



# New Castle County

2013 Pension Plan Review

May, 2013





# 2013 Valuation Overview

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- Valuation Approach
- Valuation Assumptions
- Total Funded Status
- Total Recommended County Contributions
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# Demographics

	Actives	Terminated Vested	Retired	Disabled	Total
<b>County Employee's Pension Plan</b>	171	29	137	15	352
<b>Employees' Retirement System</b>					
- Police	61	3	267	1	332
- General Personnel	804	57	744	31	1,636
<b>Alternative Pension Plan (closed plan)</b>	6	0	36	0	42
<b>Crossing Guards Pension Plan</b>	96	5	46	1	148
<b>Total</b>	1,138	94	1,230	48	2,510



# Plan Assets

## Market Value and Actuarial Value

	12/31/2011	12/31/2012
<b>Market Value</b>	\$360,692,065	\$387,268,900
<b>Investment Return</b>	(2.37)%	12.15%
<b>Actuarial Value*</b>	\$394,237,598	\$377,204,229
<b>Investment Return</b>	3.25%	0.49%
<b>Actuarial Value/Market Value</b>	109%	97%

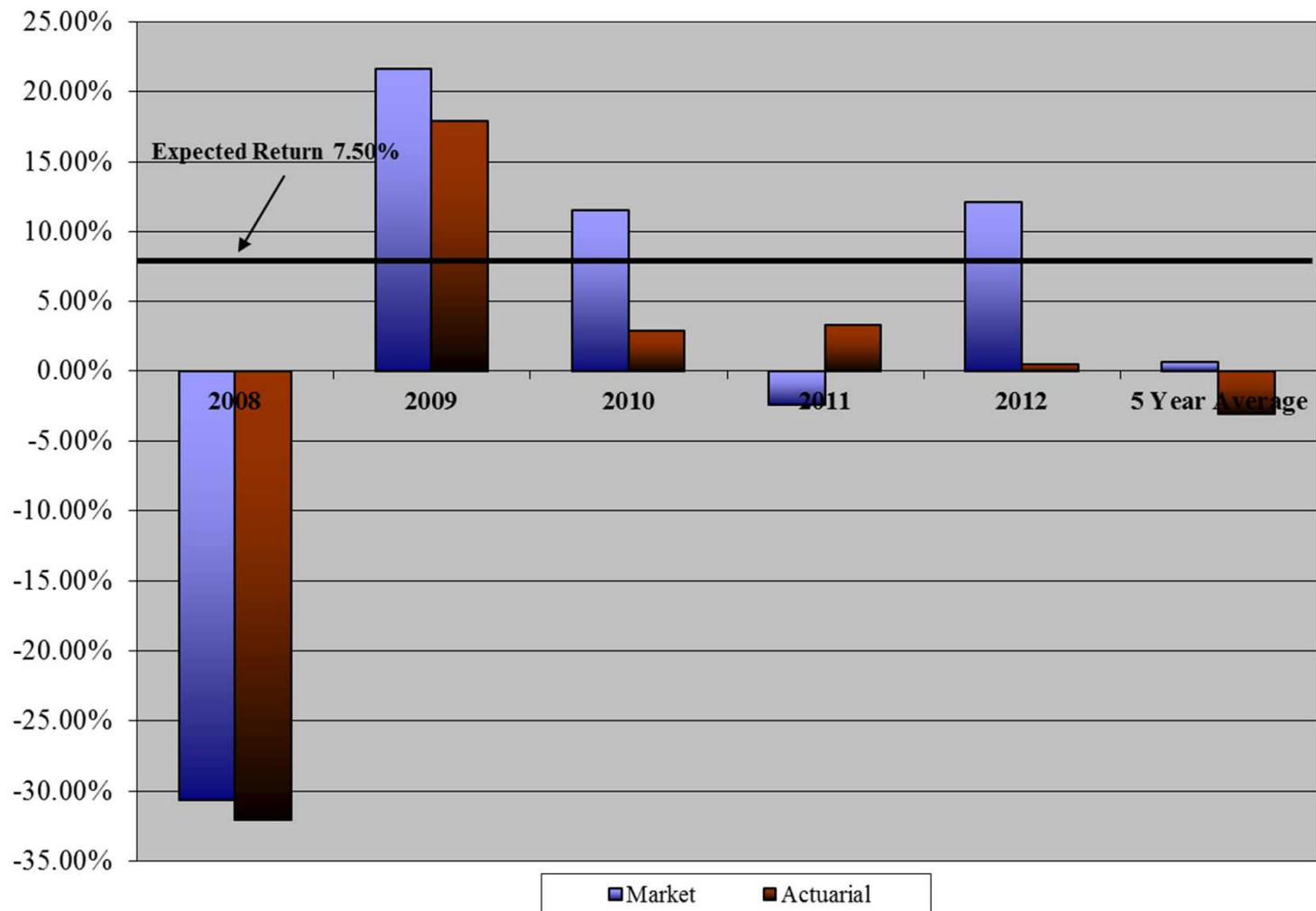
### 5 Year Average Investment Return

	12/31/2011	12/31/2012
<b>Market Value</b>	(0.37)%	0.61%
<b>Actuarial Value*</b>	(1.77)%	(3.07)%

