

Section II: Assets

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

Valuation Date June 30:	2021	2022	2023	2024	2025
A. Actuarial Value Beginning of Year	\$ 41,716,780	\$ 45,130,521			
B. Market Value End of Year	49,641,458	47,086,152			
C. Market Value of Beginning of Year	39,908,236	49,641,458			
D. Cash Flow					
D1. Contributions	\$ 2,591,791	\$ 2,851,975			
D2. Benefit Payments	(3,129,345)	(3,109,995)			
D3. Administrative Expenses	(357,814)	(331,750)			
D4. Investment Expenses	(272,272)	(326,709)			
D5. Net	\$ (1,167,640)	\$ (916,479)			
E. Investment Income					
E1. Market Total: B. - C. - D5.	\$ 10,900,862	\$ (1,638,827)			
E2. Assumed Rate	7.65%	7.65%			
E3. Amount for Immediate Recognition C.*E2. + ((D1.+D2.+D3.)*E2.*0.5) - D4.	3,291,004	4,101,722			
E4. Amount for Phased-in Recognition E1. - E3.	7,609,858	(5,740,549)			
F. Excluded Gain/(Loss)					
F1. Current Year: 0.25 * E4.	\$ 1,902,465	\$ (1,435,137)	\$ -	\$ -	\$ -
F2. First Prior Year	(491,156)	1,902,465	(1,435,137)	-	-
F3. Second Prior Year	(214,145)	(491,156)	1,902,465	(1,435,137)	-
F4. Third Prior Year	93,213	(214,145)	(491,156)	1,902,465	(1,435,138)
F5. Total Excluded Investment Gain/(Loss)	\$ 1,290,377	\$ (237,973)	\$ (23,828)	\$ 467,328	\$ (1,435,138)
G. Actuarial Value End of Year A. + D5. + E3. + F5.	\$ 45,130,521	\$ 48,077,791			



Section II: Assets

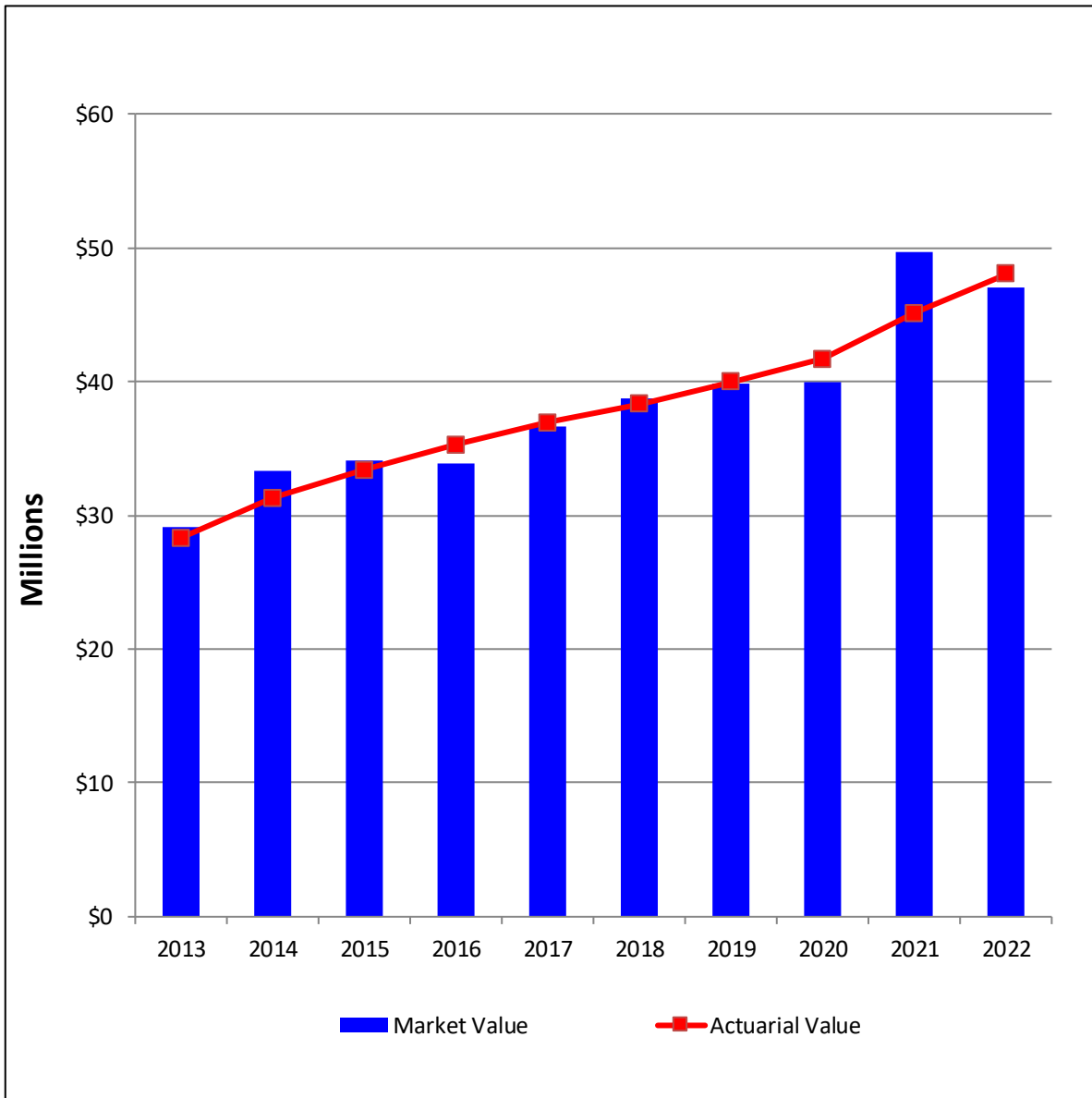
**Table 4:
Historical Investment Returns***

