LLC and the auditor. 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



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.

Assumptions and Methods in Table 12. Certain actuarial assumptions and methods used in 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.

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 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.

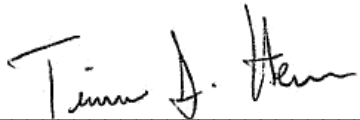
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our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

	January 1, 2014 Valuation	January 1, 2015 Valuation
<b>A. CONTRIBUTIONS % OF PAYROLL (Table 11)</b>		
1. Relief Association financial requirements - Section 69.77	16.14%	12.97%
2. Minimum City of Bloomington obligation - Section 69.77	12.15%	9.14%
<b>B. FUNDING RATIOS</b>		
1. Accrued Benefit Funding Ratio		
a. Current Assets (Table 1)	\$ 143,611,691	\$ 152,114,148
b. Current Benefit Obligations (Table 8)	128,690,308	133,092,570
c. Funding Ratio	111.59%	114.29%
2. Accrued Liability Funding Ratio		
a. Current Assets (Table 1)	\$ 143,611,691	\$ 152,114,148
b. Actuarial Accrued Liability (Table 9)	129,441,911	133,798,748
c. Funding Ratio	110.95%	113.69%
3. Projected Benefit Funding Ratio (Table 8)		
a. Current and Expected Future Assets	\$ 172,341,592	\$ 182,553,867
b. Current and Expected Future Benefit Obligations	158,171,812	164,238,467
c. Funding Ratio	108.96%	111.15%
<b>C. PLAN PARTICIPANTS</b>		
1. Active Members		
a. Number (Table 3A)	124	125
b. Projected Annual Benchmark Earnings	\$ 10,110,384	\$ 10,773,375
c. Average Annual Benchmark Earnings (Actual dollars)	\$ 82,872	\$ 86,187
d. Average Age	38.8	39.0
e. Average Service	10.3	10.2
f. Additional Members on Leave of Absence	-	-
2. Others		
a. Service Retirements (Table 4)	140	146
b. Disability Retirements (Table 5)	14	14
c. Survivors (Table 6)	27	27
d. Deferred Retirements (Table 3B)	18	17
e. Terminated Other Non-Vested (Table 7)	-	-
f. Total	199	204

## **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 114.29%. The corresponding ratio for the prior year was 111.59%.

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 2015 the ratio is 113.69%, which is an increase from the 2014 value of 110.95%.

The *Projected Benefit Funding Ratio* is a measure of the adequacy or deficiency in the contribution level. This year's ratio of 111.15% 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, 2014, less liabilities payable as of December 31, 2014. 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 \$1,396,485 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, 2015

	<u>Market Value</u>
A. ASSETS	
1. Cash, Equivalents, Short-Term Securities	\$ 16,809
2. Investments	
a. Fixed Income	-
b. Equity	-
c. Real Estate	-
3. Other Assets	<u>152,486,652</u>
B. TOTAL ASSETS	<u>\$ 152,503,461</u>
C. AMOUNTS CURRENTLY PAYABLE	\$ (389,313)
D. ASSETS AVAILABLE FOR BENEFITS	
1. Total Assets	\$ 152,114,148
2. Unrestricted Fund Balance	-
3. Total Assets Available for Benefits	<u>\$ 152,114,148</u>
E. TOTAL AMOUNTS CURRENTLY PAYABLE AND ASSETS AVAILABLE FOR BENEFITS	<u>\$ 152,503,461</u>
F. DETERMINATION OF ACTUARIAL VALUE OF ASSETS	
1. Market Value of Assets Available for Benefits (D.3)	\$ 152,114,148
2. Actuarial Value of Assets (F.1)	<u>\$ 152,114,148</u>

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

December 31, 2014

	Market Value
A. ASSETS AVAILABLE AT BEGINNING OF PERIOD	\$ 143,611,691
B. OPERATING REVENUES	
1. Member Contributions	\$ -
2. State of Minnesota Contributions	622,164
3. City of Bloomington Contributions	2,548,091
4. Investment Income	559,296
5. Investment Expenses	(130,524)
6. Net Gain / (Loss)	9,553,752
7. Other	-
8. Net Change in Unrealized Gain / (Loss) <sup>1</sup>	-
8. Total Operating Revenue	\$ 13,152,779
C. OPERATING EXPENSES	
1. Service Retirements	\$ (4,566,912)
2. Disability Benefits <sup>1</sup>	-
3. Survivor Benefits <sup>1</sup>	-
4. Refunds	-
5. Administrative Expenses	(83,410)
6. Total Operating Expenses	\$ (4,650,322)
D. OTHER CHANGES IN RESERVES	\$ 389,313
E. ASSETS AND PAYABLES AT END OF PERIOD	\$ 152,503,461

