



New Castle County

2016 Pension Plan Review

March, 2016





2016 Valuation Overview

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Demographics

	Actives	Terminated Vested	Retired	Disabled	Total	<i>Prior Year Total</i>
County Employees' Pension Plan	161	24	146	15	346	<i>352</i>
Employees' Retirement System						
- Police	22	2	313	1	338	<i>337</i>
- General Personnel	683	56	771	31	1,541	<i>1,562</i>
Alternative Pension Plan (closed plan)	6	0	34	0	40	<i>41</i>
Crossing Guards Pension Plan	88	6	44	1	139	<i>146</i>
County 2011 Pension Plan	146	0	0	0	146	<i>94</i>
Total	1,106	88	1,308	48	2,550	<i>2,532</i>



Plan Assets

Market Value and Actuarial Value

	12/31/2014	12/31/2015
Market Value	\$425,480,860	\$404,847,096
Investment Return	6.26%	(1.10%)
Actuarial Value*	\$413,651,540	\$420,669,363
Investment Return	8.77%	6.74%
Actuarial Value/Market Value	97%	104%

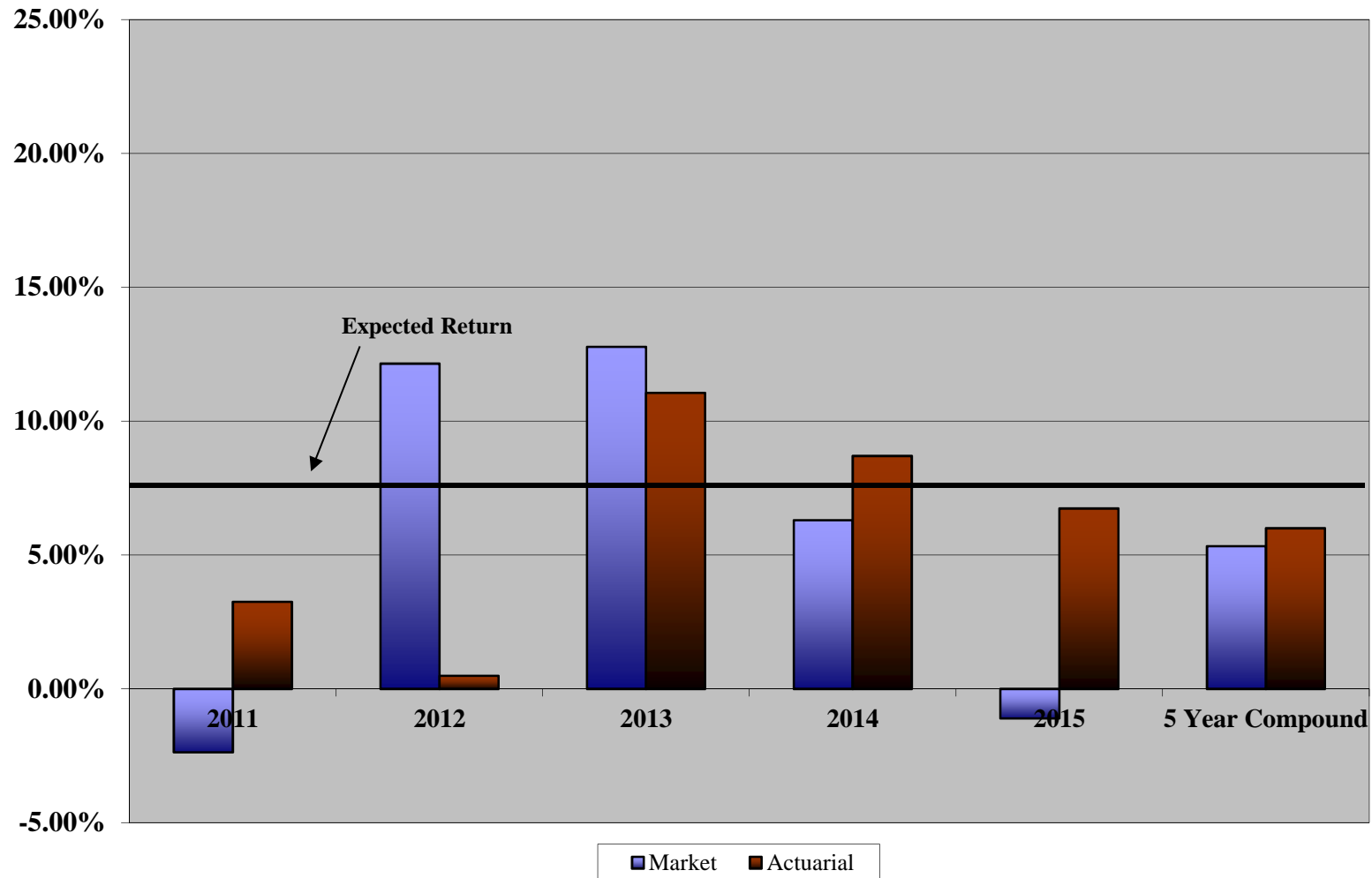
5 Year Average Investment Return

	12/31/2014	12/31/2015
Market Value	8.12%	5.33%
Actuarial Value*	5.21%	6.00%

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

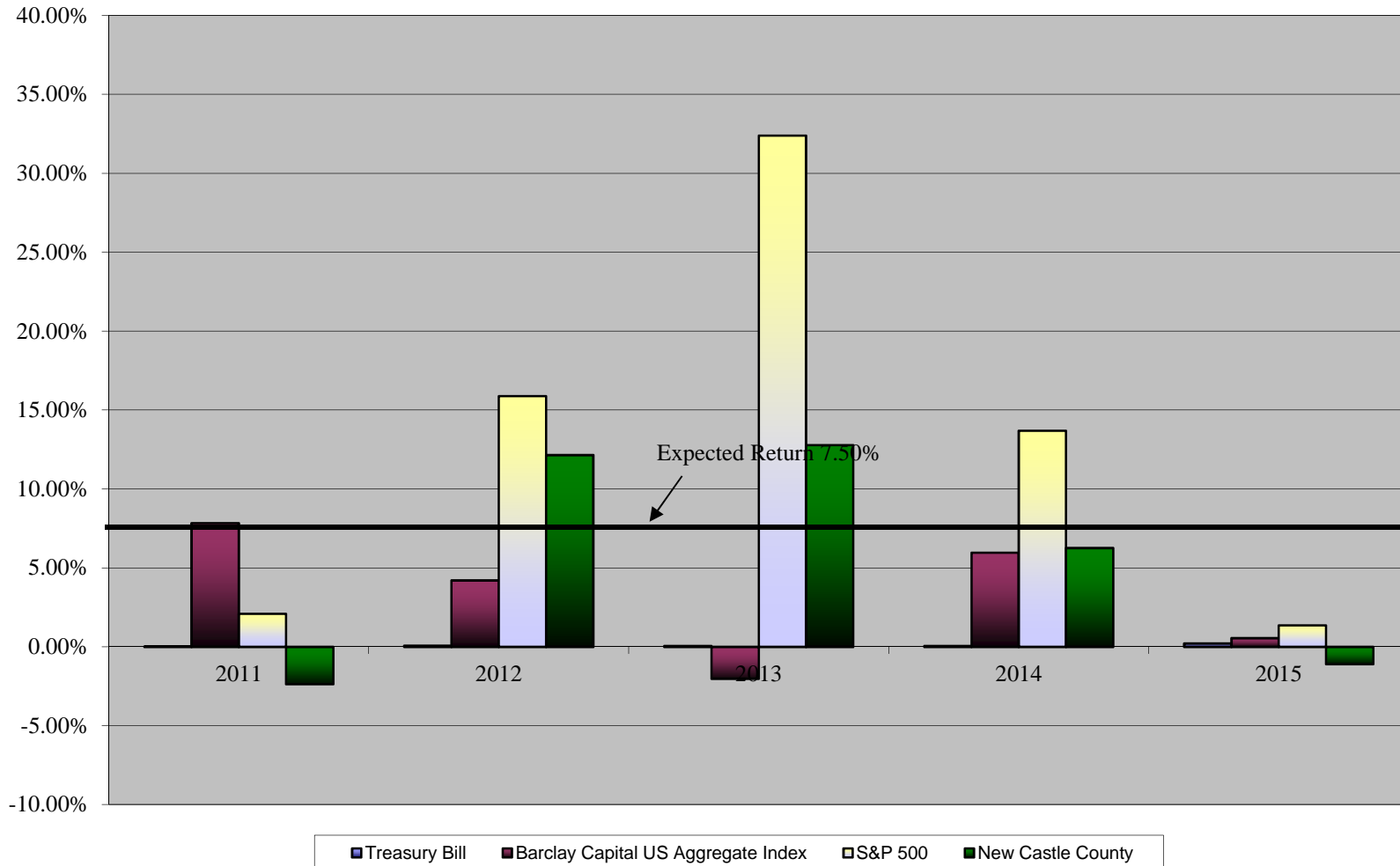


Rates of Return Market and Actuarial Asset Values





Comparison of Investment Performance (Market Value) to Selected Indices





Market Value Changes

Market Value of Assets 1/1/2015		\$425,480,860
Contributions	\$21,328,888	
Income	<u>8,162,804</u>	
		29,491,692
Unrealized Appreciation and Other Investment Proceeds		(10,672,127)
Benefit Payments	(37,358,651)	
Expenses	(2,094,678)	
		<u>(39,453,329)</u>
Market Value of Assets as of 12/31/2015		\$404,847,096



Valuation Approach

- 1/1/2015 Demographic Population Projected Forward to 1/1/2016
- Actual Assets and Contributions Recognized



