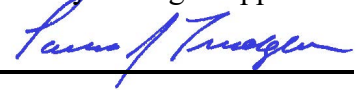


ROSEVILLE
REQUEST FOR COUNCIL ACTION

Date: December 7, 2020
Item No.: 9.f

Department Approval

City Manager Approval



Item Description: Approve Roseville Firefighters Relief Association Benefit Increase

BACKGROUND – PART I

On October 28, 2006, the City Council approved Resolution 10442. (Attachment A) The resolution included a clause that provided a simplified, long-term solution for the Roseville Firefighter Relief Association with respect to granting benefit increases to the retirees of the Roseville Fire Department covered by the Relief Association.

This clause stated: "Beginning January 1, 2008 and each year thereafter, increases in the monthly and lump sum benefits shall equate to the same cost of living adjustment provided to Social Security recipients."

Currently the Relief Association Pensioner benefit is set at \$36.48 per month, per year of service or a lump sum payment of \$3,648.00 per year of service for any Association Member who completes 20 years or more of service to the city.

Last year, the City Council approved a raise that brought the benefit level in to compliance with Resolution 10442.

This year the 2020 Social Security Cost of Living Adjustment (which becomes effective January 1, 2021) has been set at 1.3%. Based upon calculations with respect to Resolution 10442 and the 1.3% Social Security COLA, the 2021 benefit level should be increased by \$0.47 per month, per year of service and a lump sum payment of \$47.00 per year for any Association Member who completes 20 years or more of service to the city.

This would result in the benefit being set at \$36.96 per month, per year of service and a lump sum payment of \$3,696.00 per year for any Association Member who completes 20 years or more of service to the city. (Attachment B)

BACKGROUND – PART II

The Relief Association Board of Directors is proposing that the City Council grant an additional benefit increase of 1.7%, bringing the total benefit increase for 2021 to 3.0%

The Relief Association, pursuant to State Statute 424A.093 Subd. 6, may increase its benefit level, without municipal ratification, when the fund has a surplus and the municipality is not required to provide financial support to the Association to meet its unfunded liability. Benefit increases that are not ratified by the municipality would be subject to automatic repeal if the fund were to drop to a level that, once again, required financial support from the municipality.

Currently the plan is approximately 127% funded and the City of Roseville has not needed to contribute additional monies to support the plan for several years. Rather than approve our own benefit increase, the Association prefers to work with the City Council to ratify a permanent increase which will be a benefit to all of the Pensioners and ensure benefit continuity to all involved.

This 2020 Social Security Administration COLA is the second lowest increase in the program's history. The lowest increase occurred in 2017, when benefits went up just 0.3%. In 2010, 2011 and 2016 the COLA was zero.

House lawmakers, Reps. Peter DeFazio, D-Ore., and John Larson, D-Conn., plan to propose a bill to raise the Social Security Administration COLA to a 3% emergency increase next year. Currently, the SSA uses the Consumer Price Index for Urban Wage Earners and Clerical Workers, or CPI-W. This index focuses on costs workers 62 and younger pay, and therefore doesn't consider the rising costs retirees face, particularly when it comes to health care nor does it account for exacerbated day to day expense increases related to COVID.

This emergency action also more closely follows the Consumer Price Index for the Elderly, or CPI-E.

The lawmakers' call for an emergency COLA was endorsed by several senior advocacy groups, including The Senior Citizens League, the National Committee to Preserve Social Security and Medicare and Social Security Works. The bill was scheduled to be introduced Friday October 16, 2020.

Based upon calculations with consideration to the proposed emergency House action and the proposed additional 1.7% benefit increase, the 2021 benefit level would be increased by an additional \$0.62 per month, per year of service and a lump sum payment of \$62.00 per year for any Association Member who completes 20 years or more of service to the city.
(Attachments C & D)

At its November 17, 2020 meeting, the Roseville Fire Relief Association Board recommended that the City Council approve the 1.3% Social Security COLA in accordance with Resolution 104402 and an additional 1.7% increase to reflect the sentiment in Congress that the Social Security Administration should be using a different scale to calculate raises along with mirroring the COLA that city union employees will be receiving. At the request of the City Manager, the motion and recommendation also came with the stipulation that the Board consider a state aid allocation agreement regarding the future allocation of state aid between the Association and the City.

As a result of the 3.0% increase to benefit levels, retirees covered by the Roseville Fire Relief Association and with 20 years of service, will see a benefit increase of \$1.09 per month, per year of service or a lump sum payment of \$109.00 per year if they take the lump sum payment when they retire.

POLICY OBJECTIVE

To continue to comply with Resolution 10442

To increase the COLA to reflect the Consumer Pricing Index for the Elderly, or the CPI-E and adjust for the impact of COVID

BUDGET IMPLICATIONS

None. Currently, without the increase, the financials show that the fund is 127% funded with respect to benefit obligations and this Cost of Living Adjustment would have little effect on the funding percentage.

STAFF RECOMMENDATION

Staff recommends the granting of the 3% benefit increase to members of the Roseville Fire Relief Association with the commitment of the Fire Relief Association Board to consider a state aid allocation agreement regarding the future allocation of state between the Association and the City.

REQUESTED COUNCIL ACTION

A motion to approve a benefit increase beginning on January 1, 2021 of \$1.09 per month, per year of service, for RFRA pensioners selecting the monthly benefit option and an increase of \$109.00 per year of service for those pensioners selecting the lump sum payment benefit.

This action would increase the benefit levels to:

- Monthly: \$37.57 per month, per year of service
- Lump sum: \$3,757.00 per year of service

Prepared by: Scott D. Wemyss, Relief Association Secretary
Patrick Trudgeon, City Manager

Attachments:

- A. City Council Resolution #10442
- B. Social Security COLA's and resulting benefit increase
- C. CNBC article by Lorie Konish published October 15, 2020
 - a. House lawmakers to propose emergency 3% Social Security cost-of-living adjustment
- D. CNBC article by Lorie Konish published October 16, 2020
 - a. 3% Social Security boost? \$1,200 stimulus checks? How to get needed money to seniors
- E. Roseville Fire Relief Association 2020 actuarial

**EXTRACT OF MINUTES OF MEETING OF THE
CITY COUNCIL OF THE CITY OF ROSEVILLE**

* * * * *

Pursuant to due call and notice thereof, a regular meeting of the City Council of the City of Roseville, County of Ramsey, Minnesota was duly held on the 23rd day of October, 2006 at 6:00 p.m.

The following members were present: Kough, Maschka, Ihlan, Pust and Klausing, and the following were absent: none.

