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## TOWNSHIP OF BLOOMFIELD RETIREMENT INCOME PLAN

### Actuarial Valuation as of January 1, 2018 To Determine Funding for Fiscal Year 2019-20

**Prepared by**

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## Certification

We have performed an actuarial valuation of the Plan as of January 1, 2018 to determine funding for fiscal year 2019-20. This report presents the results of our valuation.

The ultimate cost of a pension plan is the total amount needed to provide benefits for plan members and beneficiaries and to pay the expenses of administering the plan. Pension costs are met by contributions and by investment return on plan assets. The principal purpose of this report is to set forth an actuarial recommendation of the contribution, or range of contributions, which will properly fund the plan, in accordance with applicable government regulations. In addition, this report provides:

- A valuation of plan assets and liabilities to review the year-to-year progress of funding.
- Information needed to meet disclosure requirements.
- Review of plan experience for the previous year to ascertain whether the assumptions and methods employed for valuation purposes are reflective of actual events and remain appropriate for prospective application.
- Assessment of the relative funded position of the plan, i.e., through a comparison of plan assets and projected plan liabilities.
- Comments on any other matters which may be of assistance in the funding and operation of the plan.

This report may not be used for purposes other than those listed above without Milliman's prior written consent. If this report is distributed to other parties, it must be copied in its entirety, including this certification section.

Milliman's work is prepared solely for the internal business use of Bloomfield Township ("Township"). To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions: (a) the Township may provide a copy of Milliman's work, in its entirety, to the Township's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Township; and (b) the Township may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

In preparing this report, we relied on employee census data and financial information as of the valuation date, furnished by the Township. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

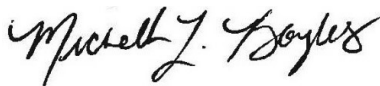
## Certification

The calculations reported herein have been made on a basis consistent with our understanding of ERISA and the related sections of the tax code. Additional determinations may be needed for purposes other than meeting funding requirements, such as judging benefit security at plan termination or meeting employer accounting requirements. On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices. Figures for periods prior to January 1, 2018 have been obtained from actuarial valuation reports prepared by Prudential and from the Township's Comprehensive Annual Financial Reports.

We further certify that, in our opinion, each actuarial assumption, method and technique used is reasonable taking into account the experience of the Plan and reasonable expectations. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of such future measurement.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



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## Section I - Executive Summary Changes Since the Prior Valuation

### Plan Audit

The Township retained Milliman to prepare an audit of Prudential's January 1, 2018 valuation of the Plan. Through this audit, Milliman identified three aspects of Prudential's valuation that warranted correction.

1. Prudential's valuation reflected the same salary for both 2017 and 2018. We revised to use the assumed salary scale rate of 3.00%.
2. Prudential's valuation did not reflect the plan's actuarial increase in monthly benefits for members who elect a single life annuity at retirement.
3. Prudential assumed that only those active members who were at least age 50 as of the valuation date would be eligible for the COLA. Since the COLA is part of the substantive plan provisions, we revised to value the COLA for all active members regardless of their current age.

These changes increased the Accrued Liability by about \$8.0 million.

### Changes in Actuarial Methods and Assumptions

We made the following changes to better anticipate future experience:

The interest rate assumption was increased from 5.75% to 6.00%.

The salary scale was increased from 3.00% to 3.50%.

The mortality projection table was updated from MP-2014 to MP-2017.

The funding method was changed from Projected Unit Credit to Entry Age Normal.

The expense assumption was changed from a flat \$100,000 to an amount equal to the prior year's actual administrative expenses increased by 3.0% and rounded to the nearest \$100.

These changes decreased the Accrued Liability by about \$11.7 million.

### Plan Changes

None.

### Other Significant Changes

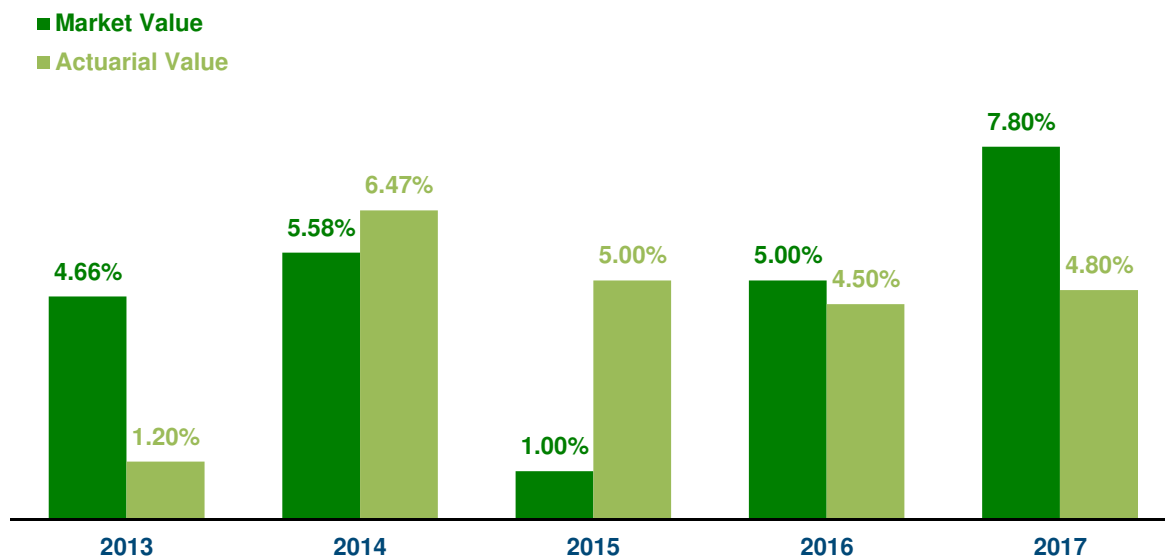
In order to provide the Township with contribution amounts well in advance of the start of each fiscal year, we changed the relationship between the valuation date and the fiscal year for which the Actuarially Determined Contribution (ADC) is calculated. Each valuation will now determine the ADC for the fiscal year that begins 15 months after the valuation date.

## Section I - Executive Summary Assets

There are two different measures of the plan's assets that are used throughout this report. The Market Value is a snapshot of the plan's investments as of the valuation date. The Actuarial Value is a smoothed asset value designed to temper the volatile fluctuations in the market by recognizing investment gains or losses non-asymptotically over five years.

	<b>Market</b>	<b>Actuarial</b>
Value as of January 1, 2017	\$215,042,219	\$224,014,077
Township and Member Contributions	305,622	305,622
Investment Income	16,241,063	10,411,455
Benefit Payments and Administrative Expenses	<u>(11,162,847)</u>	<u>(11,162,847)</u>
Value as of January 1, 2018	<u>220,426,057</u>	<u>223,568,307</u>

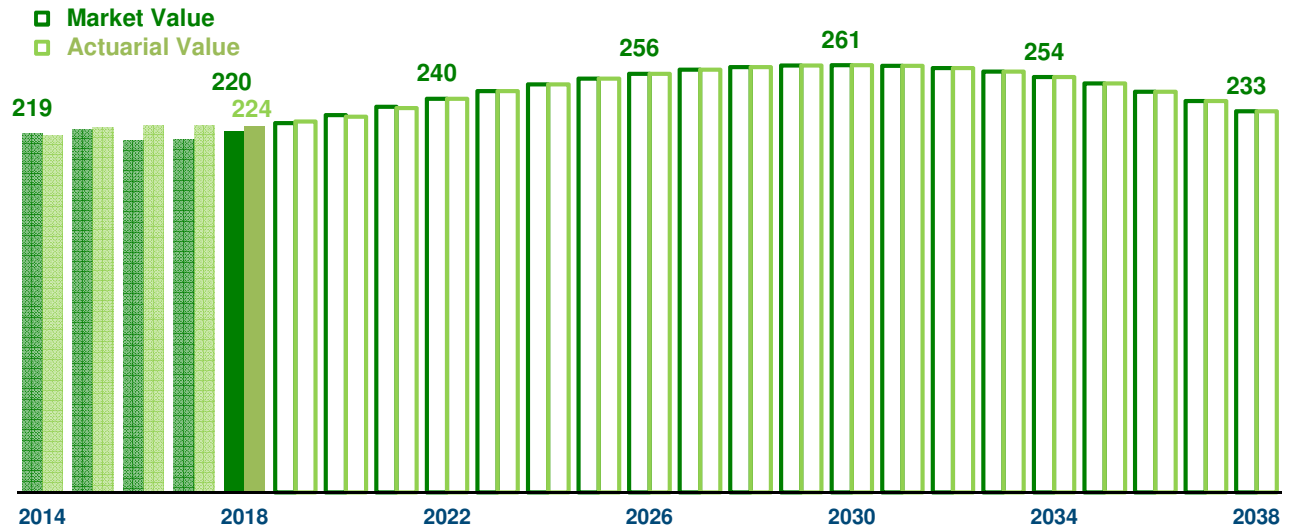
For the period January 1, 2017 to December 31, 2017 the plan's assets earned 7.80% on a Market Value basis and 4.80% on an Actuarial Value basis. The actuarial assumption for this period was 6.00%; the result is an asset gain of about \$3.7 million on a Market Value basis. Historical rates of return are shown in the graph below.



Please note that the Actuarial Value currently exceeds the Market Value by \$3.1 million. This figure represents investment losses that will be gradually recognized in future years. This process will exert upward pressure on the Township's contribution, unless there are offsetting market gains.