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

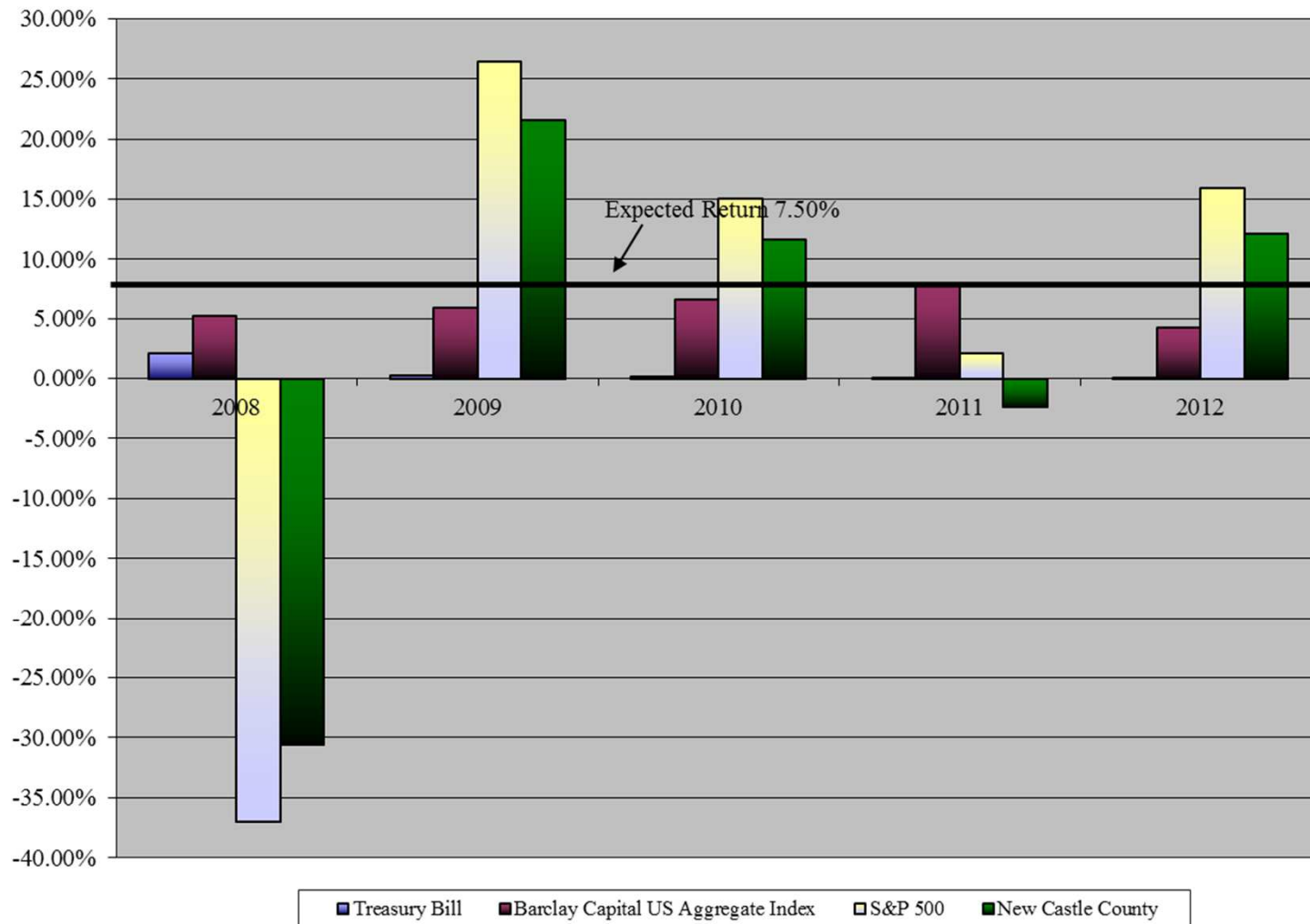


# Rates of Return Market and Actuarial Asset Values





# Comparison of Investment Performance (Market Value) to Selected Indices





# Market Value Changes

<b>Market Value of Assets 1/1/2012</b>		<b>\$360,692,065</b>
<b>Contributions</b>	<b>\$15,758,578</b>	
<b>Income</b>	<b><u>14,243,189</u></b>	
		<b>30,001,767</b>
<b>Unrealized Appreciation and Other Investment Proceeds</b>		<b>31,313,724</b>
<b>Benefit Payments</b>	<b>(31,814,721)</b>	
<b>Expenses</b>	<b>(2,923,933)</b>	
		<b><u>(34,738,654)</u></b>
<b>Market Value of Assets as of 12/31/2012</b>		<b>\$387,268,902</b>



# Valuation Approach

- 1/1/2012 Demographic Population Projected Forward to 1/1/2013
- Actual Assets and Contributions Recognized





# 2013 Valuation Assumptions

<b>Investment Return</b>	7.50%
<b>Salary Increases</b>	4.50%
<b>Ultimate Retirement Age</b>	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
<b>Mortality</b>	RP-2000 Combined Healthy Males/Females Table
<b>Disability</b>	75% of 1974-78 Social Security Experience Study
<b>Withdrawal</b>	Special Tables
<b>Spouse</b>	80% assumed married
<b>Post Retirement Adjustment</b>	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
<b>State Contributions (Police Plan)</b>	Average of past 3 plan years: \$2,374,247
<b>Expenses</b>	Average of past 3 plan years: \$897,000



# 2013 Valuation Assumptions

We strongly recommend that a full Actuarial Experience Study be completed in 2013 to update and determine appropriateness of current assumption package vs. recent years' actual experience.