Member Klausing introduced the following resolution and moved its adoption:

RESOLUTION 10442

**RESOLUTION AUTHORIZING A NEW FIRE RELIEF PENSION PLAN BENEFIT
FOR THE FISCAL YEAR OF 2007 AND BEYOND**

WHEREAS, The City of Roseville recognizes the valuable contributions by Roseville Firefighters and has therefore established a Fire Relief Pension Plan, and;

WHEREAS, Eligible members in the Fire Relief Pension Plan are currently entitled to a monthly benefit in the amount of \$27 per month per year of service in the form of a monthly annuity, and;

WHEREAS, Eligible members in the Fire Relief Pension Plan are currently entitled to elect a one-time lump-sum payout in the amount of \$2,700 per year of service in lieu of a monthly annuity, and;

WHEREAS, the City of Roseville and Roseville Fire Relief Association have mutually agreed to a revised Plan benefit.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Roseville, Minnesota, as follows:

- 1) Beginning November 1, 2006, the monthly benefit shall be \$29 per month per year of service for those that elect a monthly annuity; and \$2,900 per year of service for those that elect a one-time lump-sum payout.
- 2) Beginning January 1, 2008 and each year thereafter, increases in the monthly and lump-sum benefits shall equate to the same cost of living adjustment provided to Social Security recipients.
- 3) Future benefit increases shall be withheld if it is demonstrated through an actuarial analysis that the Pension Plan's unfunded liability is less than 70%.

The motion for the adoption of the foregoing resolution was duly seconded by Member Ihlan and upon a vote being taken thereon, the following voted in favor thereof: Kough, Maschka, Ihlan, Pust and Klausing and the following voted against the same: none.

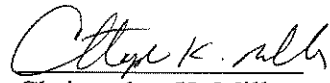
WHEREUPON, said resolution was declared duly passed and adopted.

Resolution – Fire Relief Pension Plan

STATE OF MINNESOTA)
) ss
COUNTY OF RAMSEY)

I, the undersigned, being the duly qualified City Manager of the City of Roseville, County of Ramsey, State of Minnesota, do hereby certify that I have carefully compared the attached and foregoing extract of minutes of a regular meeting of said City Council held on the 23rd day of October, 2006 with the original thereof on file in my office.

WITNESS MY HAND officially as such Manager this 23rd day of October, 2006.


Christopher K. Miller,
Interim City Manager

(Seal)

Social Security Cost of Living Adjustment and Relief Benefit History

Year	Social Security COLA	Actual benefit Level	Benefit Level Per Resolution 10442	Proposed Benefit Level
2011	3.60%	\$30.00	\$31.39	Last increase was Mid 2008 (\$1.00)
2012	1.70%	\$30.00	\$32.52	No benefit increase
2013	1.50%	\$30.00	\$33.07	Benefit increase granted mid year (\$2.00)
2014	1.70%	\$32.00	\$33.57	No benefit increase
2015	0.00%	\$32.00	\$34.14	No benefit increase
2016	0.30%	\$32.00	\$34.14	No benefit increase
2017†	2.00%	\$34.24	\$34.24	\$34.24
2018	2.80%	\$34.93	\$34.93	\$34.93
2019	1.60%	\$35.91	\$35.91	\$35.91
2020	1.30%	\$36.48	\$36.48	\$36.48
2021	1.70%		\$36.96	
2021	3.00%		\$37.57	\$37.57
2022				
2023				

†2017 is the year that city council passed a benefit increase to "catch up" the benefit level to be in agreement with Resolution 10442 and to go forward on an annual basis with COLA adjustments equal to that of the Social Security Index.

†† 2021 - Organized employees of the city received a 3% COLA for 2021. The proposed benefit level reflects a 3% increase

PERSONAL FINANCE

House lawmakers to propose emergency 3% Social Security cost-of-living adjustment

PUBLISHED THU, OCT 15 2020 1:11 PM EDT UPDATED THU, OCT 15 2020 3:28 PM EDT

Lorie Konish@LORIEKONISH

KEY POINTS

- Social Security benefits will get a 1.3% cost-of-living adjustment in 2021.
- But that increase is not enough to cover the extra costs retirees and other beneficiaries are facing amid Covid-19, according to two Democratic lawmakers.
- Now, they plan to introduce a new bill in the House of Representatives to put a 3% emergency COLA in place next year.



izusek | E+ | Getty Images

The Social Security Administration announced this week that the cost-of-living adjustment for benefits in 2021 will be [1.3%](#).

Stream live CNBC TV from around the world.

START FREE TRIAL

Invest Like A Pro

For the average retirement benefit, that amounts to just a \$20 increase per month.

Now, two Congressional Democrats — Reps. Peter DeFazio, D-Ore., and John Larson, D-Conn. — plan to propose a bill to raise that to a 3% emergency increase next year.

The top moments in business and politics - wrapped with exclusive color and context - right in your ears

LISTEN NOW

“Due to the Covid-19 pandemic, seniors are facing additional financial burdens in order to stay safe,” DeFazio said in a statement. “This absolutely anemic COLA won’t even come close to helping them afford even their everyday expenses, let alone those exacerbated by Covid-19.”

The bill, currently titled the Emergency Social Security COLA for 2021 Act, is scheduled to be introduced on Friday.

The 1.3% raise for 2021 is the second lowest increase in the [program’s history](#). The lowest increase occurred in 2017, when benefits went up just 0.3%. In 2010, 2011 and 2016, the COLA was zero.

Estimated average monthly benefits

Payable in January 2021

Category	Before 1.3% COLA	After 1.3% COLA
All retired workers	\$1,523	\$1,543
Aged couple, both receiving benefits	\$2,563	\$2,596
Widowed mother and two children	\$2,962	\$3,001
Aged widow(er) alone	\$1,434	\$1,453
Disabled worker, spouse and one or more children	\$2,195	\$2,224
All disabled workers	\$1,261	\$1,277

