



Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

October 21, 2016

Public Employees' Retirement Board
100 North Park, Suite 200
Helena, MT 59620-0139

Members of the Board:

We are submitting the results of the annual valuation of the assets and liabilities of the Volunteer Firefighters' Compensation Act of the State of Montana (VFCA), prepared as of June 30, 2016. The purpose of this letter is to disclose differences between the valuation report issued on October 3, 2016, which was presented at the October 6, 2016 Board meeting, and the valuation report issued October 21, 2016. These differences reflect changes made by Cavanaugh MacDonald LLC and such changes are made through no fault of the Montana Public Employee Retirement Administration (MPERA).

The first step in any actuarial valuation is to perform a data reconciliation to catch any data discrepancies that exist in the current year's valuation data provided by MPERA staff from what would have been expected from the prior year's valuation data. As a result, it is not uncommon for final valuation data to have participant counts that do not exactly match the participant counts in the data provided by the MPERA staff. This is especially true in a year when transitioning from one actuarial firm to another. As a result, the participant demographic information disclosed in the Summary of Results, Appendix D and Appendix E has been updated to reflect the participant counts provided by MPERA, without adjustment for data processing, and to correct any inconsistencies in the demographic information between tables.

In addition to the data changes mentioned above, there were numerical changes. The actuarial value of assets as of June 30, 2015 has been restated due to a typographical error. The restatement increased the June 30, 2015 actuarial valuation by \$100. As a result, the actuarial value of assets as of June 30, 2016 increased by \$100. Thus, the corresponding unfunded actuarial accrued liability decreased by \$100, which reduced the 20-year amortization cost of the unfunded actuarial accrued liability by \$9. The difference between the actuarial value of assets and the market value of assets also increased by \$100. Finally, the experience gain on actuarial value of assets basis decreased by \$8, which reduced the total experience gain by \$8.

The changes mentioned above have no material impact. The funded ratio and the remaining amortization period of the unfunded actuarial accrued liability were unchanged.

Respectfully submitted,

Edward A. Macdonald, ASA, FCA, MAAA
President

Todd B. Green, ASA, FCA, MAAA
Principal and Consulting Actuary

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

www.CavMacConsulting.com

Offices in Englewood, CO • Kennesaw, GA • Bellevue, NE



Cavanaugh Macdonald
CONSULTING, LLC

The experience and dedication you deserve

**Volunteer Firefighters' Compensation Act
of the State of Montana**

**Actuarial Valuation
As of June 30, 2016**

Issued as of October 21, 2016





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

October 21, 2016

Public Employees' Retirement Board
100 North Park, Suite 200
Helena, MT 59620-0139

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Volunteer Firefighters' Compensation Act of the State of Montana (VFCA), prepared as of June 30, 2016.

The purpose of this report is to provide a summary of the funded status of the System as of June 30, 2016. While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation indicates that the State contribution amortizes of the unfunded accrued liability over a 7-year period.

The promised benefits of the System are included in the actuarially calculated contribution rates, which are developed using the Entry Age Normal Cost Method. Four-year market related value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level dollar amount over 7 years. The assumptions recommended by the actuary and adopted by the Board are, in the aggregate, reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund.

This is to certify that Edward Macdonald and Todd Green, Principal and Consulting Actuaries for Cavanaugh Macdonald Consulting, are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. This also certifies that the undersigned 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 retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.



Future actuarial results may differ significantly from the current results 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 the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); 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.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Edward Macdonald'.

Edward A. Macdonald, ASA, FCA, MAAA
President

A handwritten signature in blue ink, appearing to read 'Todd B. Green'.

Todd B. Green, ASA, FCA, MAAA
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to read 'Joseph A. Nichols'.

Joseph A. Nichols, ASA, EA, FCA, MAAA, MSPA
Senior Actuary

A handwritten signature in blue ink, appearing to read 'Matthew Yonz'.

Matthew Yonz, ASA
Senior Actuarial Analyst



Volunteer Firefighters' Compensation Act of the State of Montana

Table of Contents

Section 1: Summary of Results	1
Section 2: Assets	9
Table 1: Statement of Fiduciary Net Assets.....	10
Table 2: Statement of Changes in Fiduciary Net Assets	11
Table 3: Determination of Actuarial Value of Assets.....	12
Table 4: Historical Investment Returns	13
Table 5: Market Value of Assets vs Actuarial Value of Assets	14
Section 3: Actuarial Present Value of Future Benefits	15
Table 6: Actuarial Present Value of Future Benefits for Active, Retirees, and Beneficiaries	16
Section 4: Employer Contributions	17
Table 7: Normal Cost Contribution Rates as Percentage of Salary	19
Table 8: Unfunded Actuarial Accrued Liability	20
Section 5: Cash Flows	21
Table 9: Cash Flow History.....	22
Section 6: Actuarial Gains or Losses.....	23
Table 10: Analysis of Actuarial Gains or Losses.....	24
Appendix A: Actuarial Procedures and Methods.....	25
Appendix B: Summary of Valuation Assumptions	27
Appendix C: Summary of Benefit Provisions.....	31
Appendix D: Valuation Data	33
Appendix E: Comparative Schedules	41
Appendix F: Financial Statement Information	45
Appendix G: Glossary.....	48



Section I: Summary of Results

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below:

VALUATION DATE	June 30, 2016	June 30, 2015
Participant Counts		
Active Members	1,895	1,977
Retirees and Beneficiaries	1,424	1,371
Disabled Members	1	-
Terminated Vested Members	878	905
Terminated Non-Vested Members	-	-
Total*	4,198	4,253
Annual Retirement Allowances for Retired Members and Beneficiaries	2,830,815	2,377,170
Assets		
Actuarial value	\$ 35,301,843	\$ 33,405,451
Market value	33,883,273	34,103,818
Actuarial Accrued Liability (AAL)	\$ 44,010,066	\$ 44,318,250
Unfunded Actuarial Accrued Liability (UAAL)	\$ 8,708,223	\$ 10,912,799
Funded Ratio	80.21%	75.38%
Market Value Rate of Return	1.84%	4.49%
Annual Cost		
Employer Contribution Rate		
Normal Rate	\$ 205,393	\$ 217,001
Administrative Expense Load	65,978	63,440
UAAL Amortization (20 Years)	838,625	1,050,931
Total	\$ 1,109,996	\$ 1,331,372
Actual Contribution for Preceding Fiscal Year	2,036,297	1,913,482
Amortization Period Based on Actual Contributions	7 years	10 years

* A reconciliation between participant counts used for the annual report and counts for the valuation appears at the beginning of Appendix D.



Section I: Summary of Results

As a result of this actuarial valuation of the benefits in effect under the Volunteer Firefighters' Compensation Act as of June 30, 2016, the state contribution amortizes the Unfunded Actuarial Accrued Liability (UAAL) of the Retirement System over 7 years. The Funded Ratio is 80.21%.

Calculations based on the Market Value of Assets

MCA 19-2-407 requires this report to show how market performance is affecting the actuarial funding of the Retirement System. The June 30, 2016, market value of assets is \$1,418,570 less than the actuarial value of assets. This is due to the smoothing of investment gains and losses over a four-year period. If the market value of assets was used, the Funded Ratio would be 76.99%.

Additional Details

MCA 19-17-301 sets the State's contribution at an amount equal to 5.00% of the premium taxes collected from insurers.

The actuarial costs are calculated using the entry age actuarial cost method. This is the method used by most public plans. It is designed to provide a stable contribution rate as a percent of member pay. This actuarial valuation measures the adequacy of the contribution rates set in Montana State Law.

Investment Experience

The market assets earned 1.84% net of investment expenses. As a result of prior years' unrecognized gains, the actuarial assets earned 8.30%, which is 0.55% greater than the actuarial assumption of 7.75%. The return on the actuarial assets differs from the return on market assets because the actuarial value of assets spreads gains and losses over four years. The chart below shows the annual returns for the past ten years.