Fiscal Year Ending	Market Returns	Actuarial Returns	Actuarial Assumption	Actuarial Return Over Assumption
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%
June 30, 2017	11.51%	7.89%	7.75%	0.14%
June 30, 2018	8.68%	6.59%	7.65%	(1.06)%
June 30, 2019	5.41%	6.93%	7.65%	(0.72)%
June 30, 2020	2.66%	6.87%	7.65%	(0.78)%
June 30, 2021	26.93%	10.44%	7.65%	2.79%
June 30, 2022	(3.98)%	7.89%	7.65%	0.24%
10 Year Average	8.27%	8.71%		1.01%

* 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, 2022</u> <u>Total</u>	<u>June 30, 2021</u> <u>Total</u>
A. Active Members Liability Due to Probability of		
Retirements	\$ 22,226,896	\$ 7,083,176
Disabilities	-	-
In-Service Deaths	298,311	76,550
Terminations	<u>7,222,171</u>	<u>2,829,365</u>
Total	\$ 29,747,378	\$ 9,989,091
B. Inactive Members and Annuitants		
Service Retirement	\$ 25,023,391	\$ 25,808,259
Disability Retirement	8,698	8,427
Beneficiaries*	11,581	17,515
Vested Terminated Members	<u>-</u>	<u>9,616,060</u>
Total	<u>\$ 25,043,670</u>	<u>\$ 35,450,261</u>
C. Grand Total	\$ 54,791,048	\$ 45,439,352

*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. 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 two elements:

- A normal cost amount, which ideally is relatively stable as a percentage of salary over the years;
- 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 7.30%, net of administrative and investment expenses.

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.

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.



Section IV: Employer Contributions

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, 2022</u> <u>Total</u>	<u>Jun 30, 2021</u> <u>Total</u>
Service retirements	\$ 444,054	\$ 41,186
Disability retirements	-	-
In Service Death	57,907	5,317
Termination benefits	<u>195,696</u>	<u>42,997</u>
Total Normal Cost	<u>\$ 697,657</u>	<u>\$ 89,500</u>
Administrative Expense Load	\$ -	\$ 261,722
Amount Available to Amortize the Unfunded Actuarial Accrued Liability	<u>\$ 2,154,318</u>	<u>\$ 2,240,569</u>
Statutory Funding Rate	\$ 2,851,975	\$ 2,591,791



Section IV: Employer Contributions

**Table 8:
Unfunded Actuarial Accrued Liability**

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
A. Actuarial present value of all future benefits for present members and retirees and their survivors (Table 6)	\$ 54,791,048	\$ 45,439,352
B. Less actuarial present value of total future normal costs for present members	<u>2,186,675</u>	<u>301,675</u>
C. Actuarial accrued liability	\$ 52,604,373	\$ 45,137,677
D. Less assets available for benefits	<u>48,077,791</u>	<u>45,130,521</u>
E. Unfunded actuarial accrued liability	\$ 4,526,582	\$ 7,156



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.