SOURCE: Social Security Administration



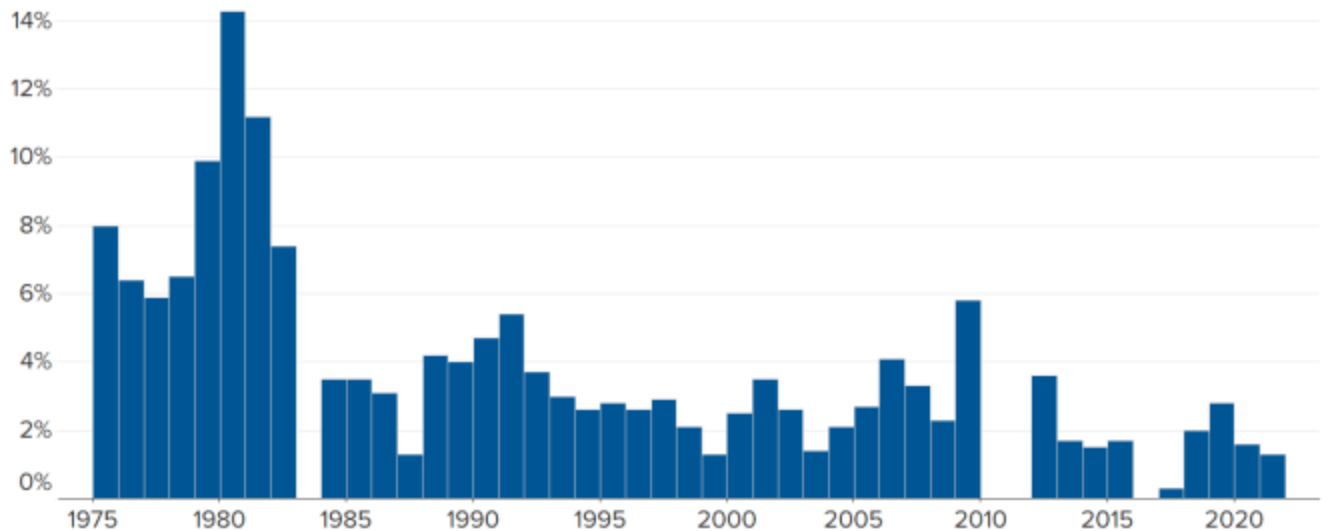
The average COLA increase since 2010 has been 1.4%. But from 1999 to 2009, the annual increases averaged 3%, according to research from The Senior Citizens League, a nonpartisan advocacy group for older Americans.

“Raising the COLA to 3% for 2021 will provide seniors with an immediate, crucial lifeline during the ongoing coronavirus crisis,” DeFazio said. “It’s also critically important that Congress provide a permanent fix to the COLA formula that actually reflects the real costs that seniors face.”

Separately, both lawmakers are also advocating for changing the measurement used to calculate the annual increases.

Cost-of-living adjustments since 1975

2021 adjustment: 1.3%



SOURCE: Social Security Administration



Currently, the SSA uses the Consumer Price Index for Urban Wage Earners and Clerical Workers, or CPI-W.

That index focuses on costs workers 62 and younger pay, and therefore doesn't take into account the rising costs retirees face, particularly when it comes to health care.

Both DeFazio and Larson each have proposed changing the measurement to the Consumer Price Index for the Elderly, or CPI-E, in other bills.

WATCH NOW

01:48

Social Security benefits in 2021: How much more money you can expect

The lawmakers' call for an emergency COLA was endorsed by several senior advocacy groups, including The Senior Citizens League, the National Committee to Preserve Social Security and Medicare and Social Security Works.

"Social Security's automatic cost-of-living adjustment is one of its most valuable features, even more so in the middle of a pandemic," Social Security

Works president Nancy Altman said in a statement. “But due to an inadequate measure, Social Security’s modest benefits are eroding.

“Congress should immediately pass their legislation, which will boost the economy and save lives.”

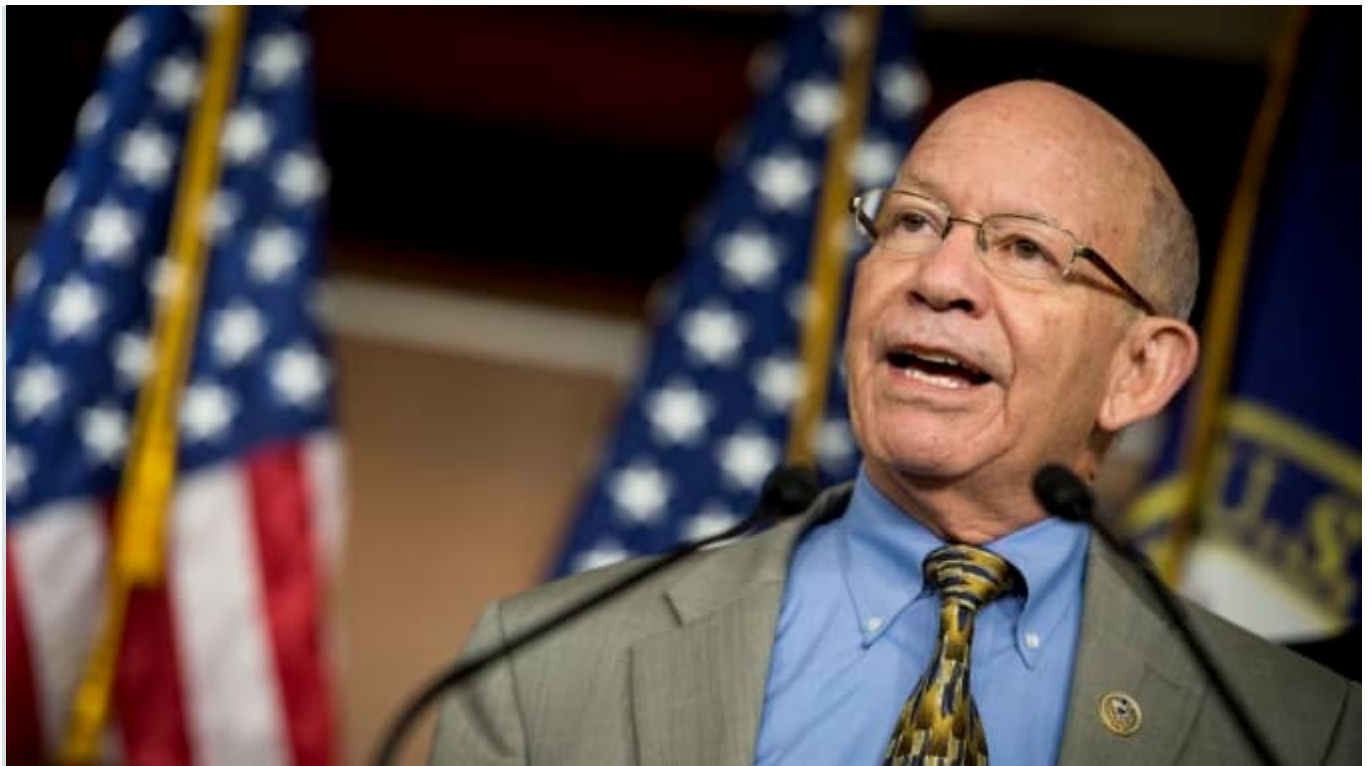
3% Social Security boost? \$1,200 stimulus checks? How to get needed money to seniors

PUBLISHED FRI, OCT 16 2020 3:33 PM EDT

[Lorie Konish@LORIEKONISH](mailto:Lorie.Konish@LORIEKONISH)

KEY POINTS

- Millions of Americans are still waiting to see whether the federal government will approve more stimulus aid.
- That includes the nation's seniors, who are also faced with higher costs amid the unprecedented pandemic.
- Now, Rep. Peter DeFazio, D-Ore., is proposing a 3% emergency Social Security cost-of-living adjustment to help retirees, and says more federal aid needs to happen now.



