



# New Castle County

2015 Pension Plan Review

March, 2015





# 2015 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	<i>Prior Year Total</i>
<b>County Employees' Pension Plan</b>	170	26	142	14	352	357
<b>Employees' Retirement System</b>	31	2	303	1	337	330
- Police	721	56	754	31	1,562	1,577
- General Personnel						
<b>Alternative Pension Plan (closed plan)</b>	6	0	35	0	41	41
<b>Crossing Guards Pension Plan</b>	95	6	44	1	146	142
<b>County 2011 Pension Plan</b>	94	0	0	0	94	17
<b>Total</b>	1,117	90	1,278	47	2,532	2,464



# Plan Assets

## Market Value and Actuarial Value

	12/31/2013	12/31/2014
<b>Market Value</b>	\$417,866,300	\$425,480,860
<b>Investment Return</b>	12.78%	6.26%
<b>Actuarial Value*</b>	\$399,010,600	\$413,651,540
<b>Investment Return</b>	11.06%	8.77%
<b>Actuarial Value/Market Value</b>	96%	97%

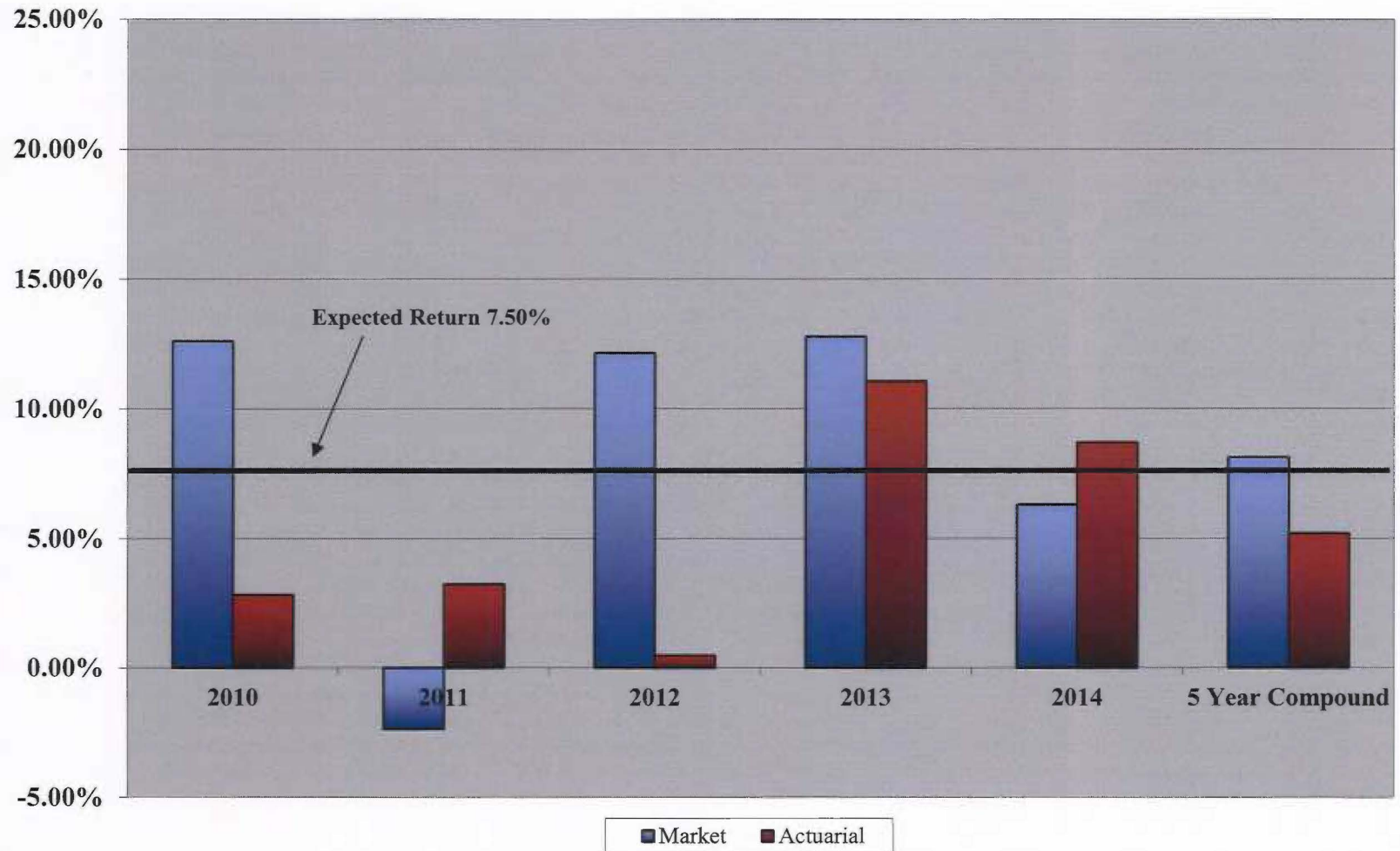
### 5 Year Average Investment Return

	12/31/2013	12/31/2014
<b>Market Value</b>	11.08%	8.12%
<b>Actuarial Value*</b>	6.93%	5.21%