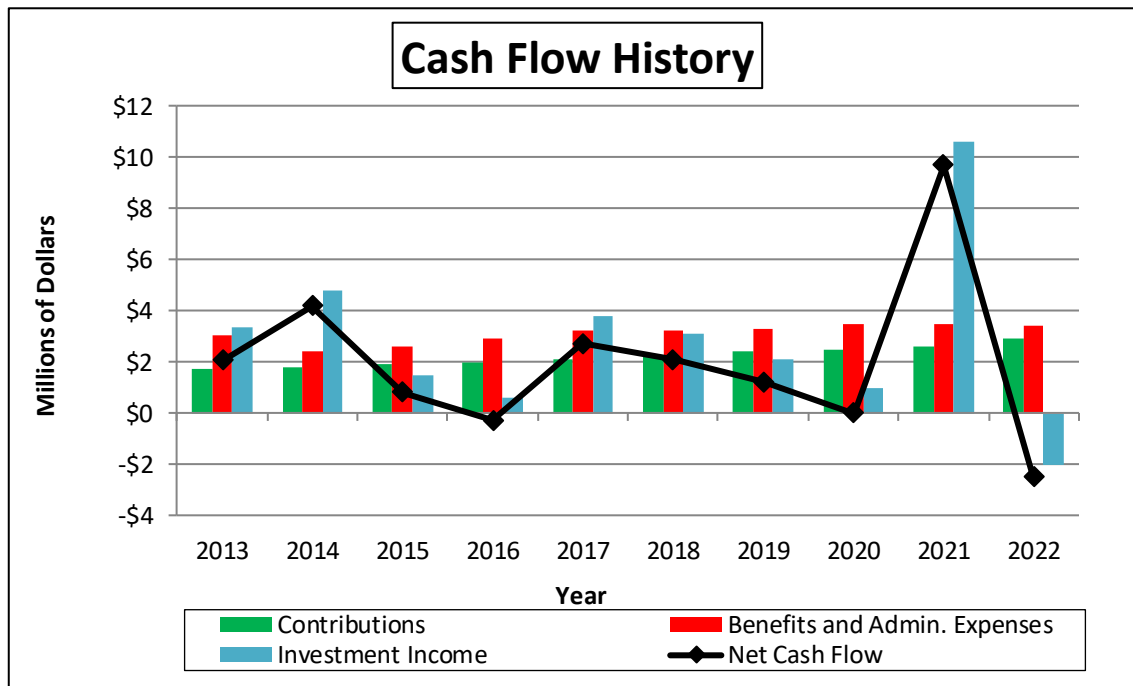
Table 9 shows the System had a positive cash flow for the year ended June 30, 2022. The System’s total cash flow including benefit payments, administrative expenses and investment earnings was \$(2.5) million. Of the \$(2.5) million, \$(2.0) million was due to investment returns.

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			
	Benefits & Administrative		Investment Income	Net Cash Flow
	Contributions	Expenses		
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)
2017	2.1	3.2	3.8	2.7
2018	2.2	3.2	3.1	2.1
2019	2.4	3.3	2.1	1.2
2020	2.5	3.5	1.0	0.0
2021	2.6	3.5	10.6	9.7
2022	2.9	3.4	(2.0)	(2.5)



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 developments of the gains or losses related to the actuarial liability and the assets are shown in Table 10. The results of our analysis of the financial experience of the System in the three most recent regular actuarial valuations are presented in Table 11. 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***