Rep. Peter DeFazio, D-Ore.

Sarah Silbiger | CQ-Roll Call Group | Getty Images

Americans are hurting financially amid the Covid-19 pandemic, and that includes the nation's seniors.

Now, two House Democratic lawmakers are hoping to help retirees with a bill to increase next year's Social Security cost-of-living adjustment.

Rep. Peter DeFazio, D-Ore., is introducing a bill today with Rep. John Larson, D-Conn., that would boost the COLA for next year to 3% from 1.3%.

The emergency COLA would help pay for extra expenses seniors face amid the pandemic, such as the cost of having food delivered and higher utility bills as they spend more time at home.

The proposed one-year boost comes as research shows the cost-of-living adjustments have generally not been keeping up with the rising costs older Americans face, even before the pandemic.

WATCH NOW

VIDEO 04:35

Prospects for a stimulus deal remain dim— Here's the latest

Beyond this bill, both lawmakers have advocated for changing the metric for how Social Security calculates the annual increases to an index more aligned with actual costs seniors incur. Using a different index could result in bigger cost-of-living adjustments.

In an interview with CNBC.com, DeFazio shared why the emergency raise for Social Security beneficiaries needs to happen, and what it will take for more stimulus aid to pass.

How an emergency 3% COLA could help



Fertnig | E+ | Getty Images

The proposal for an emergency 3% COLA next year comes as the Social Security Administration this week officially announced a 1.3% increase for 2021.

“The pathetic 1.3% cost of living increase that Social Security is going to give to seniors across the country nowhere near keeps up with the cost of inflation for them, for prescription drugs, utility bills and other things,” DeFazio said.

In addition to the 3% hike, both lawmakers are also advocating for a more long-term fix that would increase how much benefits go up every year.

The Social Security Administration currently uses the Consumer Price Index for Urban Wage Earners and Clerical Workers, or CPI-W. But by changing to the Consumer Price Index for the Elderly, or CPI-E, the calculations would better reflect the actual expenses seniors pay, they argue.

How the proposal could get tied to stimulus aid

WATCH NOW

VIDEO 01:48

Social Security benefits in 2021: How much more money you can expect

The emergency COLA proposal comes as Capitol Hill lawmakers are already discussing how much more financial aid to pump into the economy now.

“We hope that it will become part of the negotiations that are ongoing,” DeFazio said.

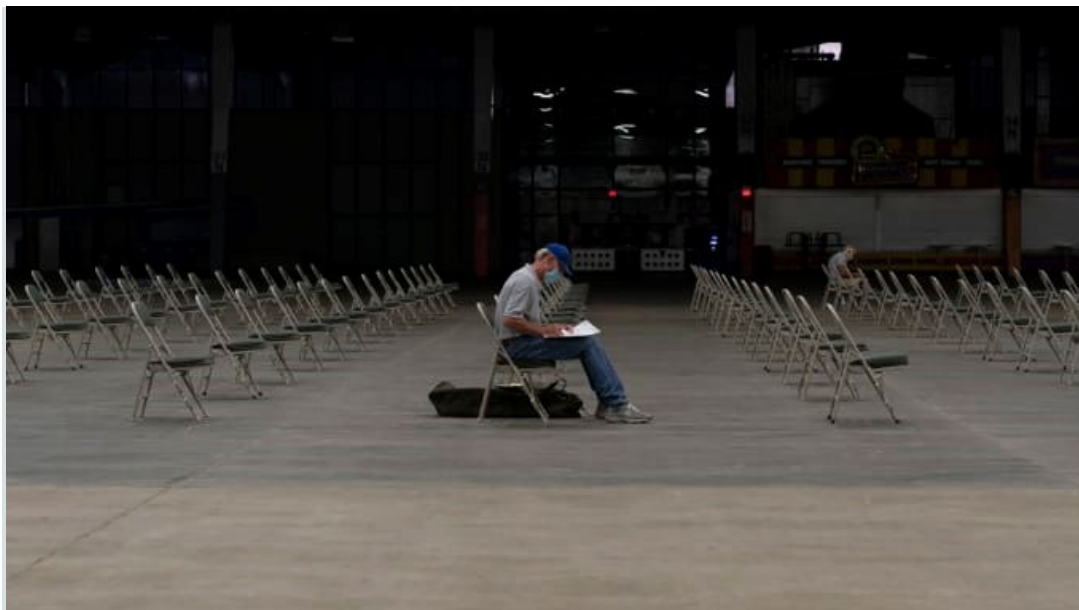
Millions of Americans are eagerly hoping for more financial help.

However, stimulus negotiations have led to a stalemate between Treasury Secretary Steven Mnuchin; House Speaker Nancy Pelosi, D-Calif.; and Senate Majority Leader Mitch McConnell, R-Ky.

“At this point, unfortunately, it doesn’t look like we will get the critical Covid relief done as soon as we need it, which is now,” DeFazio said.

With the bill is introduced, DeFazio said, the lawmakers plan to approach Pelosi and the House Ways and Means Committee and say: “Hey, make this part of the discussion for a package that we do after the election.”

Why more \$1,200 checks are needed



A man fills out paperwork while waiting for his number to be called at an unemployment event in Tulsa, Oklahoma on July 15, 2020.

Nick Oxford for The Washington Post | Getty Images

Another area that definitely should be included in the next round of stimulus funding are second stimulus checks, DeFazio said.

In Oregon, they offered \$500 payments to those who needed it using money the state had left over from the CARES Act.

“The lines were blocks and blocks long. The money was exhausted by 10 o’clock in the morning and tens of thousands walked away with nothing,” DeFazio said. “Americans are really hurting with this pandemic.”

Additional checks would also help seniors cover the costs of everything from food delivery to higher utility bills, he said.

“They need help, too. They could use that individual payment,” DeFazio said. “I’m hearing from everybody, ‘Help.’”

How the election may turn the tables



Speaker of the House Nancy Pelosi and Senate Majority Leader Mitch McConnell at the U.S. Capitol on Jan. 15, 2020.

Drew Angerer | Getty Images News | Getty Images

Admittedly, few proposals have been able to pass both the Democratic-led House and Republican controlled Senate.

DeFazio said he has seen his own initiatives met with bipartisan support from the House, only to languish in the Senate. That includes legislation passed by

the House about 10 days ago to take antitrust immunity away from the health insurance industry.