Year	Market Return	Actuarial Return	Assumed Investment Return	Market Return over Assumption	Actuarial Return over Assumption
7/1/2006 to 6/30/2007	17.52%	11.47%	8.00%	9.52%	3.47%
7/1/2007 to 6/30/2008	(4.65)	7.37	8.00	(12.65)	(0.63)
7/1/2008 to 6/30/2009	(20.69)	(0.37)	8.00	(28.69)	(8.37)
7/1/2009 to 6/30/2010	12.30	(1.30)	7.75	4.55	(9.05)
7/1/2010 to 6/30/2011	20.98	(0.14)	7.75	13.23	(7.89)
7/1/2011 to 6/30/2012	1.67	2.97	7.75	(6.08)	(4.78)
7/1/2012 to 6/30/2013	12.01	11.11	7.75	4.26	3.36
7/1/2013 to 6/30/2014	16.23	12.34	7.75	8.48	4.59
7/1/2014 to 6/30/2015	4.49	8.95	7.75	(3.26)	1.20
7/1/2015 to 6/30/2016	1.84	8.30	7.75	(5.91)	0.55

Asset gains or losses result when the return on the actuarial value of assets differs from the investment return assumption.

Amortization of the UAAL

The total contribution for the current fiscal year is estimated to be equal to the previous year's State contribution. The amount available to amortize the unfunded actuarial accrued liability of the System is equal to the total State contribution reduced by amounts for normal cost and



Section I: Summary of Results

anticipated administrative expenses. The total State contribution for the June 30, 2015, actuarial valuation was equal to \$1,913,482. This contribution was sufficient to amortize the actuarial unfunded accrued liability over a 10-year period. The total State contribution for the June 30, 2016, valuation is equal to \$2,036,297. This amount is sufficient to amortize the unfunded actuarial accrued liability over a 7-year period.

Funding and Benefits Policy

The Montana Public Employees' Retirement Board has adopted a Funding and Benefits Policy to provide general guidelines to help ensure decisions are made based on sound, consistent, and thoroughly examined criteria. The Funding and Benefits Policy includes guidance on the following topics:

1) Funding Requirement

a) The Funding and Benefits Policy states:

1. The Entry Age Normal Cost Method shall be applied to the projected benefits in determining the Normal Cost and Actuarial Accrued Liability.
2. Asset smoothing can be used in the valuation process to spread the recognition of investment gains and losses over a four-year period.
3. The unfunded actuarial accrued liability should be amortized over a reasonable period of time and should not exceed 30 years on a rolling basis. Generally, the funding period should be constant or decreasing.

b) Analysis: The liabilities of the System are determined using the Entry Age Normal Cost Method and are compared to the actuarial value of assets, which are developed using asset smoothing that recognizes gains and losses over a four-year period. Finally, the amortization period as of June 30, 2016 is 7 years based on actuarial value of assets. The current employer contributions are rates fund the System within the Board's policy guidelines.

2) Funding Objectives

a) The Funding and Benefits Policy states: "The primary objectives are to: 1) ensure that the systems are financially sound and pay all benefits promised using assets accumulated from required employer and member contributions and investment income; and 2) achieve a well-funded status with a range of safety to absorb market volatility without creating a UAL."

b) Analysis: The State contributions provided for in statute are sufficient to amortize the unfunded actuarial accrued liability within a 7-year period. This ensures that the System is financially sound and will be able to pay all promised benefits and achieve a well-funded status with a range of safety to absorb market volatility without creating an additional UAAL.

3) Benefit Enhancements

a) The Funding and Benefits Policy states: "Proposals must provide funding from sources sufficient to cover future costs. Unfunded liabilities created by the proposal must be amortized over a period of time appropriate to the retirement system, but not more than 30 years."

b) Analysis: Without supplemental funding, a benefit enhancement would increase the amortization period of the unfunded actuarial accrued liability and further delay the goal of achieving a well-funded status with a range of safety to absorb market volatility without extending the amortization period.



Section I: Summary of Results

Sensitivity to Future Experience

The valuation results are projections based on the actuarial assumptions. Actual experience will differ from these assumptions, either increasing or decreasing the ultimate cost. The following illustrations provide simple analyses on how the costs are sensitive to changes in the assumed rate of return.

Investment Return – The investment return generally has the largest impact on the funding of the System.

Impact of Assuming 1.00% Lower Investment Return	
	<u>Funded Ratio</u>
Current Assumption 7.75%	80.21%
Lower Assumption 6.75%	<u>73.03%</u>
Decrease	(7.18)%
	<u>Amortization Period Increase / (Decrease)</u>
Current Assumption 7.75%	7 Years
Lower Assumption 6.75%	<u>12 Years</u>
Increase	5 Years
Impact of Assuming 1.00% Higher Investment Return	
	<u>Funded Ratio</u>
Current Assumption 7.75%	80.21%
Higher Assumption 8.75%	<u>87.52%</u>
Increase	7.31%
	<u>Amortization Period Increase / (Decrease)</u>
Current Assumption 7.75%	7 Years
Increase Assumption 8.75%	<u>4 Years</u>
Decrease	(3) Years



Section I: Summary of Results

The future funding status of the System will be determined by the System's experience. The System's actual asset returns and retirement rates, as well as member longevity, salary increases, withdrawal rates, disability rates and future legislation will all impact the funding status of the System. The entry age normal cost method and four year smoothing of asset gains and losses will help to provide a more orderly funding of the System's liabilities, but will not change the actual experience. The amortization of the UAAL is not likely to remain level with each passing actuarial valuation. Instead, the amortization amount is expected to decrease slightly on average, reflecting gains and losses due to experience different than the actuarial assumptions.

Initial Valuation

This is the first actuarial valuation report prepared by Cavanaugh Macdonald Consulting (CMC) for VFCA. As part of our transition work, we replicated the June 30, 2015, actuarial valuation. Results were well within acceptable limits. Based on our experience, these differences are neither unusual nor significant.

Assumption Changes

There have been no assumption changes since the previous valuation.

Benefit Changes

There have been no benefit changes since the previous valuation.

Contribution Changes

There have been no contribution changes since the previous valuation.

Method Changes

There have been no method changes since the previous valuation.



Section I: Summary of Results

Impact of Changes

The following table summarizes how experience has changed the UAAL since the June 30, 2015 Actuarial Valuation. Further detail can be found in Table 10.

Changes in the Unfunded Actuarial Accrued Liability (UAAL)

June 30, 2015 Valuation UAAL	\$10,912,799
Normal Cost	217,001
Contributions	(2,036,297)
Interest	783,653
Expected June 30, 2016 UAAL	<u>\$9,877,156</u>
Experience Loss on Actuarial Liabilities	\$(988,908)
Experience Gain on Actuarial Assets	(180,025)
Assumption & Method Changes	0
Plan Changes	0
Total Gain	<u>\$(1,168,933)</u>
June 30, 2016 Valuation UAAL	<u>\$8,708,223</u>



Section I: Summary of Results

Summary

- * The System's actuarial value investment return of 8.30% for the year ended June 30, 2016, is 0.55% more than the actuarial assumption of 7.75%. This represents an asset gain of \$180,025 due to investment return more than anticipated. As of June 30, 2016, the market value of assets was \$33,883,273. As of June 30, 2016, the actuarial value of assets was \$35,301,843. The June 30, 2016 market value of assets will be recognized in future actuarial valuations unless it is offset by returns greater than the 7.75% assumption.

- * As of June 30, 2016, the amortization period of the UAAL is 7 years. Investment gains along with other actuarial gains account for the decrease in the amortization period. The System's actuarial value of assets unrecognized investment losses that will be recognized over the next 3 years. Absent of investment returns that exceed the assumed rate of return of 7.75% or other actuarial gains, the Systems unfunded actuarial accrued liability is anticipated to increase.