A. ACTUARIAL ACCRUED LIABILITY (GAIN) / LOSS ANALYSIS	
1. Actual Actuarial Accrued Liability as of June 30, 2021:	\$ 45,137,677
2. Normal Cost for this Plan Year (Including Expenses):	421,250
3. Interest on items 1 and 2 [(1+2) x 7.65%]:	3,485,258
4. Benefit Payments for this Plan Year (Including Expenses):	(3,441,745)
5. Interest on item [4 x 7.65% x .5]:	<u>(131,647)</u>
6. Expected Actuarial Accrued Liability as of June 30, 2022:	\$ 45,470,793
7. Changes due to:	
a. Assumption Changes:	7,780,259
b. Plan Amendments:	-
c. Funding Method:	-
d. Actuarial (Gain) / Loss:	<u>\$ (646,679)</u>
8. Actual Actuarial Accrued Liability as of June 30, 2022:	\$ 52,604,373
9. Items Affecting Calculation of Unfunded Accrued Actuarial Liability:	
a. Benefit provisions reflected in the unfunded accrued liability (see Appendix C)	
b. Actuarial assumptions and methods used to determine actuarial accrued liability (see Appendix B)	
B. ASSET (GAIN) / LOSS ANALYSIS	
1. Actuarial Value of Assets as of June 30, 2021:	\$ 45,130,521
2. Interest on item [1 x 7.65%]:	3,452,485
3. Contributions for this Plan Year:	2,851,975
4. Interest on item [3. x 7.65% x .5]:	109,088
5. Benefit Payments for this Plan Year (Including Expenses):	(3,441,745)
6. Interest on item [5. x 7.65% x .5]:	<u>(131,647)</u>
7. Expected Actuarial Value of Assets as of June 30, 2022:	\$ 47,970,677
8. Actuarial Value of Assets as of June 30, 2022:	\$ 48,077,791
9. (Gain) / Loss:	<u>\$ (107,114)</u>
C. UNFUNDED ACTUARIAL ACCRUED LIABILITY (GAIN) / LOSS ANALYSIS	
1. Actual Unfunded Actuarial Accrued Liability as of June 30, 2021:	\$ 7,156
2. Normal Cost for this Plan Year (Including Expenses):	421,250
3. Contributions for this Plan Year:	(2,851,975)
4. Interest on items 1 - 3: [(1+2) x 7.65% + (3 x 7.65% x .5)]:	<u>(76,315)</u>
5. Expected Unfunded Actuarial Accrued Liability as of June 30, 2022:	\$ (2,499,884)
6. Changes due to:	
a. Assumption Changes:	7,780,259
b. Plan Amendments:	-
c. Funding Method:	-
d. Actuarial (Gain) / Loss:	<u>\$ (753,793)</u>
7. Actual Unfunded Actuarial Accrued Liability as of June 30, 2022:	\$ 4,526,582

* 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.



Section VI: Actuarial Gains of Losses

**Table 11:
Historical Actuarial (Gains) or Losses***

	UAAL (Gain)/Loss		
	June 30, 2022	June 30, 2021	June 30, 2020
Investment Income			
Investment income was (greater) less than expected based on actuarial value of assets.	\$ (107,114)	\$ (1,152,023)	\$ 309,856
Age & Service Retirements			
Members retired at (older) younger ages or with (less) greater final average pay than expected	203,280	(617,419)	(686,547)
Disability Retirements			
Disability claims were (less) greater than expected	-	-	-
Death-in-Service Benefits			
Survivor claims were (less) greater than expected	21,651	12,575	28,847
Withdrawal From Employment			
(More) less reserves were released by withdrawals than expected	626,613	(1,710,535)	419,212
Death After Retirement			
Retirees (died younger) lived longer than expected	(299,755)	(236,277)	(16,951)
Data Adjustments and Benefit Payment Timing			
Service purchases, data corrections, etc.	(608,148)	(716,309)	397,917
Other			
Miscellaneous (gains) and losses	(590,320)	(8,848)	(15,843)
Total (Gain) or Loss During Period From Financial Experience	\$ (753,793)	\$ (4,428,836)	\$ 436,491
Non-Recurring Items.			
Changes in actuarial assumptions and methods	7,780,259	-	-
Changes in benefits caused a (gain) loss	-	-	-
Composite (Gain) Loss During Period	\$ 7,026,466	\$ (4,428,836)	\$ 436,491

* 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.



Section VII: Risk Considerations

A typical retirement plan faces many different risks, but the greatest risk is the inability to make benefit payments when due. If plan assets are depleted, benefits may not be paid which could create legal and litigation risk or the plan could become “pay as you go”. The term “risk” is most commonly associated with an outcome with undesirable results. However, in the actuarial world, risk can be translated as uncertainty. The actuarial valuation process uses many actuarial assumptions to project how future contributions and investment returns will meet the cash flow needs for future benefit payments. Of course, we know that actual experience will not unfold exactly as anticipated by the assumptions and that uncertainty, whether favorable or unfavorable, creates risk. ASOP 51 defines risk as the potential of actual future measurements to deviate from expected results due to actual experience that is different than the actuarial assumptions.

The various risk factors for a given plan can have a significant impact – positive or negative – on the actuarial projection of liability and contribution rates.

There are a number of risks inherent in the funding of a defined benefit plan. These include:

- economic risks, such as investment return and price inflation;
- demographic risks such as mortality, payroll growth, aging population including impact of baby boomers, and retirement ages;
- contribution risk, i.e., the potential for contribution rates to be too high for the plan sponsor/employer to pay and
- external risks such as the regulatory and political environment.

