

New Castle County

2014 Pension Plan Review March, 2014





2014 Valuation Overview

- Plans
- Assets
- Market Value changes
- Valuation Approach
- Valuation Assumptions
- Total Funded Status
- Total Recommended County Contributions
- Net Allocated County Contributions
- GASB Summary
- Conclusions



Demographics

	Actives	Terminated Vested	Retired	Disabled	Total
County Employee's Pension Plan	177	29	137	14	357
Employees' Retirement System - Police - General Personnel	40 741	2 61	287 742	1 33	330 1,577
Alternative Pension Plan (closed plan)	6	0	35	0	41
Crossing Guards Pension Plan	88	6	47	1	142
County 2011 Pension Plan	17	0	0	0	17
Total	1,069	98	1,248	49	2,464



Plan Assets Market Value and Actuarial Value

	12/31/2012	12/31/2013	
Market Value	\$387,268,900	\$417,866,300	
Investment Return	12.15%	12.78%	
Actuarial Value*	\$377,204,229	\$399,010,600	
Investment Return	0.49%	11.06%	
Actuarial Value/Market Value	97%	96%	

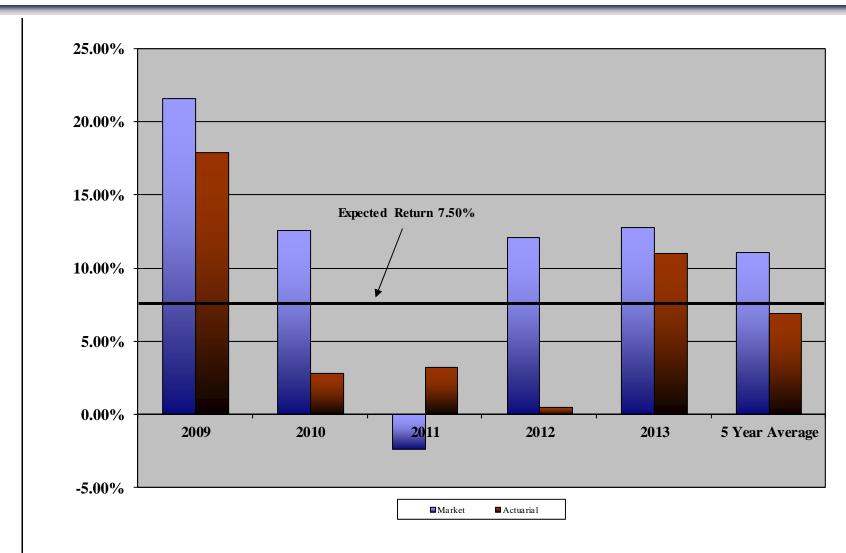
5 Year Average Investment Return

	12/31/2012	12/31/2013
Market Value	0.61%	11.08%
Actuarial Value*	(3.07)%	6.93%

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

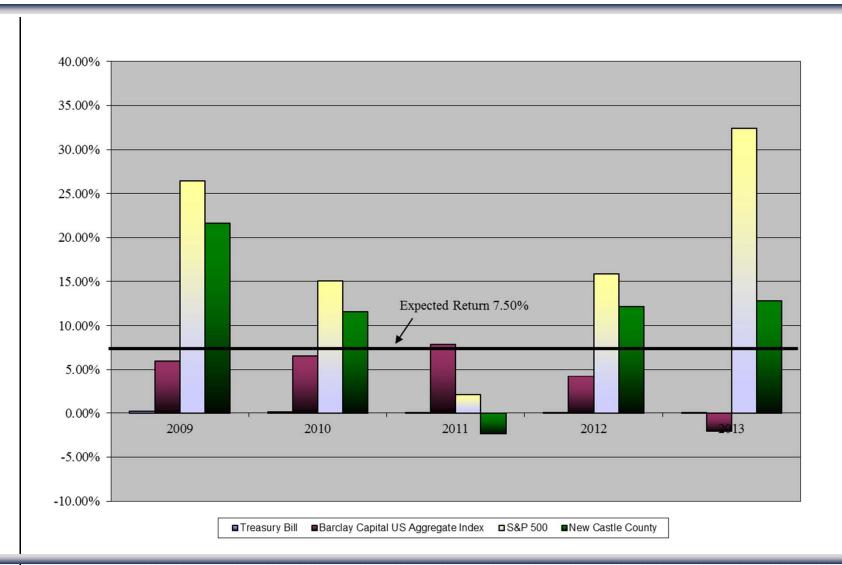


Rates of Return Market and Actuarial Asset Values





Comparison of Investment Performance (Market Value) to Selected Indices





Market Value Changes

Market Value of Assets 1/1/2013

\$387,268,900

Contributions

\$15,756,434

Income

16,283,456

32,039,890

Unrealized Appreciation and Other

Investment Proceeds

34,257,081

Benefit Payments

(33,352,687)

