



New Castle County

2012 Pension Plan Review

March, 2012





2012 Valuation Overview

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Demographics

	Actives	Terminated Vested	Retired	Disabled	Total
County Employee's Pension Plan	182	27	123	15	347
Employees' Retirement System					
- Police	84	4	246	0	334
- General Personnel	801	54	737	32	1,624
Alternative Pension Plan (closed plan)	6	0	39	0	45
Crossing Guards Pension Plan	97	4	46	1	148
Total	1,170	89	1,191	48	2,498



Plan Assets

Market Value and Actuarial Value

	12/31/2010	12/31/2011
Market Value	\$384,613,514	\$360,692,065
Investment Return	12.61%	(2.37)%
Actuarial Value*	\$411,324,122	\$394,237,598
Investment Return	2.85%	3.25%
Actuarial Value/Market Value	107%	109%

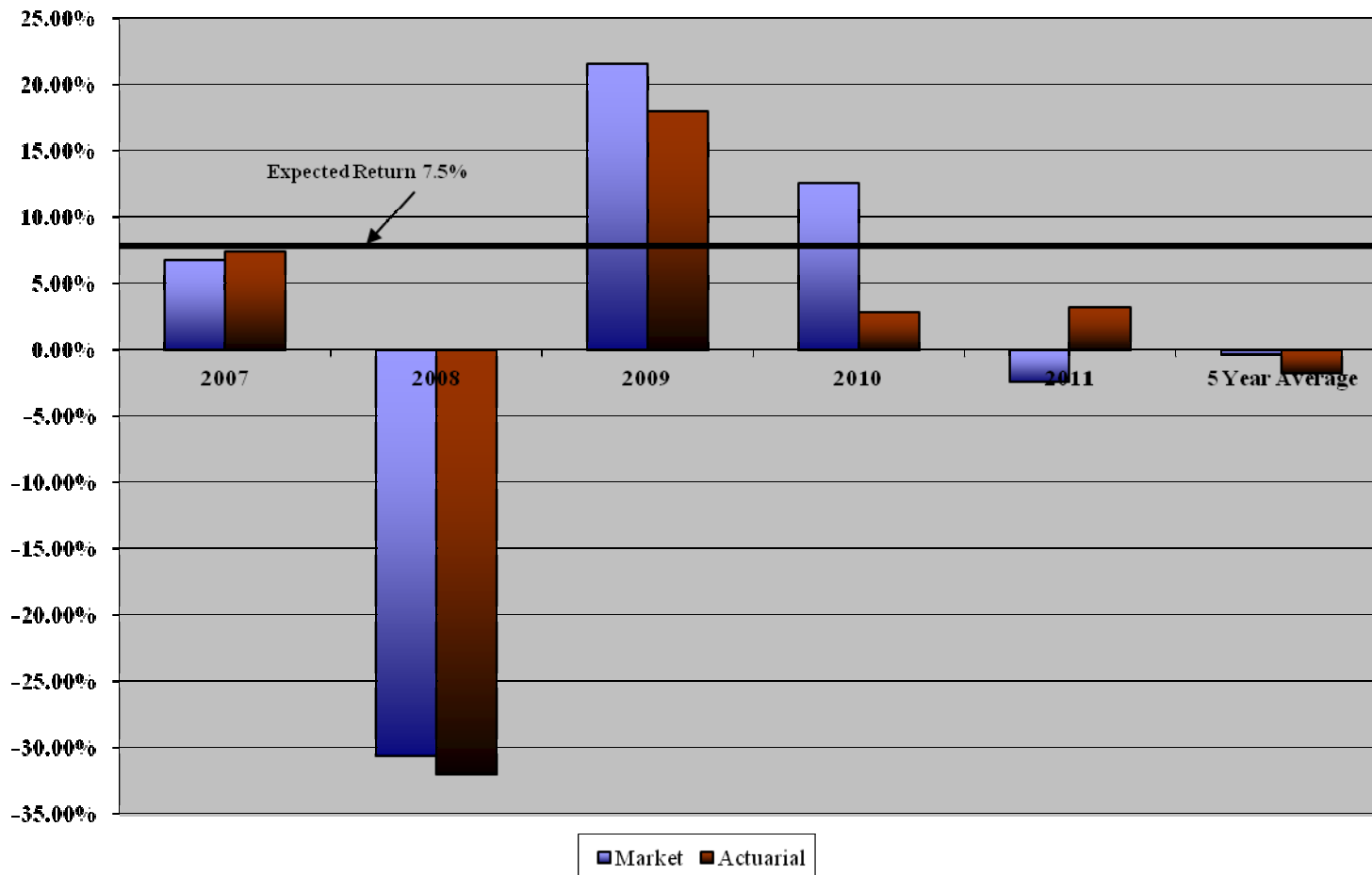
5 Year Average Investment Return

	12/31/2010	12/31/2011
Market Value	3.13%	(0.37)%
Actuarial Value*	(0.56)%	(1.77)%

* Note: Actuarial Value of Assets is based on 5 year averaging method for investment gains/losses.