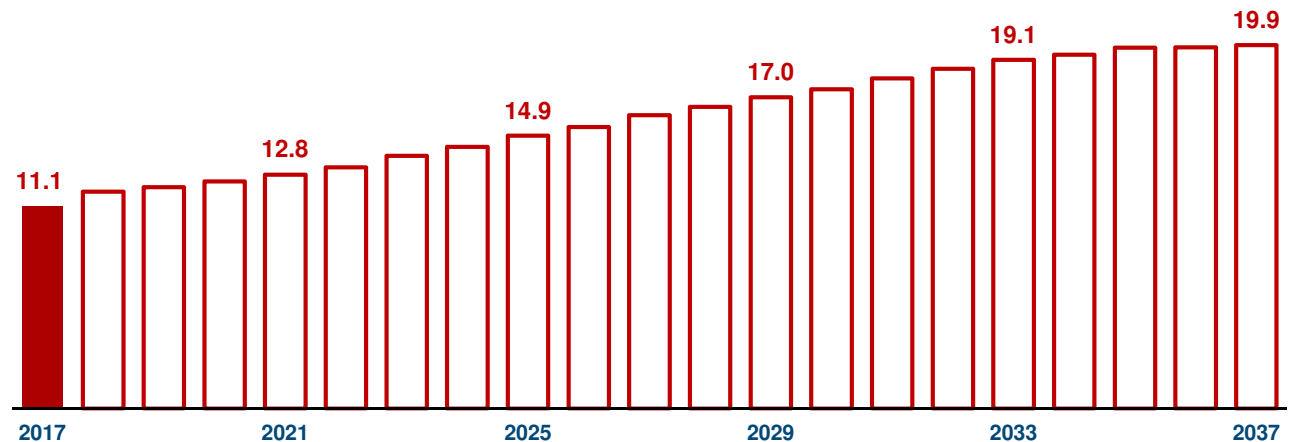
## Section I - Executive Summary Assets (continued)

The graph below shows how this year's asset values compare to where the plan's assets have been over the past several years and how they are projected to change over the next 20 years. For purposes of this projection, we have assumed that the Township always contributes the Actuarially Determined Contribution and the investments always earn the assumed interest rate each year.



In 2017, the plan paid out \$11.1 million in benefits to members. Over the next 20 years, the plan is projected to pay out a total of \$322 million in benefits to members.

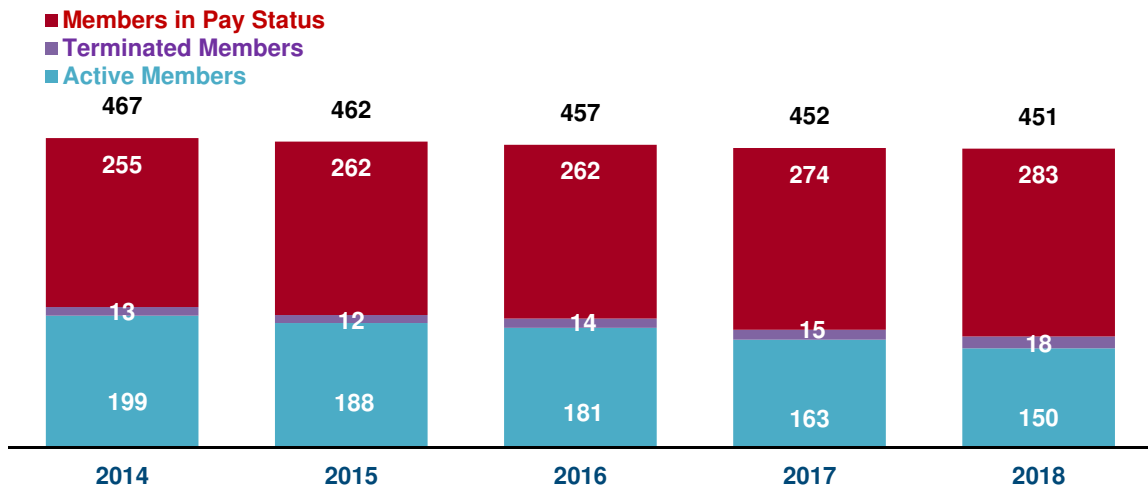
### Benefit Payments



This work product was prepared solely for the Township for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

## Section I - Executive Summary Membership

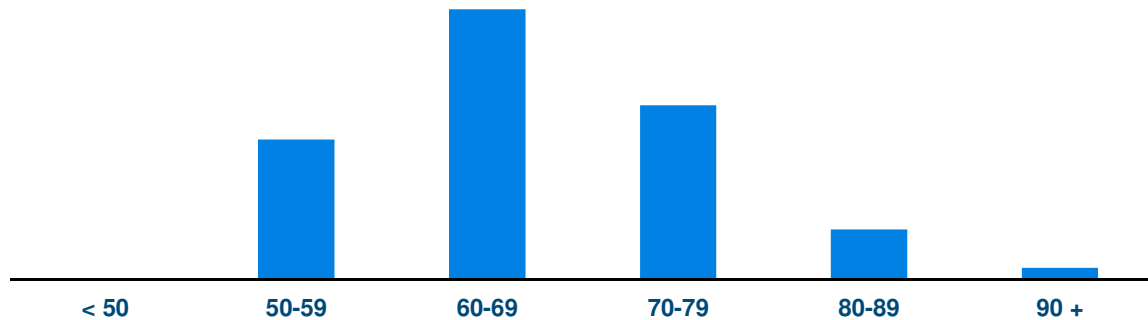
There are three basic categories of plan members included in the valuation: (1) members who are receiving monthly pension benefits, (2) former employees who have a vested right to benefits but have not yet started collecting, and (3) active employees who have met the eligibility requirements for membership.



### Members in Pay Status on January 1, 2018

Count	283
Average Age	69.5
Total Annual Benefit	\$11,388,611
Average Annual Benefit	40,242

The members in pay status fall across a wide distribution of ages:





## Section I - Executive Summary Membership (continued)

### Terminated Vested Members on January 1, 2018

Count	18
Average Age	44.0
Total Annual Benefit	\$370,462
Average Annual Benefit	20,581

### Active Members on January 1, 2018

	Library Employees	Non-Library Employees	Plan Total
Count	14	136	150
Average Age	52.5	46.8	47.4
Average Service	17.0	18.8	18.6
Payroll	\$948,596	\$11,324,871	\$12,273,467
Average Payroll	67,757	83,271	81,823

The tables below illustrate the age and years of service of the active membership:

#### Library Employees

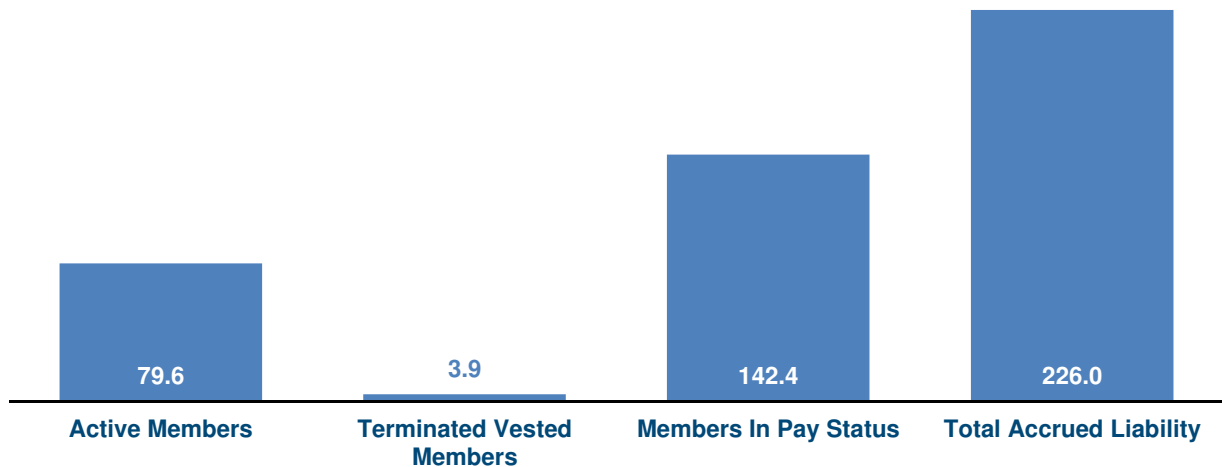
Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
<30								0
30-34		1						1
35-39			1					1
40-44								0
45-49		1		1			1	3
50-54		2	1	1				4
55-59				1				1
60-64		1					1	2
65+				1		1		2
<b>Total</b>	0	5	2	4	0	1	2	14