There is a direct correlation between healthy, well-funded retirement plans and consistent contributions equal to the full actuarial contribution rate each year. The System is primarily funded by State contributions that are equal to 5% of certain fire insurance premium taxes collected and passed through the general fund. These contributions, together with the earnings on these accumulated contributions fund benefit accruals for current active members and administrative expenses. The remainder of the contributions amortizes the unfunded actuarial accrued liability. The contribution rates are set by state statute and intended to provide the needed amounts to fund the system over time. The purpose of the valuation is to determine if the fixed employer and member contributions remain sufficient to fund the Plan. Due to the fixed nature of the contributions actuarial gains and losses are reflected in the amortization period. Generally, the largest source of actuarial gains and losses are caused by investment volatility. A key risk factor to the System’s funding is that over time, the Statutory Contribution Rates will be insufficient to accumulate enough funds, with investment income, to fund the promised benefits.

The other significant risk factor for the System is investment return because of the volatility of returns and the size of plan assets compared to payroll. This is to be expected, given the underlying capital market assumptions and the System’s asset allocation. To the extent market rates of interest affect the expected return on assets, there is a risk of change to the discount rate which determines the present value of liabilities and actuarial valuation results. Please see the summary of results of this report which demonstrates the sensitivity of valuation results to differing discount rates.



Section VII: Risk Considerations

A key demographic risk for the Retirement System is improvements in mortality (longevity) greater than anticipated. While the actuarial assumptions reflect a margin for improvement in mortality experience these assumptions are refined every experience study, the risk arises because there is a possibility of some sudden shift, perhaps from a significant medical breakthrough that could quickly increase liabilities. Likewise, there is some possibility of a significant public health crisis that could result in a significant number of additional deaths in a short time period, which would also be significant, although more easily absorbed. While either of these events could happen, it represents a small probability and thus represents much less risk than the volatility associated with investment returns.

The following exhibits summarize some historical information that helps indicate how certain key risk metrics have changed over time. Many are due to the maturing of the retirement system.



Section VII: Risk Considerations

Historical Cash Flows (in 1,000's)

Plans with negative cash flows will experience increased sensitivity to investment return volatility. Cash flows, for this purpose, are measured as contributions less benefit payments and administrative expenses. If the System has negative cash flows and then experiences returns below the assumed rate, there are fewer assets to be reinvested to earn the higher returns that typically follow. While any negative cash flow will produce such a result, it is typically a negative cash flow of more than 5% of MVA that may cause significant concerns. The System has negative cash flows which ranged from 1.00% to 3.00% for the prior eight years.

Year End	Market Value of Assets (MVA)	Contributions	Benefit Payments	Net Cash Flow	Net Cash Flow as a Percent of MVA
6/30/2015	34,104	1,913	2,560	(647)	(1.90%)
6/30/2016	33,883	2,036	2,877	(841)	(2.48%)
6/30/2017	36,630	2,065	3,154	(1,089)	(2.97%)
6/30/2018	38,730	2,212	3,248	(1,036)	(2.67%)
6/30/2019	39,866	2,370	3,305	(935)	(2.35%)
6/30/2020	39,908	2,487	3,491	(1,004)	(2.52%)
6/30/2021	49,641	2,592	3,487	(895)	(1.80%)
6/30/2022	47,086	2,852	3,442	(590)	(1.25%)



Section VII: Risk Considerations

Liability Maturity Measurement

Most public sector retirement systems have been in operation for many years. As a result, they have aging plan populations, and in some cases declining active populations, resulting in an increasing ratio of retirees to active members and a growing percentage of retiree liability. The retirement of the remaining baby boomers over the next decade is expected to further exacerbate the aging of the retirement system population. Retiree liability as a percentage of the total actuarial accrued liability has been growing over the last five years. As more of the total liability begins to reside with retirees, investment volatility has a greater impact on the funding of the system since it is more difficult to restore the system financially after losses occur when there is comparatively less payroll over which to spread costs. Below are two tables which demonstrate the ratio of the System's retiree liability compared to the total accrued liability and the ratio of the number of retirees and beneficiaries to the number of active members.