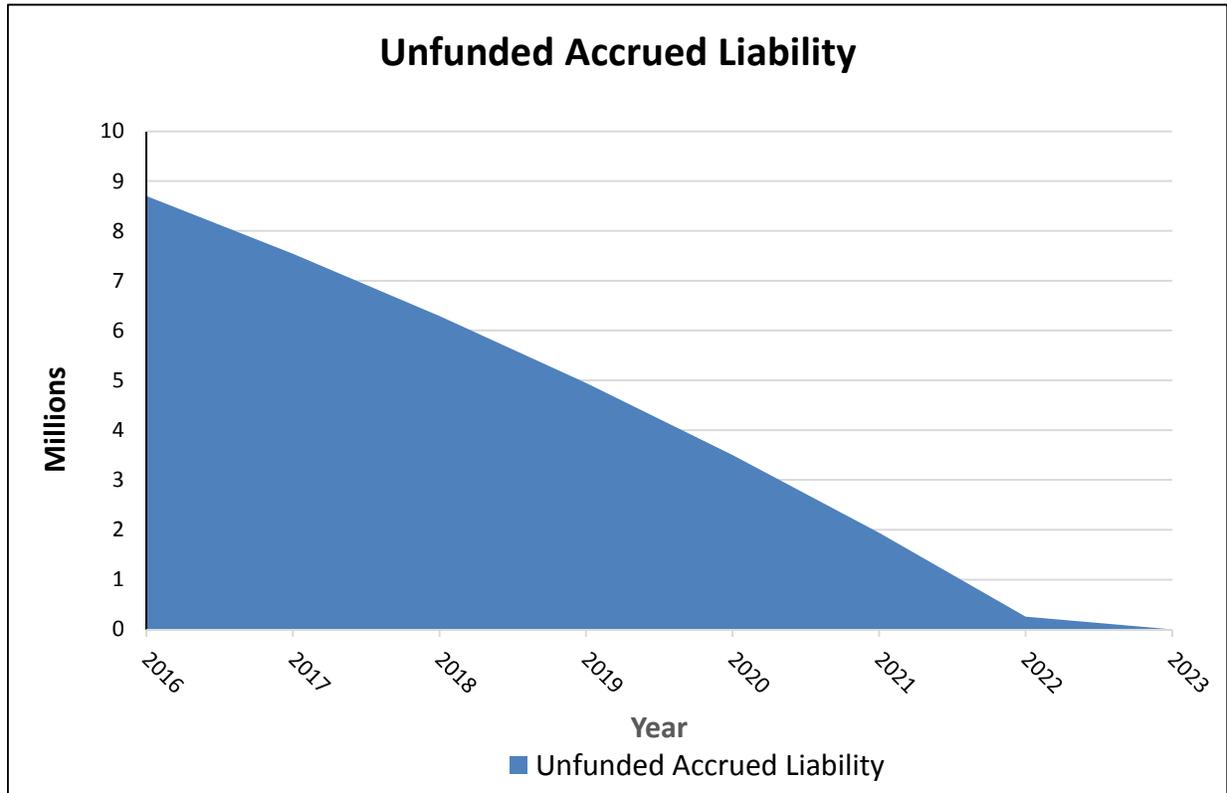
- * The funding of the retirement system will be impacted by future experience, which will sometimes be more favorable than the actuarial assumptions and sometimes less favorable. In particular, investment returns larger and smaller than the 7.75% assumption are expected to have significant impacts on the System's funding progress. In the long term, the favorable experience is needed to offset the less favorable experience. This is the reason for using an actuarial value of assets that allows gains and losses to be smoothed over four years.



Section I: Summary of Results

Projected Progress toward 100% Funding

The table below shows the projected progress toward reaching 100%. When the System is 100% funded, the Unfunded Actuarial Accrued Liability will be fully amortized. This is scheduled to occur within 7 years. The ultimate goal of the VFCA System is to become at least 100% funded and to establish a reserve equal to 10% of the Systems Actuarial Accrued Liability.





Section II: Assets

Assets

In many respects, an actuarial valuation can be regarded as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is June 30, 2016. On that date, the assets available for the payment of benefits are appraised. These assets are compared with the actuarial liabilities. The actuarial process thus leads to a method of determining what contributions by members and their employers are needed to strike a balance.

The asset valuation method being used is a four-year smoothing method. The expected return is determined each year based on the beginning of year market value and actual cash flows during the year. Any difference between the expected market value return and the actual market value return is recognized evenly over a period of four years.

Table 1 lists the assets held and their market value for the past two years. Table 2 summarizes the fund's activity during the past two years. Table 3 summarizes the determination of the actuarial value of assets. Table 4 summarizes historical asset returns for the last 10 years including the amount recognized by the actuarial asset valuation method which was greater or lesser than the actuarial investment return assumption. Table 5 summarizes the historical asset values on a market value and actuarial value basis, to the extent it was available. Additional data can be included in this table for future reports, if provided by the System.

**Section II: Assets**

**Table 1:
Statement of Fiduciary Net Assets
Fiscal Year Ended June 30,**

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and Short Term Investments	\$ 2,728,410	\$ 2,429,620
Securities Lending Collateral	\$ 894,541	\$ 1,232,279
Receivables:		
Interest Receivable	\$ 43,420	\$ 43,714
Accounts Receivable	300	668
Due from Other Funds	-	-
Due from Primary Government	-	-
Notes Receivable	-	-
Total Receivables	<u>\$ 43,720</u>	<u>\$ 44,382</u>
Investments, at fair value:		
Investment Pools	30,949,753	31,578,397
Other Investments	-	-
Total Investments	<u>\$ 30,949,753</u>	<u>\$ 31,578,397</u>
Capital Assets		
Property and Equipment, at cost, net of Accumulated Depreciation	\$ 432	\$ 969
Equipment	285,467	230,183
Total Capital Assets	<u>\$ 285,899</u>	<u>\$ 231,152</u>
TOTAL ASSETS	<u>\$ 34,902,323</u>	<u>\$ 35,515,830</u>
LIABILITIES		
Securities Lending Liability	\$ 894,541	\$ 1,232,279
Accounts Payable	9,046	84,685
Unearned Revenue	-	-
Due to Other Funds	89,419	78,992
Compensated Absences	18,194	9,925
OPEB Implicit Rate Subsidy LT	7,850	6,131
TOTAL LIABILITIES	<u>\$ 1,019,050</u>	<u>\$ 1,412,012</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 33,883,273</u>	<u>\$ 34,103,818</u>

**Section II: Assets**

**Table 2:
Statement of Changes in Fiduciary Net Assets
Fiscal Year Ended June 30,**

	<u>2016</u>	<u>2015</u>
ADDITIONS		
Contributions:		
Employer	\$ -	\$ -
Plan Member	-	-
Other	2,036,297	1,913,482
Total Contributions	<u>\$ 2,036,297</u>	<u>\$ 1,913,482</u>
Misc Income	\$ -	\$ -
Investment Income:		
Net Appreciation/(Depreciation) in Fair Value of Investments	\$ (882,801)	\$ 293,164
Investment Earnings	1,695,787	1,363,513
Security Lending Income	9,466	8,026
Investment Income/(Loss)	<u>\$ 822,452</u>	<u>\$ 1,664,703</u>
Investment Expense	(197,123)	(183,297)
Security Lending Expense	(2,998)	(1,452)
Net Investment Income/(Loss)	<u>\$ 622,331</u>	<u>\$ 1,479,954</u>
Total Additions	<u>\$ 2,658,628</u>	<u>\$ 3,393,436</u>
DEDUCTIONS		
Benefit Payments	\$ 2,623,011	\$ 2,368,553
Refunds/Distributions	-	-
Refunds to Other Plans	-	-
Transfers to DCRP	-	-
Transfers to MUS-RP	-	-
Supplemental Insurance Payments	12,150	10,800
OPEB Expense	2,286	1,549
Administrative Expense	241,726	180,790
Total Deductions	<u>\$ 2,879,173</u>	<u>\$ 2,561,692</u>
NET INCREASE (DECREASE) IN PLAN NET ASSETS	<u>\$ (220,545)</u>	<u>\$ 831,744</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS BEGINNING OF YEAR	<u>\$ 34,103,818</u>	<u>\$ 33,271,945</u>
ADJUSTMENT	-	\$ 129
END OF YEAR	<u><u>\$ 33,883,273</u></u>	<u><u>\$ 34,103,818</u></u>