#### Non-Library Employees

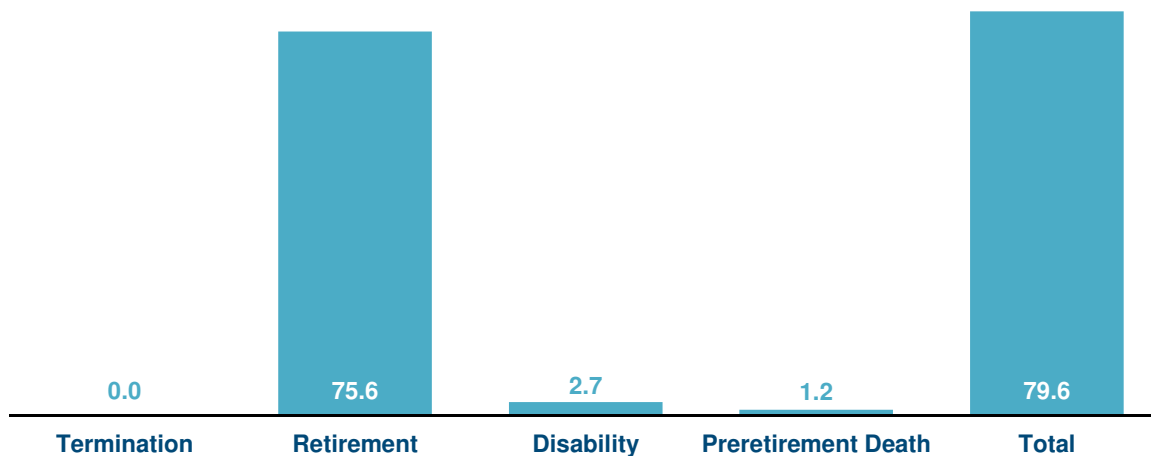
Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
<30								0
30-34			1					1
35-39			18	6				24
40-44			7	25	4			36
45-49			1	10	11	2		24
50-54			3	7	14	5	1	30
55-59				3	2	3	2	10
60-64				6	1		1	8
65+			1	2				3
<b>Total</b>	0	0	31	59	32	10	4	136

## Section I - Executive Summary Accrued Liability

The Accrued Liability as of January 1, 2018 consists of the following pieces:



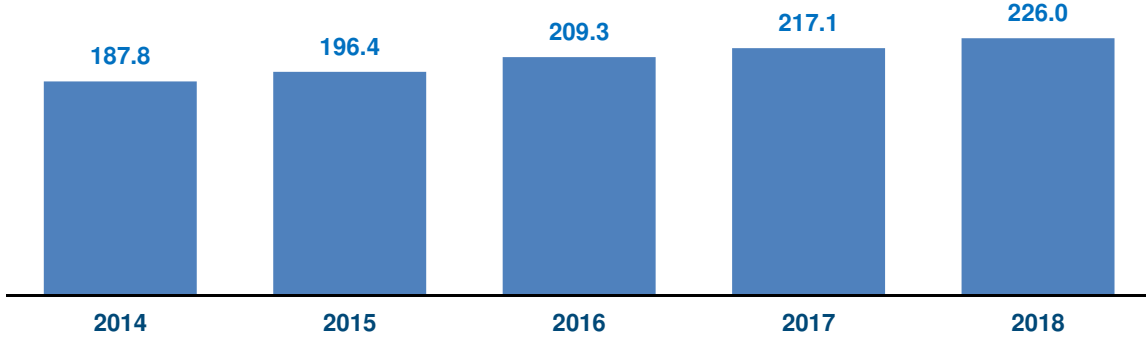
The Accrued Liability for active members can be broken down further by the different types of benefits provided by the plan:



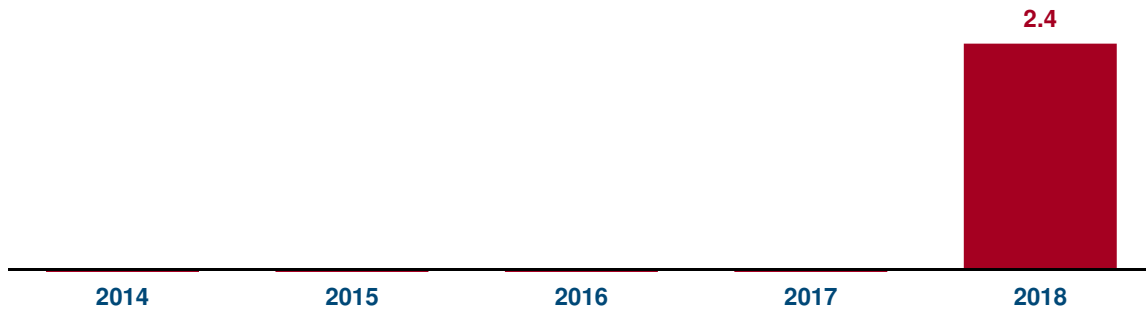
## Section I - Executive Summary Funded Status

The Accrued Liability grows over time as active members earn additional benefits, and goes down over time as members receive benefits; it may also change when there are changes to the plan provisions or changes in the actuarial assumptions. The Unfunded Accrued Liability is the dollar difference between the Accrued Liability and the Actuarial Value of Assets; the Funded Ratio is the ratio of the two.

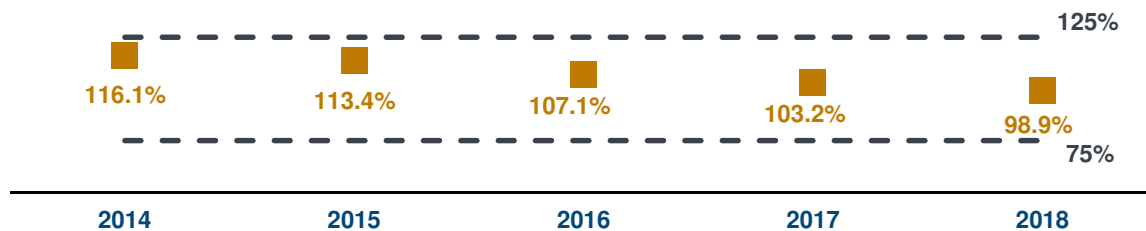
Accrued Liability (\$ millions)



Unfunded Accrued Liability (\$ millions)



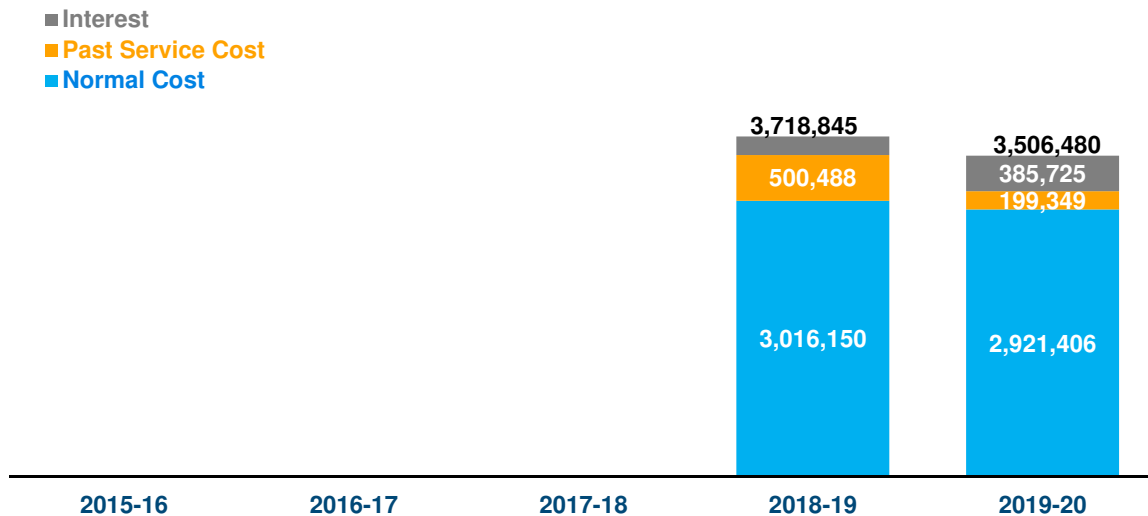
Funded Ratio



## Section I - Executive Summary Actuarially Determined Contribution

The Actuarially Determined Contribution consists of three pieces: a Normal Cost payment to fund the benefits earned each year, a Past Service Cost to gradually reduce any unfunded or surplus liability, and Interest to reflect the timing of the contribution relative to the valuation date.

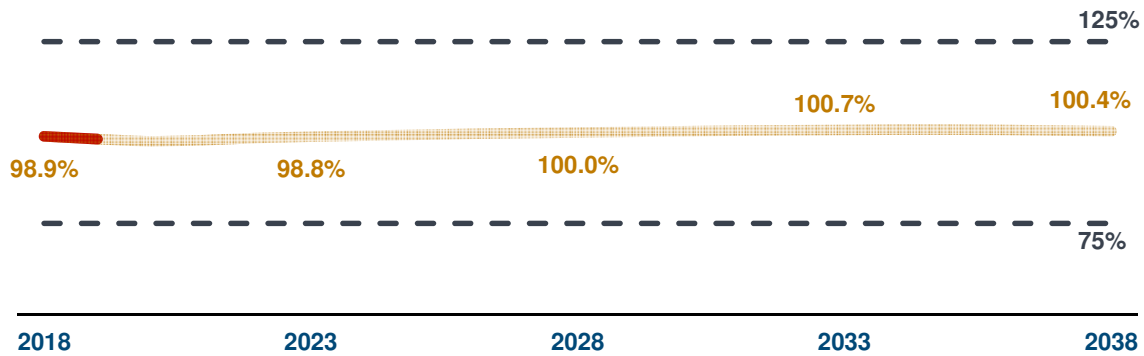
The Actuarially Determined Contribution for fiscal year 2019-20 is shown graphically below, along with the comparable figures for the preceding four fiscal years. Note that in years where a contribution is required, the Normal Cost is relatively consistent from year to year, whereas the Past Service Cost tends to be more volatile since it reflects the impact of asset performance as well as assumption changes.



