



Annual Presentation and Resetting the Annual 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 Determined Contribution (ADC)

Investment Earnings

	YTD (1/1/19 through 9/30/19)	1 Year Ended 9/30/19	5 Years Ended 9/30/19*	10 Years Ended 9/30/19*	33+ Years Since 1986*
Total Fund Return	8.5%	1.6%	5.2%	7.8%	8.5%

- We expect returns to be highly variable. There will be good years and bad years, but over an appropriately long time frame, our average return will be (and has been) quite good.
- The portfolio lost 2.4% in 2018, but year-to-date, through the first three quarters of 2019, the return is 8.5%.

Liability Management - Over the years, 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
- Lowered the Assumed Rate of Return in 2015 to 7.75%, and again in 2017 to 7.50%
- Adopted new Mortality Tables in 2013 and 2018, reflecting longer life expectancies for all DERP participants

Liability Management – Actuarial method changes:

- DERP's new actuary recommended, and the Retirement Board adopted, prevailing, more conservative methods to assess the pension plan's funded status
 - Most impactful change was lowering the amortization of the unfunded liability from 30 years to 20 years
- Results in a 3.5% increase to the Actuarially Determined Contribution rate and a funded Status of 62.2%

Receiving the ADC 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 3.5% of pay contribution be split 50/50 between the City and employees, changing the Employer Contribution from **13.00%** to **14.75%**, and changing the Employee Contribution from **8.5%** to **10.25%**. **However, for 2020, the City will make a payment equivalent to 1% of the Employee rate in 2019 which decreases the 2020 Employee rate to 9.25%.**