“If Mitch McConnell wasn’t killing everything over there except judicial appointments, you’d think they would take that up,” DeFazio said.

McConnell’s office did not immediately respond to a request for comment.

McConnell, the Senate Majority leader, is running for re-election in Kentucky against retired Marine combat pilot Amy McGrath.

DeFazio, who has been in office since 1987, is also running in what he describes as a “tight race.” His opponent is Alek Skarlatos, an Army National Guard veteran who helped stop an armed attack on a train from Amsterdam to Paris in 2015.

DeFazio’s district is one of eight in the country that leans neither Democrat nor Republican.

The outcome of those races could reshape the dynamic on Capitol Hill.



ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020

Actuarial Valuation of Statutory Funding Requirements

March 25, 2020

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

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ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Introduction and Actuarial Certification

Purposes of the valuation

This report presents the results of the January 1, 2020 statutory funding valuation for the Roseville Firefighter's Relief Association. Its sole purpose is to determine the annual municipal obligation to the plan and should not be used for any other purpose. Computations for other purposes, such as plan accounting, may differ significantly from the results shown in this report.

This report may not be used for any other purpose, and Van Iwaarden Associates is not responsible for the consequences of any unauthorized use. Its content may not be modified, incorporated into or used in other material, or otherwise provided, in whole or in part, to any other person or entity, without our permission.

Sources of data

The Relief Association supplied the January 1, 2020 data for all active, terminated, and retired members, and asset data for the special fund. We have relied on that data in preparing this report.

Changes from the previous valuation

The prior actuarial valuation of the plan was prepared as of January 1, 2019. Changes to the plan provisions and actuarial assumptions reflected in this valuation are described at the end of each of those sections in this report. These changes include:

- The monthly service pension was increased from \$34.93 to \$36.48 per month of service, and the lump sum benefit was increased from \$3,493 to \$3,648 per year of service.
- Mortality assumption was updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation.

Summary of valuation results

The actuarial accrued liability used for determining the minimum required contribution increased from \$10,237,646 as of January 1, 2019 to \$10,402,511 as of January 1, 2020. This was primarily due to increases in the benefit multipliers. Special Fund assets increased from \$10,749,649 as of January 1, 2019 to \$12,916,078 as of December 31, 2019 due to higher-than-expected asset returns. Since the plan's asset returns heavily outweighed the liability increase, the plan's funded status increased from 105.00% to 124.16%.

The annual statutory contribution based on the results of this report before any offset for State Aid is \$0, down from \$21,890 determined by the 2019 valuation.

The State Aid amount is not yet known, but if the amount stays at the level paid in 2019 (\$236,755), the remaining municipal obligation would be \$0 annually for fiscal years ending 2021 and 2022.

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Introduction and Actuarial Certification (continued)**Actuarial certification**

To the best of our knowledge, this report is complete and accurate and all Relief Association liabilities were determined in accordance with generally accepted actuarial principles and practices. Upon receipt of the report, the Relief Association should notify us if you disagree with any information contained in the report or if you are aware of any information that would affect the results that has not been communicated to us. The report will be deemed final and acceptable to the City and the Relief Association unless you notify us otherwise.

Chapter 356.216 of Minnesota Statutes requires that an actuarial valuation of the fund be conducted periodically. The State Auditor has determined that a valuation must be conducted at least every two years. An actuarial valuation is a calculation to determine the normal cost and accrued liability of the fund and includes a determination of the payment necessary to amortize the unfunded liability over the stated period.

The actuarial assumptions and methods are the responsibility of the plan sponsor with the exception of the discount rate which is set by statute and is only appropriate to comply with statutory funding. We have reviewed the other assumptions and believe that they are reasonable estimates of future plan experience, both individually and in the aggregate.

We are available to answer questions on the material contained in this report or to provide explanations or further details on the results. The undersigned credentialed actuary is a consulting actuary for Van Iwaarden Associates and meets the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. In addition, the undersigned actuary meets the requirements of an "approved actuary" under Minnesota statutes, Section 356.215, Subdivision 1, Paragraph (c). We are not aware of any direct or material indirect financial interest or relationship that could create a conflict of interest or impair the objectivity of our work.

Respectfully submitted,



Sandra L. Bruns, EA, FSA
Consulting Actuary

March 25, 2020

L/D/C/R: 4/cl/sb/ek

v.03/18/2020

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Valuation of the Current Plan

	2020	2019
A. Actuarial accrued liability (AAL)		
1. Active members	\$ 932,879	\$ 1,524,276
2. Vested terminated members	718,401	633,866
3. Retired members	7,683,915	7,127,715
4. Spouses receiving benefits	1,067,316	951,789
5. Disabled members receiving benefits	0	0
6. Total actuarial accrued liability	\$ 10,402,511	\$ 10,237,646
B. Special fund assets	\$ 12,916,078	\$ 10,749,649
C. Unfunded actuarial accrued liability	\$ (2,513,567)	\$ (512,003)
D. Credit for surplus	\$ (251,357)	\$ (51,200)
E. Amortization payment		
1. Amortization period	0	0
2. Payment	\$ 0	\$ 0
F. Normal cost	\$ 34,592	\$ 47,532
G. Annual contribution payable:	2021, 2022	2020
1. Preliminary contribution (D. + E. + F.)	\$ (216,765)	\$ (3,668)
2. Administrative expense (previous year x 1.035)	26,323	25,558
3. Annual contribution (1. + 2.)	\$ (190,442)	\$ 21,890
4. Estimated State Aid	(236,755)	(229,050)
5. Estimated municipal contribution (3. + 4., not less than zero)	\$ 0	\$ 0
H. Funded Status	124.16%	105.00%

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Reconciliation of Plan Assets

	2019	2018
A. Value of assets at beginning of year	\$ 10,749,649	\$ 11,681,497
B. Contributions for the year		
1. Municipal contributions	0	0
2. State contributions	236,755	229,050
3. Supplemental benefits	2,000	0
4. Total contributions	238,755	229,050
C. Benefits paid during the year	(673,245)	(682,053)
D. Expenses (non-investment) paid from plan assets	(25,433)	(24,694)
E. Investment earnings for the year	2,626,352	(454,151)
F. Asset value on December 31 (sum of A. thru E.)	\$ 12,916,078	\$ 10,749,649
G. Investment return		
1. By year	25.0%	-4.0%
2. Two year period	9.3%	

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Changes in the Unfunded Actuarial Accrued Liability

