

February 12, 2020

Bessie Mosey  
Deputy Director  
City of Altoona  
1301 12<sup>th</sup> Street  
Altoona, PA 16601

Re: City of Altoona Firemen's Pension Plan

Dear Bessie:

Following are the Supplemental Exhibits to the January 1, 2019 valuation.

The January 1, 2019 cost components **will** be the basis for the 2021 Minimum Municipal Obligation (MMO) and **may** be the basis for the 2022 MMO. The City is free to contribute in excess of the MMO requirement.

The January 1, 2019 actuarial valuation results retain the actuarial assumptions used in the January 1, 2017 actuarial valuation, as instructed by the City.

The Plan incurred an actuarial loss of \$1,776,975 since the prior valuation, resulting in an additional annual amortization payment of \$167,696 over 18 years. The loss was primarily attributable to asset losses during 2018. Additionally, since the plan uses an actuarial value of assets that smooths out market gains and losses over the past 3 years, a portion of the loss in 2016 is still being recognized in the current actuarial value. The loss was partially offset by the death of 13 retirees/beneficiaries that occurred during 2017 or 2018.

Per Act 44 of 2009, The Distress Determination for a municipality is based on the ratio of the Actuarial Value of Assets to the Actuarial Accrued Liability for all plans the municipality maintains. Page 2 of the Supplemental Exhibits to the January 1, 2019 valuation illustrates the City's Plans continue to be deemed at Distress Level 1. There are no mandatory remedies associated with Distress Level 1. It is our understanding the Auditor General will provide election forms in the fall of 2020 for choosing among the optional remedies; at the City's request we can assist with your review of the options.

Finally, please refer to Page 1 of the *Supplemental Exhibits to the January 1, 2019 Valuation* for the ASOP 41 Required Disclosure Information, which details the standards and practices employed in compiling the actuarial exhibits.

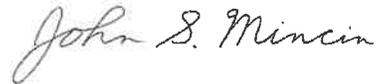
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Bessie Mosey  
Deputy Director  
City of Altoona  
Page Two

Please let us know if you should have any questions or comments regarding the valuation.

Sincerely,

A handwritten signature in cursive script that reads "John S. Mincin".

John S. Mincin, EA, FCA, MAAA, MSPA  
Actuary  
jmincin@dbzinc.com

Cc: Lori Owen  
Dunbar, Bender & Zapf  
lowen@dbzinc.com



**DUNBAR BENDER & ZAPF**

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**City of Altoona Firemen's Pension Plan**

**Supplemental Exhibits to the**

**January 1, 2019 Actuarial Valuation**

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**THIS REPORT CONTAINS CONFIDENTIAL INFORMATION**

**City of Altoona Firemen's Pension Plan**  
Supplemental Exhibits to the January 1, 2019 Actuarial Valuation

**Table of Contents**

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	<b>Page</b>
ASOP 41 Required Disclosure Information.....	1
Cost Summary.....	2
Distress Determination.....	3
Actuarial Value of Assets Illustration.....	4
Schedule of Past Service Liabilities and Amortization Amounts .....	5
Appendix: Participant Census Data Listing	

**City of Altoona Firemen's Pension Plan**  
Supplemental Exhibits to the January 1, 2019 Actuarial Valuation

**ASOP 41 Required Disclosure Information**

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This January 1, 2019 actuarial valuation report (AVR) and the accompanying documentation have been prepared under the Approved Actuary's direction in accordance with generally accepted actuarial principles and practices. Assumptions have been selected in accordance with the guidelines of Act 205 of 1984 and within the *Range of Economic Actuarial Assumptions* promulgated by the Pennsylvania Public Employee Retirement Commission. The AVR and associated materials are intended for the use of the City in complying with the biennial reporting requirements of Act 205 and the budgeting of future Minimum Municipal Obligations. Nothing contained in the materials should be extrapolated beyond the purposes outlined above. These documents should also be made available for use of the City's internal auditors and the State auditors.

The participant data used in preparing the AVR was provided by the City of Altoona. The asset data was obtained from the City and Wells Fargo Advisors. Although we cannot assume responsibility for the accuracy of said data, the census and asset data have been reviewed for consistency and reasonableness. Also in determining the costs and liabilities associated with the Plan, we relied on the following Plan documents furnished by the City of Altoona:

- Articles XVI and XXV of the Collective Bargaining Agreement effective from January 1, 2017 through December 31, 2021
- *By-Laws of the Firefighter's Pension Fund of the City of Altoona* effective January 1, 1990