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

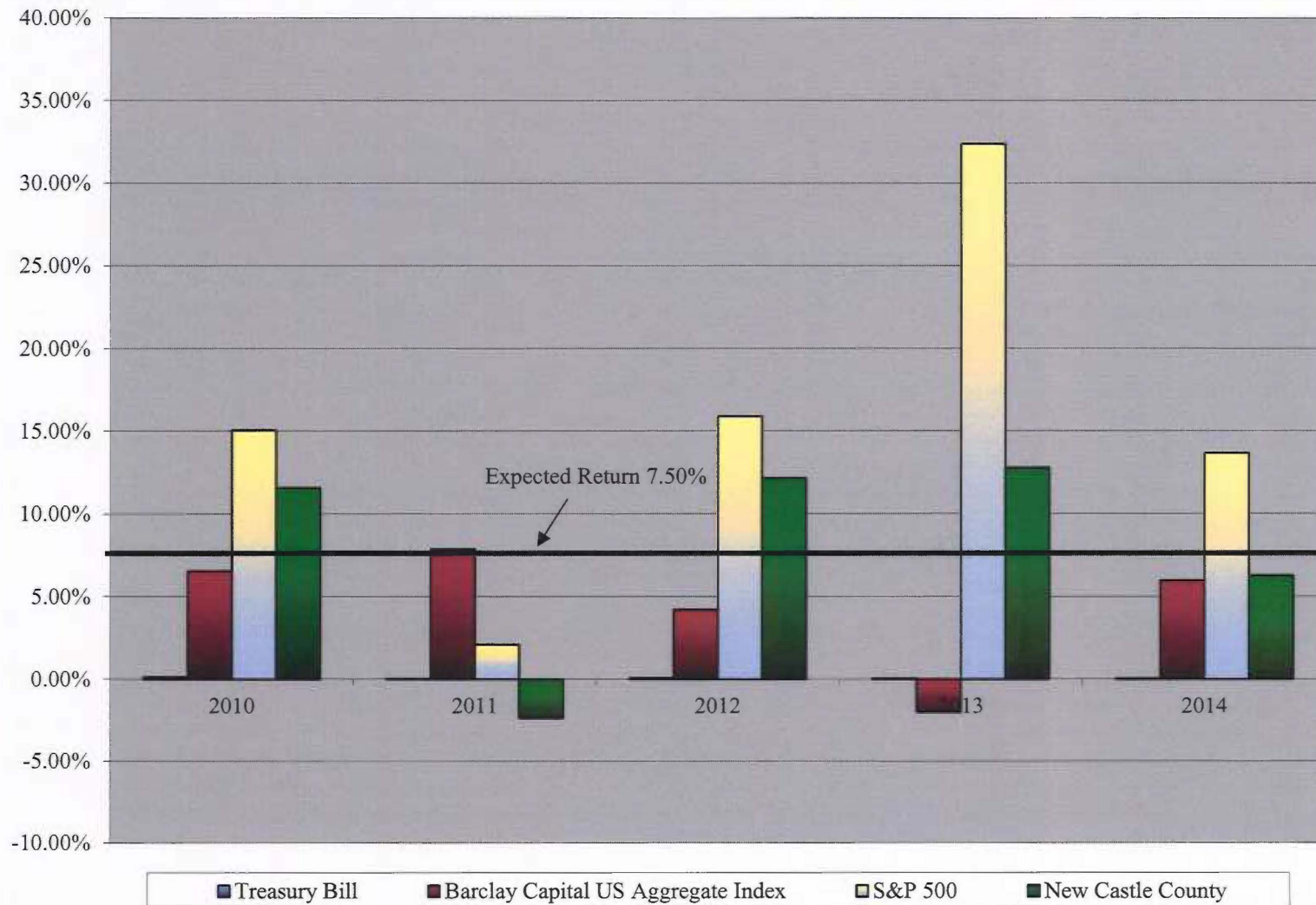


# Rates of Return Market and Actuarial Asset Values





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





# Market Value Changes

<b>Market Value of Assets 1/1/2014</b>		<b>\$417,866,258</b>
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<b>Contributions</b>	<b>\$17,551,049</b>	
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<b>Income</b>	<b><u>11,256,599</u></b>	
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		<b>28,807,648</b>
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<b>Unrealized Appreciation and Other Investment Proceeds</b>		
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		<b>16,703,196</b>
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<b>Benefit Payments</b>	<b>(35,469,915)</b>	
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<b>Expenses</b>	<b>(2,426,327)</b>	
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		<b><u>(37,896,242)</u></b>
