

City of Takoma Park

Police Employees' Retirement Plan

Present by:

Tom Lowman, FSA, EA
President of Bolton Retirement
tlowman@boltonusa.com

Tom Vicente, FSA, EA
Senior Consulting Actuary
tvicente@boltonusa.com

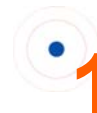
Table of Contents

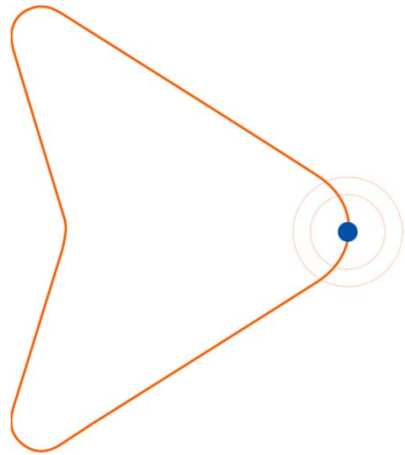
 **03** Background

 **09** GASB Results for FY19

 **15** Assumptions and Methods

 **06** 2019 Valuation Results

 **12** Changes in the Pension World



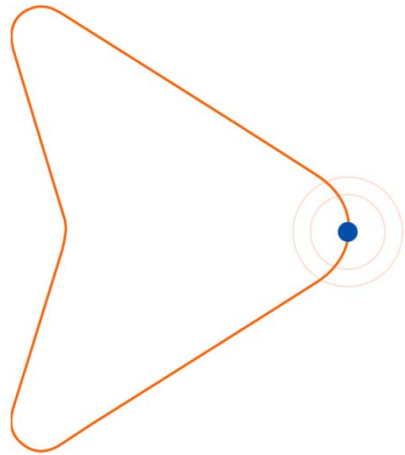
Background

Background

- Police employees were originally in State of Maryland plan (pool) and provided same benefits as all other employees
- In 2001 decided to give Police employees separate plan with earlier retirement ages, higher benefits and higher employee contributions
- Decided not to join State's LEOPS plan
- Seven years ago, we lowered the investment return assumption from 8% to 7.5%. In 2017, lowered to 7.25%. Could lower further.

Background

- Current provisions
 - Can retire after 25 years with 50% of pay
 - Can retire early with reduced benefits at age 55 if have 15 years, but not 25
 - Retirees get COLAs capped at 3%/year (1.91% provided in 2019)
 - Disability benefits provided, which vary by when hired and severity/type
 - Employees contribute 7% of pay



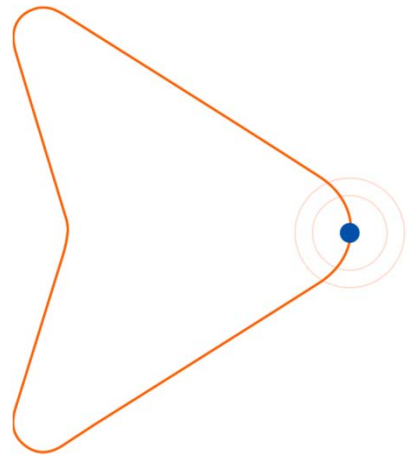
2019 Valuation Results

2019 Valuation Results

- Valuation Results
 - July 1, 2019 valuation for FY21 contributions
 - Contribution expressed as a percentage of payroll
 - Contribution rate increasing from 42.85% to 43.60% of covered payroll
 - Main reasons for the increase were higher than anticipated pay for returning employees (increased by 6.50% versus the 5.50% salary increase that was expected) and the investment experience during the year

Actuarial Costs

	7/1/2018	7/1/2019
Valuation Discount Rate	7.25%	7.25%
Number of Participants		
Active Participants	39	37
Retired Participants	25	26
Vested Terminated Participants	0	3
Refund of Contributions Due	4	3
Total	68	69
Active Payroll	\$ 3,025,166	\$ 3,013,969
Actuarial Accrued Liability		
Active Participants	\$ 12,377,882	\$ 11,547,914
Retired Participants and Beneficiaries	6,142,031	6,838,823
Disabled Participants	6,685,386	6,709,779
Vested Terminated Participants	0	598,818
Refund of Contributions Due	86,202	21,548
Total	\$ 25,291,501	\$ 25,716,882
Actuarial Value of Assets	15,782,136	17,160,772
Unfunded Actuarial Liability	\$ 9,509,364	\$ 8,556,110
Amortization of Unfunded Liability	713,661	683,170
Amortization of Unfunded as a Percentage of Payroll	23.59%	22.67%
Employer Normal Cost	582,667	630,800
Employer Normal Cost as a Percentage of Payroll	19.26%	20.93%
Total Employer Contribution	1,296,328	1,313,970
Total Employer Contribution as a Percentage of Payroll	42.85%	43.60%



