

City of Takoma Park

Police Employees' Retirement Plan

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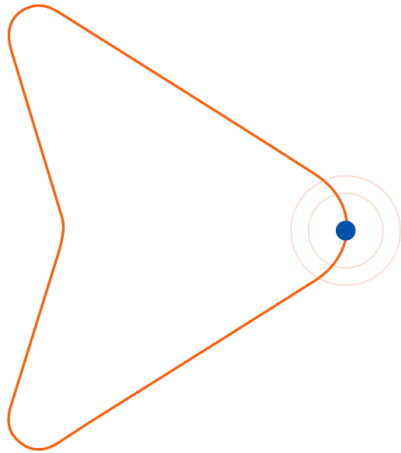
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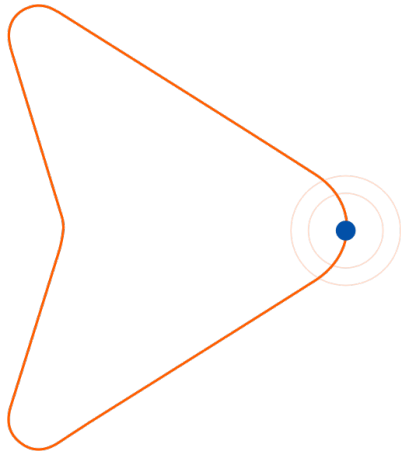
Background

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
- Eight 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 (1.36% provided in 2021)
 - Disability benefits provided, which vary by when hired and severity/type
 - Employees contribute 7% of pay
 - New DROP feature available



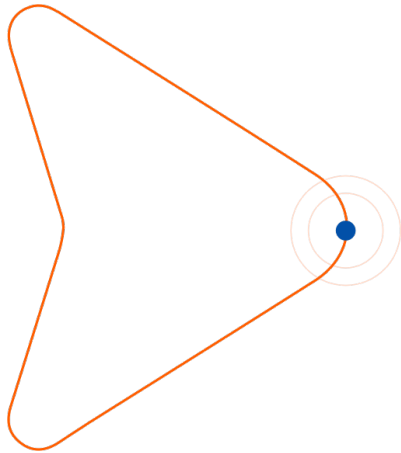
2021 Valuation Results

2021 Valuation Results

- Valuation Results
 - **July 1, 2021 valuation for FY23 contributions**
 - **Funded Ratio improved**
 - **Contribution expressed as a percentage of payroll:**
 - Contribution rate: 39.54% of covered payroll (decrease from 42.88% in prior year)
 - **Contribution expressed as dollar amount:**
 - \$1,331,937 (decreased from \$1,406,153)
 - **Primary drivers:**
 - Overall payroll increase of 2.74% (2.75% assumed)
 - Investment returns (27.7% return versus 7.25% assumed)
 - COLA lower than assumed

Actuarial Costs

	7/1/2020	7/1/2021
Valuation Discount Rate	7.25%	7.25%
Number of Participants		
Active Participants	40	42
Retired Participants	26	27
Vested Terminated Participants	5	6
Refund of Contributions Due	8	8
Total	79	83
Active Payroll	\$ 3,278,860	\$ 3,368,703
Actuarial Accrued Liability		
Active Participants	\$ 12,150,298	\$ 10,667,851
Retired Participants and Beneficiaries	6,838,823	8,592,562
Disabled Participants	6,757,247	6,738,653
Vested Terminated Participants	685,877	961,609
Refund of Contributions Due	93,091	97,746
Total	\$ 26,544,845	\$ 27,058,421
Actuarial Value of Assets	18,910,500	21,534,416
Unfunded Actuarial Liability	\$ 7,634,345	\$ 5,524,275
Amortization of Unfunded Liability	656,919	551,361
Amortization of Unfunded as a Percentage of Payroll	20.03%	16.37%
Employer Normal Cost	749,234	780,576
Employer Normal Cost as a Percentage of Payroll	22.85%	23.17%
Total Employer Contribution	1,406,153	1,331,937
Total Employer Contribution as a Percentage of Payroll	42.88%	39.54%



GASB Results for FY21

GASB 68

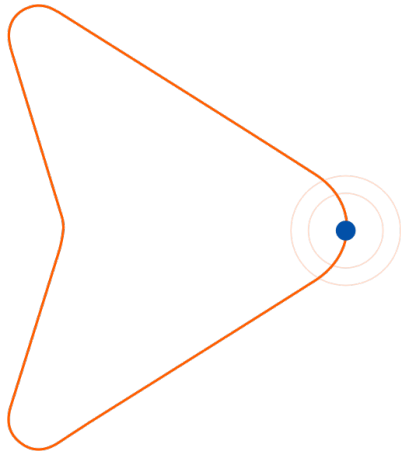
- GASB 68 applied for the first time in FY2015
 - **GASB 68 defines pension expense (which is not the same as the cash contribution)**
 - **GASB 68 defines the balance sheet liability**

GASB 68 Information as of 6/30/2021

- Provided to City 8/12/2021
- Based on GASB 7.25% “net” discount rate
- Key results:

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Total pension liability	\$ 27,535,910
Plan fiduciary net position	(24,102,065)
City's net pension liability	<u>\$ 3,433,845</u>
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Plan fiduciary net position as a percentage of the total pension liability	87.53%

- For FY20 the GASB 68 Expense was \$1,012,200.
- For FY21 the GASB 68 Expense is \$(123,777).