A. Liability gain or loss

1. Expected actuarial accrued liability (AAL)	
a. AAL as of January 1, 2019	\$ 10,237,646
b. Normal cost 2019	47,532
c. Benefit payments 2020	(673,245)
d. Interest to December 31, 2019 on a. through c.	497,633
e. Expected AAL on December 31, 2019 (sum of a. through d.)	<u>10,109,566</u>
2. Actual AAL on January 1, 2020	
a. Before any assumption, method or plan changes	10,061,317
b. After assumption and method changes, but before plan changes	10,047,333
c. After assumption, method and plan changes	10,402,511
3. Difference from the expected AAL	
a. (Gain) or loss due to plan experience diff from that expected (2.a. - 1.e.)	(48,249)
b. Due to changes in actuarial assumptions and methods (2.b. - 2.a.)	(13,984)
c. Due to plan changes (2.c. - 2.b.)	355,178
d. Total (a. + b. + c.)	<u>292,945</u>

B. Asset gain or loss

1. Expected value of assets	
a. Value of assets on January 1, 2019	10,749,649
b. Benefit payments	(673,245)
c. Contributions	238,755
d. Interest to December 31, 2019 on a., b. and c.	529,097
e. Expected assets on December 31, 2019 (sum of a. through d.)	<u>10,844,256</u>
2. Actual assets as of December 31, 2019	12,916,078
3. (Gain) or loss due to plan experience different from expected (1.e. - 2.)	(2,071,822)

C. Changes in the unfunded actuarial accrued liability

1. Unfunded AAL on January 1, 2019 (A.1.a. - B.1.a.)	(512,003)
2. Expected unfunded AAL on December 31, 2019 (A.1.g. - B.1.e.)	(734,690)
3. Changes	
a. Actuarial (gain) or loss (A.3.a. + B.3.)	(2,120,071)
b. Changes in actuarial methods and assumptions (A.3.b.)	(13,984)
c. Changes in plan provisions (A.3.c.)	355,178
d. Total change	<u>(1,778,877)</u>
4. Unfunded AAL on December 31, 2019	(2,513,567)

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Determination of Amortization Period

The amortization periods shown are required by Minnesota Statutes §424A.093 Subd 4. Per Subd 4.(d)(3)(i) actuarial losses are amortized over 10 years. Per Subd 4.(d)(3)(v) increases in the UAL due to plan changes are amortized over 20 years.

A. Amortization of prior UAL

1. UAL before any change (not less than zero)	0
2. Prior amortization years (updated to valuation date)	N/A
3. Payment to amortize UAL over prior period	0

B. Amortization of actuarial losses

1. Unfunded AAL due to actuarial losses	0
2. Payment to amortize loss over 10 years	0

C. Amortization of plan and assumption changes

1. Unfunded AAL due to plan changes	0
2. Payment to amortize over 20 years	0

D. Total amortization payments

0

E. Current UAL

0

F. Period to amortize UAL based on payments in D.

N/A

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Average Available Financing

	State Aid	City Contrib	Credit for Surplus	Total	Active Members	Average Financing
2017	\$ 222,882	\$ 0	\$ 120,704	\$ 343,586	21	\$ 16,361
2018	229,050	0	51,200	280,250	15	18,683
2019	238,755	0	251,357	490,112	10	49,011

Average available financing for 2020: \$ 28,018

Minimum Average Available Financing required for \$36.48 monthly benefit: 2,916

Maximum monthly benefit permitted: 100.00

Minimum Average Available Financing required for \$3,648 lump sum multiplier: 1,942

Maximum lump sum multiplier permitted: 10,000

Notes:

- The State Aid and City Contributions shown are those made during the calendar year indicated.
- The number of active members is from the State Reporting Form for the year indicated, that is, the number as of December 31.
- The average available financing for 2020 is the average for the three years preceeding 2020 (2017 to 2019). See Minnesota Statutes §424A.02.

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Summary of Changes in Membership

	Active	Terminated Vested	Retired	Beneficiaries	Disabled	Total
A. Members on January 1, 2019	15	15	52	11		93
B. Changes in the member group						
1. New active members						0
2. Retirements	(3)		3			0
3. Separation, deferred lump sum	(2)	2				0
4. Separation, not vested						0
5. Separation, disability benefit						0
6. Deaths			(1)	1		0
7. Lump sum distributions						0
8. Rehire						0
9. Total changes	(5)	2	2	1	0	0
C. Members on January 1, 2020	10	17	54	12		93

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Summary of Participant Data

	January 1, 2020	January 1, 2019
A. Active Members		
1. Number	10	15
2. Average Age	43.1	44.3
3. Average years of service	16.0	17.1
B. Vested terminated members		
1. With deferred benefits		
a. Number	17	15
b. Total annual deferred benefits	\$29,548	\$29,544
c. Average annual benefit	9,849	9,848
d. Total lump sum benefits	372,351	286,746
e. Average lump sum benefit	26,597	23,896
C. Retirees and beneficiaries		
1. Number		
a. Retirees	54	52
b. Beneficiaries	12	11
c. Disabled retirements	0	0
d. Total	66	63
2. Total annual benefits being paid	\$698,460	\$639,353
3. Average annual benefit being paid	10,583	10,148
D. Total number of participants (A.1. + B.1. + C.1.)	93	93

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Summary of Plan Provisions

A. Eligibility	Active or probationary member of the Relief Association.
B. Service	Completed months.
C. Pension	The later of age 50 or after completion of 10 years of service. The pension is based on completed months of service. The current monthly service pension is based on \$36.48 per month of service. A member may choose to receive a lump sum benefit equal to \$3,648 per year of service plus a Supplemental Benefit of 10% of the regular lump sum distribution, but not more than \$1,000. Members who terminate prior to age 50 with at least 20 years of service may elect a deferred lump sum or annuity payment payable at age 50.
D. Deferred Lump Sum Pension	Termination prior to age 50 with at least 10 years of service. Members who terminate prior to age 50 with at least 10 but less than 20 years of service receive a deferred lump sum payment payable at age 50. The amount is the lump sum benefit reduced 4% for each year of service less than 20. Only members age 50 with 20 years of service can elect an annuity form of payment If a deferred vested member dies before payment, the benefit will be paid to the participant's beneficiary.
E. Survivor Benefit	If a member dies before retirement, the benefit payable to the beneficiary equals \$36.48 times years of service. On the death of a member after retirement, and after having chosen a monthly annuity form of benefit, the surviving spouse benefit equals the benefit amount paid to the member.
F. Disability Benefit	A member who is unable to perform the duties of employment due to accident or sickness incurred while actually engaged in performing the duties of a Roseville firefighter is eligible to receive a benefit equal to 1/30th of the monthly 20-year pension, per day, for up to 26 weeks. A member who suffers total permanent disability is eligible to receive the monthly pension without regard to vesting.
G. Plan Changes Since Prior Valuation	The monthly service pension was increased from \$34.93 to \$36.48 per month of service. The lump sum benefit was increased from \$3,493 to \$3,648 per year of service.