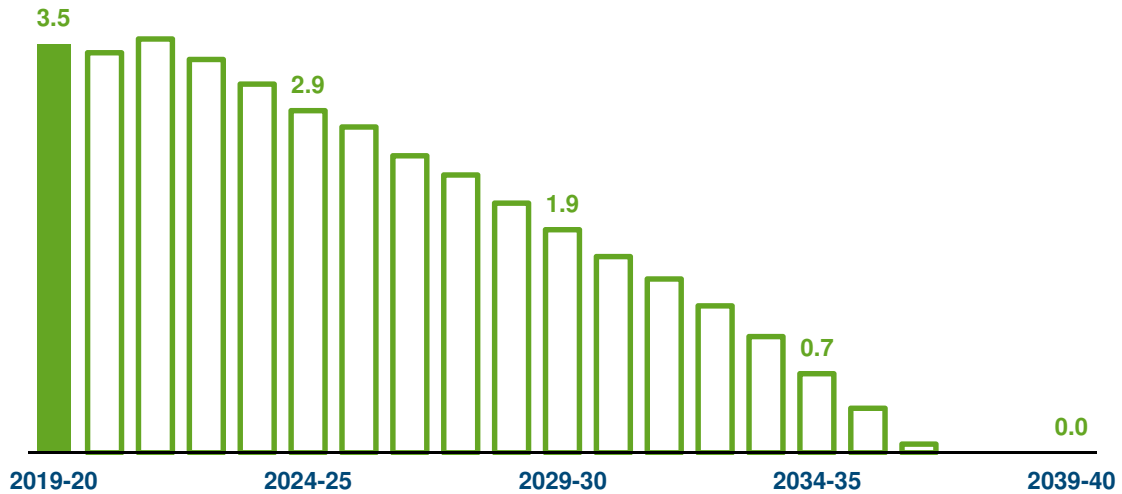
## Section I - Executive Summary Long-Range Forecast

If the Township pays the Actuarially Determined Contribution each year, the investments earn exactly the assumed interest rate each year, and there are no changes in the plan provisions or in the actuarial methods and assumptions, then we project the following changes in the plan's funded status and the long-range contribution levels:

### Funded Ratio



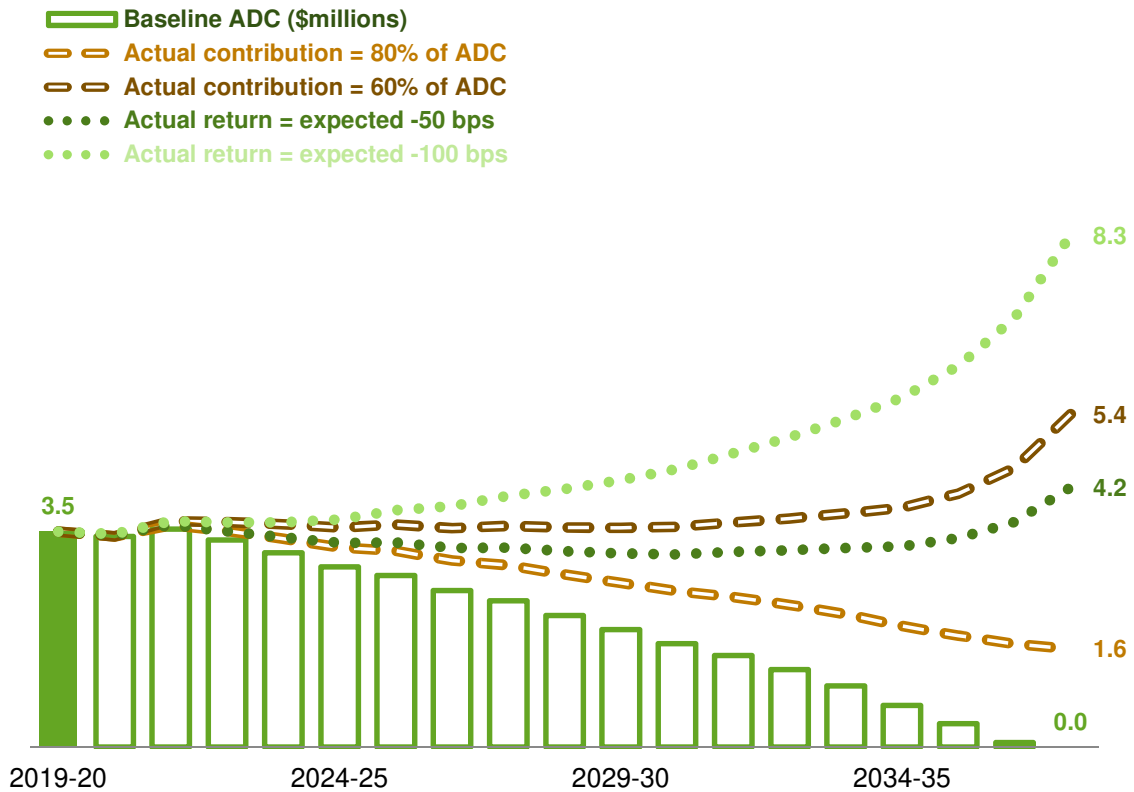
### Actuarially Determined Contribution (\$ millions)



To the extent that there are future investment or liability gains or losses, changes in the actuarial assumptions or methods, or plan changes, the actual valuation results will differ from these forecasts. Please see Section III C for more details of the long range forecast.

## Section I - Executive Summary Long-Range Forecast (continued)

Pension benefits are paid for through a combination of contributions from the Township and from employees, and from investment income. If the Township pays less than the Actuarially Determined Contribution each year, or if the investments persistently earn less than the assumed interest rate, then the plan's funded status would suffer, and to compensate, the Township's contribution levels would be pushed higher. The risks of underfunding and underearning are illustrated in the hypothetical scenarios below:



The scenarios illustrated above are based on deterministic projections that assume emerging plan experience always exactly matches the actuarial assumptions; in particular that actual asset returns will be constant in every year of the projection period. Variation in asset returns, contribution amounts, and many other factors may have a significant impact on the long-term financial health of the plan, the liquidity constraints on plan assets, and the Township's future contribution levels. Stochastic projections could be prepared that would enable the Township to understand the potential range of future results based on the expected variability in asset returns and other factors. Such analysis was beyond the scope of this engagement.

## Section I - Executive Summary Summary of Principal Results

<b>Membership as of</b>	<b>Prudential Valuation January 1, 2018</b>	<b>Milliman Valuation January 1, 2018</b>
Active Members	150	150
Terminated Members	18	18
Members in Pay Status	<u>283</u>	<u>283</u>
Total Count	451	451
Payroll	\$11,858,422	\$12,273,467
<b>Assets and Liabilities as of</b>		
	<b>January 1, 2018</b>	<b>January 1, 2018</b>
Market Value of Assets	\$220,426,057	\$220,426,057
Actuarial Value of Assets	223,568,307	223,568,307
Accrued Liability for Active Members	73,540,931	79,597,252
Accrued Liability for Terminated Members	4,245,777	3,949,452
Accrued Liability for Members in Pay Status	<u>151,977,389</u>	<u>142,445,313</u>
Total Accrued Liability	229,764,097	225,992,017
Unfunded Accrued Liability	6,195,790	2,423,710
Funded Ratio	97.3%	98.9%
<b>Actuarially Determined Contribution for Fiscal Year</b>		
	<b>2018-19</b>	<b>2019-20</b>
Normal Cost	\$3,016,150	\$2,921,406
Past Service Cost	500,488	199,349
Interest	<u>202,207</u>	<u>385,725</u>
Actuarially Determined Contribution	3,718,845	3,506,480

## Section II - Plan Assets

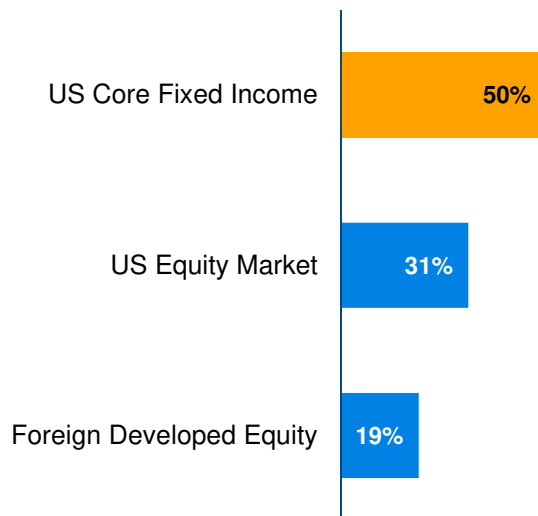
### A. Summary of Fund Transactions

<b>Market Value as of January 1, 2017</b>	<b>\$215,042,219</b>
Township Contributions	0
Member Contributions	305,622
Net Investment Income	16,241,063
Benefit Payments	(11,076,710)
Administrative Expenses	(86,137)
<b>Market Value as of December 31, 2017</b>	<b>220,426,057</b>
Market Value (Gain)/Loss	(3,691,389)
Approximate Rate of Return *	7.80%

\* The rate shown here is not the dollar or time weighted investment yield rate which measures investment performance. It is an approximate net return assuming all activity occurred on average midway through the fiscal year.

#### Target Asset Allocation as of December 31, 2017

- Equity
- Fixed Income
- Cash





## Section II - Plan Assets

### B. Development of Actuarial Value of Assets

In order to minimize the impact of market fluctuations on the contribution level, we use an Actuarial Value of Assets that recognizes gains and losses in equal installments ('non-asymptotically') over a five year period. The Actuarial Value of Assets as of January 1, 2018 is determined below.

