



Annual Presentation and Resetting the Contribution Rate

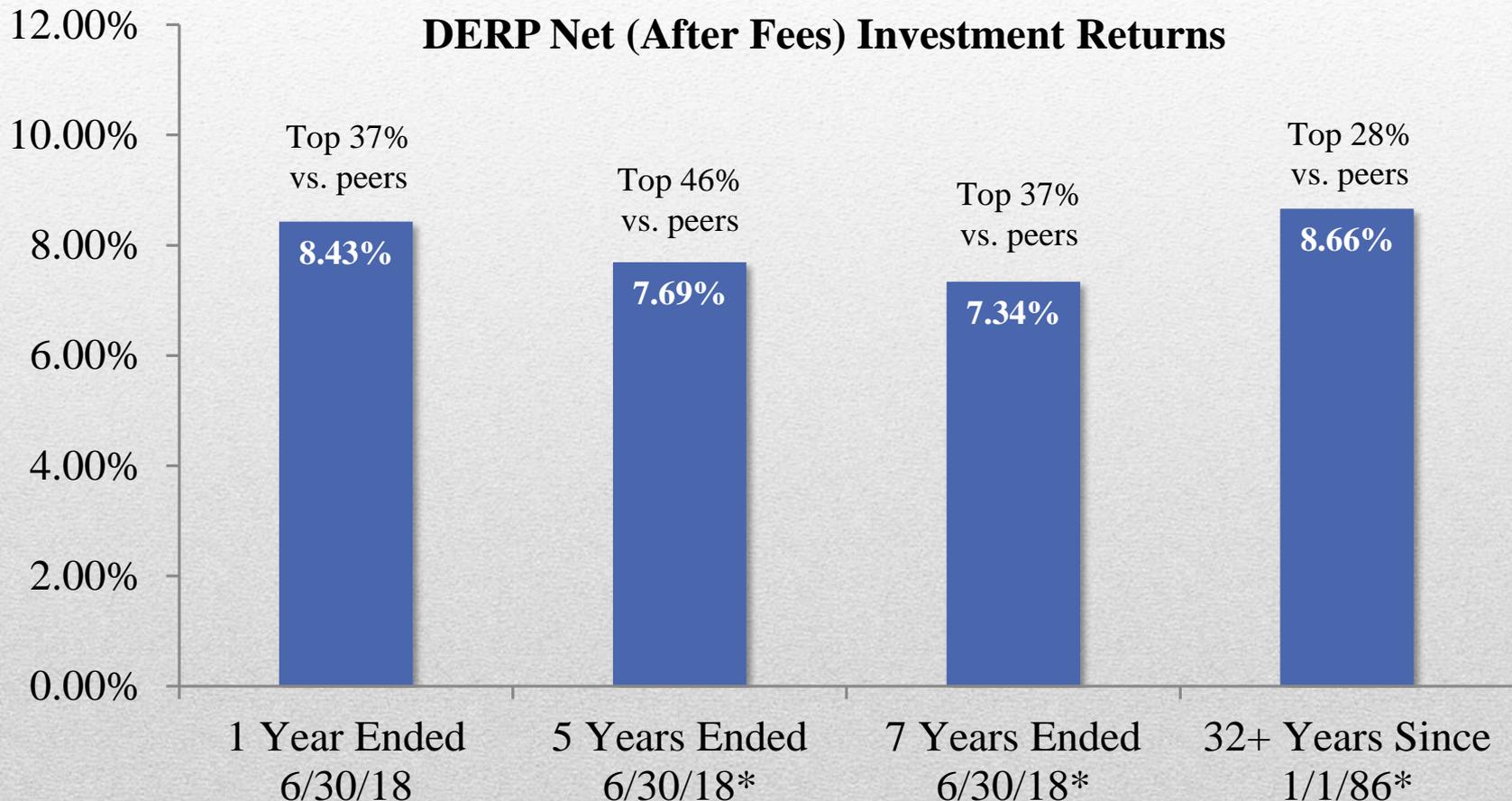
Finance and Governance Committee
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In order to maintain its actuarial soundness, a pension plan needs to do 3 things:

- Earn its actuarially Assumed Rate of Return
- Carefully manage its liabilities
- Receive in-full the total Actuarially Required Contribution (ARC)

Earnings - In both the short-term and the long-term, we've achieved strong returns:



* Annualized Return

Liability Management - DERP and the City have been exceptionally prudent:

- New tiers of benefits established in 2004 and 2011
- No ad hoc COLAs since 2002
- No increases in health insurance benefits since 2002
- Adopted closed, 30-year amortization period in 2013
- Lowered the Assumed Rate of Return in 2015 to 7.75%, and again in 2017 to 7.50%
- Adopted new Mortality Tables in 2013, reflecting longer life expectancies for all DERP participants

Again, in 2018, we have adopted new Mortality Tables:

- Reflecting continued improvement in life expectancies
- Applies to all 22,200 DERP members (current employees, future retirees, and current retirees)
- The methodology used by the Actuary now builds in expected, gradual, *further* increases in life expectancies, meaning further periodic spikes-up in projected longevity should not occur

Impact of new Mortality Tables:

- Increases the pension fund's liabilities, since each retiree is now projected to live longer and thus receive monthly benefit payments for more months
- The result is to raise the Actuarially Required Contribution (ARC) by approximately 1%

Receiving the ARC in-full:

- The City has a 50+ year history of fully funding the ARC, sharing that cost with employees since 2003
- The City Administration recommends that the required additional 1% of pay contribution be split 50/50 between the City and employees, changing the Employer Contribution from **12.5%** to **13.0%**, and changing the Employee Contribution from **8.0%** to **8.5%**
- This additional funding, effective January, 2019, has been built into agency appropriations in the Mayor's 2019 Budget
- For employees, this will be the first increase in the contribution rate in 4 years