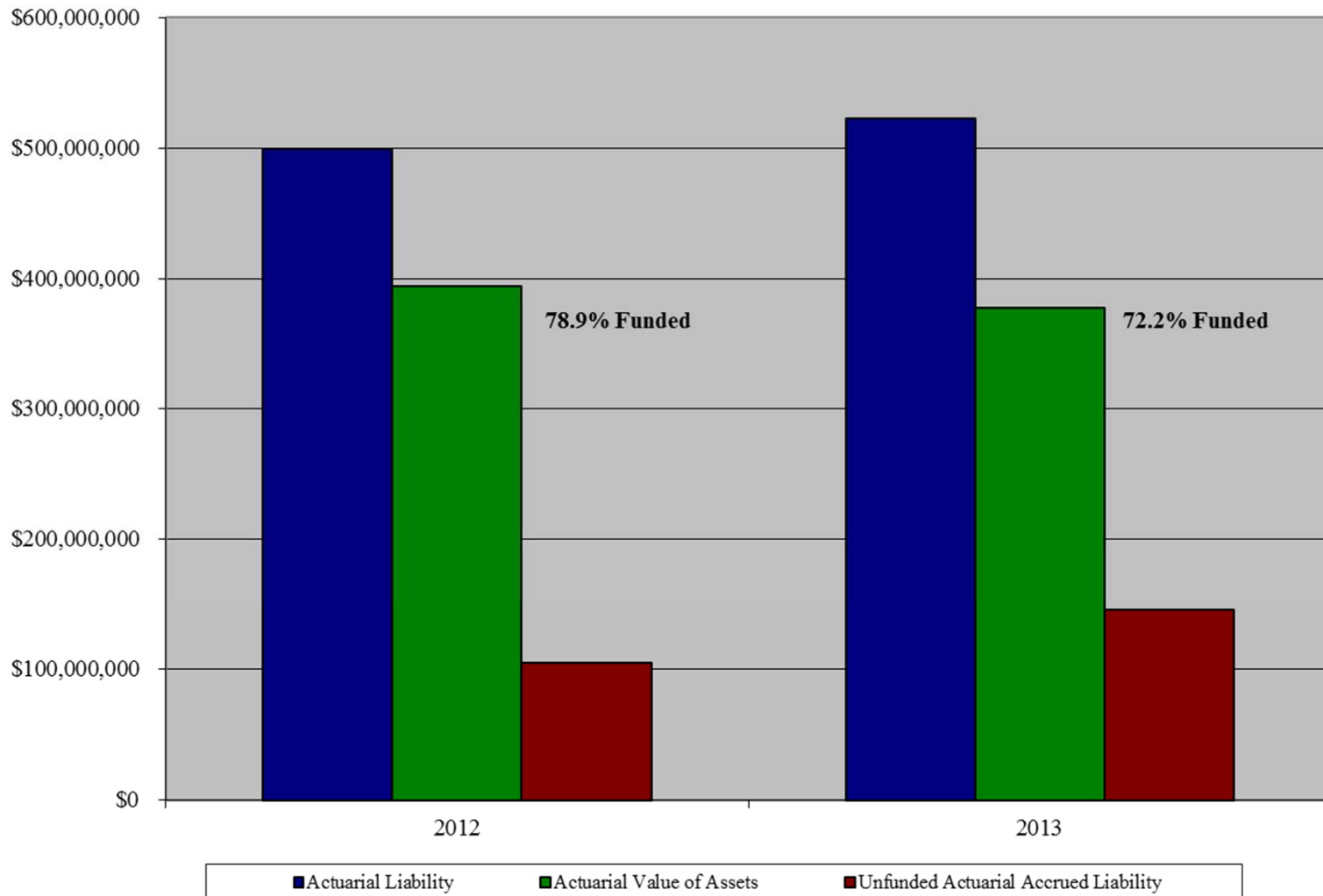
# Total Funded Status

	01/01/2012	01/01/2013
<b>Actuarial Accrued Liability</b>	\$499,506,000	\$522,724,000
<b>Actuarial Value of Assets</b>	394,237,000	377,204,000
<b>Unfunded Actuarial Accrued Liability</b>	105,269,000	145,520,000
<b>Funded Ratio</b>	78.9%	72.2%

<b>Present Value of Accumulated Benefits</b>	\$457,014,000	\$478,954,000
<b>Market Value of Assets</b>	360,692,000	387,268,900
<b>Funded Ratio</b>	78.9%	80.9%