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Summary of Actuarial Methods

- A. Actuarial Cost Method** The Entry Age Normal actuarial cost method. This actuarial funding method is one of the projected benefit cost methods. The normal cost for each active member is the annual level dollar amount required from the member's entry date to retirement date so that the accumulated contributions at termination or retirement will equal the liability at that time. This cost is expressed as a level annual amount.
- B. Actuarial Value of Assets** The actuarial value of assets is equal to the market value of assets.
- C. Benefits Valued** All benefits summarized in the plan provisions section of this report with the exception of the supplemental lump sum benefits. The State reimburses the Special Fund for those benefits, so these payments and reimbursements will be recognized in plan assets as they occur.
- D. Data Methods** The Relief Association provided census and financial information for the valuation and we have relied on this data in preparing the results in this report. The data was reviewed for reasonableness and consistency, but we have not performed a complete audit.
- To the extent that census data was collected as of a date later than January 1, 2020, we have assumed that it is reasonably representative of the plan census on the valuation date and used it with only minor adjustments.

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Summary of Actuarial Assumptions

- A. Discount Rate** 5% as required by Minnesota statutes
- B. Mortality** Rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation as described below.

Pre-retirement: RP-2014 employee generational mortality table projected with mortality improvement scale MP-2018, from a base year of 2006.

Post-retirement: RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2018 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

- C. Withdrawal** Select and ultimate rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation. Select rates are as follows:

First Year	Second Year	Third Year
3.0%	3.0%	3.0%

Age	Ultimate Rates	
	Male	Female
20	3.00%	3.00%
25	2.60%	2.60%
30	2.10%	2.10%
35	1.60%	1.60%
40	1.25%	1.25%
45	1.25%	1.25%
50	0.00%	0.00%

- D. Disability** Age-related rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation. All incidences are assumed to be duty-related. Select Rates are as follows:

Age	Rate
20	0.11%
25	0.13%
30	0.16%
35	0.19%
40	0.29%
45	0.54%
50	1.04%
55	2.03%
60	0.00%

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Summary of Actuarial Assumptions (continued)

E. Retirement

Active members

We have assumed 50% of active members will retire when reaching retirement eligibility (later of age 50 and 20 years of service); then 50% retire each subsequent year until 100% retirement at the earlier of age 65 or 30 years of service.

Age	Less than 20 years of service	With 20-29 years of service	With 30 years of service
50-64	0%	50%	100%
65	100%	100%	100%

Vested terminated

The later of current age and age 50.

F. Beneficiary information

100% of members are assumed to have a beneficiary who will receive survivor benefits.

G. Spouse age difference

Wives are assumed to be 3 years younger than husbands.

H. Form of payment

All participants eligible for an annuity will elect a 100% joint and survivor annuity.

I. Supplemental benefits

We have not valued the liability associated with supplemental lump sum benefits in this funding valuation since the State reimburses the Special Fund for those benefits. These payments and reimbursements will be recognized in plan assets as they occur.

J. Changes since prior valuation

Mortality assumption was updated from the rates used in the July 1, 2018 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2019 Minnesota PERA Police & Fire Plan actuarial valuation.

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Selection of Economic Assumptions

The Actuarial Standards Board (ASB) provides coordinated guidance for measuring pension and retiree group benefit obligations through a series of Actuarial Standards of Practice (ASOPs). ASOP No. 27, Selection of Economic Assumptions for Measuring Pension Obligations, requires that the actuary disclose the rationale used in selecting each non-prescribed economic assumption and any changes to non-prescribed economic assumptions.

There are no non-prescribed economic assumptions used in this valuation. The discount rate is the only economic assumption and it is prescribed by State statute. It is only appropriate for complying with statutory funding requirements.

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Selection of Non-Economic Assumptions

The Actuarial Standards Board (ASB) provides coordinated guidance for measuring pension and retiree group benefit obligations through a series of Actuarial Standards of Practice (ASOPs). ASOP No. 35, Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations, requires that the actuary disclose the rationale used in selecting each non-prescribed non-economic assumption and any changes to non-prescribed non-economic assumptions.

The table below summarizes the rationale for selecting the non-prescribed non-economic assumptions. The rationale for assumption changes, along with a description of the assumptions themselves, is included in the Actuarial Assumption and Methods section of the report.

Non-Economic Assumptions (non-prescribed)	
Assumption	Rationale for Selecting Assumption
Mortality	Rates used in the most recent Minnesota PERA Police & Fire Plan actuarial valuation.
Retirement	Due to limited plan-specific data, based on plan's earliest retirement age with allowance for some delayed retirement.
Termination of Employment	Rates used in the most recent Minnesota PERA Police & Fire Plan actuarial valuation.
Disability	Rates used in the most recent Minnesota PERA Police & Fire Plan actuarial valuation.
Optional Form of Benefit	Based on recent plan experience and plan design expectations.
Percentage Married and Spouse Ages	Based on standard pension plan assumptions. These assumptions have an insignificant impact on plan costs.

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Assessment and Disclosure of Risk

Actuarial Standard of Practice Number 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions (ASOP 51), requires actuaries to identify and assess certain risks that may affect a plan's future financial condition. Some of the primary risks are summarized and defined in the table below.

Risk	Identification/Definition
Investment risk	The potential that investment returns will be different than expected
Asset/liability mismatch risk	The potential that changes in asset values are not matched by changes in liability values
Interest rate risk	The potential that interest rates will be different than expected
Longevity and other demographic risks	The potential that mortality or other demographic experience will be different than expected
Contribution risk	The potential that state aid or municipal contribution rates are different than what is ultimately required to fund plan benefits

ASOP 51 requires that actuaries qualitatively or quantitatively assess the potential effect of these risks on the plan's future financial condition. Methods to assess the risks include scenario tests, sensitivity tests, stress tests, and calculation of actuarial liabilities using a discount rate based on minimal-risk investments. Practical considerations include the usefulness, reliability, timeliness, and cost efficiency of the risk assessment measurements.

In addition to the risk assessment parameters above, ASOP 51 requires that actuaries (1) calculate various plan maturity measures and (2) disclose relevant historical information that are significant to understanding plan risks.

This report contains basic risk assessment information for the plan in accordance with ASOP 51. However, we recommend that employers consider additional pension risk analyses to better understand retirement plan volatility and the potential impact on the organization. We would be glad to discuss potential additional analyses upon request.