1.	Market Value of Assets as of January 1, 2017		\$215,042,219
2.	Expected Market Value of Assets as of January 1, 2018		216,734,668
3.	Actual Market Value of Assets as of January 1, 2018		220,426,057
4.	Market Value (Gain)/Loss: (2) - (3)		(3,691,389)
5.	Delayed Recognition of Market (Gains)/Losses:		
	<b>Plan Year End</b>	<b>(Gain)/Loss</b>	<b>Percent Not Recognized</b>
	12/31/2017	(\$3,691,389)	80%
	12/31/2016	2,088,854	60%
	12/31/2015	11,398,098	40%
	12/31/2014	1,414,053	20%
			<u>282,811</u>
			3,142,251
6.	Preliminary Actuarial Value of Assets as of January 1, 2018: (3) + (5)		223,568,307
7.	Corridor on Actuarial Value of Assets:		
	80% of (3)		176,340,846
	120% of (3)		264,511,268
8.	Actuarial Value of Assets as of January 1, 2018: (6), constrained to (7)		223,568,307
9.	Approximate Rate of Return on Actuarial Value of Assets		4.80%

## Section III - Development of Contribution

### A. Past Service Cost

In determining the Past Service Cost, the Unfunded Accrued Liability is amortized as a level dollar over 20 years beginning January 1, 2018.

	Prudential Valuation January 1, 2018	Milliman Valuation January 1, 2018
1. Accrued Liability		
Active Members	\$73,540,931	\$79,597,252
Terminated Members	4,245,777	3,949,452
Members in Pay Status	<u>151,977,389</u>	<u>142,445,313</u>
Total Accrued Liability	229,764,097	225,992,017
2. Actuarial Value of Assets (see Section IIB)	223,568,307	223,568,307
3. Unfunded Accrued Liability: (1) - (2)	6,195,790	2,423,710
4. Funded Ratio: (2) / (1)	97.3%	98.9%
5. Amortization Period	20	20
6. Amortization Growth Rate	0.00%	0.00%
7. Past Service Cost: (3) amortized over (5)	500,488	199,349

**Section III - Development of Contribution**  
**B. Actuarially Determined Contribution**

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	2018-19	2019-20
1. Total Normal Cost	\$3,212,892	\$3,123,535
2. Expected Member Contributions	296,742	289,029
3. Expected Administrative Expenses	100,000	86,900
4. Net Normal Cost: (1) - (2) + (3)	3,016,150	2,921,406
5. Past Service Cost (see Section IIIA)	500,488	199,349
6. Interest on (4) + (5) to the start of the fiscal year	202,207	385,725
7. Actuarially Determined Contribution: (4) + (5) + (6)	3,718,845	3,506,480

## Section III - Development of Contribution

### C. Allocation of Contribution by Department

Contributions are allocated to each department on the basis of the Accrued Liability for members of the department relative to the total Accrued Liability. These percentages are shown below.

Department	Active Members	Terminated Vested Members	Members in Pay Status	Total
Accounting	0.32%	0.00%	0.93%	1.25%
Assessing	0.79%	0.00%	1.52%	2.31%
Building Inspection	0.80%	0.00%	1.25%	2.04%
Buildings & Grounds	0.63%	0.08%	0.58%	1.29%
Cable Studio	0.59%	0.08%	0.36%	1.04%
Clerk	0.23%	0.08%	0.27%	0.58%
Dispatch	0.75%	0.00%	1.77%	2.52%
Elections	0.23%	0.08%	0.27%	0.58%
Fire	8.92%	0.52%	20.24%	29.69%
Information Technology	1.35%	0.00%	0.00%	1.35%
Library	1.75%	0.05%	1.82%	3.63%
Motor Pool	0.20%	0.00%	2.36%	2.56%
Ordinance	0.20%	0.00%	0.43%	0.63%
Planning	0.14%	0.00%	0.31%	0.46%
Police	14.25%	0.63%	21.43%	36.31%
Road	1.99%	0.04%	3.04%	5.08%
Safety Path	0.14%	0.00%	0.00%	0.14%
Senior Services	0.21%	0.00%	0.12%	0.32%
Supervisor	0.22%	0.00%	0.95%	1.17%
Treasurer	0.11%	0.03%	1.12%	1.25%
Village Police	0.00%	0.00%	0.12%	0.12%
Water & Sewer	<u>1.40%</u>	<u>0.14%</u>	<u>4.13%</u>	<u>5.67%</u>
<b>Total</b>	<b>35.22%</b>	<b>1.75%</b>	<b>63.03%</b>	<b>100.00%</b>

## Section III - Development of Contribution

### D. Long Range Forecast

This forecast is based on the results of the January 1, 2018 actuarial valuation and assumes that the Township will pay the Actuarially Determined Contribution each year, the assets will return the assumed interest rate on a market value basis each year, and there are no future changes in the actuarial methods or assumptions or in the plan provisions. For purposes of this forecast the amortization period declines to 1 year to illustrate the progress of the plan towards becoming fully funded; in actual practice the amortization period will not be less than 10 years in order to shield the Township from contribution volatility. Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets.

Valuation Date	Values as of the Valuation Date				Fiscal Year	Cash Flows Projected to the Following Fiscal Year			
	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio		Township Contributions	Member Contributions	Benefit Payments	Net Cash Flows
1/1/2018	\$225,992,017	\$223,568,307	\$2,423,710	98.9%	2019-20	\$3,506,480	\$285,227	(\$12,118,101)	(\$8,326,394)
1/1/2019	230,601,000	226,365,000	4,236,000	98.2%	2020-21	3,634,000	282,000	(12,423,000)	(8,507,000)
1/1/2020	235,179,000	229,269,000	5,910,000	97.5%	2021-22	3,758,000	272,000	(12,793,000)	(8,763,000)
1/1/2021	239,661,000	234,556,000	5,105,000	97.9%	2022-23	3,572,000	266,000	(13,197,000)	(9,359,000)
1/1/2022	243,899,000	240,293,000	3,606,000	98.5%	2023-24	3,350,000	256,000	(13,827,000)	(10,221,000)
1/1/2023	247,886,000	244,973,000	2,913,000	98.8%	2024-25	3,109,000	246,000	(14,319,000)	(10,964,000)
1/1/2024	251,276,000	249,044,000	2,232,000	99.1%	2025-26	2,959,000	229,000	(14,924,000)	(11,736,000)
1/1/2025	254,266,000	252,592,000	1,674,000	99.3%	2026-27	2,698,000	220,000	(15,399,000)	(12,481,000)
1/1/2026	256,594,000	255,554,000	1,040,000	99.6%	2027-28	2,523,000	202,000	(16,043,000)	(13,318,000)
1/1/2027	258,460,000	257,924,000	536,000	99.8%	2028-29	2,268,000	186,000	(16,508,000)	(14,054,000)
1/1/2028	259,564,000	259,571,000	(7,000)	100.0%	2029-30	2,026,000	170,000	(17,035,000)	(14,839,000)
1/1/2029	260,075,000	260,556,000	(481,000)	100.2%	2030-31	1,782,000	159,000	(17,471,000)	(15,530,000)
1/1/2030	259,889,000	260,787,000	(898,000)	100.3%	2031-32	1,579,000	143,000	(18,057,000)	(16,335,000)
1/1/2031	259,110,000	260,317,000	(1,207,000)	100.5%	2032-33	1,333,000	126,000	(18,583,000)	(17,124,000)
1/1/2032	257,498,000	258,987,000	(1,489,000)	100.6%	2033-34	1,055,000	105,000	(19,074,000)	(17,914,000)
1/1/2033	255,047,000	256,761,000	(1,714,000)	100.7%	2034-35	717,000	88,000	(19,367,000)	(18,562,000)
1/1/2034	251,701,000	253,583,000	(1,882,000)	100.7%	2035-36	404,000	73,000	(19,743,000)	(19,266,000)
1/1/2035	247,670,000	249,544,000	(1,874,000)	100.8%	2036-37	77,000	61,000	(19,769,000)	(19,631,000)
1/1/2036	242,837,000	244,533,000	(1,696,000)	100.7%	2037-38	0	47,000	(19,892,000)	(19,845,000)
1/1/2037	237,581,000	238,842,000	(1,261,000)	100.5%	2038-39	0	33,000	(20,014,000)	(19,981,000)

**Section III - Development of Contribution**  
**E. History of Funded Status**

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio
January 1, 2010	\$115,269,769	\$152,012,730	\$36,742,961	75.8%
January 1, 2011	119,693,077	148,403,066	28,709,989	80.7%
January 1, 2012	123,454,716	152,669,192	29,214,476	80.9%
January 1, 2013	127,620,304	207,921,175	80,300,871	61.4%
January 1, 2014	218,093,625	187,794,369	(30,299,256)	116.1%
January 1, 2015	222,705,325	196,449,788	(26,255,537)	113.4%
January 1, 2016	224,127,478	209,302,751	(14,824,727)	107.1%
January 1, 2017	224,014,077	217,109,347	(6,904,730)	103.2%
January 1, 2018	223,568,307	225,992,017	2,423,710	98.9%

## Section III - Development of Contribution

### F. History of Township Contributions

Fiscal Year	Actuarially Determined Contribution	Actual Township Contribution	Payroll	Actual Contribution as a Percent of Payroll
2010-11	\$5,894,595	\$5,894,595	\$15,562,765	37.9%
2011-12	5,152,066	5,152,066	15,522,940	33.2%
2012-13	5,179,678	5,179,678	15,338,979	33.8%
2013-14	10,357,678	90,657,678	14,862,788	610.0%
2014-15	0	0	14,159,863	0.0%
2015-16	0	0	13,711,213	0.0%
2016-17	0	0	13,603,792	0.0%
2017-18	0	0	12,575,569	0.0%
2018-19	3,718,845	3,718,845	11,858,422	31.4%
2019-20	3,506,480	TBD	12,273,467	TBD

## Section IV - Membership Data

### A. Reconciliation of Membership from Prior Valuation

Details of the changes in the Plan membership since the last valuation are shown below. Additional details on the Plan membership are provided in the remainder of Section IV.