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

**Bloomington Fire Department Relief Association**

**TABLE 3A**

**Active Members as of December 31, 2014**

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	3	8	5	-	-	-	-	-	16
30-34	1	5	13	2	1	-	-	-	22
35-39	5	2	11	7	2	-	-	-	27
40-44	-	1	4	9	12	1	2	-	29
45-49	-	-	3	4	13	-	2	-	22
50-54	-	-	-	2	5	-	-	-	7
55-59	-	-	-	-	1	-	-	-	1
60-64	-	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-	-
All	9	17	36	24	34	1	4	-	125

**TABLE 3B**

**Deferred Vested Members as of December 31, 2014**

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	14	-	-	-	-	-	-	-	14
50-54	3	-	-	-	-	-	-	-	3
55-59	-	-	-	-	-	-	-	-	-
60-64	-	-	-	-	-	-	-	-	-
65-69	-	-	-	-	-	-	-	-	-
70-74	-	-	-	-	-	-	-	-	-
75-79	-	-	-	-	-	-	-	-	-
80-84	-	-	-	-	-	-	-	-	-
85+	-	-	-	-	-	-	-	-	-
All	17	-	-	-	-	-	-	-	17

**Bloomington Fire Department Relief Association**

**TABLE 4**

**Service Retired Members as of December 31, 2014**

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	-	1	-	-	-	-	-	-	1
50-54	2	9	1	-	-	-	-	-	12
55-59	-	4	14	2	2	1	-	-	23
60-64	-	1	6	21	2	1	1	-	32
65-69	-	-	-	8	11	1	-	-	20
70-74	-	-	-	-	5	26	-	-	31
75-79	-	-	-	-	1	-	15	3	19
80-84	-	-	-	-	-	-	1	3	4
85+	-	-	-	-	-	-	-	4	4
All	2	15	21	31	21	29	17	10	146

**TABLE 5**

**Disabled Members as of December 31, 2014**

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	2	1	-	-	-	-	6
55-59	-	1	-	-	-	-	-	-	1
60-64	-	-	-	-	-	-	-	-	-
65+	-	-	-	-	-	-	-	-	-
All	-	8	5	1	-	-	-	-	14

**TABLE 6**

**Survivor Members as of December 31, 2014**

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	-	2	-	-	-	-	-	1	3
65-69	-	-	-	-	1	-	-	3	4
70-74	-	1	-	-	-	-	-	4	5
75-79	-	2	-	1	-	-	-	1	4
80-84	-	1	-	1	-	-	1	4	7
85+	-	-	1	-	-	-	-	3	4
All	-	6	1	2	1	-	1	16	27

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

	<u>Actives</u>	<u>Deferred Retirement</u>	
A. ON JANUARY 1, 2014	124	18	
B. ADDITIONS	9	2	
C. DELETIONS			
1. Service Retirement	(2)	(3)	
2. Disability	(2)		
3. Death – Survivor			
4. Death – Other			
5. Terminated – Deferred	(2)		
6. Terminated – Refund			
7. Terminated – Other Non-Vested	(3)		
8. Leave of Absence			
9. Returned as Active	1		
D. DATA ADJUSTMENTS			
Vested	5	17	
Non-Vested	120	-	
E. TOTAL ON DECEMBER 31, 2014	125	17	
		<u>Recipients</u>	
	<u>Retirement</u>	<u>Disabled</u>	<u>Survivors</u>
	<u>Annuity</u>		
A. ON JANUARY 1, 2014	140	14	27
B. ADDITIONS	5	2	1
C. DELETIONS			
1. Service Retirement			
2. Death	(1)		(1)
3. Annuity Expired			
4. Returned as Active			
D. DATA ADJUSTMENTS	2	(2)	
E. TOTAL ON DECEMBER 31, 2014	146	14	27