Section II: Assets

**Table 3:
Determination of Actuarial Value of Assets**

Valuation Date June 30:	2015	2016	2017	2018	2019
A. Actuarial Value Beginning of Year	\$ 31,280,828	\$ 33,405,451			
B. Market Value End of Year	34,103,818	33,883,273			
C. Market Value of Beginning of Year	33,270,201	34,103,818			
D. Cash Flow					
D1. Contributions	1,913,482	2,036,297			
D2. Benefit Payments	(2,379,353)	(2,635,161)			
D3. Administrative Expenses	(180,466)	(241,726)			
D4. Investment Expenses	-	(200,121)			
D5. Net	\$ (646,337)	\$ (1,040,711)			
E. Investment Income					
E1. Market Total: B. - C. - D5.	\$ 1,479,954	\$ 820,166			
E2. Assumed Rate	7.75%	7.75%			
E3. Amount for Immediate Recognition C.*E2. + ((D1.+D2.+D3.)*E2.*0.5) - D4.	2,553,862	2,810,594			
E4. Amount for Phased-in Recognition E1. - E3.	(1,073,908)	(1,990,428)			
F. Excluded Gain/(Loss)					
F1. Current Year: 0.25 * E4.	\$ (268,477)	\$ (497,607)	\$ -	\$ -	\$ -
F2. First Prior Year	611,205	(268,477)	(497,607)	-	-
F3. Second Prior Year	281,389	611,205	(268,477)	(497,607)	-
F4. Third Prior Year	(407,019)	281,389	611,205	(268,477)	(497,607)
F5. Total Excluded Investment Gain/(Loss)	\$ 217,098	\$ 126,510	\$ (154,879)	\$ (766,084)	\$ (497,607)
G. Actuarial Value End of Year A. + D5. + E3. + F5.	\$ 33,405,451	\$ 35,301,843			



Section II: Assets

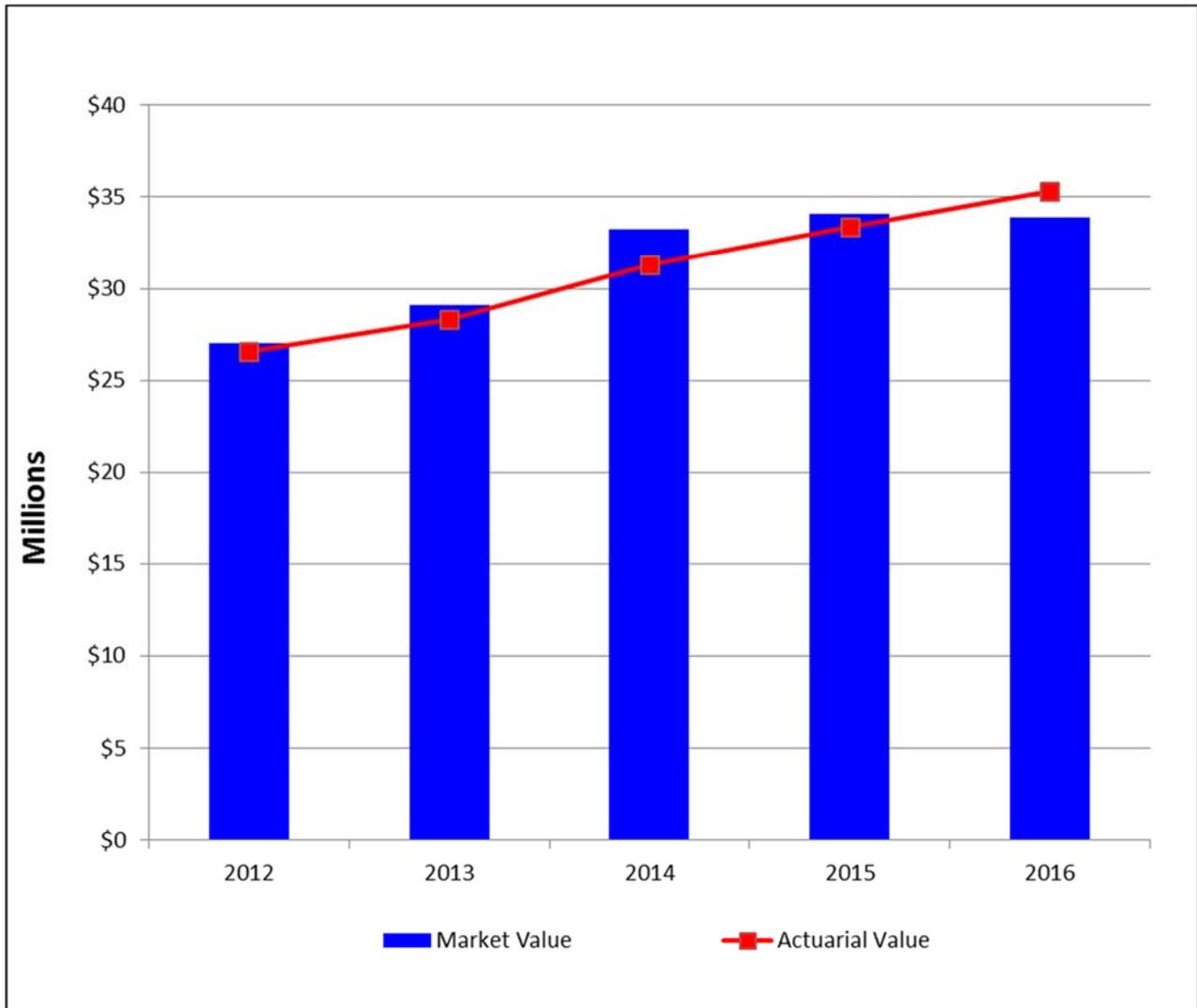
**Table 4:
Historical Investment Returns***

Fiscal Year Ending	Market Returns	Actuarial Returns	Assumed Rate of Return	Actuarial Return Over Assumption
June 30, 2007	17.52%	11.47%	8.00%	3.47%
June 30, 2008	(4.65)%	7.37%	8.00%	(0.63)%
June 30, 2009	(20.69)%	(0.37)%	8.00%	(8.37)%
June 30, 2010	12.30%	(1.30)%	7.75%	(9.05)%
June 30, 2011	20.98%	(0.14)%	7.75%	(7.89)%
June 30, 2012	1.67%	2.97%	7.75%	(4.78)%
June 30, 2013	12.01%	11.11%	7.75%	3.36%
June 30, 2014	16.23%	12.34%	7.75%	4.59%
June 30, 2015	4.49%	8.95%	7.75%	1.20%
June 30, 2016	1.84%	8.30%	7.75%	0.55%
10 Year Average	5.45%	5.95%		(1.89)%

* Returns reflect all investment returns, including investment income and realized and unrealized investment gains and losses, and are net of investment expenses and administrative expenses paid by the System.



**Table 5:
Market Value of Assets vs. Actuarial Value of Assets**





Section III: Actuarial Present Value of Future Benefits

Actuarial Present Value of Future Benefits

In the previous section, an actuarial valuation was related to an inventory process, and an analysis was given of the inventory of assets of the System as of the valuation date. In this section, the discussion will focus on the commitments of the System, which will be referred to as its actuarial liabilities.

Table 6 contains an analysis of the actuarial present value of all future benefits for active members, for retirees, and for beneficiaries. The analysis is given by type of benefit.

The actuarial liabilities summarized in Table 6 include the actuarial present value of all future benefits expected to be paid with respect to each member covered as of the valuation date. For an active member, this value includes a measure of both benefits already earned and future benefits to be earned. Thus, for all members, active and retired, the value extends over benefits earnable and payable for the rest of their lives and, if an optional benefit is chosen, for the lives of their surviving beneficiaries.

The actuarial valuation does not recognize liabilities for employees who become members and participate in the System after the valuation date.



