



New Castle County

2019 Pension Plan Review

March, 2019





2019 Valuation Review

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2019 Valuation Summary

	2018	2019	Change
<u>Participants</u>			
Active	1,036	1,057	+21
<u>Inactive</u>	<u>1,493</u>	<u>1,498</u>	<u>+5</u>
Total	2,529	2,545	+26
Average Age	51.1	51.1	0.0
Average Service	16.4	15.7	-0.7
Benefits Paid (\$mm)	\$40.7	\$42.0	+\$1.3
<u>Funding (\$ millions)</u>			
Assets (Market)	\$440	\$415	-\$25
Assets (Actuarial)	\$435	\$437	+\$2
Actuarial Accrued Liability	\$597	\$642	+\$45
Funding Ratio	73%	68%	-5%
Unfunded Liability	\$162	\$205	+\$43
<u>Contributions</u>			
Contribution Rate, Total	29.82%	35.95%	+6.13%
Contribution Rate, Net	30.33%	36.68%	+6.35%



Demographic Changes

	Actives	Terminated Vested	Retired	Disabled	Total	<i>Prior Year Total</i>
County Employees' Pension Plan	132	21	168	15	336	<i>337</i>
Employees' Retirement System	10	2	319	1	332	<i>331</i>
- Police	576	50	799	27	1,452	<i>1,477</i>
- General Personnel						
Alternative Pension Plan (closed plan)	5	1	25	0	31	<i>33</i>
Crossing Guards Pension Plan	70	7	52	1	130	<i>137</i>
County 2011 Pension Plan	264	0	0	0	264	<i>214</i>
Total	1,057	81	1,363	44	2,545	<i>2,529</i>

% of Workforce in County 2011 Plan: 25%
 (% of Payroll = 21%)

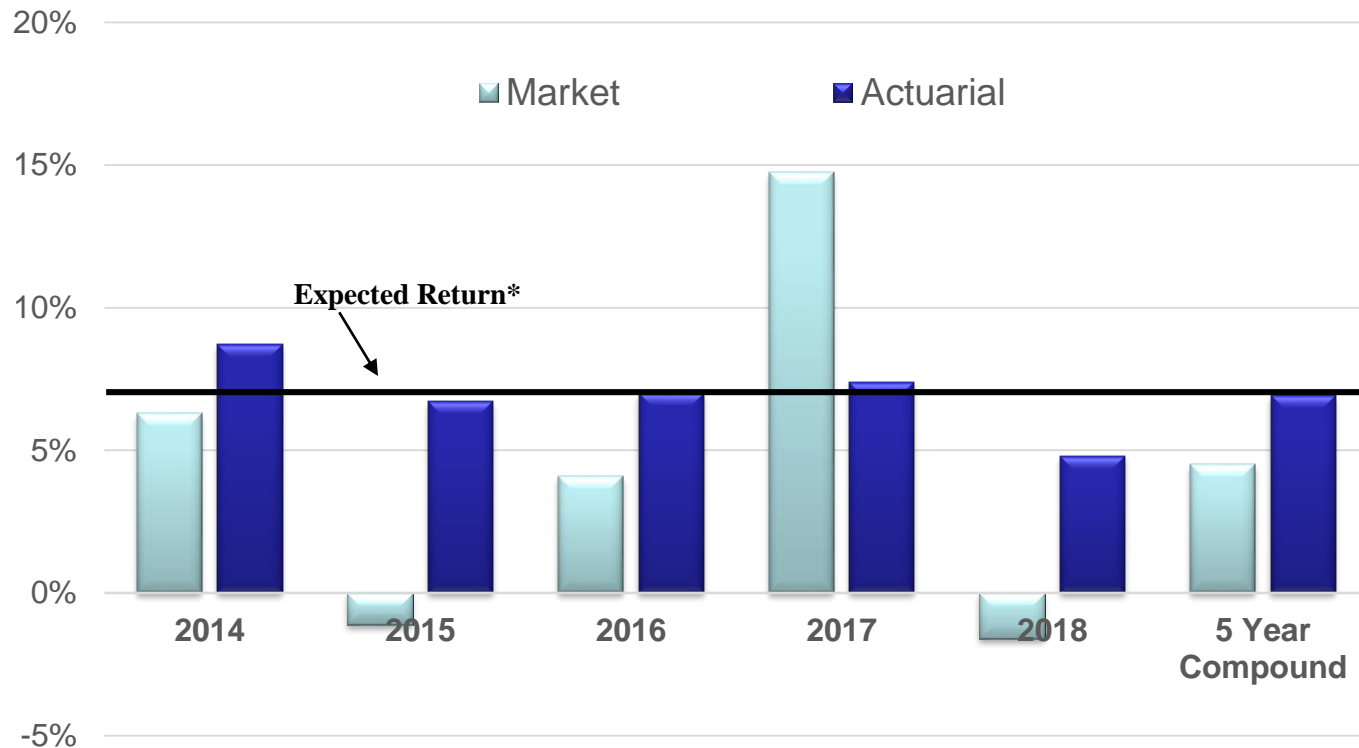


Market Value Changes

Market Value of Assets 1/1/2018		\$440,103,062
Contributions	\$26,097,493	
Income	6,581,547	
		\$32,679,040
Unrealized Appreciation and Other Investment Proceeds		(13,374,155)
Benefit Payments	(\$42,029,758)	
Expenses	(2,759,820)	
		<u>(\$44,789,578)</u>
Market Value of Assets as of 12/31/2018		\$414,618,369