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<b>Market Value of Assets as of 12/31/2014</b>		<b>\$425,480,860</b>
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# Valuation Approach

- 1/1/2014 Demographic Population Projected Forward to 1/1/2015
- Actual Assets and Contributions Recognized





# 2015 Valuation Assumptions

<b>Investment Return</b>	7.50%
<b>Salary Increases</b>	4.00%
<b>Ultimate Retirement Age</b>	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
<b>Mortality</b>	RP-2000 Combined Healthy Males/Females Table projected to 2011 with Scale BB
<b>Disability</b>	75% of 1974-78 Social Security Experience Study
<b>Withdrawal</b>	Tables based on age and service
<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: \$1,926,616
<b>Expenses</b>	Average of past 3 plan years: \$888,783



# Total Funded Status

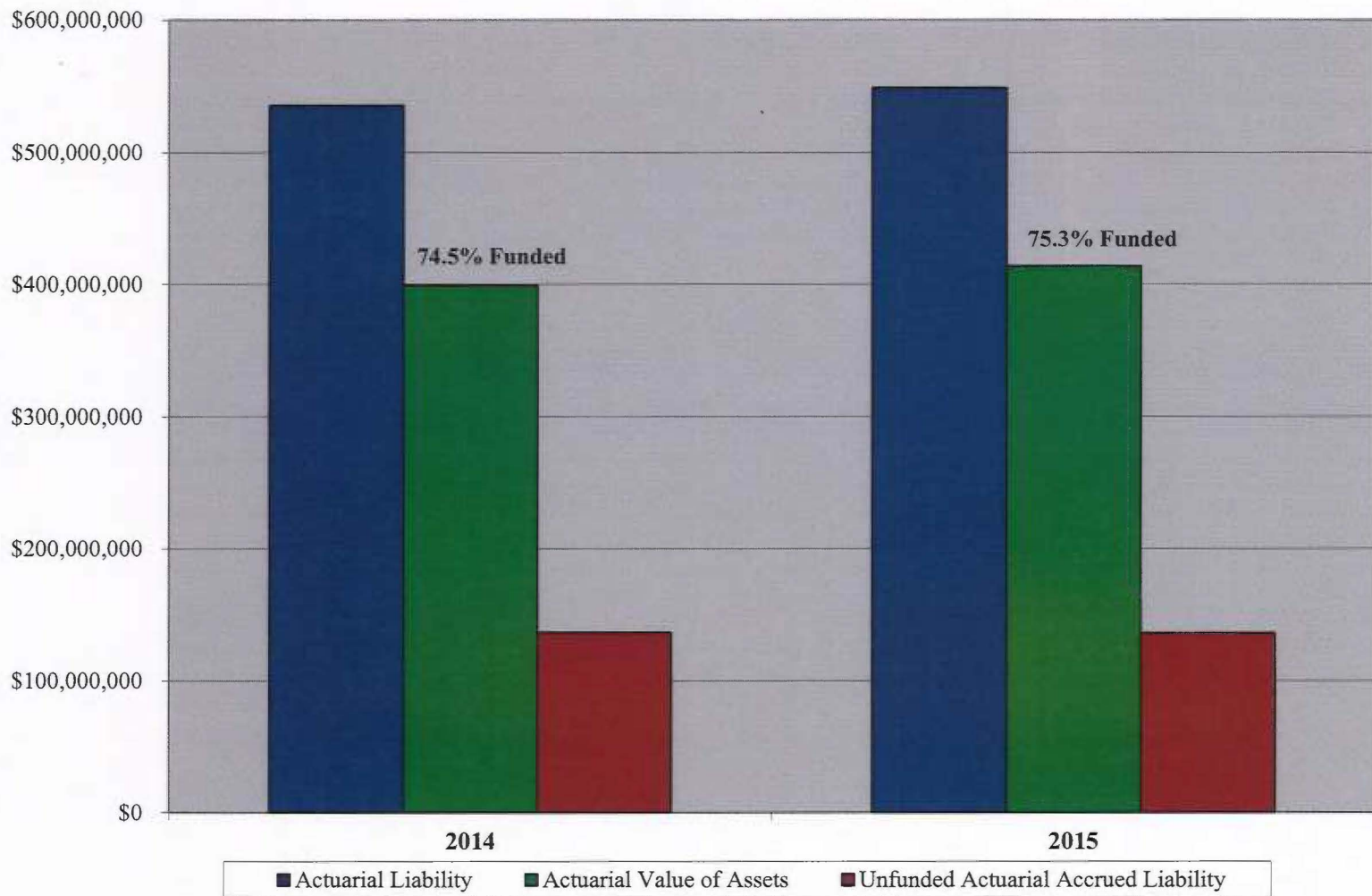
	01/01/2014	01/01/2015
<b>Actuarial Accrued Liability</b>	\$535,574,000	\$549,427,000
<b>Actuarial Value of Assets</b>	399,011,000	413,652,000
<b>Unfunded Actuarial Accrued Liability</b>	136,563,000	135,776,000
<b>Funded Ratio</b>	74.5%	75.3%