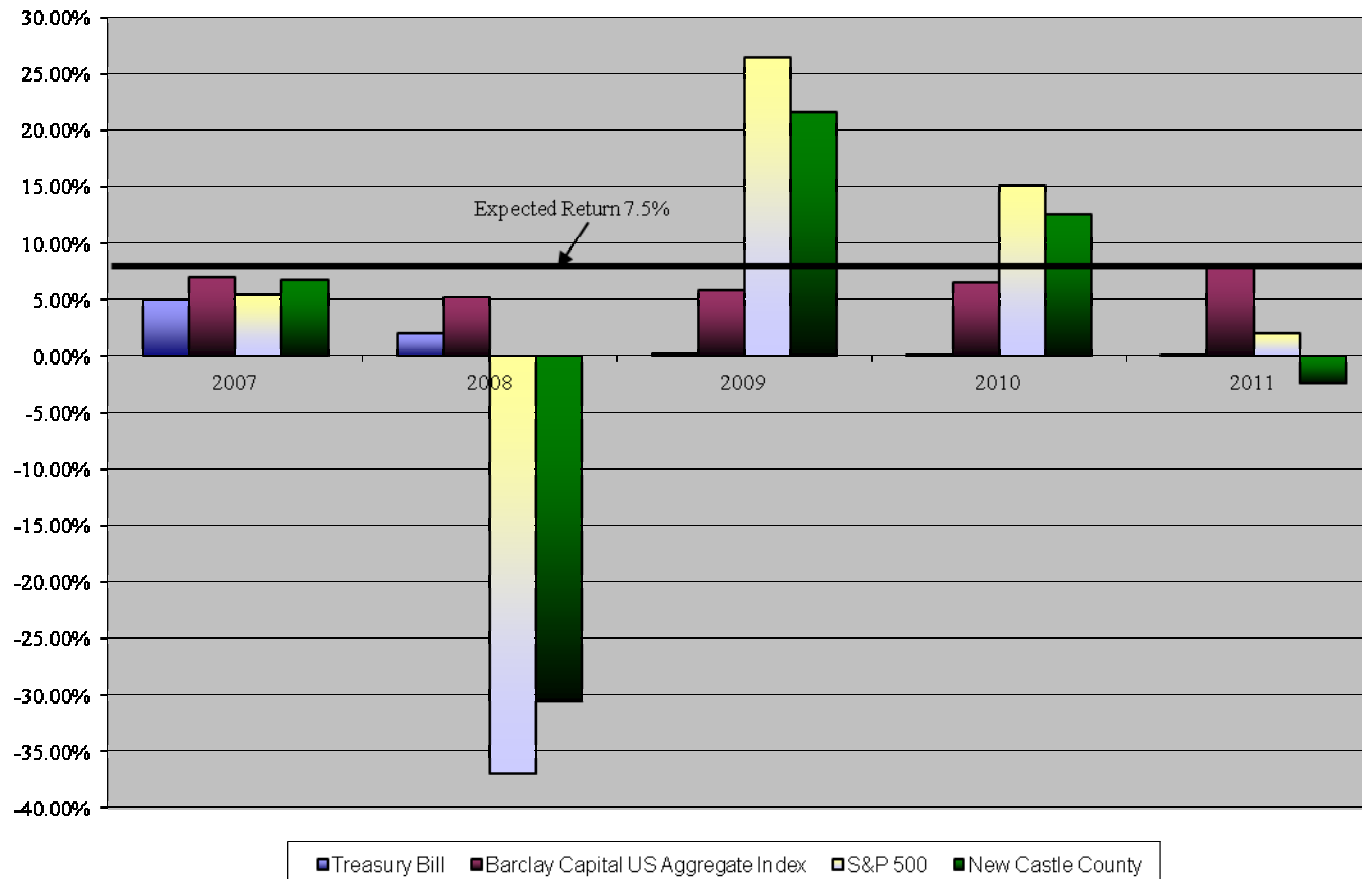


Rates of Return Market and Actuarial Asset Values





Comparison of Investment Performance (Market Value) to Selected Indices





Market Value Changes

Market Value of Assets 1/1/2011		\$384,613,514
Contributions	\$14,644,069	
Income	<u>9,160,445</u>	
		23,804,514
Unrealized Appreciation and Other Investment Proceeds		(15,578,860)
Benefit Payments	(29,633,674)	
Expenses	(2,513,429)	
		<u>(32,147,103)</u>
Market Value of Assets as of 12/31/2011		\$360,692,065



Valuation Approach

- 1/1/2011 Demographic Population Projected Forward to 1/1/2012
- Actual Assets and Contributions Recognized



2012 Valuation Assumptions

Investment Return	7.50%*
Salary Increases	4.50%*
Ultimate Retirement Age	Varies by Plan:
General	Age 65
Police	Earlier of 55 or 25 years
County	Age 65 with 5 years
Alternate	Age 65 with 15 years
Crossing Guards	Age 65 with 5 years
Mortality	RP-2000 Combined Healthy Males/Females Table
Disability	75% of 1974-78 Social Security Experience Study
Withdrawal	Special Tables
Spouse	80% assumed married
Post Retirement Adjustment	For Retirement System only: Non-Police – 2% of initial benefit per annum Police – 3% per annum Assumed 40% of Cost of COLA paid by the State
State Contributions (Police Plan)	Average of past 3 plan years: \$2,303,613
Expenses	Average of past 3 plan years: \$892,000

*Last Valuation assumption for Investment Return = 7.75% and Salary Increases = 5.0%