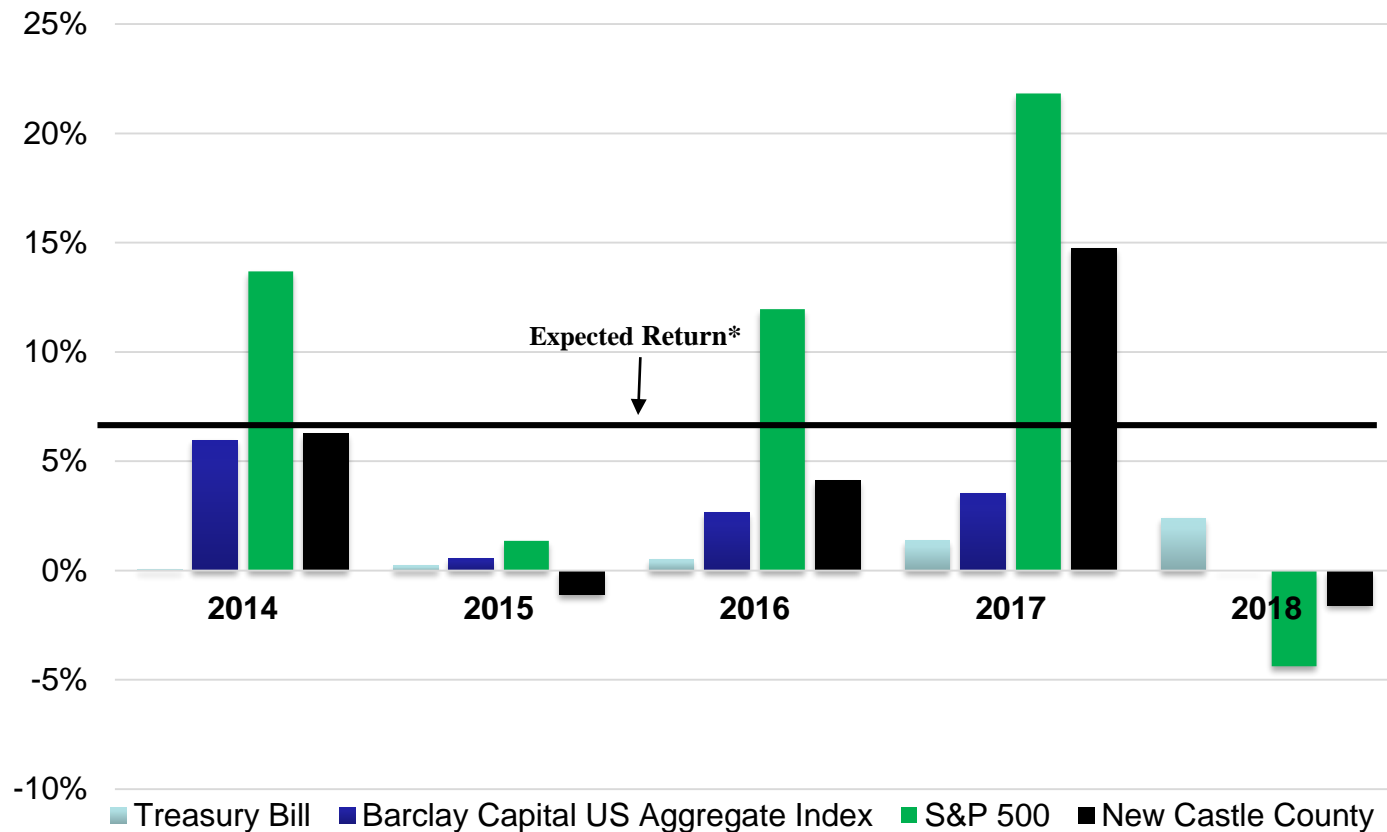
Rates of Return Market and Actuarial Asset Values



* Investment return assumption changed to 7.00% as of January 1, 2019



Comparison of Investment Performance (Market Value) to Selected Indices



* Investment return assumption changed to 7.00% as of January 1, 2019



Plan Assets And Funding Progress

	1/1/2018	1/1/2019
Market Value	\$440,103,062	\$414,618,369
Investment Return	14.75%	(1.58%)
Actuarial Value*	\$435,477,499	\$437,272,779
Investment Return	7.36%	4.81%
Actuarial Value/ Market Value	99.0%	105.5%

5-Year Average Investment Return

	1/1/2018	1/1/2019
Market Value	7.20%	4.32%
Actuarial Value*	8.18%	6.93%

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



Valuation Approach

- 1/1/2018 Demographic Population Projected Forward to 1/1/2019
- Actual Assets and Contributions Recognized through 12/31/2018



2019 Valuation Assumptions (Updated based on the 2018 Experience Study)

Investment Return	7.00%
Salary Increases	7.75% for 10 years, then 2.75%/3.25%
Retirement Age	Varies by Plan and age (except Police):
General, County, 2011	Age 70
Police	30 years of service
Alternate	Age 65
Crossing Guards	Age 75
Mortality improvements	RP-2014 Blue Collar (0,1) with generational 50% for pre-retirement deaths
Disability	RP-2014 Disabled mortality for disabled lives
Withdrawal	Varies by Plan - Tables based on service