<b>Present Value of Accumulated Benefits*</b>	\$501,858,000	\$517,227,000
<b>Market Value of Assets</b>	417,866,000	425,481,000
<b>Funded Ratio</b>	83.3%	82.3%

\* Unit Credit Basis



# Total Plan Funded Status





# Total Recommended County Contributions

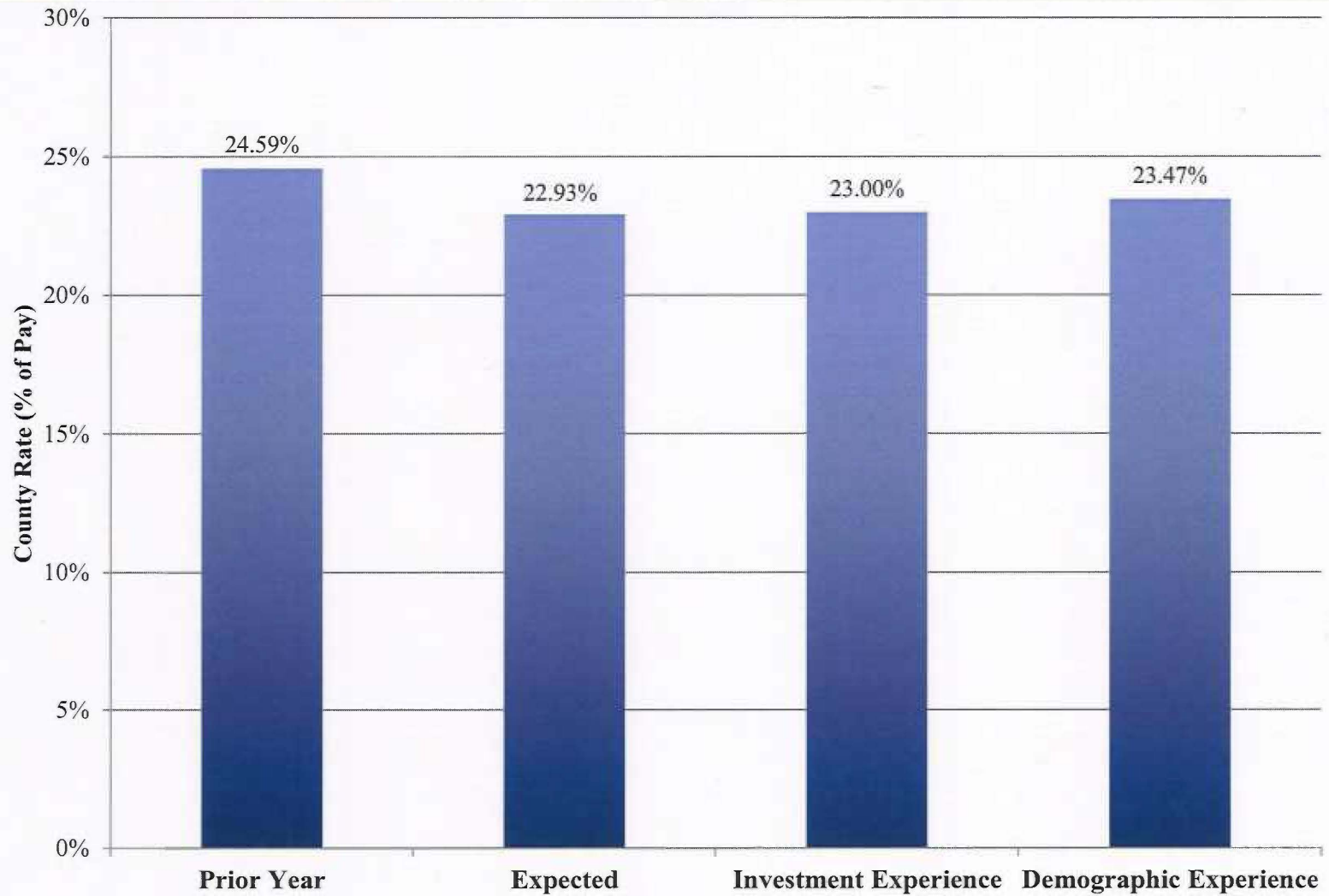
	2014	2015
<b>Total Normal Cost</b>	\$8,383,000	\$8,307,000
<b>Employee Contributions</b>	\$3,003,000	\$3,125,000
<b>Net County Normal Cost</b>	\$5,380,000	\$5,182,000
<b>Amortization Payments</b>	\$12,768,000	\$13,013,000
<b>Total as of Beginning of Plan Year</b>	\$18,147,000	\$18,195,000
<b>Total as of End of Plan Year</b>	\$19,509,000	\$19,560,000
<b>Expected State Subsidy</b>	\$2,292,000	\$2,071,000
<b>Total Net of Expected State Contribution</b>	\$17,217,000	\$17,489,000
<b>As a % of Payroll</b>	24.59%	23.47%
<b>As a % of Payroll (Using Phase in)*</b>	21.7%	24.1%

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 for the 4 primary plans was implemented beginning in 2013. The Phase-in schedule is terminated because the Phase-in rate now exceeds the full actuarial cost.



# Change in Contribution Rate





# Net Allocated County Contributions

	County Pension Plan	Retirement System		Alternate	County 2011	Crossing Guards	Total
		General	Police				
<b>2014</b>							
<b>Contribution</b>	\$1,701,000	11,921,000	\$3,477,000	\$36,000	\$11,000	\$70,000	\$17,217,000
<b>As % of Pay</b>	13.65%	23.74%	86.98%	9.62%	1.43%	3.21%	24.59%
<b>Phase-in %</b>							21.7%
<b>Subtotal (excluding Crossing Guards)</b>				\$17,147,000			
<b>As % of Pay</b>				25.56%			
<b>2015</b>							
<b>Contribution</b>	\$1,625,000	12,063,000	\$3,627,000	\$35,000	\$60,000	\$78,000	\$17,488,000
<b>As % of Pay</b>	12.79%	24.24%	79.30%	9.62%	1.26%	3.36%	23.47%
<b>Phase-in %</b>							
<b>Subtotal (excluding Crossing Guards)</b>					\$17,410,000		
<b>As % of Pay</b>					24.12%		