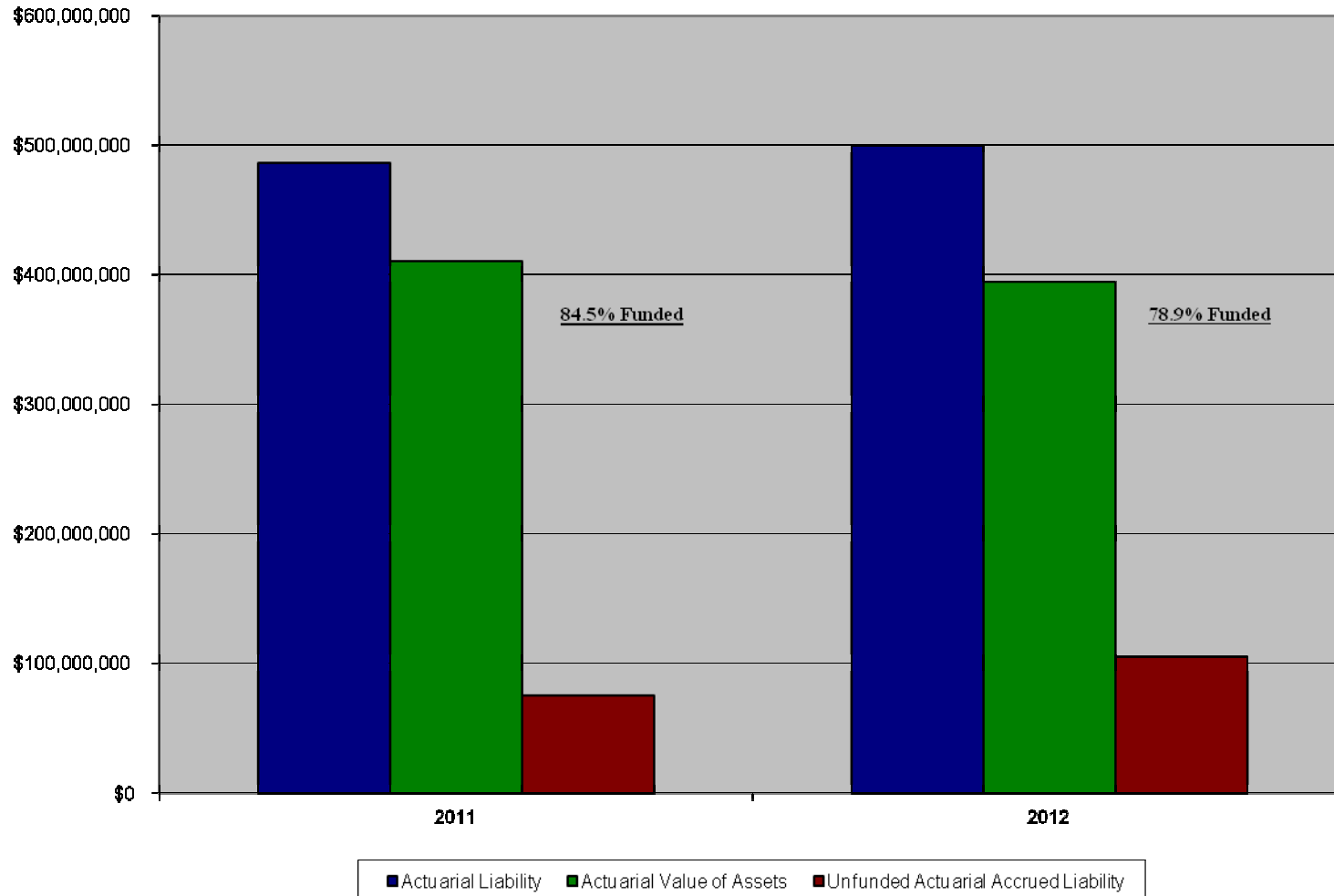
Total Funded Status

	01/01/2011	01/01/2012
Actuarial Accrued Liability	\$486,579,000	\$499,506,000
Actuarial Value of Assets	411,324,000	394,237,000
Unfunded Actuarial Accrued Liability	75,255,000	105,269,000
Funded Ratio	84.5%	78.9%

Present Value of Accumulated Benefits	\$454,811,000	\$457,014,000
Market Value of Assets	384,614,000	360,692,000
Funded Ratio	84.6%	78.9%