Total Funded Status

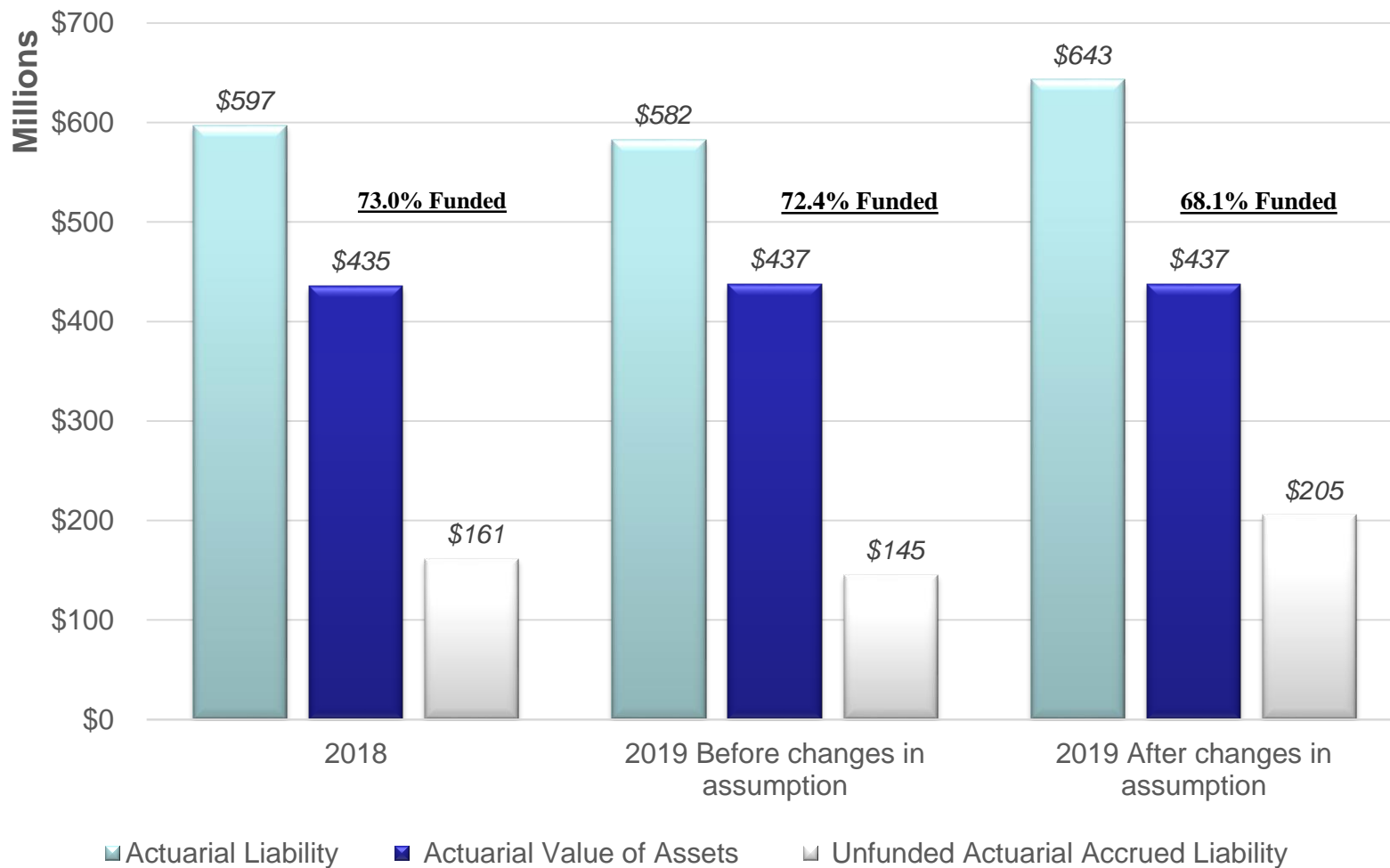
	01/01/2018	01/01/2019 (Before change in assumption)	01/01/2019 (After change in assumption)
Actuarial Accrued Liability	\$596,729,644	\$603,592,572	\$642,055,923
Actuarial Value of Assets	435,477,499	437,272,779	437,272,779
Unfunded Actuarial Accrued Liability	\$161,252,145	\$166,319,793	\$204,783,145
Funded Ratio	73.0%	72.4%	68.1%

Present Value of Accumulated Benefits*	\$564,262,084	\$571,352,722	\$605,150,584
Market Value of Assets	440,103,062	414,618,368	414,618,368
Funded Ratio	78.0%	72.6%	68.5%

* Unit Credit Basis



Change in Funded Status





Total County Contributions

	Fiscal 2019	Fiscal 2020 (Old Assump.)	Fiscal 2020 (New Assump.)
Total Normal Cost	\$7,849,000	\$7,856,012	\$8,278,000
Employee Contributions	(2,727,000)	(2,760,000)	(2,761,000)
Net County Normal Cost	\$5,121,000	\$5,096,012	\$5,517,000
Amortization Payments	\$16,285,000	\$17,768,472	\$20,420,000
Total as of Beginning of Plan Year	\$21,406,000	\$22,864,484	\$25,937,000
Total as of End of Plan Year	\$22,958,000	\$24,522,159	\$27,753,000
Expected State Subsidy*	\$2,574,000	\$2,275,000	\$2,275,000
Total Net of Expected State Contribution	\$20,384,000	\$22,247,159	\$25,477,000
As a % of Payroll	29.82%	32.54%	35.95%
As a % of Payroll (4 Primary Plans)**	30.33%	32.94%	36.68%

*The Expected State contribution amounts of \$2,400,623 and \$2,275,150 for 2018 and 2019 adjusted with interest to end of year.

**Includes offset for Crossing Guards and expected additional County Contribution for the Police Plan of \$114,100 for Fiscal Year 2019 and \$84,973 for Fiscal Year 2020.