Year End	Retiree Liability (a)	Total Actuarial Accrued Liability (b)	Retiree Percentage (a) / (b)
6/30/2015	22,161,310	44,318,250	50.0%
6/30/2016	22,884,202	44,010,066	52.0%
6/30/2017	24,499,104	45,871,379	53.4%
6/30/2018	25,051,618	46,305,640	54.1%
6/30/2019	25,285,800	47,200,070	53.6%
6/30/2020	25,807,928	47,868,436	53.9%
6/30/2021	25,834,201	45,137,677	57.2%
6/30/2022	25,043,670	52,604,373	47.6%

Historical Member Statistics

Valuation Date	Number of		Active/Retired
	Active	Retired	
June 30, 2015	1,977	1,371	1.44
2016	1,895	1,425	1.33
2017	1,957	1,438	1.36
2018	2,026	1,474	1.37
2019	2,249	1,488	1.51
2020	2,401	1,524	1.58
2021	2,031	1,531	1.33
2022	2,233	1,524	1.47



Appendix A: Actuarial Procedures and Methods

The assumptions and methods utilized in the valuation were developed in the five-year experience study for the period ending June 30, 2021.

Tables B-2 and B-3 give rates of decrement for service retirement 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 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 consists 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 was supplied by the System and has been 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.

Investment Expenses

The investment expenses of the System are assumed to be funded by investment earnings in excess of 7.30% per year.



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 7.30% per year net of administrative and investment expenses, compounded annually.

Service Retirement

Table B-2 shows the annual assumed rates of retirement among members eligible for service retirement. Separate rates are used when a member is eligible for reduced benefits, for the first year a member is eligible for full benefits, and for the years following the first year a member is eligible for full benefits.

Disablement

There are no rates of disablement used in this valuation.

Mortality

A written description of each table used is included in Table B-1.

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-3.

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.

Terminated and Nonvested Terminated Members

For valuation purposes, terminated and nonvested terminated members are treated as active members.



Table B-1

Summary of Valuation Assumptions

I. Economic assumptions	
A. Investment return	7.30%
B. Price Inflation Assumption	2.75%
C. Growth in membership	0.00%
II. Demographic assumptions	
A. Retirement	Table B-2
B. Mortality among contributing members: PUB 2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.	
C. Mortality among service retired members: PUB 2010 Safety Amount Weighted Healthy Retiree Mortality Table projected to 2021, set forward one year for males and adjusted 105% for males and 100% for females. Projected generationally using MP-2021.	
D. Mortality among beneficiaries: PUB 2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.	
E. Mortality among disabled members: PUB 2010 Safety Amount Weighted Disabled Retiree Mortality projected to 2021, set forward one year for males.	
F. Other terminations of employment	Table B-3



Appendix B: Summary of Valuation Assumptions

Table B-2
Retirement
Annual Rates

Age	10 to 19 Years of Service	20 or More Years of Service
Less than 55	0.0%	0.0%
55	0.0	32.0
56	0.0	32.0
57	0.0	32.0
58	0.0	32.0
59	0.0	32.0
60	20.0	32.0
61	20.0	32.0
62	20.0	32.0
63	20.0	32.0
64	20.0	32.0
65	20.0	32.0
66	20.0	32.0
67	20.0	32.0
68	20.0	32.0
69	20.0	32.0
70 & Over	100.0	100.0



Table B-3

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

Years of Service	All Members
0	30.0%
1	30.0
2	30.0
3	30.0
4	30.0
5	30.0
6	25.0
7	25.0
8	21.0
9	17.0
10-26	13.0
26 & Over	10.0



Appendix C: Summary of Benefit Provisions

Type of plan	<ul style="list-style-type: none">• Multiple-employer cost-sharing
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% of certain fire insurance premium taxes collected and passed through the general fund
Credit for service	<p>To receive a year of credit for service, a volunteer firefighter must:</p> <ul style="list-style-type: none">• 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• For VFCA members retiring prior to July 1, 2011, maximum credited service is 30 years• 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 or less; otherwise benefits for the year will only be paid on credited service up to 30 years.
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:<ul style="list-style-type: none">a. \$87.50 per month, 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.
Changes since last valuation	<ul style="list-style-type: none">• 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 ACFR 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>Terminated Non-Vested Members</u>	<u>Total</u>
Participant Counts Used for Valuation	2,233	1	1,523	835	8,395	12,987
Disabled Members having attained normal retirement age						
Beneficiaries of Disabled Members						
Beneficiaries with less than one year of certain payments remaining						
Other Adjustments				1	2	3
Participant Counts shown in the Annual Financial Report	2,233	1	1,523	836	8,397	12,990



Appendix D: Valuation Data

This valuation is based upon the membership of the System as of June 30, 2022. Membership data was supplied by the System and has been accepted for valuation purposes without audit. However, tests were performed to ensure that the data is sufficiently accurate for valuation purposes.