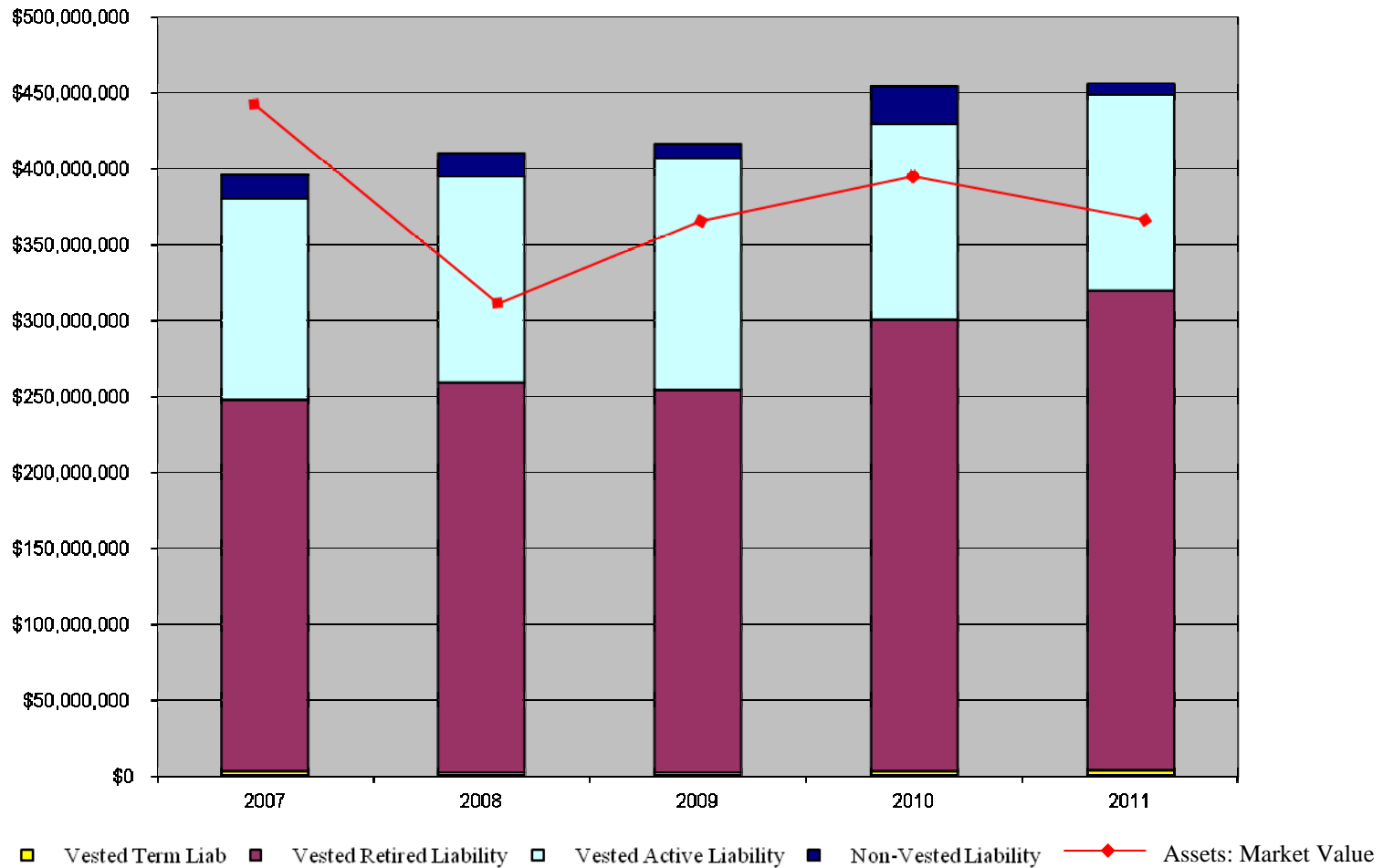


Total Plan Funded Status





GASB Funded Status- Present Value of Accrued Benefits





Total Recommended County Contributions

	2011	2012
Total Normal Cost	\$9,774,000	\$9,187,000
Employee Contributions	\$3,441,000	\$3,215,000
Net County Normal Cost	\$6,333,000	\$5,972,000
Amortization Payments	\$6,982,000	\$9,606,000
Total as of Beginning of Plan Year	\$13,315,000	\$15,577,000
Total as of End of Plan Year	\$14,347,000	\$16,746,000
As a % of Payroll	17.06%	18.40%
Total Net of Expected State Contribution	\$11,843,000	\$14,266,000
As a % of Payroll	14.08%	15.68%



Net Allocated County Contributions

	County Pension Plan	Retirement System		Alternate	Crossing Guards	Total
		General	Police			
2011						
Contribution	\$1,311,000	\$8,276,000	\$2,169,000	\$25,000	\$62,000	\$11,843,000
As % of Pay	9.16%	14.74%	20.23%	6.98%	2.44%	14.08%
Subtotal				\$11,781,000		
As % of Pay				14.45%		
2012						
Contribution	\$1,426,000	\$9,815,000	\$2,918,000	\$30,000	\$77,000	\$14,266,000