Expenses

(2,346,926)

(35,699,613)

Market Value of Assets as of 12/31/2013

\$417,866,258



Valuation Approach

- 1/1/2013 Demographic Population Projected Forward to 1/1/2014
- Actual Assets and Contributions Recognized



2014 Valuation Assumptions

Investment Return

Salary Increases*

Ultimate Retirement Age*

General

Police

County

Alternate

Crossing Guards

County 2011 Pension Plan

Mortality*

Disability*

Withdrawal*

Spouse

Post Retirement Adjustment

State Contributions (Police Plan)

Expenses

* Note: Assumption revised in 2014 valuation.

7.50%

4.00%

Varies by Plan:

Age 70

30 years of service

Age 65 with 5 years of service

Age 65 with 15 years of service

Age 75

Age 70

RP-2000 Combined Healthy Males/Females Table projected

to 2011 with Scale BB

75% of 1974-78 Social Security Experience Study

Special Tables (adjustments made to the table used in

last year's valuation)

80% assumed married

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

Average of past 3 plan years: \$2,131,653

Average of past 3 plan years: \$887,983



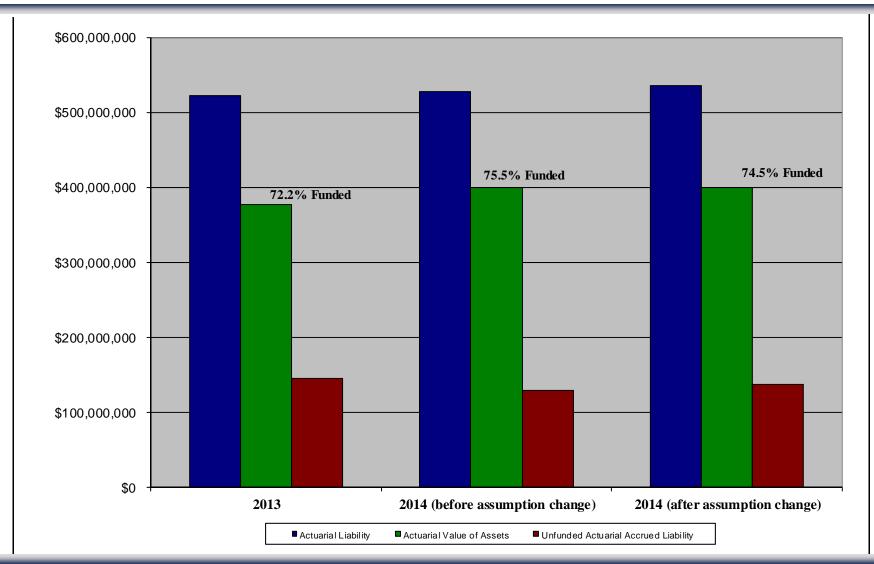
Total Funded Status

	01/01/2013	01/01/2014 Before Change in Assumption	01/01/2014 After Change in Assumption
Actuarial Accrued Liability	\$522,724,000	\$528,178,000	\$535,574,000
Actuarial Value of Assets	377,204,000	399,011,000	399,011,000
Unfunded Actuarial Accrued Liability	145,520,000	129,168,000	136,563,000
Funded Ratio	72.2%	75.5%	74.5%

Present Value of Accumulated Benefits	\$478,954,000	\$488,206,000	\$501,858,000
Market Value of Assets	387,268,900	417,866,000	417,866,000
Funded Ratio	80.9%	85.6%	83.3%