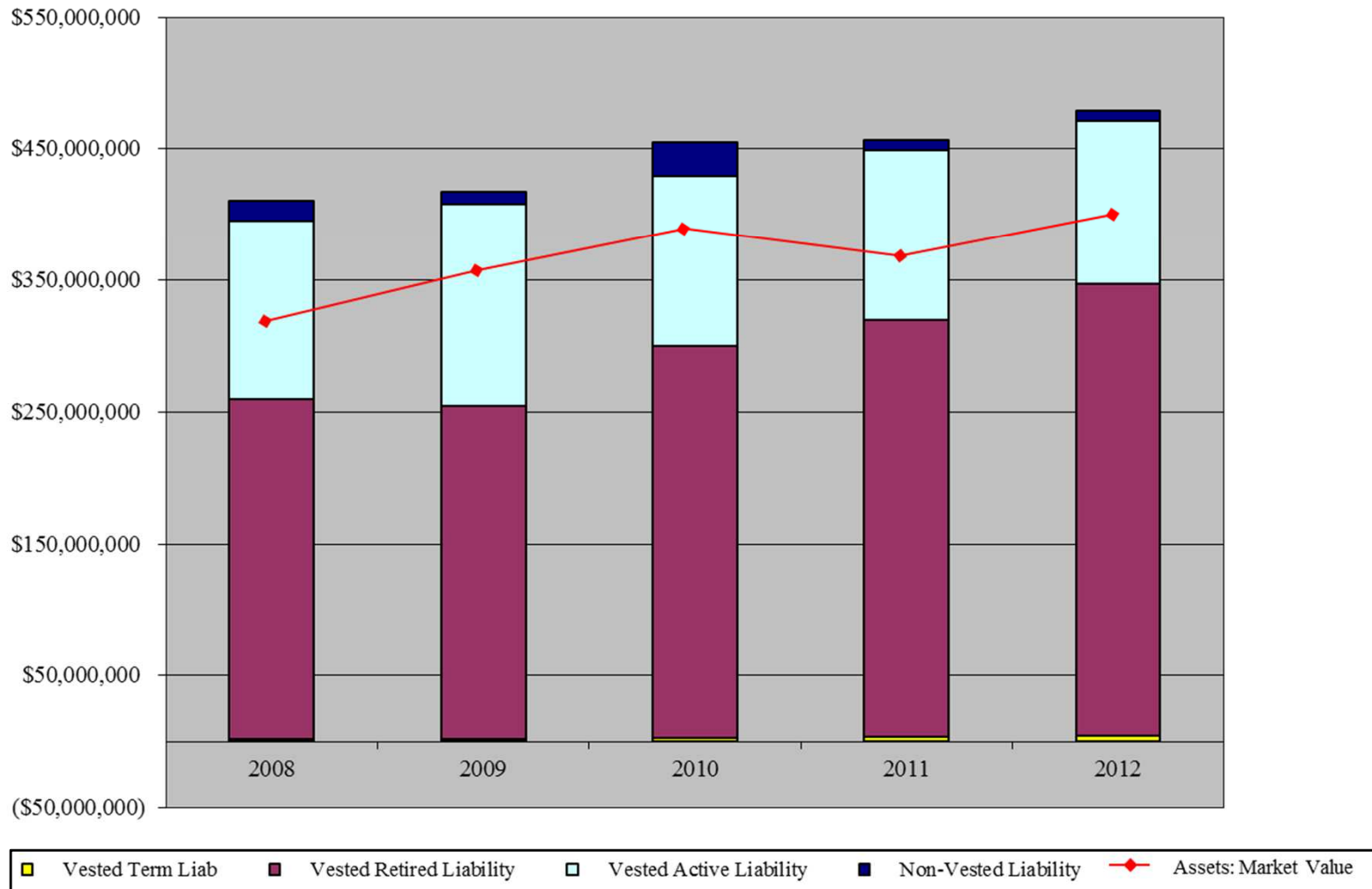


# Total Plan Funded Status





# GASB Funded Status- Present Value of Accrued Benefits





# Total Recommended County Contributions

	2012	2013
<b>Total Normal Cost</b>	\$9,187,000	\$8,886,000
<b>Employee Contributions</b>	\$3,215,000	\$3,191,000
<b>Net County Normal Cost</b>	\$5,972,000	\$5,694,000
<b>Amortization Payments</b>	\$9,606,000	\$13,279,000
<b>Total as of Beginning of Plan Year</b>	\$15,577,000	\$18,973,000
<b>Total as of End of Plan Year</b>	\$16,746,000	\$20,395,000
<b>As a % of Payroll</b>	18.40%	27.33%
<b>Total Net of Expected State Contribution</b>	\$14,266,000	\$17,844,000
<b>As a % of Payroll</b>	15.68%	23.91%

Note: For GASB purposes, Annual Required Contribution (ARC) is now reported on a % of pay basis vs. a dollar basis.



# Net Allocated County Contributions

	County Pension Plan	Retirement System		Alternate	Crossing Guards	Total
		General	Police			
<b>2012</b>						
<b>Contribution</b>	\$1,426,000	\$9,815,000	\$2,918,000	\$30,000	\$77,000	\$14,266,000