**City of Altoona Firemen's Pension Plan**  
Supplemental Exhibits to the January 1, 2019 Actuarial Valuation

**Cost Summary**

	A	B *
<u>Valuation Date and Actuarial Assumptions</u>		
	Prior Year	Base Run
Valuation Date:	1/1/2017	1/1/2019
Discount Rate:	7.25%	7.25%
Gross or Net of Investment Expenses:	Net	Net
Salary Scale:	4.50%	4.50%
Base Mortality Table:	RP-2000	RP-2000
Mortality Table Adjustments:	None	None
Mortality Projection Scale:	AA	AA
Assumed Retirement Age:	Later of 56/20 or Val Date + 1	Later of 56/20 or Val Date + 1
<u>1) Present Value of Future Benefits (PVFB):</u>		
Actives	21,108,948	22,617,853
Inactives	38,210,558	38,619,715
Total PVFB	59,319,506	61,237,568
<u>2) Estimated Expenses</u>		
	96,850	105,700
<u>Normal Cost as a Percentage of Payroll</u>		
3) Normal Cost (NC)	771,966	815,663
4) Payroll	3,568,127	3,753,091
5) NC as a % of Payroll = (3) / (4)	21.635%	21.733%
<u>Unfunded Actuarial Accrued Liability (UAAL)</u>		
<u>6) Actuarial Accrued Liability (AAL)</u>		
Actives	11,760,981	13,193,194
Inactives	38,210,558	38,619,715
Total AAL	49,971,539	51,812,909
7) Actuarial Value of Assets	37,620,719	39,590,971
8) UAAL = (6) - (7)	12,350,820	12,221,938
<u>Amortization Payments</u>		
9) Original Amortization Payment	1,972,114	1,392,266
10) (Gain)/Loss Amortization		167,696
11) Assumption Change Amortization		
12) Benefit Change Amortization		
13) Total = (9) + (10) + (11) + (12)	1,972,114	1,559,962
<u>Total Cost Components</u>		
14) Normal Cost	771,966	815,663
15) Total Amortization Payments	1,972,114	1,559,962
16) Estimated Expenses	96,850	105,700
17) Total Cost = (14) + (15) + (16)	2,840,930	2,481,325
18) Increase / (Decrease) from base run in column B		

**Notes:**

\* Column B is the base run for 2019 before any potential benefit or assumptions changes.

**City of Altoona Firemen's Pension Plan**  
 Supplemental Exhibits to the January 1, 2019 Actuarial Valuation

**Distress Determination**

	<u>Fire Plan</u>	<u>Police Plan</u>	<u>Non-Uniformed Plan</u>	<u>Total</u>
a) Actuarial Value of Assets	\$39,590,971	Unknown	Unknown	\$39,590,971
b) Actuarial Accrued Liability	\$51,812,909	Unknown	Unknown	\$51,812,909
c) Funding Ratio (a) ÷ (b)				76.41%
Distress Level				<b>MINIMAL</b>

<u>Funding Ratio</u>	<u>Distress Level</u>	<u>Distress Level #</u>
90% and above	None	
70% to 89%	Minimal	1
50% to 69%	Moderate	2
Less than 50%	Severe	3

**Notes:**

*The City's Distress Level is a function of the combined Actuarial Value of Assets and Actuarial Accrued Liability for all Plans it maintains.*



**City of Altoona Firemen's Pension Plan**  
Supplemental Exhibits to the January 1, 2019 Actuarial Valuation

**Schedule of Past Service Liabilities and Amortization Amounts**

Original Date Established	Re-Amortization Date	Original Amount	Re-Amortization Amount	Amortization Periods			Annual Payment	Balance at 01/01/2019
				Original Years	Re-Amortization Years	Remaining Years		
<b>Actuarial (Gains) / Losses:</b>								
1/1/2005	1/1/2015	(1,016,738)	(466,017)	15	5	1	(106,684)	(106,684)
1/1/2007	1/1/2015	(1,035,371)	(621,261)	15	7	3	(108,423)	(303,777)
1/1/2009	1/1/2015	9,451,201	7,532,211	18	12	8	896,033	5,683,208
1/1/2011	1/1/2015	2,083,261	1,822,084	18	14	10	197,185	1,468,339
1/1/2013	1/1/2015	1,926,419	1,802,503	17	15	11	187,451	1,488,947
1/1/2015	N/A	3,182,450	N/A	19	N/A	15	292,502	2,812,654
1/1/2017	N/A	39,949	N/A	18	N/A	16	3,770	37,571
1/1/2019	N/A	1,776,975	N/A	18	N/A	18	167,696	1,776,975
<b>Assumption Changes:</b>								
1/1/2009	1/1/2015	(3,861,004)	(3,077,056)	18	12	8	(366,047)	(2,321,702)
1/1/2011	1/1/2015	12,453	10,318	15	11	7	1,299	7,443
1/1/2015	N/A	1,777,968	N/A	15	N/A	11	184,900	1,468,684
<b>Benefit Changes:</b>								
1/1/2005	1/1/2015	2,004,033	918,543	15	5	1	210,280	210,280
<b>Post-Retirement Adjustments:</b>								
None								
Total Changes (Prior to 01/01/2019)							1,392,266	10,444,963
Total Changes (at 01/01/2019)							167,696	1,776,975
<b>Total</b>							<b>1,559,962</b>	<b>12,221,938</b>

**PAGES 6-13 ARE  
INTENTIONALLY  
DELETED**