Net Allocated County Contributions

	County Pension Plan	Retirement System		Alternate	County 2011	Crossing Guards	Total
		General	Police				
2018							
Contribution	\$2,095,000	\$14,358,000	\$3,594,000	\$27,000	\$223,000	\$87,000	\$20,384,000
as % of Pay	20.15%	32.71%	169.97%	8.75%	2.26%	4.82%	29.82%
Subtotal (excluding Crossing Guards)					\$20,297,000		
as % of Pay*					30.33%		
2019							
Contribution	\$2,406,000	\$17,209,000	\$5,301,000	\$31,000	\$424,000	\$106,000	\$25,477,000
as % of Pay	24.09%	41.15%	280.58%	10.18%	2.80%	6.23%	35.95%
Subtotal (excluding Crossing Guards)					\$25,371,000		
as % of Pay*					36.68%		

* Includes offset for Crossing Guards and expected additional County Contribution for the Police Plan of \$114,100 for Fiscal Year 2019 and \$84,973 for Fiscal Year 2020.



Accounting-Funding Comparison

	GASB (6/30/18)	Funding (12/31/18)
Measurement Date	6/30/2018	12/31/2018
Actuarial Liability	\$ 601,113,000 (Total Pension Liability)	\$ 642,056,000 (Actuarial Accrued Liability)
Plan Assets*	\$ 445,967,000	\$ 437,273,000
Funded Ratio: Assets/Liability	74.2%	68.1%
Unfunded Liability	\$ 155,146,000 (Net Pension Liability)	\$ 204,783,000 (Unfunded Actuarial Liability)

* GASB – Market Value of Assets
 Funding – Actuarial (Smoothed) Value of Assets



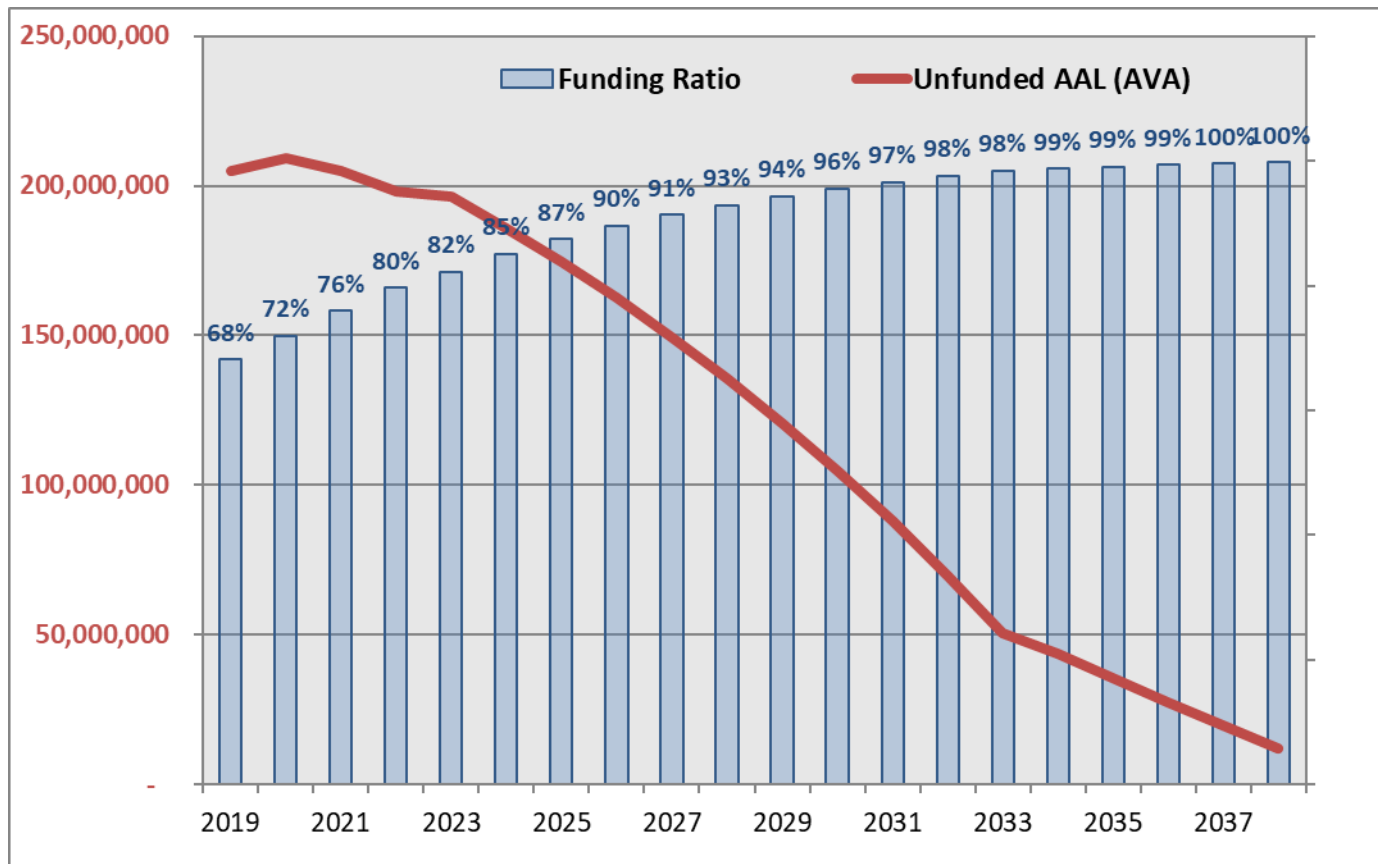
Conclusions

- Funded Status
 - Little change from non-investment experience (<1%)
 - Decrease due to the change in actuarial assumptions, as well as investment loss during 2018
- Funding Outlook
 - Unrecognized losses (\$22+ mm) will drive costs up, without gains
 - Growth of 2011 Plan population will keep Normal Cost in check
 - New assumption basis will decrease probability and severity of losses (investment and otherwise) going forward.
- Actuarial Contributions
 - Percent of Pay Rate: increase about 6% in total
 - Estimated amount increased by \$5 million