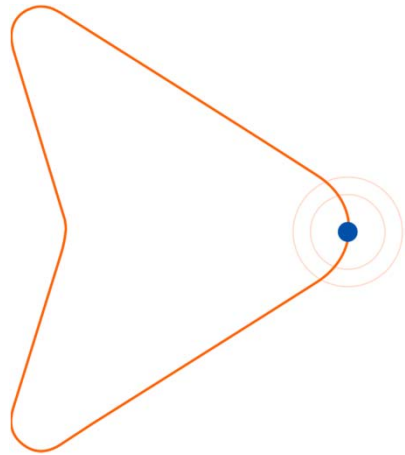
GASB Results for FY19

GASB 68

- GASB 68 applied for the first time in FY2015
 - **GASB 68 defines pension expense (which is not the same as the cash contribution)**
 - **GASB 68 defines the balance sheet liability**

GASB 68 Information as of 6/30/2019

- Provided to City 8/27/2019
- Based on GASB 7.25% “net” discount rate
- Key results:
 - **Total Pension Liability** \$ 26.2 million
 - **Plan fiduciary net position (assets)** (17.2) million
 - **City net pension liability** \$ 9.0 million
- For FY18 the GASB 68 Expense was \$1,264,001.
- For FY19 the GASB 68 Expense is \$1,045,558.

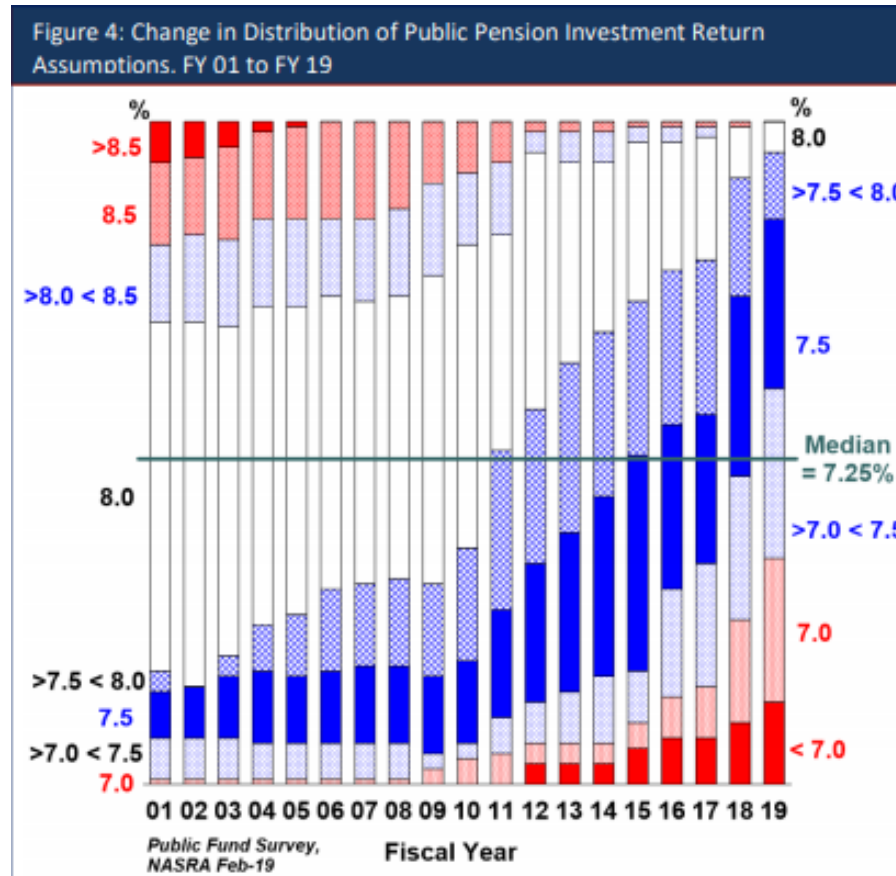


Changes in the Pension World

Changes in the Pension World

- Slow adoption of more conservative assumptions
- More focus on disclosure of risk with new risk ASOP effective this year
- Non-Maryland plans with serious problems
- Benefit design changes/litigation
- New mortality tables published with Public Safety specific results

Change in Distribution of Public Pension Investment Return Assumptions



Assumptions and Methods

- In preparing this presentation, we relied without audit, on information supplied by the City of Takoma Park Government.
- The actuarial assumptions, data and methods (except where specified as being changed) are those used in the preparation of the latest actuarial valuation report prepared for this plan as of July 1, 2019 and the FY19 GASB report.
- The assumptions reflect our understanding of the likely future experience of the Plan and the assumptions as a whole represent our best estimate for the future experience of the Plan. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the plan could vary from our results.
- We certify that, to the best of our knowledge, this report and its contents, which are work products of Bolton Partners, Inc. are complete and accurate and have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.
- Bolton Partners' report was prepared exclusively for the City of Takoma Park Government for a specific and limited purpose. It is not for the use or benefit of any third party for any purpose. The term third party does not include the Client's auditor, attorney, third party administrator or other professional, when providing professional services to the Client, or any governmental agency to which this certification is required to be submitted by law or regulation. Any third party recipient of Bolton Partners' work product who desires professional guidance should not rely upon Bolton Partners' work product, but should engage qualified professionals for advice appropriate to its own specific needs.