	Active Members	Terminated Vested Members	Nonvested Members Due Refunds	Members In Pay Status	Total
<b>Count January 1, 2017</b>	163	15	0	287	465
Terminated					
- no benefits due	-	-	-	-	0
- paid refund	-	-	-	-	0
- vested benefits due	(4)	4	-	-	0
Retired	(8)	(1)	-	9	0
Died					
- with beneficiary	-	-	-	-	0
- no beneficiary	(1)	-	-	(10)	(11)
Benefits expired	-	-	-	-	0
New member	-	-	-	6	6
Rehired	-	-	-	-	0
New Alternate Payee	-	-	-	-	0
Correction	-	-	-	(9)	(9)
<b>Count January 1, 2018</b>	150	18	0	283	451



## Section IV - Membership Data

### B. Statistics of Active Membership

	As of January 1, 2017	As of January 1, 2018
<b>Library</b>		
Number of Active Members	N/A	14
Average Age	N/A	52.5
Average Service	N/A	17.0
Total Payroll	\$948,042	\$948,596
Average Payroll	N/A	67,757
<b>Non-Library</b>		
Number of Active Members	N/A	136
Average Age	N/A	46.8
Average Service	N/A	18.8
Total Payroll	\$11,627,527	\$11,324,871
Average Payroll	N/A	83,271
<b>Plan Total</b>		
Number of Active Members	163	150
Average Age	46.6	47.4
Average Service	17.0	18.6
Total Payroll	\$12,575,569	\$12,273,467
Average Payroll	77,151	81,823

## Section IV - Membership Data

### C. Statistics of Inactive Membership

	As of January 1, 2017	As of January 1, 2018
<b>Terminated Vested Members</b>		
<b>Library</b>		
Number	N/A	1
Total Annual Benefit	N/A	\$12,836
Average Annual Benefit	N/A	12,836
Average Age	N/A	46.0
<b>Non-Library</b>		
Number	N/A	17
Total Annual Benefit	N/A	\$357,625
Average Annual Benefit	N/A	21,037
Average Age	N/A	43.9
<b>Plan Total</b>		
Number	15	18
Total Annual Benefit	\$269,775	\$370,461
Average Annual Benefit	17,985	20,581
Average Age	44.2	44.0
<b>Nonvested Members Due Refunds</b>		
Number	0	0
<b>Participants Receiving Benefits</b>		
<b>Library</b>		
Number	N/A	15
Total Annual Benefit	N/A	\$317,818
Average Annual Benefit	N/A	21,188
Average Age	N/A	74.8
<b>Non-Library</b>		
Number	N/A	268
Total Annual Benefit	N/A	\$11,070,793
Average Annual Benefit	N/A	41,309
Average Age	N/A	69.2
<b>Plan Total</b>		
Number	287	283
Total Annual Benefit	\$11,201,323	\$11,388,611
Average Annual Benefit	39,029	40,242
Average Age	69.5	69.5

**Section IV - Membership Data**  
**D. Distribution of Inactive Members as of January 1, 2018**

**Terminated Vested Members**

Age	Library		Non-Library	
	Number	Annual Benefits	Number	Annual Benefits
< 50	1	\$12,836	15	\$347,859
50 - 59	0	0	2	9,766
60 - 69	0	0	0	0
70 - 79	0	0	0	0
80 - 89	0	0	0	0
90 +	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	1	12,836	17	357,625

**Participants Receiving Benefits**

Age	Library		Non-Library	
	Number	Annual Benefits	Number	Annual Benefits
< 50	0	\$0	1	\$27,511
50 - 59	2	55,103	45	2,413,714
60 - 69	4	132,819	98	4,649,152
70 - 79	4	73,105	76	2,964,173
80 - 89	3	31,717	41	840,050
90 +	<u>2</u>	<u>25,073</u>	<u>7</u>	<u>176,193</u>
Total	15	317,818	268	11,070,793

## Section V - Analysis of Risk

### A. Introduction

The results of this actuarial valuation are based on one set of reasonable assumptions. However, it is almost certain that future experience will not exactly match these assumptions. As an example, the plan's investments may perform better or worse than assumed in any single year and over any longer time horizon. It is therefore important to consider the potential impacts of these likely differences when making decisions that may affect the future financial health of the plan, or of the plan's members.

In addition, as plans mature they accumulate larger pools of assets and liabilities. The increase in size in turn increases the potential magnitude of adverse experience. As an example, the dollar impact of a 10% investment loss on a plan with \$1 billion in assets and liabilities is much greater than the dollar impact for a plan with \$1 million in assets and liabilities. Since pension plans make long-term promises and rely on long-term funding, it is important to consider how mature the plan is today, and how mature it may become in the future.

Actuarial Standard of Practice No. 51 (ASOP 51) directs actuaries to provide pension plan sponsors with information concerning the risks associated with the plan:

- Identify risks that may be significant to the plan.
- Assess the risks identified as significant to the plan. The assessment does not need to include numerical calculations.
- Disclose plan maturity measures and historical information that are significant to understanding the plan's risks.

This section of the report uses the framework of ASOP 51 to communicate important information about significant risks to the plan, the plan's maturity, and relevant historical plan data.

Please see Section III C for more information on the basis for the projected results shown on the following pages.

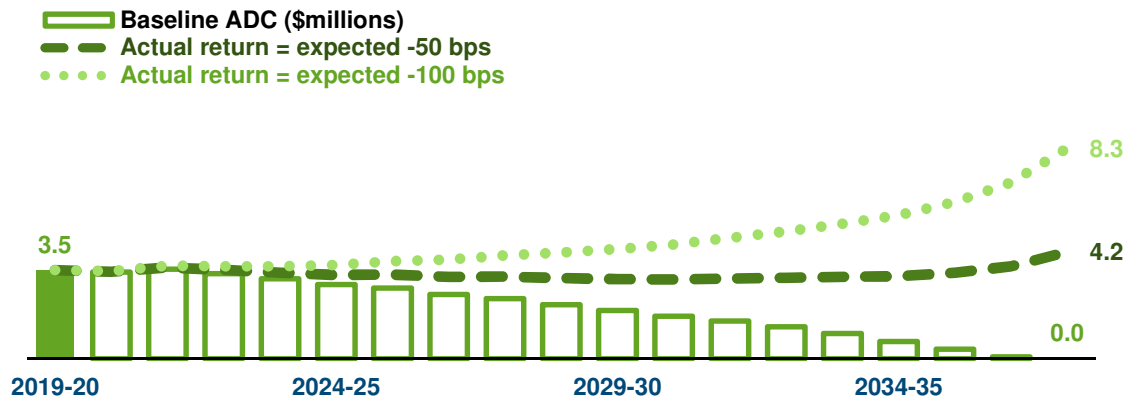
## Section V - Analysis of Risk

### B. Risk Identification and Assessment

#### Investment Risk

Definition: This is the potential that investment returns will be different than expected.

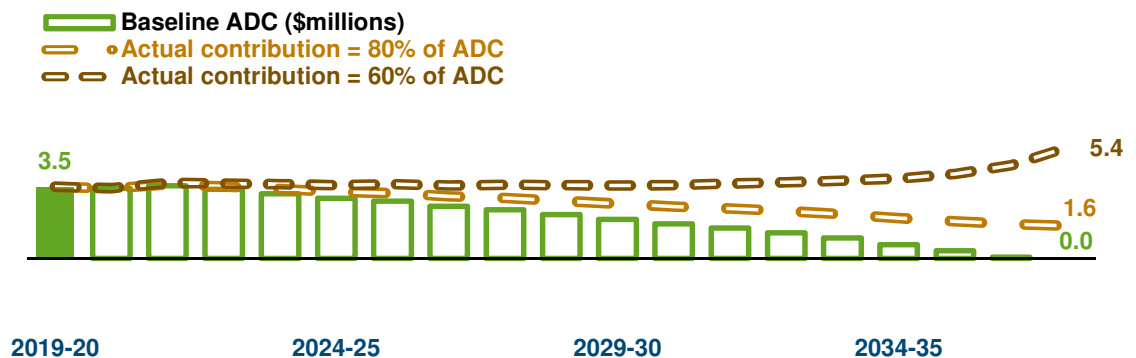
Identification: To the extent that actual investment returns differ from the assumed investment return, the plan's future assets, Actuarially Determined Contributions, and funded status may differ significantly from those presented in this valuation. The consequences of persistent underperformance on future Actuarially Determined Contribution levels are illustrated below:



#### Contribution Risk

Definition: This is the potential that actual future contributions will be less than the Actuarially Determined Contribution.