Future Outlook - Funding

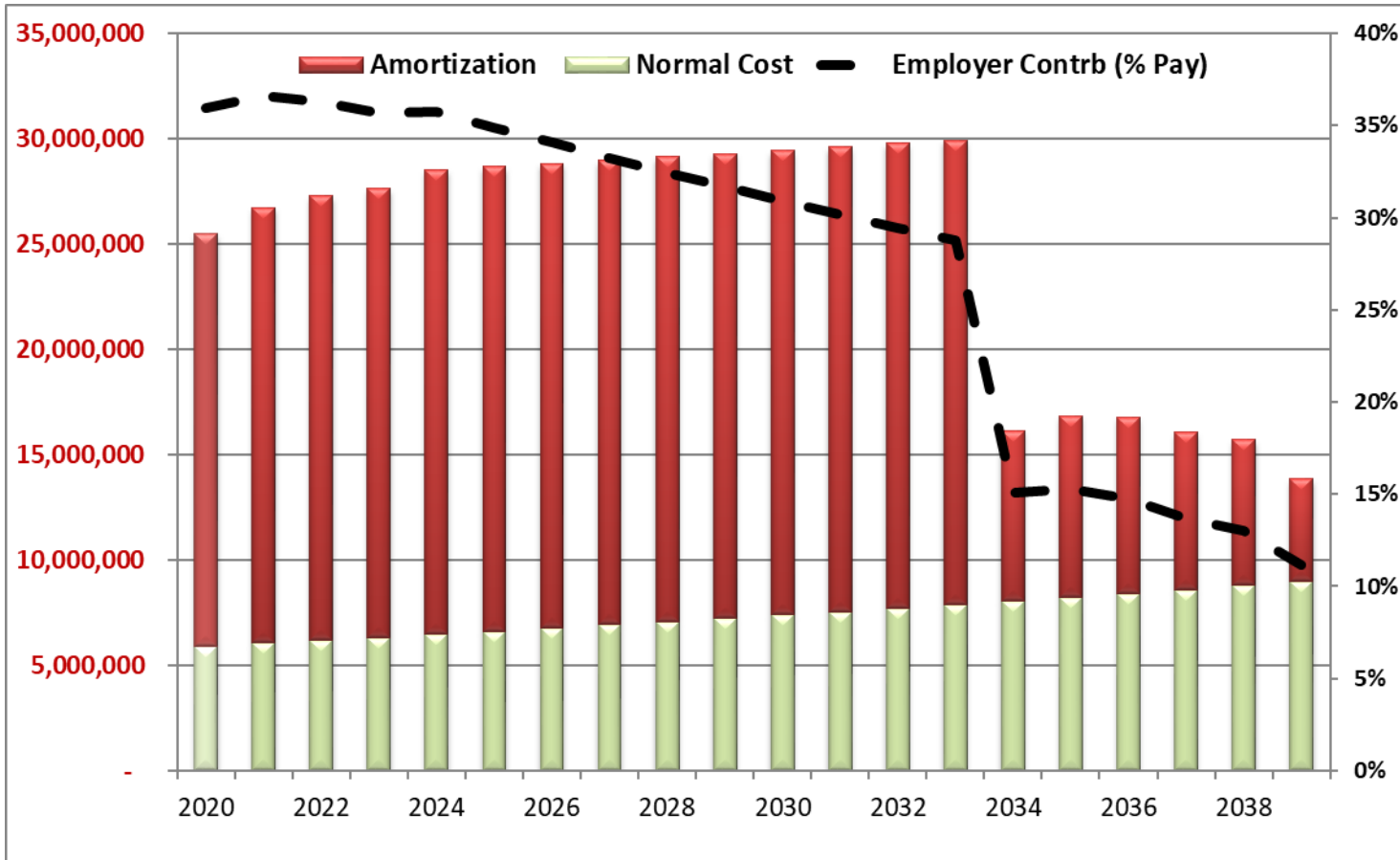
1. BASELINE: NO GAINS OR LOSSES





Future Outlook - Cost