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

January 1, 2015

A. CURRENT ASSETS (Table 1; Line F.2)		\$ 152,114,148																																																								
B. EXPECTED FUTURE ASSETS																																																										
1. Present Value of Expected Future Statutory Supplemental Contributions		\$ -																																																								
2. Present Value of Future Normal Costs		30,439,719																																																								
3. Total Expected Future Assets		<u>30,439,719</u>																																																								
C. TOTAL CURRENT AND EXPECTED FUTURE ASSETS		<u>\$ 182,553,867</u>																																																								
D. CURRENT BENEFIT OBLIGATIONS	<table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%;"></th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">Non-Vested</th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">Vested</th> <th style="width: 15%; text-align: center; border-bottom: 1px solid black;">Total</th> </tr> </thead> <tbody> <tr> <td>    1. Benefit Recipients</td> <td></td> <td></td> <td></td> </tr> <tr> <td>        a. Retirement Annuities</td> <td></td> <td style="text-align: right;">\$ 63,009,235</td> <td style="text-align: right;">\$ 63,009,235</td> </tr> <tr> <td>        b. Disability Benefits</td> <td></td> <td style="text-align: right;">15,344,744</td> <td style="text-align: right;">15,344,744</td> </tr> <tr> <td>        c. Surviving Spouse and Child Benefits</td> <td></td> <td style="text-align: right;">6,285,228</td> <td style="text-align: right;">6,285,228</td> </tr> <tr> <td>    2. Deferred Retirements</td> <td></td> <td style="text-align: right;">12,107,032</td> <td style="text-align: right;">12,107,032</td> </tr> <tr> <td>    3. Former Members Without Vested Rights</td> <td></td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>    4. Active Members</td> <td></td> <td></td> <td></td> </tr> <tr> <td>        a. Retirement Annuities</td> <td style="text-align: right;">\$ 29,616,234</td> <td style="text-align: right;">3,231,896</td> <td style="text-align: right;">32,848,130</td> </tr> <tr> <td>        b. Disability Benefits</td> <td style="text-align: right;">2,992,014</td> <td style="text-align: center;">-</td> <td style="text-align: right;">2,992,014</td> </tr> <tr> <td>        c. Surviving Spouse and Child Benefits</td> <td style="text-align: right;">172,629</td> <td style="text-align: center;">-</td> <td style="text-align: right;">172,629</td> </tr> <tr> <td>        d. Deferred Retirements</td> <td style="text-align: right;">282,521</td> <td style="text-align: right;">51,037</td> <td style="text-align: right;">333,558</td> </tr> <tr> <td>        e. Refund Liability Due to Death or Withdrawal</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> <td style="text-align: center;">-</td> </tr> <tr> <td>    5. Total Current Benefit Obligations</td> <td style="text-align: right;"><u>\$ 33,063,398</u></td> <td style="text-align: right;"><u>\$ 100,029,172</u></td> <td style="text-align: right;"><u>\$ 133,092,570</u></td> </tr> </tbody> </table>		Non-Vested	Vested	Total	1. Benefit Recipients				a. Retirement Annuities		\$ 63,009,235	\$ 63,009,235	b. Disability Benefits		15,344,744	15,344,744	c. Surviving Spouse and Child Benefits		6,285,228	6,285,228	2. Deferred Retirements		12,107,032	12,107,032	3. Former Members Without Vested Rights		-	-	4. Active Members				a. Retirement Annuities	\$ 29,616,234	3,231,896	32,848,130	b. Disability Benefits	2,992,014	-	2,992,014	c. Surviving Spouse and Child Benefits	172,629	-	172,629	d. Deferred Retirements	282,521	51,037	333,558	e. Refund Liability Due to Death or Withdrawal	-	-	-	5. Total Current Benefit Obligations	<u>\$ 33,063,398</u>	<u>\$ 100,029,172</u>	<u>\$ 133,092,570</u>	
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G. CURRENT UNFUNDED ACTUARIAL LIABILITY (D.5 - A)		\$ (19,021,578)																																																								
H. CURRENT AND FUTURE UNFUNDED ACTUARIAL LIABILITY (F - C)		\$ (18,315,400)																																																								