<b>As % of Pay</b>	10.26%	15.61%	27.02%	6.00%	2.64%	15.68%
<b>Subtotal</b>				\$14,189,000		
<b>As % of Pay</b>				16.10%		
<b>2013</b>						
<b>Contribution</b>	\$1,815,000	12,169,000	\$3,735,000	\$36,000	\$89,000	\$17,844,000
<b>As % of Pay</b>	15.03%	22.70%	59.90%	9.72%	3.77%	23.91%
<b>Subtotal</b>				\$17,755,000		
<b>As % of Pay</b>				24.56%		



# Governmental Accounting Standards Board (GASB) Summary

	GASB	Funding
<b>Actuarial Method</b>	Entry Age Normal (EAN)	Entry Age Normal (EAN)
<b>Accrued Liability</b>	EAN – AL	EAN – AL
<b>Accrued Liability – Ongoing Plan (AL)</b>	\$522,724,000	\$522,724,000
<b>Assets</b>	\$377,204,000 (actuarial)	\$377,204,000 (actuarial)
<b>Funded Ratio: Assets/AL (based on Actuarial Value of Assets)</b>	72.2%	72.2%
<b>Present Value of Accumulated Plan Benefits (PVAB)</b>	\$478,954,000	\$478,954,000
<b>Funded Ratio: Assets/PVAB (based on Market Value of Assets)</b>	80.9%	80.9%

Note: For GASB purposes, Actuarial Method is revised from PUC to EAN.