2016 Valuation Assumptions

Investment Return	7.50%
Salary Increases	4.00%
Ultimate Retirement Age	Varies by Plan:
General	Age 70
Police	30 years of service
County	Age 65 with 5 years of service
Alternate	Age 65 with 15 years of service
Crossing Guards	Age 75
County 2011 Pension Plan	Age 70
Mortality	RP-2000 Combined Healthy Males/Females Table projected to 2011 with Scale BB
Disability	75% of 1974-78 Social Security Experience Study
Withdrawal	Tables based on age and service
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: 2,291,339
Expenses	Average of past 3 plan years: 899,833



Total Funded Status

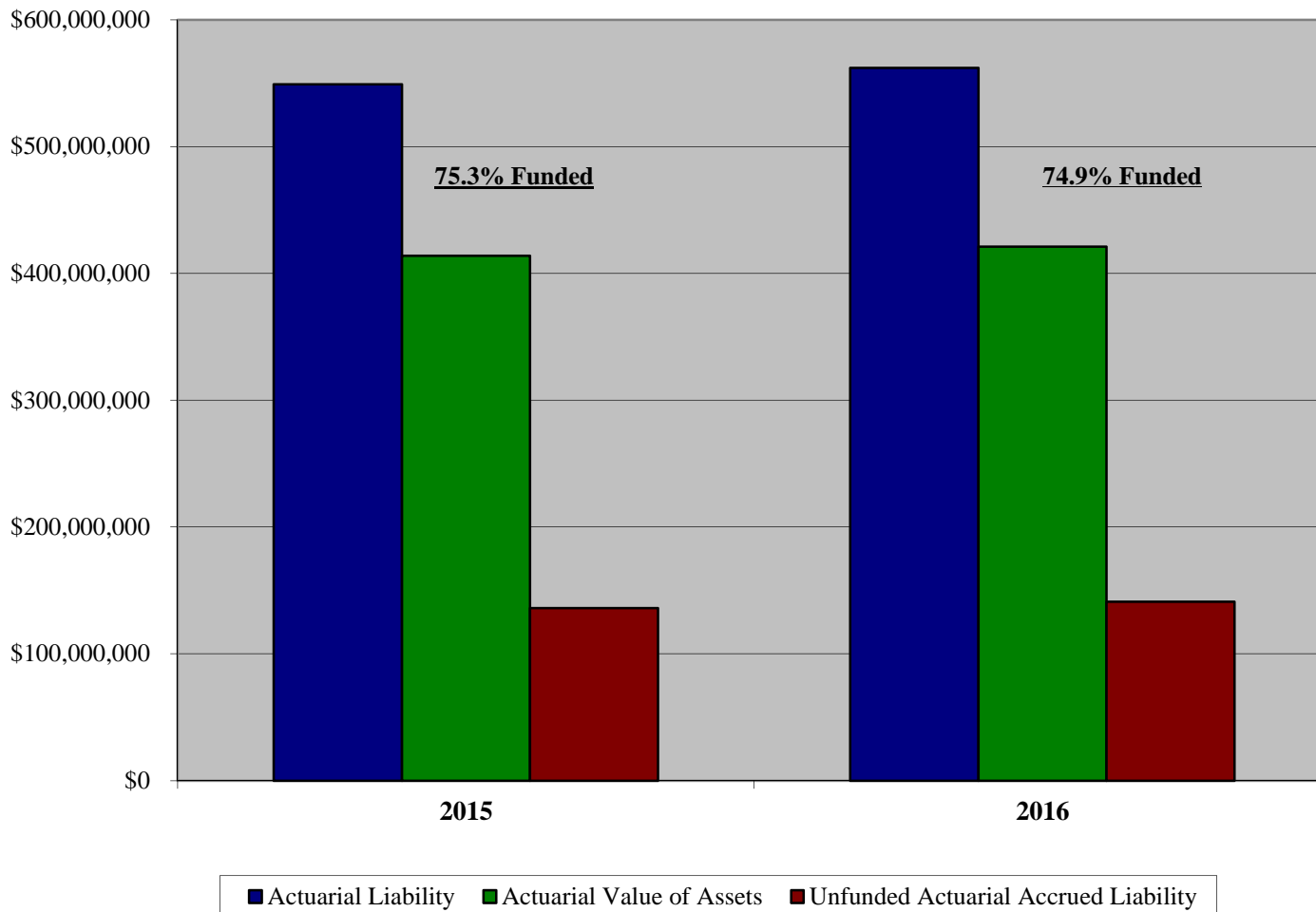
	01/01/2015	01/01/2016
Actuarial Accrued Liability	\$549,427,000	\$561,973,000
Actuarial Value of Assets	413,652,000	420,669,000
Unfunded Actuarial Accrued Liability	135,776,000	141,304,000
Funded Ratio	75.3%	74.9%