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

January 1, 2015

	Actuarial Present Value of Projected Benefits	Actuarial Present Value of Future Normal Costs	Actuarial Accrued Liability
<b>A. DETERMINATION OF ACTUARIAL ACCRUED LIABILITY (AAL)</b>			
1. Active Members			
a. Retirement Benefits	\$ 57,157,522	\$ 23,535,878	\$ 33,621,644
b. Disability Benefits	9,219,617	6,229,573	2,990,044
c. Surviving Spouse and Child Benefits	566,605	430,582	136,023
d. Deferred Retirements	548,484	243,686	304,798
e. Refund Liability Due to Death or Withdrawal	-	-	-
f. Total	<u>\$ 67,492,228</u>	<u>\$ 30,439,719</u>	<u>\$ 37,052,509</u>
2. Deferred Retirements	\$ 12,107,032		\$ 12,107,032
3. Former Members Without Vested Rights	-		-
4. Annuitants	84,639,207		84,639,207
5. Total	<u>\$ 164,238,467</u>	<u>\$ 30,439,719</u>	<u>\$ 133,798,748</u>
<b>B. DETERMINATION OF UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)</b>			
1. Actuarial Accrued Liability (A.5)			\$ 133,798,748
2. Current Assets (Table 1; Line F.2)			152,114,148
3. Unfunded Actuarial Accrued Liability (B.1 - B.2)			<u>\$ (18,315,400)</u>
<b>C. DETERMINATION OF SUPPLEMENTAL CONTRIBUTION RATE</b>			
1. Level Dollar Amortization Factor to December 31, 2035			N/A
2. Supplemental Contribution (B.3 / C.1)			N/A
3. Supplemental Credit for Surplus Assets (10% * B.3)			\$ (1,831,540)
4. Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:			\$ 10,773,375
5. Supplemental Contribution Rate (C.3 / C.4)			(17.00%)

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

December 31, 2014

A. UAAL AT BEGINNING OF YEAR	\$ (14,169,780)
B. CHANGE DUE TO INTEREST REQUIREMENTS AND CURRENT RATE OF FUNDING	
1. Normal Cost and Expenses	\$ 3,047,649
2. Contributions	(3,170,255)
3. Interest	(762,436)
4. Total	<u>\$ (885,042)</u>
C. EXPECTED UAAL AT END OF YEAR (A + B.4)	\$ (15,054,822)
D. INCREASE / (DECREASE) DUE TO ACTUARIAL LOSSES / (GAINS) BECAUSE OF EXPERIENCE DEVIATIONS FROM EXPECTED	
1. Age and Service Retirements <sup>1</sup>	\$ -
2. Disability Retirements <sup>1</sup>	-
3. Death-in-Service Benefits <sup>1</sup>	-
4. Withdrawal <sup>1</sup>	-
5. Benchmark Salary Increases and COLA	-
6. Contribution Income <sup>2</sup>	-
7. Investment Income	(1,410,225)
8. Mortality of Annuitants	(84,381)
9. Other Items	(1,765,972)
10. Total	<u>\$ (3,260,578)</u>
E. UAAL AT END OF YEAR BEFORE PLAN AMENDMENTS AND CHANGES IN ACTUARIAL ASSUMPTIONS (C + D.10)	\$ (18,315,400)
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>\$ (18,315,400)</u>

<sup>1</sup> Included in Item D.9.

<sup>2</sup> Included in Item D.7.

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

January 1, 2015

	Percent of Benchmark Payroll	Dollar Amount
<b>A. RELIEF ASSOCIATION FINANCIAL REQUIREMENTS - SECTION 69.77</b>		
1. Normal Cost		
a. Retirement Benefits	22.63%	\$ 2,436,914
b. Disability Benefits	5.92%	637,626
c. Surviving Spouse and Child Benefits	0.42%	45,106
d. Deferred Retirements	0.20%	21,984
e. Refund Liability Due to Death or Withdrawal	-	-
f. Total	29.17%	\$ 3,141,630
2. Supplemental Contribution Amortization	(17.00%)	(1,831,474)
3. Allowance for Administrative Expenses	0.80%	86,329
4. Total	12.97%	\$ 1,396,485
<b>B. MINIMUM BLOOMINGTON OBLIGATION - SECTION 69.77</b>		
1. State of Minnesota Contributions	3.83%	412,132
2. City of Bloomington Contributions (A.4 - B.1)	9.14%	984,353
Projected Annual Payroll for Fiscal Year Beginning on the Valuation Date:		\$ 10,773,375

**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 by Union Bank and Trust Company and Wells Fargo Advisors, LLC. The Plan's accountant reported cash and checking accounts.
<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.

**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 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.

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<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)**

<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 \$2,318.00 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 \$2,318.00 per month.
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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 \$2,318.00 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;">2015</td> <td>\$7,182 (estimated using the Index Salary increase assumption)</td> </tr> <tr> <td>2014</td> <td>6,906</td> </tr> <tr> <td>2013</td> <td>6,771</td> </tr> </table>	2015	\$7,182 (estimated using the Index Salary increase assumption)	2014	6,906	2013	6,771				
2015	\$7,182 (estimated using the Index Salary increase assumption)										
2014	6,906										
2013	6,771										
<i>Date of most recent experience study:</i>	Unknown										
<i>Benefit not valued:</i>	\$500 lump sum death benefit										

**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+	-	-

**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.



**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.