# Conclusions

- Funded Ratios
  - Decreased on Funding and GASB basis
- Factors Impacting Plan Costs/Liabilities
  - Loss on Actuarial Asset Basis (Gain on Market Value Return on Assets) – relative to 7.50% Valuation interest rate basis
  - Actuarial Loss due to changes in the plan population
  - Reduction in Covered Payroll
- Recommended Contributions
  - Percent of Pay: increase about 8.2%
  - Based on current funding approach



# Alternative Asset Smoothing Approaches

(\$ in 000's)

	<u>Current Valuation</u>	<u>Alternative A</u>	<u>Alternative B</u>	<u>Alternative C</u>
	5 year smoothing	Modified 5 year smoothing	3 year smoothing	8 year smoothing
Alternatives - Actuarial Asset Value				
Actuarial Accrued Liability (AAL)	522,724	522,724	522,724	522,724
Actuarial Value of Assets (AVA)	377,204	389,401	386,307	423,717
Unfunded Actuarial Accrued Liability	145,520	133,323	136,417	99,007
Net County Normal Cost	5,695	5,695	5,695	5,695
Amortization of Unfunded Accrued Liability over 20 years	13,278	12,166	12,448	9,034
State Aid	2,374	2,374	2,374	2,374
Total Annual Cost - Beginning of Year	16,599	15,487	15,769	12,355
Total Annual Cost - End of Year	17,844	16,648	16,952	13,282
Estimated Total Payroll	74,640	74,640	74,640	74,640
Cost as a % of Payroll	23.9%	22.3%	22.7%	17.8%
Net Deferred (gain)/loss	(10,065)	2,132	(962)	36,448
Expected AVA 1/1/2014*	395,903	395,903	390,558	379,419

\* Assumes 7.5% investment return during 2013 (MVA of approximately \$397 million).



# Alternative Phase In Approach

Alternative Phase In Approaches as of January 1, 2013  
(\$ in 000's)

Phase In Alternatives	Current	Alternative 1	Alternative 2	Alternative 3
	Valuation	2 Year Phase	3 Year Phase	4 Year Phase
	No Phase In	In	In	In
Actuarial Accrued Liability (AAL)	522,724	522,724	522,724	522,724
Actuarial Value of Assets (AVA)	377,204	377,204	377,204	377,204
Unfunded Actuarial Accrued Liability	145,520	145,520	145,520	145,520
Net County Normal Cost	5,695	5,695	5,695	5,695
Amortization of Unfunded Accrued Liability over 20 years	13,278	13,278	13,278	13,278
State Aid	2,374	2,374	2,374	2,374
Total Annual Cost - Beginning of Year	16,599	16,599	16,599	16,599
Total Annual Cost - End of Year	17,844	17,844	17,844	17,844
Estimated Contribution Amount	17,844	14,708	13,962	13,215
Estimated Total Payroll	74,640	74,640	74,640	74,640
Actuarial Cost as a % of Payroll	23.9%	23.9%	23.9%	23.9%
Prior Contribution Rate (% of Payroll)	15.7%	15.7%	15.7%	15.7%
Phase In Years	0	2	3	4
Annual Increment (rounded)	N/A	4.0%	3.0%	2.0%
Estimated County Contribution Rates*:				
Fiscal Year 2014	23.9%	19.7%	18.7%	17.7%
Fiscal Year 2015	23.9%	23.7%	21.7%	19.7%
Fiscal Year 2016	23.9%	23.9%	23.9%	21.7%
Fiscal Year 2017	23.9%	23.9%	23.9%	23.9%

\* Actual Rates will depend on actual experience during 2013 and beyond. Any phase in approach delays funding improvement somewhat, causing further upward pressure on costs.