As % of Pay	10.26%	15.61%	27.02%	6.00%	2.64%	15.68%
Subtotal				\$14,189,000		
As % of Pay				16.10%		



Governmental Accounting Standards Board (GASB) Summary

	GASB	Funding
Actuarial Method	Projected Unit Credit (PUC)	Entry Age Normal (EAN)
Accrued Liability	PUC – PBO	EAN – AL
Accrued Liability – Ongoing Plan (AL)	\$485,446,000	\$499,506,000
Assets	\$360,692,000 (market)	\$394,238,000 (actuarial)
Funded Ratio: Assets/AL (based on Actuarial Value of Assets)	81.2%	78.9%
Present Value of Accumulated Plan Benefits (PVAB)	\$457,014,000	\$457,014,000
Funded Ratio: Assets/PVAB (based on Market Value of Assets)	78.9%	78.9%



Conclusions

- Funded Ratios
 - Decreased both on Funding and GASB basis
- Factors Impacting Plan Costs/Liabilities
 - Loss on Actuarial Asset Basis (Loss on Market Value Return on Assets) – relative to 7.75% Valuation interest rate basis
 - Actuarial Gains due to changes in the plan population
 - Change in Actuarial Assumptions
- Recommended Contributions
 - Percent of Pay: increase about 1.6%
 - Based on current funding approach