Plan Maturity Measures

Maturity measures describe how much plan liability is attributable to current employees vs. former employees (e.g., retirees) and the size of plan assets and liabilities relative to overall payroll. These measures include:

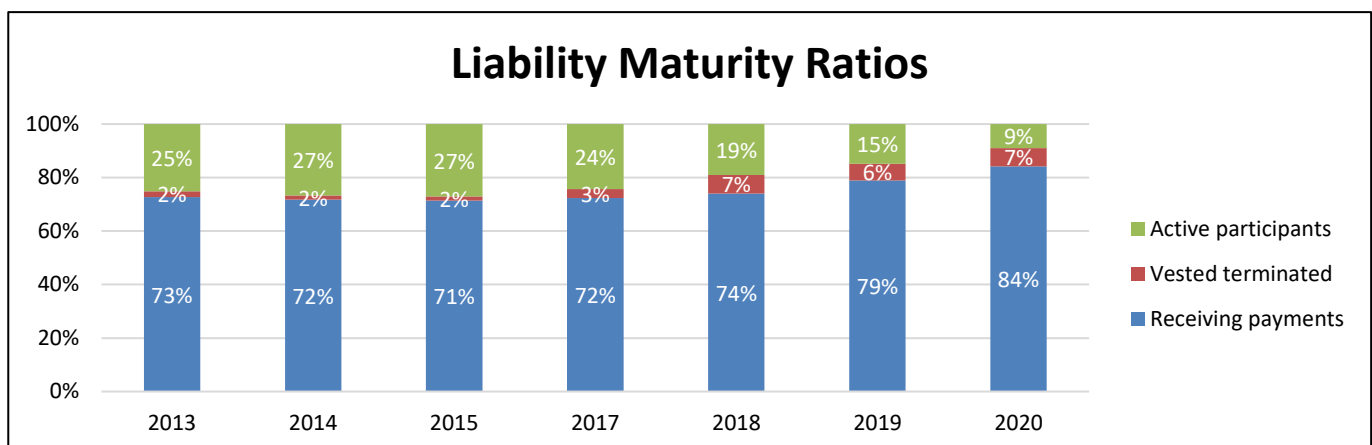
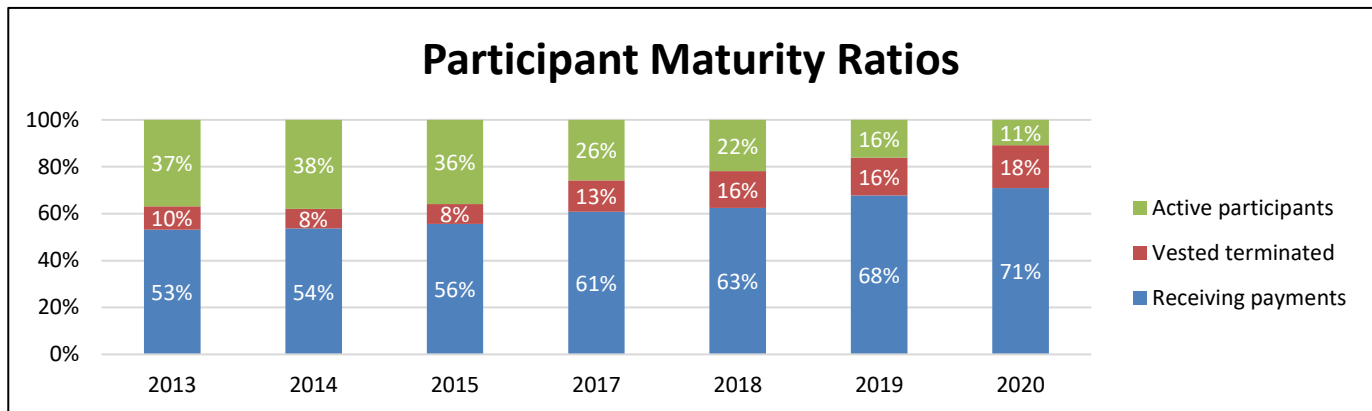
Participant Maturity Ratio (PMR)	Number of retirees divided by total participants
Liability Maturity Ratio (LMR)	Retiree liability divided by total plan liability

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Assessment and Disclosure of Risk (continued)

A recent history of maturity measures is shown below. Some of the primary risks are summarized and defined in the table below.



Observations:

- The retiree counts and liabilities are steadily increasing as a percent of the plan's totals. This is due to new hires going into the State retirement plan.

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Assessment and Disclosure of Risk (continued)

Historical Plan Information

Historical plan information can provide insight about evolving pension risks, especially as plans mature. Below are historical values for some relevant plan results.

Historical Funded Status Information					
	Funding Target Liability	Market Value of Assets	Funded Percent	Actual Investment Return	Assumed Investment Return
2020	\$ 10,402,511	\$ 12,916,078	124.16%	24.97%	5.00%
2019	10,237,646	10,749,649	105.00%	-3.96%	5.00%
2018	10,474,461	11,681,497	111.52%	17.57%	5.00%
2017	9,314,796	10,302,168	110.60%	8.80%	5.00%
2015	9,709,587	10,171,186	104.75%	9.40%	5.00%
2014	9,671,531	9,545,070	98.69%	20.60%	5.00%
2013	8,666,462	8,173,150	94.31%	13.00%	5.00%

Observations

- The plan's funded status has increased at a rate of 4.93% on average over the time period above.
- Plan investment returns have averaged 12.91% over the time period shown above, higher than the assumed return.

ROSEVILLE FIREFIGHTER'S RELIEF ASSOCIATION

January 1, 2020 Actuarial Valuation

Assessment and Disclosure of Risk (continued)

Defined benefit plans like this one are subject to statutory minimum funding rules. These impose stringent requirements on when and how much money must be contributed to the plan trust. This means that many pension risks are less applicable to Relief Association defined benefit plans.

The table below provides analysis of some potential plan risks. Please note that the list of risks and the risk assessments shown are not exhaustive. We would be glad to provide a more detailed risk assessment upon request.

Risk	Assessment
Investment risk	If future investment returns are higher or lower than assumed, then future contributions may need to be increased or decreased to compensate. The plan currently uses an investment return assumption based on statutory requirements of 5%.
Asset/liability mismatch risk	Per state statutes, plan funding liabilities are determined using a 5% interest rate. Since plan assets are invested in a mix of equity and fixed income securities, there is a risk that changes in assets values are not matched by changes in liability values.
Interest rate risk	There is a risk that interest rates could be different than expected under current statutory minimum funding rules. Statutory funding interest rates are currently "stabilized" at 5%.
Longevity and other demographic risks	The plan demographic assumptions reflect best estimates of future plan experience. However, retirees receiving monthly payments may live longer than expected which would change plan liabilities.
Contribution risk	Statutory minimum funding rules are relatively conservative and statutorily-mandated, so there is less risk that the plan sponsor will not make the necessary contributions than in other types of plans.