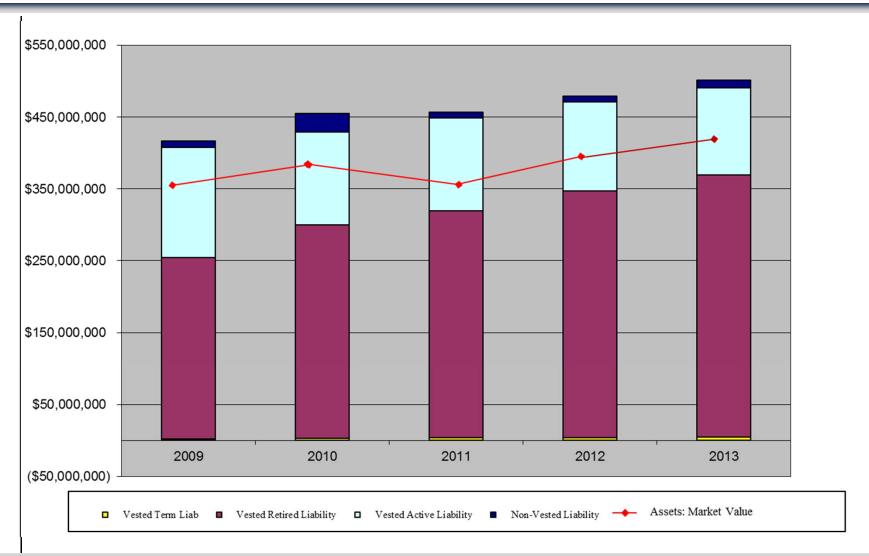


Total Plan Funded Status





GASB Funded Status-Present Value of Accrued Benefits





Total Recommended County Contributions

	2013	2014
Total Normal Cost	\$8,886,000	\$8,383,000
Employee Contributions	\$3,191,000	\$3,003,000
Net County Normal Cost	\$5,694,000	\$5,380,000
Amortization Payments	\$13,279,000	\$12,768,000
Total as of Beginning of Plan Year	\$18,973,000	\$18,147,000
Total as of End of Plan Year	\$20,395,000	\$19,509,000
Expected State Subsidy	\$2,551,000	\$2,292,000
Total Net of Expected State Contribution	\$17,844,000	\$17,217,000
As a % of Payroll	23.91%	24.59%
As a % of Payroll (Using Phase in)*	18.7%	21.7%

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

^{*} A Phase-in of the contribution Rate was implemented beginning in 2013. The Phase-in schedule will be terminated once the Phase-in rate is sufficient to cover the full actuarial cost.



Net Allocated County Contributions

	County	Retiremer	nt System		Crossing Guards	County 2011	T I
	Pension Plan	General	Police	Alternate			Total
2013							
Contribution As % of Pay Phase-in %	\$1,815,000 15.03%	\$12,169,000 22.70%	\$3,735,000 59.90%	\$36,000 9.72%	\$89,000 3.77%	\$0	\$17,844,000 23.91% 18.7%
Subtotal (excluding Crossing Guards and County 2011) As % of Pay				\$17,755,000 24.56%			
2014			•				
Contribution As % of Pay Phase-in %	\$1,701,000 13.65%	11,921,000 23.74%	\$3,477,000 86.98%	\$36,000 9.62%	\$70,000 3.21%	\$11,000 1.43%	\$17,217,000 24.59% 21.7%
Subtotal (excluding Crossing Guards and County 2011) As % of Pay				\$17,135,000 25.56%			



Governmental Accounting Standards Board (GASB) Summary

	GASB	Funding
Actuarial Method	Entry Age Normal (EAN)	Entry Age Normal (EAN)
Accrued Liability	EAN – AL	EAN – AL
Accrued Liability – Ongoing Plan (AL)	\$535,574,000	\$535,574,000
Assets	\$399,011,000 (actuarial)	\$399,011,000 (actuarial)
Funded Ratio: Assets/AL (based on Actuarial Value of Assets)	74.5%	74.5%
Present Value of Accumulated Plan Benefits (PVAB)	\$501,858,000	\$501,858,000
Funded Ratio: Assets/PVAB (based on Market Value of Assets)	83.3%	83.3%



Conclusions

- Funded Ratios
 - Improved on Funding and GASB basis
- Factors Impacting Plan Costs/Liabilities
 - Gain on Actuarial Asset Basis (Gain on Market Value Return on Assets) – relative to 7.50% Valuation interest rate basis
 - Actuarial Gain due to changes in the plan population
 - Reduction in Covered Payroll
 - Increase due to assumption changes
- Recommended Contributions
 - Percent of Pay: increase about 0.7%
 - Based on Phase-in Percent of Pay: increase of 3%