Appendix



Summary of Results

	1/1/2011	1/1/2012	% Change
<u>TOTAL PLANS</u>			
Number of Participants			
Active	1,231	1,170	
Terminated Vested or due Refund	91	89	
Retired	<u>1,198</u>	<u>1,239</u>	
Total	2,520	2,498	(0.9)%
Annual Compensation of Active Participants*	\$84,082,448	\$91,000,000	8.2%
Average Annual Compensation of Active Participants	\$68,304	\$67,578	(1.1)%
Average Age	49.12	49.58	
Average Service	14.63	15.13	
<u>ASSET INFORMATION</u>			
Market Value	\$384,613,514	\$360,692,065	(6.2)%
Actuarial Value	\$411,324,122	\$394,237,598	(4.2)%
<u>RECOMMENDED CONTRIBUTION</u>			
Total Contribution as of 12/31:**	\$16,789,536	\$19,386,888	15.5%
Three County Plans Subtotal	\$14,284,779	\$16,668,927	
Subtotal as % of Payroll	17.52%	18.92%	
Net Subtotal as % of Payroll	14.45%	16.10%	
Estimated Contribution for Police Covered in State Plan	\$2,442,761	\$2,641,300	
As a % of Payroll	14.22%	14.64%	
Crossing Guards Plan	\$61,995	\$76,661	
<u>ACCOUNTING INFORMATION</u>			
GASB-25 Actuarial Liability			
Vested	\$429,608,362	\$448,822,184	
Non-Vested	<u>43,054,502</u>	<u>36,623,843</u>	
Total	\$472,662,864	\$485,446,027	2.7%
Interest Rate	7.75%	7.50%	
Funded Ratio (based on Actuarial Value of Assets)	87.0%	81.21%	
Accumulated Plan Benefits:			
Vested	\$426,607,964	\$448,822,184	
Non-Vested	<u>\$25,202,892</u>	<u>\$8,191,540</u>	
Total	\$454,810,856	\$457,013,724	0.5%
Interest Rate	7.75%	7.50%	
Funded Ratio (based on Market Value of Assets)	84.57%	78.92%	
*Based on County estimated budgeted payroll			
**Includes County contributions to State Plans for Police			
Reflects estimated State contribution of \$2,323,989 and \$2,306,613 for 2011 and 2012 respectively.			



EMPLOYEES RETIREMENT SYSTEM						
	County Employees Pension Plan	General Personnel	Police	Alternate Pension Plan	Crossing Guards	Total
	\$	\$	\$	\$	\$	\$
Allocated Market Value of Assets at 12/31/2010	33,785,332	211,863,136	136,032,493	1,053,741	1,878,813	384,613,514
Employee Contributions	290,402	2,263,890	414,581	0	19,740	2,988,613
Buybacks	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Employee Contributions	290,402	2,263,890	414,581	0	19,740	2,988,613
Employer Contributions	1,531,048	6,444,251	1,383,102	44,327	61,995	9,464,723
State Contributions			2,190,733			2,190,733
	1,821,450	8,708,141	3,988,416	44,327	81,735	14,644,069
Benefit Payments	1,872,213	17,708,770	9,795,669	123,923	133,099	29,633,674
Prorata Administration Expenses *	79,853	500,752	321,521	2,491	4,441	909,058
Prorata Investment Expenses	140,931	883,763	567,444	4,396	7,837	1,604,371
	2,092,997	19,093,285	10,684,634	130,810	145,377	32,147,103
Expected Return	2,607,841	16,016,969	10,283,040	78,314	143,142	29,129,305
Actual Return	(563,807)	(3,535,564)	(2,270,105)	(17,585)	(31,354)	(6,418,415)
Market Value of Assets at 12/31/2011	32,949,977	197,942,428	127,066,170	949,673	1,783,817	360,692,065
Allocated Actuarial Value of Assets at 12/31/2011**	32,608,657	223,421,646	135,467,964	877,175	1,862,156	394,237,598

* Adjusted for miscellaneous receipts

** Re-allocated based on Actuarial Accrued Liability