Section III: Actuarial Present Value of Future Benefits

**Table 6:
Actuarial Present Value of Future Benefits for Actives,
Retirees, and Beneficiaries**

	<u>June 30, 2016</u> <u>Total</u>	<u>June 30, 2015</u> <u>Total</u>
A. Active Members Liability Due to Probability of		
Retirements	\$ 9,513,981	\$ 9,957,121
Disabilities	\$ -	\$ -
In-Service Deaths	\$ 109,816	\$ 116,135
Terminations	\$ 3,412,413	\$ 3,656,383
Total	\$ 13,036,210	\$ 13,729,639
B. Inactive Members and Annuitants		
Service Retirement	\$ 22,873,506	\$ 22,131,782
Disability Retirement	\$ -	\$ -
Beneficiaries*	\$ 10,696	\$ 29,528
Vested Terminated Members	\$ 8,968,239	\$ 9,358,870
Total	\$ 31,852,441	\$ 31,520,180
C. Grand Total	\$ 44,888,651	\$ 45,249,819

*Includes survivors of retired and active members.



Section IV: Employer Contributions

Employer Contributions

In the previous two sections, attention has been focused on the assets and the present value of all future benefits of the System. A comparison of Tables 3 and 6 indicates that there is a shortfall in current actuarial assets to meet the present value of all future benefits for current members and beneficiaries.

In an active system, there will always be a difference between the assets and the present value of all future benefits. An actuarial valuation sets a schedule of future contributions that will deal with this funding in an orderly fashion.

The method used to determine the incidence of the contributions in various years is called the actuarial cost method. For this valuation, the entry age actuarial cost method has been used. A description of the entry age actuarial cost method is provided in Appendix A. Under this method, or essentially any actuarial cost method, the contributions required to meet the difference between current assets and the present value of all future benefits are allocated each year between three elements:

- A normal cost amount, which ideally is relatively stable as a percentage of salary over the years;
- A load for administrative expenses; and
- An amount which is used to amortize the UAAL.

The two items described above, normal cost and UAAL, are the keys to understanding the actuarial cost method. Let us first discuss the normal cost.

The normal cost is the theoretical contribution rate, which will meet the ongoing costs of a group of average new employees. Suppose that a group of new employees were covered under a separate fund from which all benefits and to which all contributions and associated investment return were to be paid. Under the entry age actuarial cost method, the normal cost contribution rate is that level percentage of pay which would be exactly right to maintain this fund on a stable basis. If experience were to follow the actuarial assumptions exactly, the fund would be completely liquidated with the last payment to the last survivor of the group.

The assumed investment rate of return is 7.75%, net of investment expenses only. As a result, the actuarially determined contribution must include an amount for administrative expenses expected to occur during the year.

We have determined the normal cost rates separately by type of benefit under the System. These are summarized in Table 7. In Table 7 we also provide a summary of the member and employer statutory contributions.

The term "fully funded" is often applied to a system where contributions for everyone at the normal cost rate will fully pay for the benefits of existing as well as new employees. Often, systems are not fully funded, either because of benefit improvements in the past that have not been completely paid for or actuarial deficiencies that have occurred because experience has not been as anticipated. Under these circumstances, a UAAL exists.



Section IV: Employer Contributions

Table 8 shows how the UAAL was derived for the System. Lines A and B show, respectively, the total present value of future benefits and the portion of the future liability that is expected to be paid from future normal cost contributions, both employer and employee. The future normal cost contributions are the portion of the present value of future benefits that are attributed to future years of service that have not been earned yet by the active membership. Line C shows the actuarial accrued liability. Line D shows the amount of assets available for benefits. Line E shows the UAAL.

The UAAL at any date after establishment of a system is affected by any actuarial gains or losses arising when the actual experience of the system varies from the experience anticipated by the actuarial assumptions used in the valuations. To the extent actual experience as it develops differs from the assumptions used, so also will the actual emerging costs differ from the estimated costs. The impact of these differences in actual experience from the assumptions is included in Section 1, the Summary of Findings.



Section IV: Employer Contributions

**Table 7:
Normal Cost Contribution Amounts**

	<u>June 30, 2016</u> Total	<u>June 30, 2015</u> Total
Service retirements	\$ 109,338	\$ 115,517
Disability retirements	-	-
In Service Death	5,995	6,334
Termination benefits	<u>90,060</u>	<u>95,150</u>
Total Normal Cost	<u>\$ 205,393</u>	<u>\$ 217,001</u>
Administrative Expense Load	\$ 65,978	\$ 63,440
Amount Available to Amortized the Unfunded Actuarial Accrued Liability	<u>\$ 1,764,926</u>	<u>\$ 1,633,041</u>
Statutory Funding Rate	\$ 2,036,297	\$ 1,913,482



Section IV: Employer Contributions

**Table 8:
Unfunded Actuarial Accrued Liability**

	June 30, 2016	June 30, 2015
A. Actuarial present value of all future benefits for present members, retirees and their survivors (Table 6)	\$ 44,888,651	\$ 45,249,819
B. Less actuarial present value of total future normal costs for present members	<u>878,585</u>	<u>931,569</u>
C. Actuarial accrued liability	\$ 44,010,066	\$ 44,318,250
D. Less assets available for benefits	<u>\$ 35,301,843</u>	<u>\$ 33,405,451</u>
E. Unfunded actuarial accrued liability	\$ 8,708,223	\$ 10,912,799



Cash Flows

The fundamental equation for funding a retirement system is that benefits and administrative expenses must be provided for by contributions (past and future) and investment income. When a retirement system matures, benefits and administrative expenses often exceed contributions. In this case we say the system has a “negative cash flow.” Mature systems are characterized by negative cash flows and large pools of assets. This is natural. Actuarial funding is designed to accumulate large pools of assets which will in turn provide investment income and finance negative cash flows when systems mature. If the fund is looked at as a whole, investment income is usually larger than the difference between contributions and benefit payments. The retirement system’s investment strategy should maximize potential returns at a prudent level of risk while providing for needed cash flows.

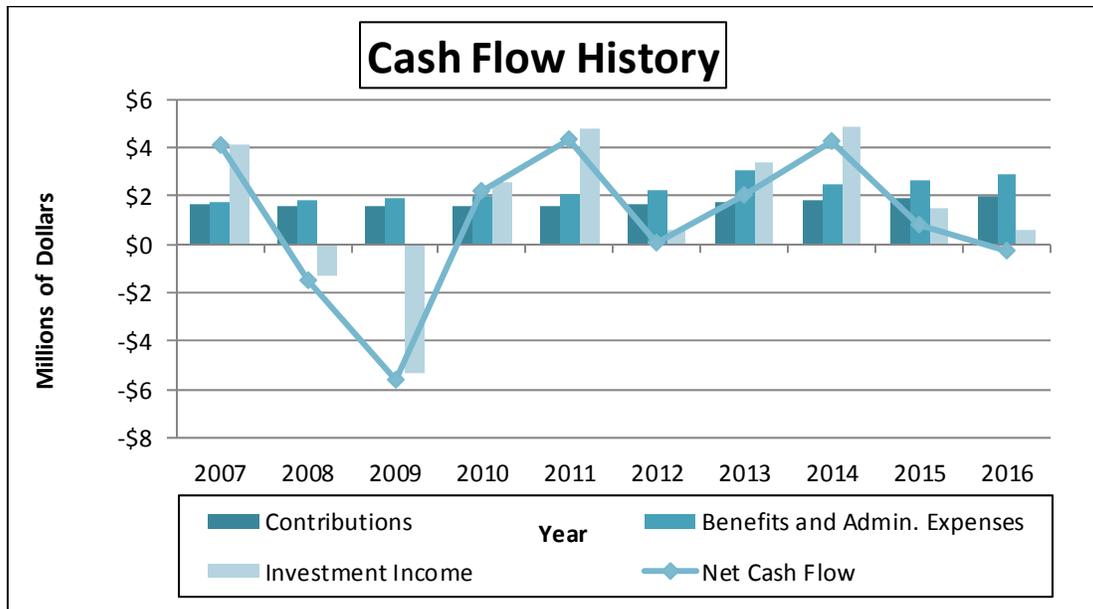
Table 9 shows the System had a negative cash flow for the year ended June 30, 2016. The System’s total cash flow including benefits payments, administrative expenses and investment earnings was \$(0.3) million. Of the \$(0.3) million, \$0.6 million was due to investment returns.