<u>Active Members</u>	<u>Number</u>
Full-Time Members	2,233

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.
- Terminated non-vested members.

Table D-3 is a reconciliation of membership data from June 30, 2021 to June 30, 2022.



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 **Error! Bookmark not defined.** for an explanation of the number of annuitants used for valuation purposes.

Type of Annuitant	Number	Annual Benefits	Average Annual Benefits
Service Retirement	1,516	\$ 3,073,335	\$ 2,027
Survivors of Deceased Retired Members	1	1,470	1,470
Survivors of Deceased Active Members	6	8,805	1,468
Total Retirees and Beneficiaries	1,523	\$ 3,083,610	\$ 2,025
Disability Retirement	1	1,050	1,050
Total Annuitants	1,524	\$ 3,084,660	\$ 2,024

	Number
Vested Terminated Members	835
Non-Vested Terminated Members	8,395
Total Terminated Members	9,230



**Table D-1:
Active Members Distribution of
Full-Time Employees
as of June 30, 2022**

Number of Employees

Age	Completed Years of Service												Totals	
	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+		
<25	118	58	31	27	5									239
25 to 29	51	48	33	53	56									241
30 to 34	50	28	24	49	56	28								235
35 to 39	33	21	16	38	59	39	15							221
40 to 44	37	25	22	40	59	36	28	11	1					259
45 to 49	21	24	23	33	48	38	35	17	4					243
50 to 54	17	16	11	25	39	33	34	27	10	5				217
55 to 59	14	15	12	14	34	35	38	21	8	9	2			202
60 to 64	16	10	8	25	23	21	31	14	9	3	2			162
65 to 69	14	3	9	20	26	10	19	10	2	3	1	3		120
70 and up	7	6	6	7	23	16	15	6	5	3				94
Totals	378	254	195	331	428	256	215	106	39	23	5	3		2,233



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

Members Receiving Service Retirement Benefits as of June 30, 2022

<u>Age</u>	<u>Number of Persons</u>	<u>Annual Benefits</u>	<u>Average Annual Benefits</u>
<50	-	\$ -	\$ -
50 to 54	-	\$ -	-
55 to 59	66	169,830	2,573
60 to 64	211	458,115	2,171
65 to 69	329	680,160	2,067
70 to 74	375	742,440	1,980
75 to 79	259	496,245	1,916
80 to 84	169	324,375	1,919
85 to 89	76	147,600	1,942
90 and up	31	54,570	1,760
Totals	1,516	\$ 3,073,335	\$ 2,027

Members Receiving Disability Retirement Benefits as of June 30, 2022

<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	1,050	1,050
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, 2022

Age	Number of Persons	Annual Benefits	Average Annual Benefits
<50	-	\$ -	\$ -
50 to 54	-	-	-
55 to 59	-	-	-
60 to 64	-	-	-
65 to 69	1	1,470	1,470
70 to 74	-	-	-
75 to 79	-	-	-
80 to 84	-	-	-
85 to 89	-	-	-
90 and up	-	-	-
Totals	1	\$ 1,470	\$ 1,470

Survivors of Deceased Active Members as of June 30, 2022

Age	Number of Persons	Annual Benefits	Average Annual Benefits
<50	1	\$ 1,260	\$ 1,260
50 to 54	-	-	-
55 to 59	1	2,190	2,190
60 to 64	-	-	-
65 to 69	1	1,470	1,470
70 to 74	2	2,310	1,155
75 to 79	1	1,575	1,575
80 to 84	-	-	-
85 to 89	-	-	-
90 and up	-	-	-
Totals	6	\$ 8,805	\$ 1,468



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

**Terminated Vested Members as of June 30, 2022
Number of Persons**

<u>Age</u>	<u>Number</u>
<25	
25 to 29	1
30 to 34	5
35 to 39	26
40 to 44	75
45 to 49	66
50 to 54	137
55 to 59	146
60 to 64	142
65 to 69	95
70 and above	<u>142</u>
Total	835

**Terminated Non-Vested Members as of June 30, 2022
Number of Persons**

<u>Age</u>	<u>Number</u>
<25	133
25 to 29	356
30 to 34	582
35 to 39	804
40 to 44	768
45 to 49	855
50 to 54	963
55 to 59	914
60 to 64	977
65 to 69	866
70 and above	<u>1,177</u>
Total	8,395



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.