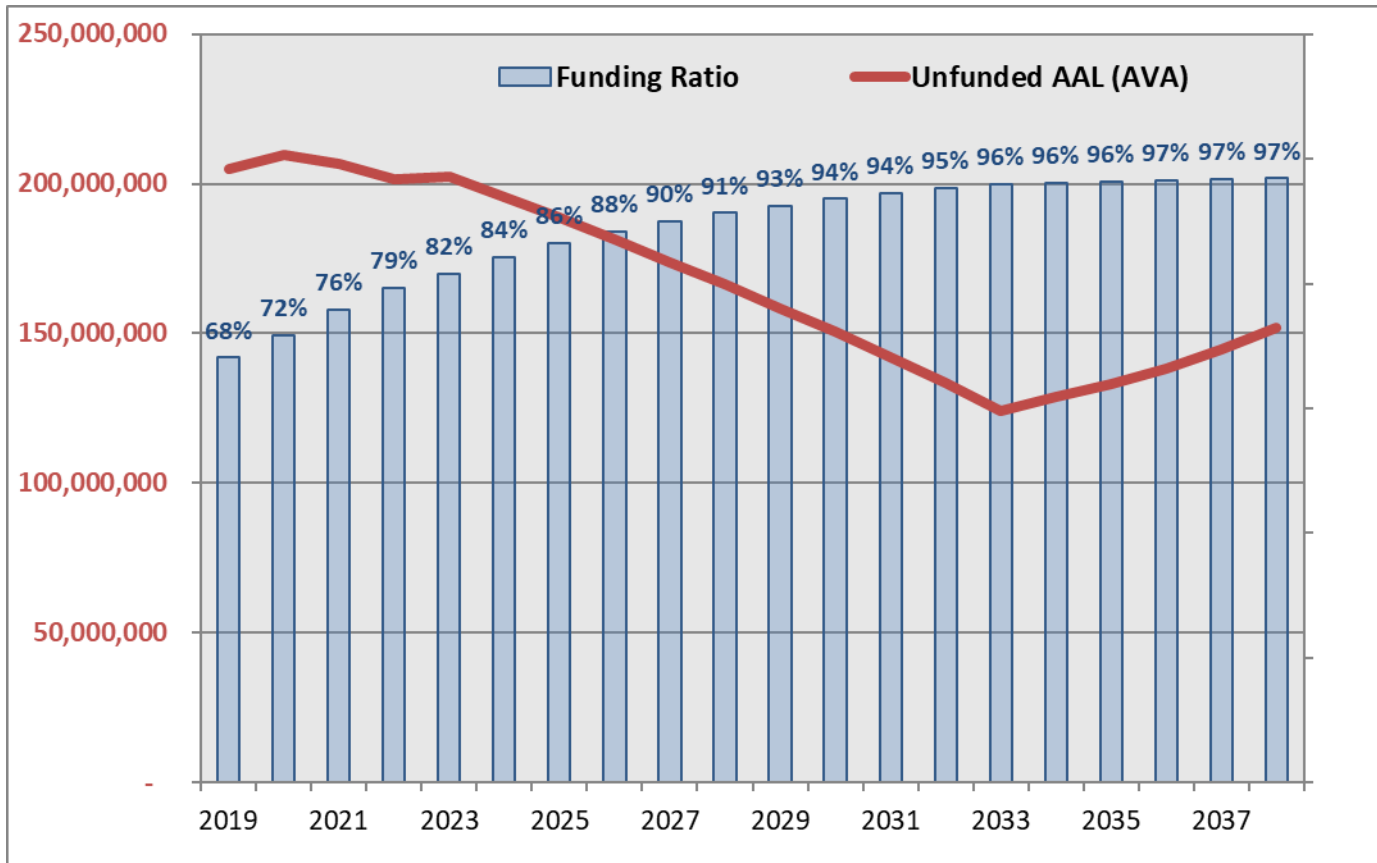
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Future Outlook - Funding