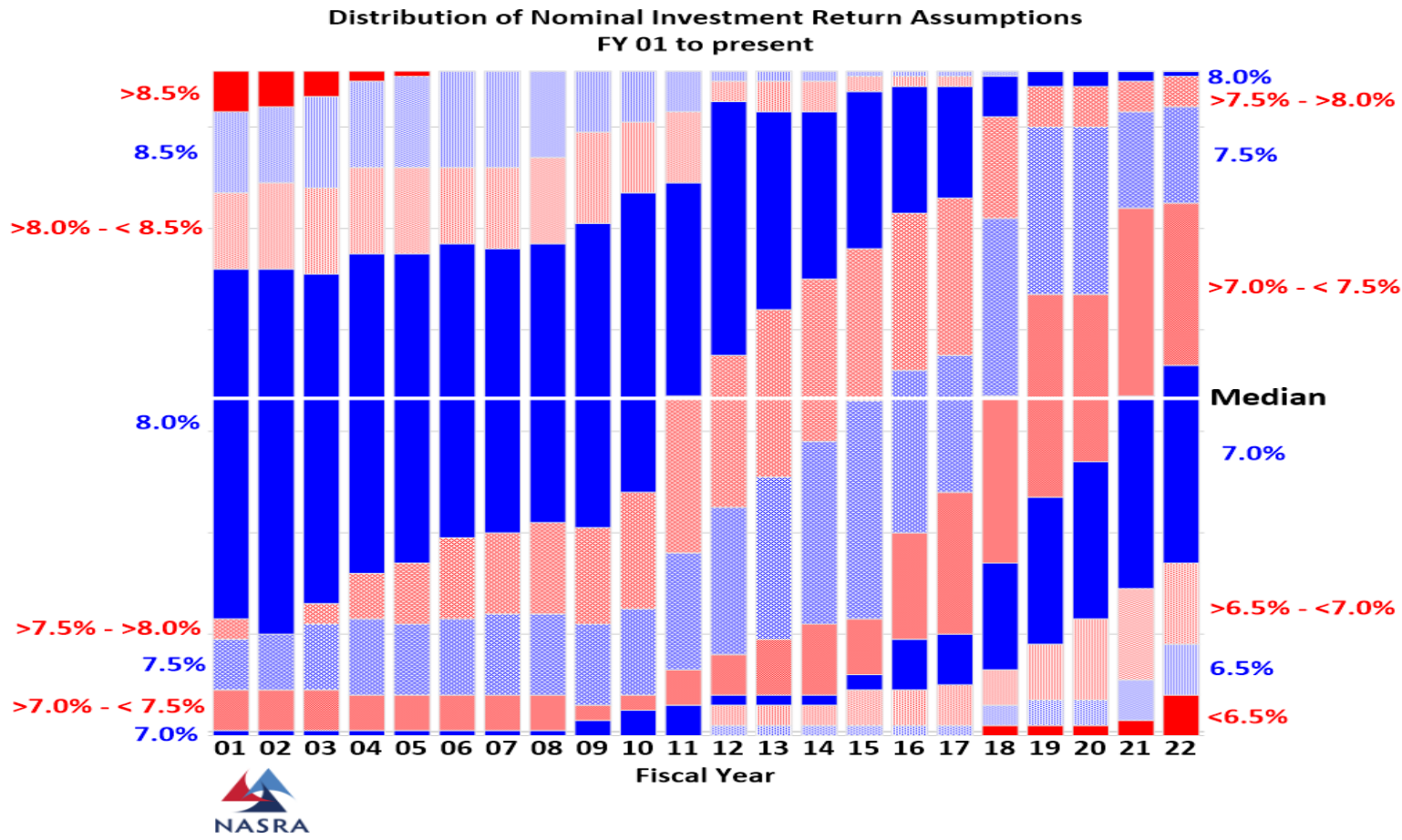


Changes in the Pension World

Changes in the Pension World

- Slow adoption of more conservative assumptions
- Current assumptions do not reflect long-term impact of COVID-19
- More focus on disclosure of risk
- Non-Maryland plans with serious problems
- Benefit design changes/litigation
- New mortality tables published with Public Safety specific results
- Review assumptions in light of experience

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, 2021 and the FY21 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.
- Because the long-term net impact of COVID-19 on mortality, salary increases, and changes in turnover and retirement behavior is not possible to estimate at this time, we have made no adjustments to any of the assumptions selected before the COVID-19 pandemic.
- 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.
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