



# **Bolton**

## **CITY OF TAKOMA PARK**

### **Police Employees' Retirement Plan**

November 13, 2023

PRESENTED BY



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# BACKGROUND



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## BACKGROUND

- Police employees were originally in State of Maryland plan (pool) and provided same benefits as all other employees
- In 2001, the Town decided to give Police employees a separate plan with earlier retirement ages, higher benefits, and higher employee contributions
- The Town decided not to join State's LEOPS plan
- Ten years ago, we lowered the investment return assumption from 8.0% to 7.5%. In 2017, the return assumption was lowered to 7.25%.

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# 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 in aggregate (6.5% CPI change in 2023)
  - Disability benefits provided, which depend on hire date and disability severity/type
  - Employees contribute 7% of pay
  - DROP feature available

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# 2023 VALUATION RESULTS





# 2023 Valuation Results

- **Valuation Results**
  - July 1, 2023, valuation for FY2025 contributions
  - Funded ratio declined
- **Contribution Expressed as a Percentage of Payroll:**
  - Preliminary contribution rate: 52.26% of covered payroll
  - Final contribution rate: 45.58% of covered payroll
  - Prior year: 47.27%
- **Primary Drivers:**
  - Post retirement COLA higher than assumed
  - Higher headcount and total payroll (higher average pay)
  - Effects of 2022 investment returns



# Plan Participation

Participants		7/1/2022	7/1/2023
1.	Participants		
a.	Active (excluding DROP)	38	40
b.	Active Enrolled in DROP	1	2
c.	Retirees, Beneficiaries, and Survivors	29	32
d.	Terminated Vested	6	4
e.	Refund of Contributions Due	10	9
g.	Total	84	87
2.	Active (excluding DROP) Payroll	\$ 3,137,736	\$ 3,578,655



# Actuarial Costs

Actuarial Accrued Liability		7/1/2022		7/1/2023	
1.	Active Participants				
	Total Active Participants	\$	10,443,324	\$	10,946,844
2.	In-Pay Participants				
	Total In-Pay Participants	\$	17,850,634	\$	20,378,212
3.	Inactive with Deferred Benefits				
	Total Inactive with Deferred Benefits	\$	1,276,901	\$	1,159,344
4.	Total Actuarial Accrued Liability (1 + 2 + 3)	\$	29,570,859		32,484,400
5.	Actuarial Value of Assets (AVA)	\$	23,094,143	\$	24,244,054
6.	Unfunded Liability Based on AVA (4. - 5.)	\$	6,476,716	\$	8,240,346
7.	Funded Ratio Based on AVA (5. / 4.)		78.1%		74.6%





# 2025 Contribution

- Sharp increase in plan costs for FYE 2025
- Result of pay and inflation increases and lingering effects of 2022 asset returns
- Suggested changes to manage increase – allows for more gradual incorporation
- Full funding period unchanged

	Est ADC Dollar Amount	ADC % of Payroll
Initial ADC	\$1,921,598	52.26%
Adjusted ADC	\$1,676,170	45.58%

- Adjustments include moving up timing of payment to earlier in year and adjusting one base payment from 12 to 15 years

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# **GASB RESULTS FOR FY2023**

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## **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

AS OF 6/30/2023

# GASB 68 Information

- Provided to City 7/14/2023
- Based on GASB 7.25% Discount Rate
- Key Results:

Total Pension Liability	\$ 30,139,182	
Plan Fiduciary Net Position	(22,992,036)	
City's Net Pension Liability	\$ 7,147,146	
Plan Fiduciary Net Position As A Percentage of the Total Pension Liability		76.29%

- For FY22 the GASB 68 Expense was \$556,478
- For FY23 the GASB 68 Expense is \$699,965