	<u>Active Contributing Members</u>	<u>Terminated Vested Members</u>	<u>Terminated Non-Vested Members</u>	<u>Service Retired Members</u>	<u>Disabled Members</u>	<u>Survivors and Beneficiaries</u>
June 30, 2021 Valuation	2,025	890	8,477	1,524	1	6
Non-Vested Terminations	(36)	-	36	-	-	-
Vested Terminations	(10)	10	-	-	-	-
Service Retirements	(18)	(22)	-	40	-	-
Disability Retirements	-	-	-	-	-	-
Deaths	(3)	(2)	(47)	(48)	-	1
New Entrants	168	-	-	-	-	-
Rehires	111	(41)	(70)	-	-	-
Other	(4)	-	(1)	-	-	-
June 30, 2022 Valuation	2,233	835	8,395	1,516	1	7



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>
2022	2,233	44.1	7.0	37.1
2021	2,031	43.4	7.4	36.0
2020	2,401	45.1	9.1	36.1
2019	2,249	45.3	9.2	36.1
2018	2,026	45.6	9.2	36.3
2017	1,957	45.5	9.5	36.0
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			



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

Table with 9 columns: Valuation Date June 30, Number, 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. Rows for years 2012-2022.



Table E-3:
Contribution Amounts

Valuation Date	Calculated Employer Contribution	Normal Cost Amount*	UAAL Amount**	Actual State Contribution***
June 30, 2022	\$1,060,482	\$697,657	\$362,825	
2021	351,815	351,222	593	2,851,975
2020	913,824	404,455	509,369	2,591,791
2019	899,555	304,111	595,444	2,486,772
2018	823,290	162,169	661,121	2,370,454
2017	915,642	177,318	738,824	2,212,113
2016	1,109,996	271,371	838,625	2,064,561
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 in the 2014 through 2021 Valuation Date. Effective June 30, 2022, Normal Cost includes an amount for vested and non-vested terminations valued as active members

** 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 F: Financial Statement Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of June 30, 2022. Additional information as of the latest actuarial valuation follows.

Valuation date	June 30, 2022
Actuarial cost method	Entry Age Normal
Amortization method	Open
Remaining amortization period	3 Years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.30%
General wage growth*	N/A
Merit salary increases	N/A
*Includes inflation	2.75%



Appendix F: 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)					
	2017	2018	2019	2020	2021	2022
Investment Income on Actuarial Value of Assets	\$ 48	\$ (385)	\$ (274)	\$ (310)	\$ 1,152	\$ 107
Combined Liability Experience	619	113	(365)	(126)	3,277	647
(Loss)/Gain During Year from Financial Experience	\$ 667	\$ (272)	\$ (639)	\$ (436)	\$ 4,429	\$ 754
Non-Recurring Items	(2,124)	0	0	0	0	(7,780)
Composite Gain or (Loss) During Year	\$ (1,457)	\$ (272)	\$ (639)	\$ (436)	\$ 4,429	\$ (7,026)

Schedule of Funding Progress (expressed in thousands)						
Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2022	\$ 48,078	\$ 52,604	91%	\$ 4,527	N/A	N/A
2021	45,131	45,138	99%	7	N/A	N/A
2020	41,717	47,868	87%	6,152	N/A	N/A
2019	40,009	47,200	85%	7,191	N/A	N/A
2018	38,321	46,306	83%	7,984	N/A	N/A
2017	36,955	45,871	81%	8,917	N/A	N/A



Appendix F: Financial Statement Information

Solvency Test Aggregate Accrued Liabilities for (expressed in thousands)									
Valuation Date June 30,	Active Member Contributions	Retirees & Beneficiaries		Active Member Employer Financed Contributions	Actuarial Value of Reported Assets	Portion of Accrued Liability Covered by Reported Assets			
	(1)	(2)		(3)		(1)	(2)	(3)	
2022	\$ -	\$	25,044	\$ 27,561	\$ 48,078	N/A	100%	83%	
2021	-		25,834	19,303	45,131	N/A	100%	99%	
2020	-		25,817	22,052	41,717	N/A	100%	72%	
2019	-		25,295	21,905	40,009	N/A	100%	67%	
2018	-		25,061	21,245	38,321	N/A	100%	62%	
2017	-		24,509	21,363	36,955	N/A	100%	58%	



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.