# Governmental Accounting Standards Board (GASB) Summary

	GASB	Funding
<b>Actuarial Method</b>	Entry Age Normal (EAN)	Entry Age Normal (EAN)
<b>Measurement Date</b>	6/30/2014	12/31/2014
<b>Actuarial Accrued Liability (AAL)</b>	\$546,565,000 "Total Pension Liability"	\$549,427,300
<b>Assets</b>	\$428,424,000 (market)	\$413,652,000 (actuarial)
<b>Funded Ratio: Assets/AAL</b>	78.4%	75.3%
<b>Unfunded Liability</b>	\$118,141,000 "Net Pension Liability"	\$135,776,000



# Conclusions

- Funded Ratios
  - Improved slightly (1%)
- Factors Impacting Plan Costs/Liabilities
  - Small Gain on Actuarial Asset Basis (Loss on Market Value Return on Assets) – relative to 7.50% expected return
  - Actuarial Loss due to changes in the plan population
    - Increase in Covered Payroll
- Recommended Contributions
  - Percent of Pay: decrease about 1.1%
  - Based on Phase-in - Percent of Pay: increase of 2.4% (for 4 primary County Plans)





# Appendix



# Summary of Results

	1/1/2014	1/1/2015	% Change
<b><u>TOTAL PLANS</u></b>			
Number of Participants			
Active	1,069	1,117	
Terminated Vested or due Refund	98	90	
Retired	<u>1,297</u>	<u>1,325</u>	
Total	2,464	2,532	2.8%
Annual Compensation of Active Participants	\$70,004,288	\$74,501,420	6.4%
Average Annual Compensation of Active Participants	\$65,486	\$66,698	1.9%
Average Age	50.49	50.84	
Average Service	15.37	15.21	
<b><u>ASSET INFORMATION</u></b>			
Market Value	\$417,866,258	\$425,480,860	1.8%
Actuarial Value	\$399,010,571	\$413,651,540	3.7%
<b><u>RECOMMENDED CONTRIBUTION</u></b>			
Total Contribution as of 12/31:**	\$22,664,762	\$22,830,899	0.7%
Four County Plans Subtotal	\$19,427,274	\$19,482,095	
Subtotal as % of Payroll	28.98%	26.99%	
Net Subtotal as % of Payroll	25.56%	24.12%	
Estimated Contribution for Police Covered in State Plan	\$3,167,369	\$3,270,961	
As a % of Payroll	14.85%	14.02%	
Crossing Guards Plan	\$70,119	\$77,843	
County 2011	\$11,286	\$60,174	
*Based on County estimated budgeted payroll			
**Includes County contributions to State Plans for Police			
Reflects estimated State contribution of \$2,131,653 and \$1,926,616 for 2014 and 2015 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 12/31/2013	41,404,648	229,871,365	142,760,659	1,028,438	2,172,959	628,189	417,866,258
Employee Contributions	294,675	2,136,820	163,854	0	18,690	159,869	2,773,908
Buybacks	0	0	0	0	0	0	0
Employee Contributions	294,675	2,136,820	163,854	0	18,690	159,869	2,773,908
Employer Contributions	2,196,194	8,728,691	1,019,175	65,771	70,119	1,121,571	13,201,521
State Contributions			1,575,620				1,575,620
	2,490,869	10,865,511	2,758,649	65,771	88,809	1,281,440	17,551,049
Benefit Payments	2,295,899	19,844,862	13,069,436	115,943	140,502	3,274	35,469,915
Prorata Administration Expenses *	90,312	501,399	311,392	2,243	4,740	1,370	911,457
Prorata Investment Expenses	150,102	833,341	517,543	3,729	7,878	2,277	1,514,870
	2,536,313	21,179,602	13,898,371	121,915	153,120	6,921	37,896,242
Expected Return	3,103,644	16,853,574	10,289,310	75,027	160,560	94,909	30,577,024
Actual Return	2,770,421	15,380,893	9,552,240	68,813	145,395	42,033	27,959,795
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
Allocated Actuarial Value of Assets at 12/31/2014**	37,152,021	234,413,930	139,424,939	883,290	1,531,313	246,048	413,651,540

\* Adjusted for miscellaneous receipts

\*\* Re-allocated based on Actuarial Accrued Liability