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# EMERGING TOPICS

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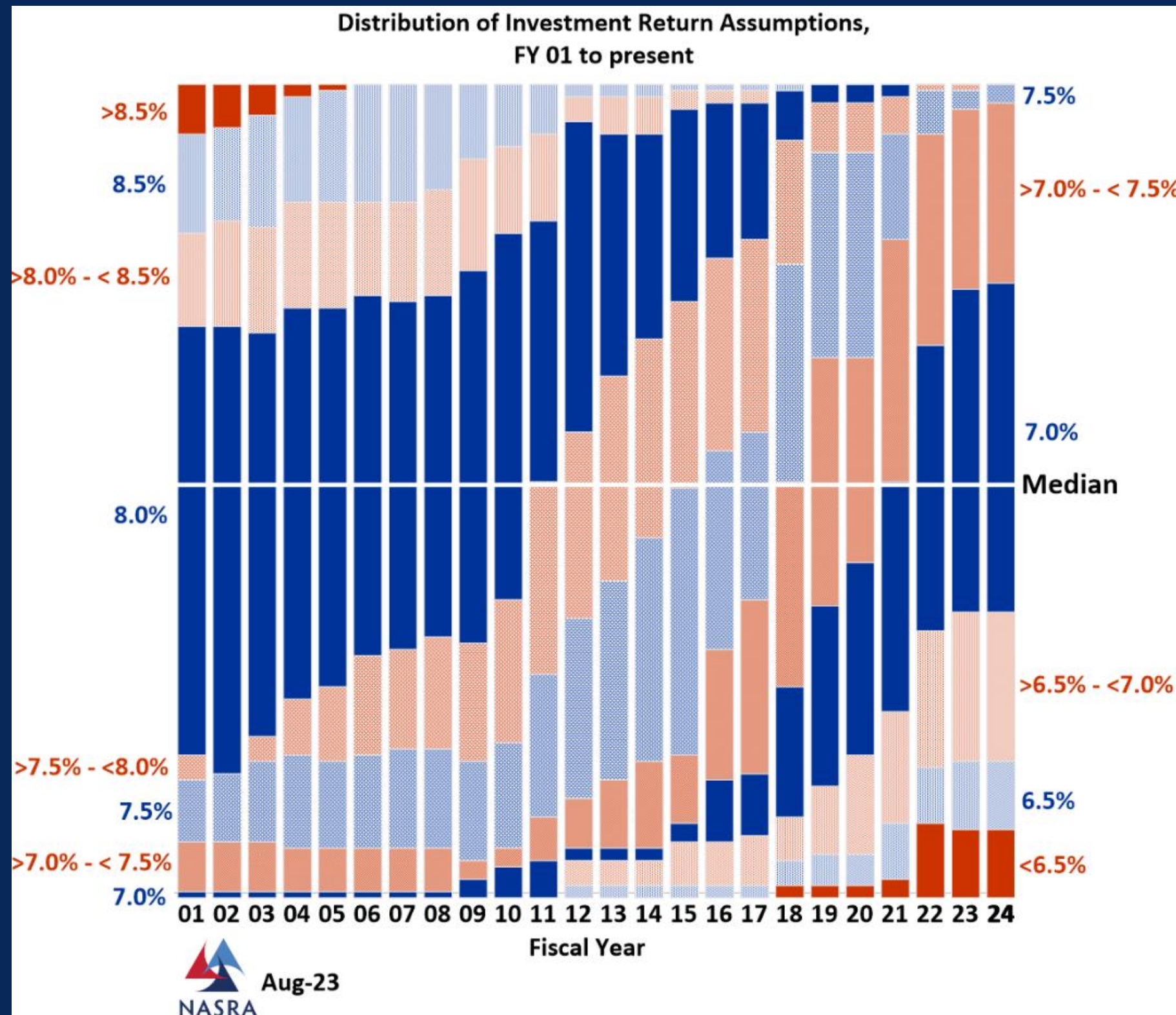


# Emerging Topics

- **Current Assumptions Do Not Reflect Long-Term Impact Of COVID-19**
- **Retention Challenges**
- **Inflation Challenges**
- **More Focus On Disclosure Of Risk**
- **LDRM Disclosures**
- **Benefit Design Changes/Litigation**
- **Review Assumptions In Light Of Experience**



# Change in Distribution



PUBLIC PENSION INVESTMENT RETURN ASSUMPTIONS



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# ASSUMPTIONS AND METHODS

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# 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, 2023, and the FY23 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.



# ASSUMPTIONS AND METHODS

- 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.

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