If the System had a positive cash flow, there would be no need to plan where the funds would come from to pay benefits since benefits could be paid by incoming contributions. A negative cash flow, as defined above, requires planning what funds will be used to pay the difference between benefits and contributions.



Section V: Cash Flows

**Table 9:
Cash Flow History
(Dollar amounts in millions)**



Year Ended June 30	Historical Cash Flows			
	Contributions	Benefits & Administrative Expenses	Investment Income	Net Cash Flow
2007	\$ 1.7	\$ 1.7	\$ 4.1	\$ 4.1
2008	1.6	1.8	(1.3)	(1.5)
2009	1.6	1.9	(5.3)	(5.6)
2010	1.6	1.9	2.6	2.2
2011	1.6	2.0	4.8	4.4
2012	1.6	2.2	0.6	0.0
2013	1.7	3.0	3.4	2.1
2014	1.8	2.4	4.8	4.2
2015	1.9	2.6	1.5	0.8
2016	2.0	2.9	0.6	(0.3)



Section VI: Actuarial Gains of Losses

Actuarial Gains or Losses

An analysis of actuarial gains or losses is performed in conjunction with all regularly scheduled valuations.

The results of our analysis of the financial experience of the System in the three most recent regular actuarial valuations are presented in Table 10. Each gain or loss shown represents our estimate of how much the given type of experience caused the Unfunded Actuarial Accrued Liability or Funding Reserve to change in the period since the previous actuarial valuation.

Gains and losses shown due to demographic sources are approximate. Demographic experience is analyzed in greater detail in our periodic experience studies.

Non-recurring gains and losses result from changes in the actuarial assumptions and benefit improvements.



Section VI: Actuarial Gains of Losses

**Table 10:
Analysis of Actuarial (Gains) or Losses***

	UAAL (Gain)/Loss		
	June 30, 2016	June 30, 2015	June 30, 2014
Investment Income			
Investment income was (greater) less than expected based on actuarial value of assets.	\$ (180,025)	\$ (371,274)	\$ (1,288,092)
Age & Service Retirements			
Members retired at (older) younger ages or with (less) greater final average pay than expected	\$ 179,501	\$ (106,093)	\$ (88,117)
Disability Retirements			
Disability claims were (less) greater than expected	\$ -	\$ -	\$ -
Death-in-Service Benefits			
Survivor claims were (less) greater than expected	\$ 16,699	\$ 23,947	\$ 24,397
Withdrawal From Employment			
(More) less reserves were released by withdrawals than expected	\$ (263,073)	\$ (126,923)	\$ (346,060)
Death After Retirement			
Retirees (died younger) lived longer than expected	\$ (383,381)	\$ 96,969	\$ 80,923
Data Adjustments and Benefit Payment Timing			
Service purchases, data corrections, etc.	\$ 466,357	\$ -	\$ -
Other			
Miscellaneous (gains) and losses	\$ (1,005,011)	\$ (16,058)	\$ (288,834)
Total (Gain) or Loss During Period From Financial Experience	\$ (1,168,933)	\$ (499,432)	\$ (1,905,783)
Non-Recurring Items.			
Changes in actuarial assumptions and methods	\$ -	\$ -	\$ -
Changes in benefits caused a (gain) loss	\$ -	\$ 5,798,824	\$ -
Composite (Gain) Loss During Period	\$ (1,168,933)	\$ 5,299,392	\$ (1,905,783)

* Effects related to gains are shown in parentheses. Numerical results are expressed as a (decrease) increase in the Unfunded Actuarial Accrued Liability (UAAL). Gains decrease the UAAL and losses increase the UAAL.



Appendix A: Actuarial Procedures and Methods

The actuarial assumptions (other than the administrative expense rate) were adopted by the Board based upon the results of an actuarial experience study covering the period July 1, 2003, through June 30, 2009.

Tables B-2 through B-4 give rates of decrement for service retirement, disablement, mortality, and other terminations of employment.

Actuarial Cost Method

The actuarial valuation was prepared using the entry age actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit. The portion of this actuarial present value allocated to a valuation year is called the normal cost. The normal cost was first calculated for each individual member. The normal cost rate is defined to equal the total of the individual normal costs, divided by the total pay rate.

The portion of this actuarial present value not provided for at a valuation date by the sum of (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the UAAL. The UAAL is amortized as a level percentage of the projected salaries of present and future members of the System.

Records and Data

The data used in the valuation consist of financial information; records of age, sex, service, salary, contribution rates, and account balances of contributing members; and records of age, sex, and amount of benefit for retired members and beneficiaries. All of the data were supplied by the System and are accepted for valuation purposes without audit.

Replacement of Terminated Members

The ages at entry and distribution by sex of future members are assumed to average the same as those of the present members they replace. If the number of active members should increase, it is further assumed that the average entry age of the larger group will be the same, from an actuarial standpoint, as that of the present group. Under these assumptions, the normal cost rates for active members will not vary with the termination of present members.

Administrative and Investment Expenses

The investment expenses of the System are assumed to be funded by investment earnings in excess of 7.75% per year.

The administrative expenses rate is based upon actual recurring administrative expenses during the period July 1, 2008, through June 30, 2013. Administrative expenses are assumed to equal \$61,000 in fiscal year end 2014, increased by salary inflation (4.00%) thereafter. (\$65,978 in Fiscal Year end 2016).



Appendix A: Actuarial Procedures and Methods

Valuation of Assets

The actuarial asset valuation method spreads asset gains and losses over four years. The expected return is determined each year based on the beginning of year market value and actual cash flows during the year. Any difference between the expected market value return and the actual market value return is recognized evenly over a period of four years.

Investment Earnings

The annual rate of investment earnings of the assets of the System is assumed to be 7.75% per year net of investment expenses, compounded annually.

Service Retirement

Table B-2 shows the annual assumed rates of retirement for actives members meeting the service retirement eligibilities.

Disablement

There are no rates of disablement used in this valuation.

Mortality

The mortality rates used in this valuation are illustrated in Table B-3. A written description of each table used is included in Table B-1.

There is sufficient margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

Other Terminations of Employment

The rates of assumed future withdrawal from active service for reasons other than death, disability or retirement are shown for representative ages in Table B-4.

Probability of Marriage and Dependent Children

If death occurs in active status, all members are assumed to have an eligible spouse with no dependent children. Female spouses are assumed to be three years younger than males.



Table B-1

Summary of Valuation Assumptions

I. Economic assumptions	
A. Investment return	7.75%
B. Price Inflation Assumption	3.00%
C. Growth in membership	0.00%
D. Administrative Expenses	\$65,978
II. Demographic assumptions	
A. Retirement	Table B-2
B. Mortality among contributing members, service retired members, and beneficiaries. The tables include margins for mortality improvement which is expected to occur in the future. For Males and Females: RP 2000 Combined Mortality Table projected to 2015 using Scale AA.	Table B-3
C. Mortality among disabled members For Males and Females: RP 2000 Combined Mortality Table.	Table B-3
D. Other terminations of employment	Table B-4



Appendix B: Summary of Valuation Assumptions

Table B-2
Retirement
Annual Rates

<u>Age</u>	<u>10 to 19 Years of Service</u>	<u>20 or More Years of Service</u>
Less than 55	0.0%	0.0%
55	0.0	40.0
56	0.0	40.0
57	0.0	40.0
58	0.0	40.0
59	0.0	40.0
60	20.0	40.0
61	20.0	40.0
62	20.0	40.0
63	20.0	40.0
64	20.0	40.0
65	20.0	40.0
66	20.0	40.0
67	20.0	40.0
68	20.0	40.0
69	20.0	40.0
70 & Over	100.0	100.0

Vested terminations are assumed to retire at their earliest unreduced eligibility.