Identification: Over the past several years, actual contributions have been \$0 due to full funding. This year a contribution greater than \$0 is required. The consequences of persistent underfunding on future Actuarially Determined Contribution levels are illustrated below:



## Section V - Analysis of Risk

### B. Risk Identification and Assessment

#### Liquidity Risk

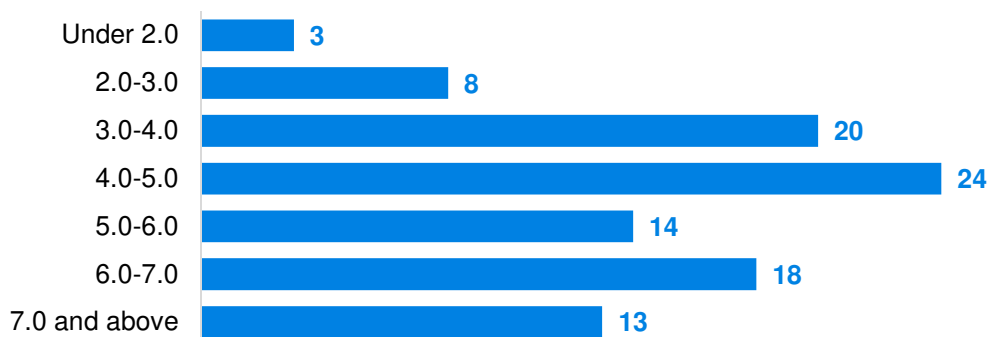
Definition: This is the potential that assets must be liquidated at a loss earlier than planned in order to pay for the plan's benefits and operating costs. This risk is heightened for plans with negative cash flows, in which contributions are not sufficient to cover benefit payments plus expenses.

#### Maturity Risk

Definition: This is the potential for total plan liabilities to become more heavily weighted toward inactive liabilities over time, and for plan assets and/or liabilities to become larger relative to the active member liability.

Identification: The plan is subject to maturity risk because as plan assets and liabilities continue to grow, the dollar impact of any gains or losses on the assets or liabilities also becomes larger.

Assessment: As of January 1, 2018, the plan's Asset Volatility Ratio (the ratio of the market value of plan assets to payroll) is 18.0. According to Milliman's 2018 Public Pension Funding Study, the 100 largest US public pension plans have the following range of Asset Volatility Ratios:



#### Inflation Risk

Definition: This is the potential for a pension to lose purchasing power over time due to inflation.

Identification: The members of pension plans without fully inflation-indexed benefits are subject to the risk that their purchasing power will be reduced over time due to inflation.

Assessment: This plan provides for some postretirement benefit increases, but the increases are not directly tied to each year's rate of actual inflation; this leaves members bearing some inflation risk.

## Section V - Analysis of Risk

### B. Risk Identification and Assessment

#### Insolvency Risk

Definition: This is the potential that a plan will become insolvent; that is, assets will be fully depleted.

Identification: If a plan becomes insolvent, contractually required benefits must be paid from the plan sponsor's other remaining assets.

Assessment: Under the GASB 68 depletion date methodology, the plan is not projected to become insolvent. Please see the GASB 68 report for more details on the underlying analysis.

#### Demographic Risks

Definition: This is the potential that mortality, turnover, retirement, or other demographic experience will be different than expected.

Identification: The pension liabilities reported herein have been calculated by assuming that members will follow patterns of demographic experience as described in Appendix B. If actual demographic experience or future demographic assumptions are different from what is assumed to occur in this valuation, future pension liabilities, Actuarially Determined Contributions, and funded status may differ significantly from those presented in this valuation. Formal Experience Studies performed on a regular basis are helpful in ensuring that the demographic assumptions reflect emerging plan experience.

## Section V - Analysis of Risk

### B. Risk Identification and Assessment

#### Retirement Risk

Definition: This is the potential for members to retire and receive subsidized benefits that are more valuable than expected.

Identification: This plan has valuable early retirement benefits. If members retire at earlier ages than are anticipated by the actuarial assumptions, this will put upward pressure on subsequent Actuarially Determined Contributions.

#### Pensionable Earnings Risk

Definition: This is the potential for active members to add items to their pensionable earnings and receive pension benefits that are higher than expected.

Identification: This plan's pensionable earnings includes longevity adjustments but excludes overtime commissions, bonuses and other compensation.

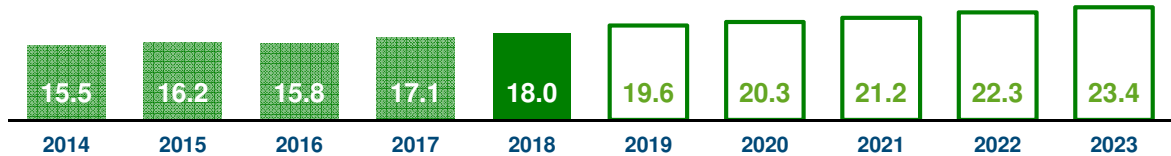


## Section V - Analysis of Risk

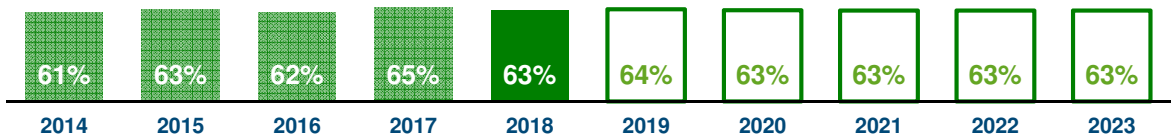
### C. Maturity Measures

The metrics presented below are different ways of understanding the plan's maturity level, both in the past and as it is expected to change in the coming years.

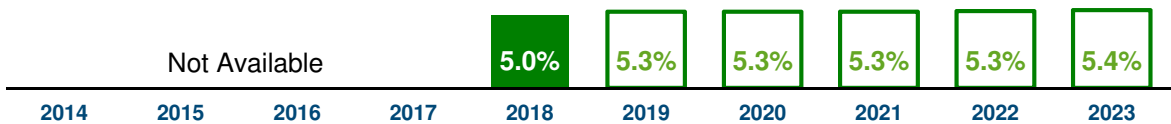
#### Asset Volatility Ratio: Market Value of Assets compared to Payroll



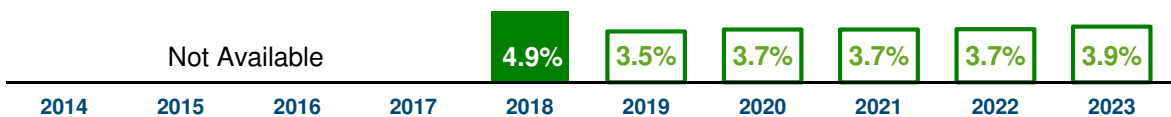
#### Accrued Liability for members in pay status compared to total Accrued Liability



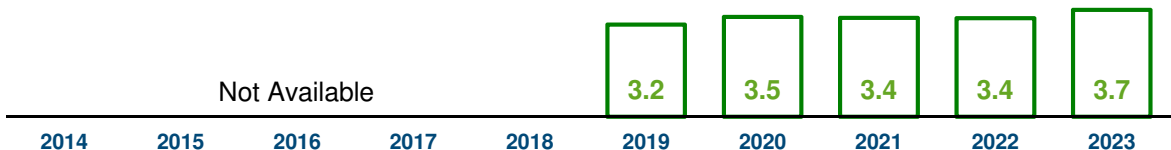
#### Benefit Payments compared to Market Value of Assets



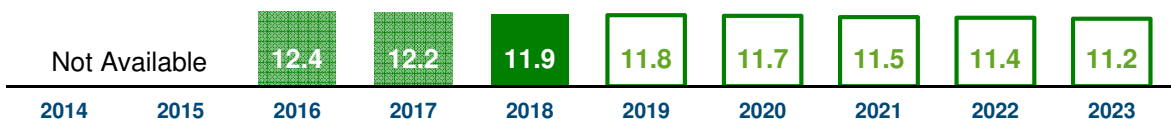
#### Net Cash Flows compared to Market Value of Assets



#### Benefit Payments compared to Township Contributions



#### Duration of Accrued Liability (based on GASB 68 sensitivity disclosures)



## Appendix A - Actuarial Funding Method

The actuarial funding method used in the valuation of this Plan is known as the Entry Age Normal Method. The Actuarially Determined Contribution consists of three pieces: Normal Cost plus a Past Service Cost payment to gradually eliminate the Unfunded Accrued Liability plus Interest to reflect the timing of the contribution relative to the valuation date.

The Normal Cost is determined by calculating the present value of future benefits for present active Members that will become payable as the result of death, disability, retirement or termination. This cost is then spread as a level percentage of earnings from entry age to termination as an Active Member. If Normal Costs had been paid at this level for all prior years, a fund would have accumulated. Because this fund represents the portion of benefits that would have been funded to date, it is termed the Accrued Liability. In fact, it is calculated by adding the present value of benefits for Retired Members and Terminated Vested Members to the present value of benefits for Active Members and subtracting the present value of future Normal Cost contributions.

The funding cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

The Unfunded Accrued Liability is the excess of the Accrued Liability over the assets which have been accumulated for the plan. This Unfunded Accrued Liability is amortized as a level dollar over 20 years beginning January 1, 2018.

The Actuarial Value of Assets is determined by recognizing market gains and losses non-asymptotically over a five year period.