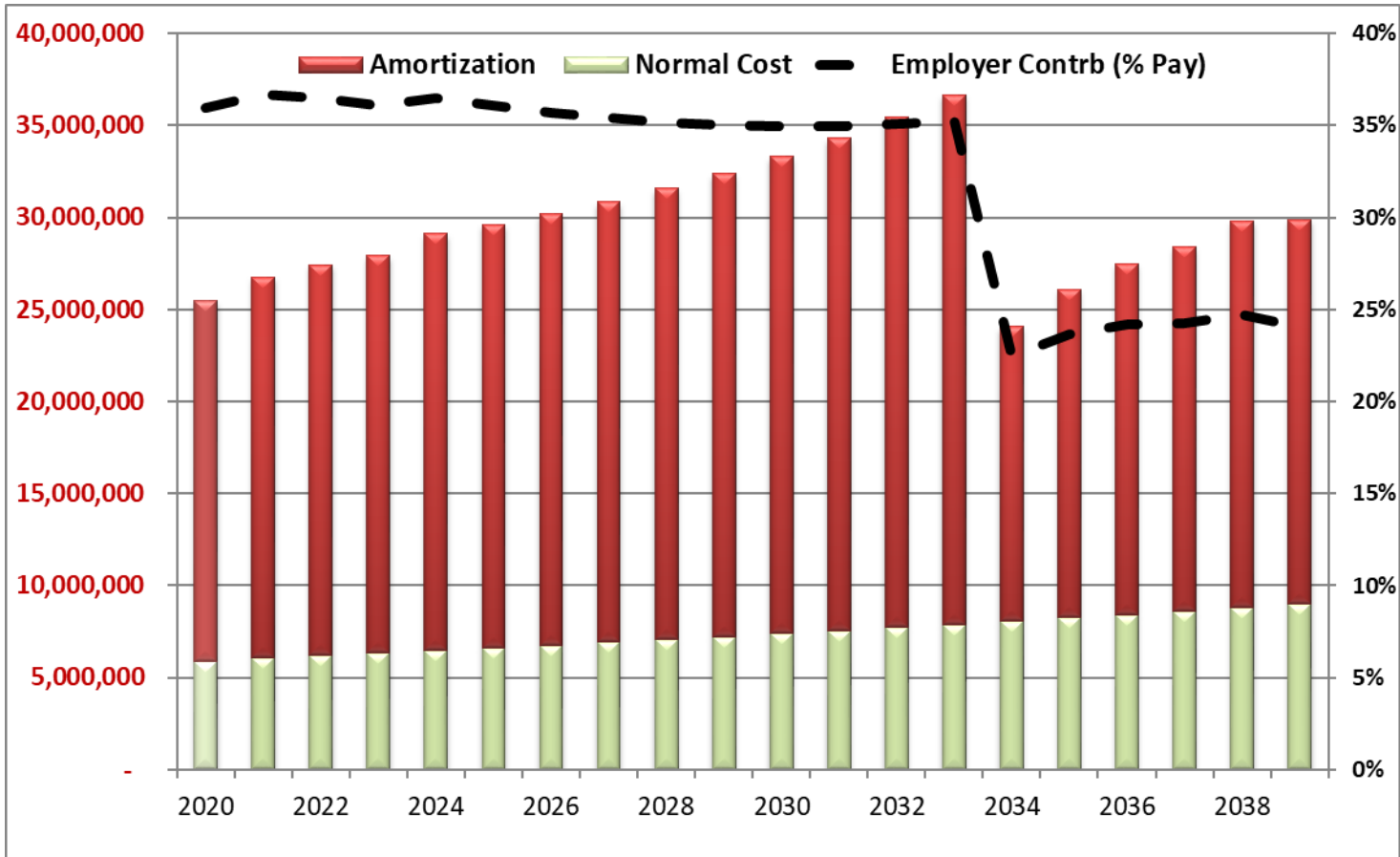
2. UNFAVORABLE: 6.5% return each year





Future Outlook - Cost

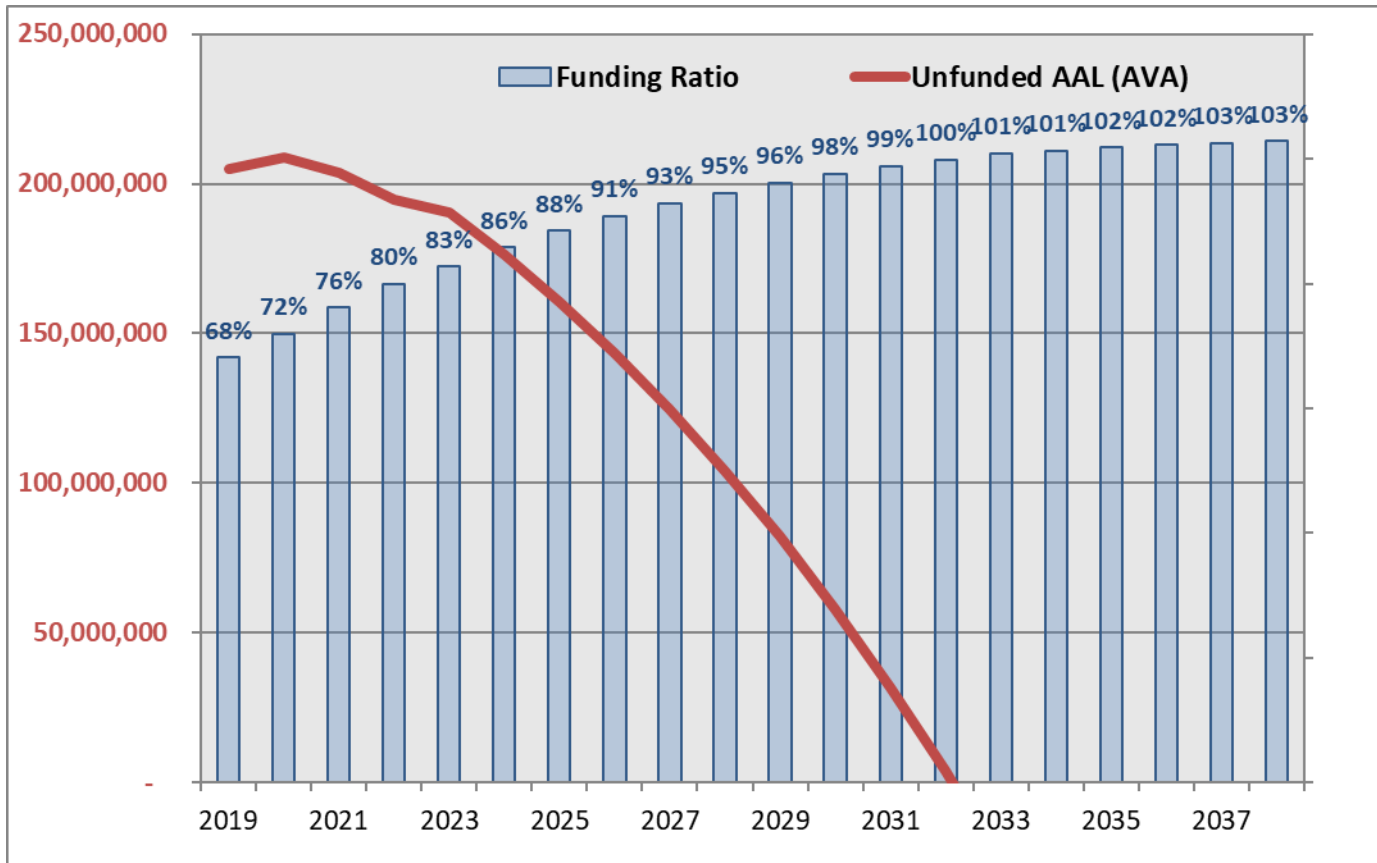
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Future Outlook - Funding