Appendix



Summary of Results

	1/1/2013	1/1/2014	% Change
TOTAL PLANS			
Number of Participants			
Active	1,138	1,069	
Terminated Vested or due Refund	94	98	
Retired	1,278	<u>1,297</u>	
Total	2,510	2,464	(1.8)%
Annual Compensation of Active Participants	\$74,640,625	\$70,004,288	(23.1)%
Average Annual Compensation of Active Participants	\$65,589	\$65,486	(0.2)%
Average Age	49.90	50.49	
Average Service	14.92	15.37	
ASSET INFORMATION			
Market Value	\$387,268,900	\$417,866,258	7.9%
Actuarial Value	\$377,204,229	\$399,010,571	5.8%
RECOMMENDED CONTRIBUTION			
Total Contribution as of 12/31:**	\$23,378,000	\$22,664,762	(3.1)%
Three County Plans Subtotal	\$20,306,945	\$19,427,274	, í
Subtotal as % of Payroll	28.09%	28.98%	
Net Subtotal as % of Payroll	24.56%	25.56%	
Estimated Contribution for Police	\$2,982,057	\$3,167,369	
Covered in State Plan			
As a % of Payroll	15.14%	14.85%	
Crossing Guards Plan	\$88,998	\$70,119	
County 2011	\$0	\$11,286	
ACCOUNTING INFORMATION			
GASB-25 Actuarial Accrued Liability			
Vested	\$471,460,441	\$490,683,698	
Non-Vested	51,263,970	44,890,584	
Total	\$522,724,411	\$535,574,282	2.5%
Interest Rate	7.50%	7.50%	
Funded Ratio (based on Actuarial Value of Assets)	72.16%	74.50%	
Accumulated Plan Benefits:			
Vested	\$471,460,441	\$490,683,698	
Non-Vested	\$7,493,656	\$11,174,597	4.00/
Total	\$478,954,096	\$501,858,295	4.8%
Interest Rate Funded Ratio (based on Market Value of Assets)	7.50% 80.86%	7.50% 83.26%	
*Based on County estimated budgeted payroll	80.86%	83.26%	
**Includes County contributions to State Plans for Pol	ica		
includes county continuutous to state Plans for Pol	100		

Reflects estimated State contribution of \$2,374,247 and \$2,131,653 for 2013 and 2014 respectively.

¹⁸



	EMPLOYEES' RETIREMENT SYSTEM								
	County Employees Pension Plan	General Personnel \$	Police	Alternate Pension Plan	Crossing Guards \$	County 2011 \$	Total \$		
Allocated Market Value of Assets at	36,755,815	212,324,265	135,212,796	981,138	1,957,881	37,005	387,268,900		
12/31/2012 Employee Contributions Buybacks	298,340	2,187,897	245,873	0	19,280	81,762	2,833,152		
Employee Contributions	298,340	2,187,897	245,873	0	$\frac{0}{19,280}$	81,762	2,833,152		
Employer Contributions	1,931,073	7,766,214	1,025,828	56,654	88,998	504,817	11,373,584		
State Contributions			1,549,698				1,549,698		
	2,229,413	9,954,111	2,821,399	56,654	108,278	586,579	15,756,434		
Benefit Payments	2,154,653	18,829,667	12,100,068	131,451	136,848	0	33,352,687		
Prorata Administration Expenses *	85,892	496,169	315,971	2,293	4,575	86	904,987		
Prorata Investment Expenses	136,854	790,558	503,445	3,653	7,290	138	1,441,939		
	2,377,399	20,116,394	12,919,484	137,397	148,713	224	35,699,613		
Expected Return	2,751,137	15,543,234	9,762,281	70,557	145,325	24,764	28,297,298		
Actual Return	4,796,820	27,709,383	17,645,949	128,043	255,513	4,829	50,540,537		
Market Value of Assets at 12/31/2013	41,404,648	229,871,365	142,760,659	1,028,438	2,172,959	628,189	417,866,258		
Allocated Actuarial Value of Assets at 12/31/2013**	35,092,159	226,861,828	134,601,524	895,986	1,533,540	25,534	399,010,571		

^{*} Adjusted for miscellaneous receipts ** Re-allocated based on Actuarial Accrued Liability