Present Value of Accumulated Benefits*	\$517,227,000	\$530,008,000
Market Value of Assets	425,481,000	404,847,000
Funded Ratio	82.3%	76.4%

* Unit Credit Basis



Total Plan Funded Status





Total Recommended County Contributions

	2015	2016
Total Normal Cost	\$8,307,000	\$7,969,000
Employee Contributions	\$3,125,000	\$3,066,000
Net County Normal Cost	\$5,182,000	\$4,903,000
Amortization Payments	\$13,013,000	\$13,866,000
Total as of Beginning of Plan Year	\$18,195,000	\$18,769,000
Total as of End of Plan Year	\$19,560,000	\$20,176,000
Expected State Subsidy	\$2,071,000	\$2,463,000
Total Net of Expected State Contribution	\$17,489,000	\$17,713,000
As a % of Payroll	23.47%	23.68%
As a % of Payroll (4 Primary Plans)	24.1%	24.3%

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	County 2011	Crossing Guards	Total
		General	Police				
2015							
Contribution	\$1,625,000	12,063,000	\$3,627,000	\$35,000	\$60,000	\$78,000	\$17,488,000
As % of Pay	12.79%	24.24%	79.30%	9.62%	1.26%	3.36%	23.47%
Subtotal (excluding Crossing Guards)					\$17,410,000		
As % of Pay					24.12%		
2016							
Contribution	\$1,705,000	12,533,000	\$3,241,000	\$30,000	\$124,000	\$80,000	\$17,713,000
As % of Pay	13.74%	25.86%	82.78%	8.09%	1.66%	3.67%	23.68%
Subtotal (excluding Crossing Guards)					\$17,633,000		
As % of Pay					24.28%		



Governmental Accounting Standards Board (GASB) Summary

	GASB	Funding
Actuarial Method	Entry Age Normal (EAN)	Entry Age Normal (EAN)
Measurement Date	6/30/2015	12/31/2015
Actuarial Accrued Liability (AAL)	\$560,106,000 "Total Pension Liability"	\$561,973,000
Assets	\$427,522,000 (market)	\$420,669,000 (actuarial)
Funded Ratio: Assets/AAL	76.3%	74.9%
Unfunded Liability	\$132,584,000 "Net Pension Liability"	\$141,304,000