Appendix B: Summary of Valuation Assumptions

Table B-3
Mortality
Annual Rates

Age	Active Members, Service Retired Members and Beneficiaries		Disabled Members	
	Men	Women	Men	Women
25	0.0323%	0.0168%	0.0376%	0.0207%
30	0.0412	0.0227	0.0444	0.0264
35	0.0717	0.0402	0.0773	0.0475
40	0.0957	0.0563	0.1079	0.0706
45	0.1239	0.0882	0.1508	0.1124
50	0.1628	0.1296	0.2138	0.1676
55	0.2718	0.2409	0.3624	0.2717
60	0.5297	0.4689	0.6747	0.5055
65	1.0309	0.9003	1.2737	0.9706
70	1.7702	1.5529	2.2206	1.6742
75	3.0622	2.4916	3.7834	2.8106
80	5.5360	4.1291	6.4368	4.5879
85	9.9680	7.0761	11.0757	7.7446
90	17.2706	12.5879	18.3408	13.1682
95	25.9578	18.8755	26.7491	19.4509



Appendix B: Summary of Valuation Assumptions

Table B-4

**Other Terminations of Employment
Among Members Not Eligible to Retire
Annual Rates**

Years of Service	All Members
0	20.0%
1	20.0
2	20.0
3	20.0
4	15.0
5	15.00
6	15.00
7	15.00
8	15.00
9	15.00
10 & Over	10.00

Family Composition

Female spouses are assumed to be three years younger than males. 100% of active members are assumed married. Actual marital characteristics are used for pensioners.

Vested Benefits for Termination Members

Vested benefits for members who terminated during years ending June 30, 2009 and later were estimated based upon compensation and service information in the census data. For members who terminated prior to June 30, 2008, vested benefits valued were the same as had been calculated by the prior actuary for the June 30, 2008 actuarial valuation.



Appendix C: Summary of Benefit Provisions

Type of Plan	<ul style="list-style-type: none">• State-wide retirement and disability plan.
Membership eligibility	<ul style="list-style-type: none">• Unpaid volunteer firefighters serving with qualified volunteer fire companies in unincorporated areas throughout the state.
Member contributions	<ul style="list-style-type: none">• No member contributions
State contributions	<ul style="list-style-type: none">• 5.00% of certain fire insurance premium taxes collected and passed through the general fund.
Credit for service	<ul style="list-style-type: none">• To receive a year of credit for service, a volunteer firefighter must:• Serve with a single fire company for an entire fiscal year, and• Receive a minimum of 30 hours of training.• Fractional years are not credited.
Normal retirement eligibility and benefit formula	<ul style="list-style-type: none">• Age 55, with 20 years of credit for service, or• Age 60 with 10 years of credit for service• \$8.75 per month x year of credit for service up to 20 years• \$7.50 per month x year of credit for service after 20 years <p>For VFCA members retiring prior to July 1, 2011, maximum credited service is 30 years.</p> <p>VFCA members retiring on or after July 1, 2011, will receive \$7.50 per month for each additional year of credited service after 30 years in each year that the trust is actuarially sound and the amortization period is 20 years of less; otherwise benefits for the year will only be paid on credited service up to 30 years.</p>
Duty-related disability retirement eligibility and benefit formula	<ul style="list-style-type: none">• Any current member on a fire company's roster• The greater of:<ol style="list-style-type: none">a. \$8.75 per month x 10 years of credit for service, orb. (\$8.75 per month x year of credit for service up to 20 years) + (\$7.50 per month x year of credit for service after 20 years up to 30 years of credit for service)
Survivor's eligibility and benefit formula	<ul style="list-style-type: none">• 10 years of credit for service or a retired member.• A monthly survivor benefit to the surviving spouse (or equally to dependent children if there is no surviving spouse or after a surviving spouse dies, for as long as they remain dependent children) equal to the full benefit otherwise payable to the member.• Survivor benefits terminate when benefits have been paid for a total of 40 months, including any benefits paid to the retired member prior to death.



Appendix C: Summary of Benefit Provisions

Changes since
last valuation

None



Appendix D: Valuation Data

Valuation Data

This chart is presented for informational purposes only. The counts shown in the valuation line were used for preparation of the liabilities disclosed within this report. The counts disclosed for the Annual Financial Report and the Summary of Results (page 1) match the CAFR at the request of the Board. The differences between counts, if any, have no material effect upon the liability calculation.

	<u>Active</u>	<u>Disabled</u>	<u>Retirees and Beneficiaries</u>	<u>Terminated Vested Members</u>	<u>Total</u>
Participant Counts Used for Valuation	1,895	1	1,424	878	4,198
Disabled Members having attained normal retirement age					0
Beneficiaries of Disabled Members					0
Beneficiaries with less than one year of certain payments remaining					0
Other Adjustments					0
Participant Counts shown in the Annual Financial Report	1,895	1	1,424	878	4,198



Appendix D: Valuation Data

This valuation is based upon the membership of the System as of June 30, 2016. Membership data were supplied by the System and accepted for valuation purposes without audit. However, tests were performed to ensure that the data are sufficiently accurate for valuation purposes.

<u>Active Members</u>	<u>Number</u>
Full-Time Members	1,895

Table D-1 contains summaries of the data for active members. For full-time members, values shown in the tables are the numbers of members and their service.

Table D-2 presents distributions of the following:

- Members receiving service retirement benefits.
- Members receiving disability retirement benefits.
- Survivors of deceased retired members receiving benefits.
- Survivors of deceased active members.
- Terminated vested members.

Table D-3 is a reconciliation of membership data from June 30, 2015 to June 30, 2016.



Appendix D: Valuation Data

The following is a summary of retired members and beneficiaries currently receiving benefits. The chart reflects the counts and benefits used for valuation purposes as a result of data processing. Please refer to the chart on page 33 for an explanation of the number of annuitants used for valuation purposes.

Type of Annuitant	Number	Annual Benefits	Average Annual Benefits
Service Retirement	1,421	\$ 2,823,915	\$ 1,987
Survivors of Deceased Retired Members	1	2,430	2,430
Survivors of Deceased Active Members	2	3,420	1,710
Total Retirees and Beneficiaries	1,424	\$ 2,829,765	\$ 1,987
Disability Retirement	1	1,050	1,050
Total Annuitants	1,425	\$ 2,830,815	\$ 1,987

Vested Terminated Members 878



Appendix D: Valuation Data

Table D-1:
Active Members Distribution of
Full-Time Employees
as of June 30, 2016

Number of Employees

Table with columns: Age, Completed Years of Service (0, 1, 2, 3 to 4, 5 to 9, 10 to 14, 15 to 19, 20 to 24, 25 to 29, 30 to 34, 35 to 39, 40+), and Totals. Rows represent age groups from <25 to 70 and up.



**Table D-2:
Distribution of Inactive Lives**

Members Receiving Service Retirement Benefits as of June 30, 2016

<u>Age</u>	<u>Number of Persons</u>	<u>Annual Benefits</u>	<u>Average Annual Benefits</u>
<50	-	\$ -	\$ -
50 to 54	-	-	-
55 to 59	89	219,615	2,468
60 to 64	259	547,425	2,114
65 to 69	350	686,430	1,961
70 to 74	267	506,670	1,898
75 to 79	214	409,680	1,914
80 to 84	140	265,890	1,899
85 to 89	70	131,400	1,877
90 and up	32	56,805	1,775
Totals	1,421	\$ 2,823,915	\$ 1,987

Members Receiving Disability Retirement Benefits as of June 30, 2016

<u>Age</u>	<u>Number of Persons</u>	<u>Annual Benefits</u>	<u>Average Annual Benefits</u>
<50	-	\$ -	\$ -
50 to 54	-	-	-
55 to 59	-	-	-
60 to 64	-	-	-
65 to 69	1	1,050	1,050
70 to 74	-	-	-
75 to 79	-	-	-
80 to 84	-	-	-
85 to 89	-	-	-
90 and up	-	-	-
Totals	1	\$ 1,050	\$ 1,050