The long-range forecasts included in this report have been developed by assuming that members will terminate, retire, become disabled, and die according to the actuarial assumptions with respect to these causes of decrement, and that pay increases, cost of living adjustments, and so forth will likewise occur according to the actuarial assumptions.

## Appendix B - Actuarial Assumptions

Each of the assumptions used in this valuation was set based on industry standard published tables and data, the particular characteristics of the plan, relevant information from the plan sponsor or other sources about future expectations, and our professional judgment regarding future plan experience. We believe the assumptions are reasonable for the contingencies they are measuring, and are not anticipated to produce significant cumulative actuarial gains or losses over the measurement period.

<b>Interest Rate</b>	6.00% (prior: 5.75%)
<b>Inflation</b>	2.70%
<b>Amortization Growth Rate</b>	0.00%
<b>Estimated Expenses</b>	The prior year's administrative expenses increased by 3.0% and rounded to the nearest \$100 (prior \$100,000).
<b>Salary Scale</b>	3.50% (prior 3.00%)
<b>Turnover</b>	50% of Prudential Scale 1/2A

<b>Age</b>	<b>Male</b>	<b>Female</b>
<25	2.500%	3.750%
30	1.875%	2.500%
35	1.250%	1.875%
40	0.750%	1.250%
45	0.375%	0.625%
50+	0.000%	0.000%

<b>Retirement</b>	<b>Age</b>	<b>Years of Service</b>	
		<b>&lt;25 Years</b>	<b>25+ Years</b>
	52	10%	25%
	53-54	15%	25%
	55	20%	30%
	56-59	0%	0%
	60	20%	100%
	61	0%	
	62	50%	
	63-64	0%	
	65	100%	

## Appendix B - Actuarial Assumptions

### Disability

Table C-4 of the Society of Actuaries Transactions Volume XXXIX, 100% of the 6-month rates

Age	Male	Female
20	0.080%	0.100%
25	0.085%	0.110%
30	0.099%	0.140%
35	0.124%	0.201%
40	0.176%	0.276%
50	0.540%	0.622%
55	0.977%	0.932%
60	1.477%	1.179%
62	1.671%	1.253%

These rates apply to members in Divisions eligible for disability benefits. We assume 25% Non-service and 75% Service Disability.

### Mortality

General Administrative Employees, Library Employees and Police Department Civilians: RP-2014 adjusted to 2006 Total Dataset Mortality with Modified Scale MP-2017 (prior: Modified Scale MP-2014). This assumption includes a margin for future improvements in longevity.

Fire Department Bargaining Members, Police Department Command Officers, Police Department Bargaining Members and Fire Department Command Officers: RP-2014 adjusted to 2006 Blue Collar Mortality with Modified Scale MP-2017 (prior: Modified Scale MP-2014). This assumption includes a margin for future improvements in longevity.

### Marital Status

80% of active participants are assumed to be married. Female spouses are assumed to be 3 years younger than male spouses.

### Cost of Living Adjustment

1.0% per year for life.

## Appendix C - Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan. It is not intended to be, nor should it be interpreted as a complete statement of all plan provisions. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

<b>Rate of Earnings</b>	Basic compensation including longevity adjustments but excluding overtime, commissions, bonuses and any other additional compensation.
<b>Final Earnings</b>	<p>General Administrative Employees, Police Department Civilians and Police Department Command Officers: Average Rate of Earnings as of the highest three consecutive May 1's during the last 10 years before Retirement Date.</p> <p>Fire Department Bargaining Members, Police Department Bargaining Members and Fire Department Command Officers: Average Rate of Earnings as of the highest three consecutive May 1's before Retirement Date.</p> <p>Library Employees and Bloomfield Village Police: Average Rate of Earnings as of the highest five consecutive May 1's during the last 10 years before Retirement Date.</p>
<b>Credited Service</b>	Whole years and full months of service from date of employment to the earlier of retirement, termination or death.
<b>Form of Annuity</b>	Modified Cash Refund with 50% benefit continuation to the spouse. Members who are not married receive an actuarially increased benefit.
<b>Vesting</b>	<p>Police Department Command Officers and Police Department Bargaining Officers: 100% after 10 years of service or Normal Retirement Date.</p> <p>All Others: 100% after 8 years of service or Normal Retirement Date.</p>
<b>Cost of Living Adjustment</b>	1% increase each January 1.
<b>Normal Retirement Date</b>	<p>General Administrative Employees and Police Department Civilians: Age 52 with 8 years of service or 30 years of service.</p> <p>Library Employees: Age 55 with 8 years of service.</p> <p>Fire Department Bargaining Members and Fire Department Command Officers: Age 52 with 8 years of service.</p> <p>Bloomfield Village Police: Age 55 with 10 years of service or age 60 with 8 years of service.</p>

## Appendix C - Summary of Plan Provisions

**Normal Retirement Benefit** Equal to a percentage of Final Earnings multiplied by years of Credited Service with a cap on the overall benefit.

Division	Multiplier	Benefit Cap	Cap Effective
General Administrative Employees	2.85%	90%*	6/1/2005
Library Employees	2.10%	None	
Fire Dpt. Bargaining Members	2.75%	80%	7/8/1996
Police Dpt. Civilians	2.85%	90%*	6/2/2005
Police Dpt. Command Officers	3.00%	90%	4/27/2000
Police Dpt. Bargaining Members	3.00%	85%	4/1/1999
Bloomfield Village Police	2.10%	None	
Fire Dpt. Command Officers	2.75%	80%	12/18/1996

\* applies to members with 36 or fewer years of Credited Service on April 1, 1996.

**Early Retirement Eligibility** Age 50 with a Vesting Percentage of 100%.

**Early Retirement Benefit** Normal Retirement Benefit reduced by 0.5% for each month that Early Retirement Date precedes Normal Retirement Date.

**Disability Eligibility** Fire Department Bargaining Members, Police Department Command Officers, Police Department Bargaining Members and Fire Department Command Officers are eligible. These members are eligible immediately.

**Non-Service Disability Benefit** 2.75% (3.00% for Police Department Command Officers and Police Department Bargaining Members) of Final Earnings multiplied by Credited Service as of the date of disability.

**Service Disability Benefit** 2.75% (3.00% for Police Department Command Officers and Police Department Bargaining Members) of Final Earnings as of the date of disability, adjusted by increases negotiated by job classification between date of disability and the earlier of the date the participant is no longer disabled or Normal Retirement Date, multiplied by Credited Service calculated from date of employment through the earlier of the date the participant is no longer disabled or Normal Retirement Date.

**Preretirement Death Benefit Eligibility** Library Employees and Bloomfield Village Police are not eligible for this benefit. All other active members are eligible once they have met criteria for 100% Vesting.

**Preretirement Death Benefit** 50% of the benefit accrued to date of death. If eligible for early retirement, 100% of the benefit accrued to date of death.

**Preretirement Spouse Benefit Eligibility** Active Library Employees and Bloomfield Village Police that are eligible for Early Retirement and married.

## Appendix C - Summary of Plan Provisions

### Preretirement Death Benefit

100% of the benefit accrued to date of death.

### Employee Contributions

Active members contribute a percentage of earnings based on Division:

<b>Division</b>	<b>% Earnings</b>
General Administrative Employees	2.0%
Library Employees	5.0%
Fire Dpt. Bargaining Members	1.0%
Police Dpt. Civilians	2.0%
Police Dpt. Command Officers	3.5%
Police Dpt. Bargaining Members	3.5%
Bloomfield Village Police	5.0%
Fire Dpt. Command Officers	1.0%

Employee Contributions are credited with interest at a rate of 5.0% per annum.

### Death or Termination Refund

Pre-retirement: Refund of Employee Contributions with interest to date of termination or death.

Post-retirement: Refund of the excess of Employee Contributions with interest over annuity payments made to date of death, unless the form of annuity elected is other than the Normal Form.

## Appendix D - Glossary

**Actuarial Cost Method** - This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Actuarial Accrued Liability and the Normal Cost.

**Accrued Liability** - This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).

**Actuarial Assumptions** - With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. Some examples of key assumptions include the interest rate, salary scale, and rates of mortality, turnover and retirement.

**Actuarial Present Value of Benefits** - This is the present value, as of the valuation date, of future payments for benefits and expenses under the Plan, where each payment is: a) multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and b) discounted at the assumed interest rate.

**Actuarial Value of Assets** - This is the value of cash, investments and other property belonging to the plan, typically adjusted to recognize investment gains or losses over a period of years to dampen the impact of market volatility on the Actuarially Determined Contribution.

**Actuarially Determined Contribution (“ADC”)** - This is the employer’s periodic contributions to a defined benefit plan, calculated in accordance with actuarial standards of practice.

**Attribution Period** - The period of an employee’s service to which the expected benefit obligation for that employee is assigned. The beginning of the attribution period is the employee’s date of hire and costs are spread across all employment.

**Interest Rate** - This is the long-term expected rate of return on any investments set aside to pay for the benefits. In a financial reporting context (e.g., GASB 68) this is termed the Discount Rate.

**Normal Cost** - This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.

**Past Service Cost** - This is a catch-up payment to fund the Unfunded Accrued Liability over time (generally 10 to 30 years). A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each valuation date. Also known as the Amortization Payment.

**Return on Plan Assets** - This is the actual investment return on plan assets during the fiscal year.

**Unfunded Accrued Liability** - This is the excess of the Accrued Liability over the Actuarial Value of Assets.