Conclusions

- Funded Ratios
 - Remained around the same.
- Factors Impacting Plan Costs/Liabilities
 - Loss on Actuarial Asset Basis (Loss on Market Value Return on Assets) – relative to 7.50% expected return
 - Actuarial Gain due to changes in the plan population
 - Salary increase less than assumed
- Recommended Contributions
 - Percent of Pay: increase about 0.2%



Appendix



Summary of Results

	1/1/2015	1/1/2016	% Change
<u>TOTAL PLANS</u>			
Number of Participants			
Active	1,117	1,106	
Terminated Vested or due Refund	90	88	
Retired	1,325	1,356	
Total	2,532	2,550	.7%
Annual Compensation of Active Participants	\$74,501,420	\$74,805,169	.4%
Average Annual Compensation of Active Participants	\$66,698	\$67,636	1.4%
Average Age	50.84	50.88	
Average Service	15.21	15.77	
<u>ASSETS</u>			
Market Value	\$425,480,860	\$404,847,000	(4.8%)
Actuarial Value	\$413,651,540	\$420,669,363	1.7%
<u>FUNDING PROGRESS</u>			
Actuarial Accrued Liability	\$ 549,427,300	\$ 561,973,025	2.3%
Funding Ratio	75.3%	74.9%	
<u>RECOMMENDED CONTRIBUTION</u>			
Total Contribution as of 12/31:**	\$22,830,899	\$23,484,161	2.90%
Four County Plans Subtotal	\$19,482,095	\$20,096,090	
Subtotal as % of Payroll	26.99%	27.67%	
Net Subtotal as % of Payroll	24.12%	24.28%	
Estimated Contribution for Police Covered in State Plan	\$3,270,961	\$3,307,833	
As a % of Payroll	14.02%	13.81%	
Crossing Guards Plan	\$77,843	\$80,238	
County 2011	\$60,174	\$124,311	
*Based on County estimated budgeted payroll			
**Includes County contributions to State Plans for Police			
Reflects estimated State contribution of \$1,926,616 and \$2,291,339 for 2015 and 2016 respectively.			



EMPLOYEES' RETIREMENT SYSTEM							
	County Employees Pension Plan \$	General Personnel \$	Police \$	Alternate Pension Plan \$	Crossing Guards \$	County 2011 \$	Total \$
Allocated Market Value of Assets at 12/31/2014	44,129,625	234,938,167	141,173,177	1,041,107	2,254,043	1,944,741	425,480,860
Employee Contributions	283,077	2,073,002	145,846	0	16,920	220,795	2,739,640
Buybacks	0	14,306	0	0	0	0	14,306
Employee Contributions	283,077	2,087,308	145,846	0	16,920	220,795	2,753,946
Employer Contributions	2,340,775	9,424,319	1,205,233	73,536	77,843	1,704,537	14,826,243
State Contributions			3,748,699				3,748,699
	2,623,852	11,511,627	5,099,778	73,536	94,763	1,925,332	21,328,888
Benefit Payments	2,421,723	20,997,439	13,687,811	102,580	128,685	20,414	37,358,651
Prorata Administration Expenses *	91,588	487,598	292,995	2,161	4,678	4,036	883,056
Prorata Investment Expenses	125,666	669,022	402,012	2,965	6,419	5,538	1,211,622
	2,638,977	22,154,059	14,382,818	107,706	139,782	29,988	39,453,329
Expected Return	3,309,155	17,221,271	10,239,874	76,802	167,365	216,931	31,231,398
Actual Return	-260,260	-1,385,574	-832,585	-6,140	-13,293	-11,469	-2,509,323
Market Value of Assets at 12/31/2015	43,854,240	222,910,160	131,057,552	1,000,797	2,195,731	3,828,616	404,847,096
Allocated Actuarial Value of Assets at 12/31/2015**	38,113,936	239,433,189	140,324,238	709,576	1,511,457	576,967	420,669,363

* Adjusted for miscellaneous receipts

** Re-allocated based on Actuarial Accrued Liability