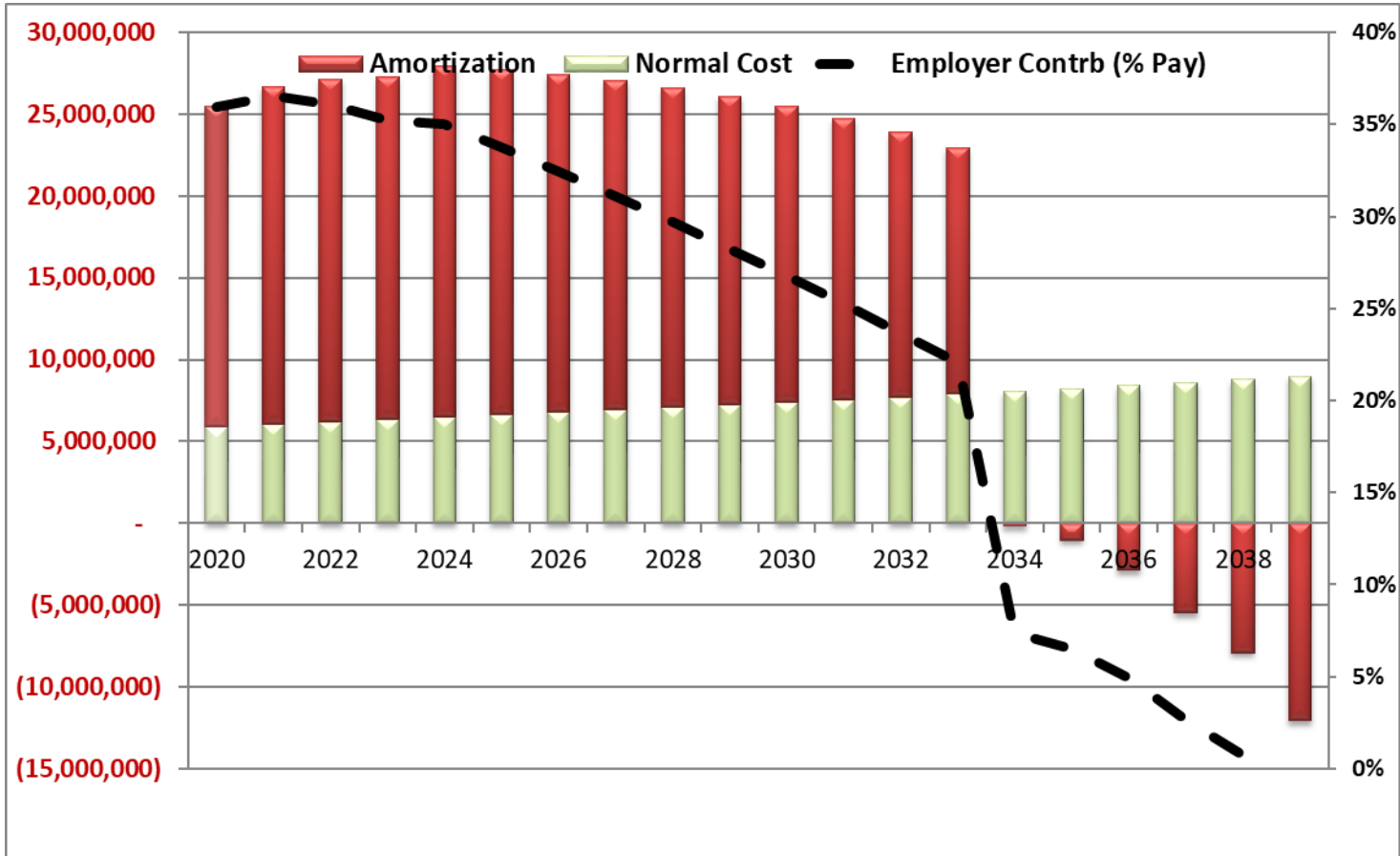
3. FAVORABLE: 7.5% return each year





Future Outlook - Cost

3. FAVORABLE: 7.5% return each year





Appendix



Contribution Development

ACTUARIALLY DETERMINED CONTRIBUTION

	County Employees Pension Plan	General Personnel	Police	Alternate Pension Plan	Crossing Guards	County 2011	Total
Total Normal Cost	\$732,202	\$6,179,700	\$562,673	\$2,509	\$42,042	\$758,893	\$8,278,019
Expected Employee Contributions	247,226	1,988,555	76,696	0	10,201	437,993	2,760,671
Net County Normal Cost							
(a) Dollar Amount	484,976	4,191,145	485,977	2,509	31,841	320,900	5,517,348
(b) Percentage of Payroll	4.86%	10.02%	25.72%	0.81%	1.87%	2.12%	7.79%
Amortization Payment							
(a) Dollar Amount	\$1,763,858	\$11,891,813	\$6,594,492	\$26,807	\$66,996	\$75,721	\$20,419,687
(b) Percentage of Payroll	17.66%	28.43%	349.04%	8.70%	3.94%	0.50%	28.81%
County Contribution, Beginning of Year							
(a) Dollar Amount	\$2,248,834	\$16,082,958	\$7,080,469	\$29,316	\$98,837	\$396,621	\$25,937,035
(b) Percentage of Payroll	22.52%	38.45%	374.77%	9.51%	5.82%	2.62%	36.60%
Net County Contribution, End of Year							
(a) Dollar Amount	\$2,406,253	\$17,208,765	\$5,300,950	\$31,368	\$105,755	\$424,385	\$25,477,476
(b) Percentage of Payroll	24.09%	41.15%	280.58%	10.18%	6.23%	2.80%	35.95%