**Table D-2:
Distribution of Inactive Lives**

Survivors of Deceased Retired Members as of June 30, 2016

<u>Age</u>	<u>Number of Persons</u>	<u>Annual Benefits</u>	<u>Average Annual Benefits</u>
<50	-	\$ -	\$ -
50 to 54	-	-	-
55 to 59	-	-	-
60 to 64	-	-	-
65 to 69	-	-	-
70 to 74	1	2,430	2,430
75 to 79	-	-	-
80 to 84	-	-	-
85 to 89	-	-	-
90 and up	-	-	-
Totals	1	\$ 2,430	\$ 2,430

Survivors of Deceased Active Members as of June 30, 2016

<u>Age</u>	<u>Number of Persons</u>	<u>Annual Benefits</u>	<u>Average Annual Benefits</u>
<50	-	\$ -	\$ -
50 to 54	2	3,420	1,710
55 to 59	-	-	-
60 to 64	-	-	-
65 to 69	-	-	-
70 to 74	-	-	-
75 to 79	-	-	-
80 to 84	-	-	-
85 to 89	-	-	-
90 and up	-	-	-
Totals	2	\$ 3,420	\$ 1,710



**Table D-2:
Distribution of Inactive Lives**

**Terminated Vested Members as of June 30, 2016
Number of Persons**

<u>Age</u>	<u>Number</u>
<25	
25 to 29	
30 to 34	2
35 to 39	65
40 to 44	48
45 to 49	94
50 to 54	150
55 to 59	185
60 to 64	136
65 to 69	86
70 and above	<u>112</u>
Total	878



Appendix D: Valuation Data

**Table D-3:
Data Reconciliation**

The following table shows a reconciliation of the participants used in the previous valuation to this valuation. This chart reflects the counts used for valuation purposes as a result of data processing.

	Active Contributing Members	Terminated Vested Members	Service Retired Members	Disabled Members	Survivors and Beneficiaries
June 30, 2015 Valuation	1,977	905	1,365	-	6
Non-Vested Terminations	(322)	(29)			
Vested Terminations	(99)	109			-
Service Retirements	(49)	(39)	108	-	
Disability Retirements	(1)			1	
Deaths	(3)	(14)	(52)		(6)
New Entrants	350	-	-		3
Rehires	42	(40)			
Other	-	(14)	-	-	-
June 30, 2016 Valuation	1,895	878	1,421	1	3



Appendix E: Comparative Schedules

Comparative Schedules

This section contains tables that summarize the experience of the System shown in present and past valuation reports.

Table E-1 shows a summary of the active members covered as of the various valuation dates.

Table E-2 shows a summary of the retired and inactive members as of the various valuation dates.

Table E-3 summarizes the contribution amounts determined by each annual actuarial valuation.



**Table E-1:
Active Membership Data**

<u>Valuation Date (June 30)</u>	<u>Actives</u>	<u>Average Age</u>	<u>Average Years of Service</u>	<u>Average Hire Age</u>
2016	1,895	45.6	9.8	35.8
2015	1,977	46.0	9.8	36.2
2014	1,935			
2013	2,101			
2012	2,106			



Appendix E: Comparative Schedules

**Table E-2:
Members in Receipt of Annuities and Inactive Membership Data**

Valuation Date (June 30)	Number	All Annuitants					Terminated Members	
		Annual Benefits in Thousands	Average Annual Benefit	Average Current Age	Average Age at Retirement	Average Service at Retirement	Number Vested Terminated	Number Non-Vested Terminated
2016	1,425	2,831	1,987	71.0	59.8	19.0	878	
2015	1,371	2,377	1,734	70.9	59.7	18.7	905	
2014	1,332	2,314	1,737				939	
2013	1,285	2,235	1,739				884	
2012	1,242	2,118	1,705				879	



Appendix E: Comparative Schedules

**Table E-3:
Contribution Amounts**

Valuation Date (June 30)	Calculated Employer Contribution	Normal Cost Amount*	UAAL Amount**	Actual State Contribution***
2016	\$ 1,109,094	\$ 271,371	\$ 837,723	
2015	1,331,372	280,441	1,050,931	2,036,297
2014	890,358	245,657	644,701	1,913,482
2013	1,116,227	197,941	843,867	1,818,237
2012	1,125,222	199,294	879,482	1,711,321

* Includes administrative expenses starting with the 2014 Valuation Date

** The UAAL amount is the contribution available to amortize the UAAL. It is equal to the total contribution, minus the normal cost.

*** The actual contribution amount is for the FYE on the June 30 following the valuation date



Appendix G: Financial Statement Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of June 30, 2016. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Open
Remaining amortization period	20 Years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.75%
General wage growth*	N/A
Merit salary increases	N/A
*Includes inflation	3.00%



Appendix G: Financial Statement Information

Gain and Loss in Accrued Liability During Years Ended June 30 Resulting from Differences Between Assumed Experience and Actual Experience						
Type of Activity	Gain or (Loss) for Year Ending June 30, (expressed in thousands)					
	2011	2012	2013	2014	2015	2016
Investment Income on Actuarial Value of Assets	\$(2,082)	\$(1,242)	\$ 872	\$1,288	\$ 371	\$ 180
Combined Liability Experience	354	(144)	(1,075)	618	128	989
(Loss)/Gain During Year from Financial Experience	\$(1,728)	\$(1,386)	\$ (203)	\$1,906	\$ 499	\$1,169
Non-Recurring Items	(151)	0	(983)	0	(5,799)	0
Composite Gain or (Loss) During Year	\$(1,879)	\$(1,386)	\$(1,186)	\$1,906	\$(5,300)	\$1,169

Schedule of Funding Progress (expressed in thousands)						
Valuation Date June 30,	Actuarial Value of Assets	Actuarial Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
2016	\$ 35,302	\$ 44,010	80%	\$ 8,708	N/A	N/A
2015	33,405	44,318	75%	10,913	N/A	N/A
2014	31,281	37,975	82%	6,694	N/A	N/A
2013	28,294	37,830	75%	9,536	N/A	N/A
2012	26,531	36,146	73%	9,615	N/A	N/A
2011	26,183	35,195	74%	9,012	N/A	N/A



Appendix G: Financial Statement Information

Solvency Test									
Aggregate Accrued Liabilities for (expressed in thousands)									
Valuation Date June 30,	Active Member Contributions (1)	Retirees & Beneficiaries (2)	Active Member Employer Financed Contributions (3)	Actuarial Value of Reported Assets	Portion of Accrued Liability Covered by Reported Assets				
					(1)	(2)	(3)		
2016	\$ -	\$ 22,884	\$ 21,126	\$ 35,302	N/A	100%	59%		
2015	-	22,161	22,157	33,405	N/A	100%	51%		
2014	-	18,888	19,087	31,281	N/A	100%	65%		
2013	-	18,612	19,218	28,294	N/A	100%	50%		
2012	-	17,465	18,681	26,531	N/A	100%	49%		
2011	-	16,483	18,712	26,183	N/A	100%	52%		



Appendix G: Glossary

The following definitions are largely excerpts from a list adopted in 1981 by the major actuarial organizations in the United States. In some cases the definitions have been modified for specific applicability to the Volunteer Firefighters' Compensation Act of the State of Montana. Defined terms are capitalized throughout this Appendix.

Accrued Benefit

The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.

Actuarial Accrued Liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.

Actuarial Assumptions

Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disablement, and retirement; changes in compensation, rates of investment earnings, and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.

Actuarial Cost Method

A procedure for determining the Actuarial Present Value of pension plan benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial Gains and Losses

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Actuarial Present Value

The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.

Actuarial Valuation

The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.

Actuarial Value of Assets

The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.

Actuarially Equivalent

Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Amortization Payment

That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.



Appendix G: Glossary

Entry Age Actuarial Cost Method

A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

Market Value of Assets

The fair value of cash, investments and other property belonging to a pension plan that could be acquired by exchanging them on the open market.

Normal Cost

That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Projected Benefits

Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.

Unaccrued Benefit

The excess of an individual's Projected Benefits over the Accrued Benefits as of a specified date.

Unfunded Actuarial Accrued Liability

The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.