



# Bolton

## CITY OF TAKOMA PARK

### Police Employees' Retirement Plan

November 20, 2024

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
- In 2013, 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 (3.35% 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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# 2024 VALUATION RESULTS





# 2024 Valuation Results

- **Valuation Results**
  - July 1, 2024 valuation develops FY 2026 contribution
  - Funded ratio increased
- **Contribution (Percentage of Payroll) Decreased:**
  - FY 2026: 43.18%
  - FY 2025: 45.58%
- **Primary Drivers:**
  - 15% reduction in active membership
  - Lower salary increases than anticipated



# Plan Participation

Participants	7/1/2023	7/1/2024
1. Participants		
a. Active (excluding DROP)	40	34
b. Actives Enrolled in DROP	2	1
c. Retirees, Beneficiaries, and Survivors	32	33
d. Terminated Vested	4	5
e. Refund of Contributions Due	9	14
g. Total	87	87
2. Active (excluding DROP) Payroll	\$ 3,578,655	\$ 3,295,181



# Actuarial Costs

Actuarial Accrued Liability	7/1/2023	7/1/2024
1. Active Participants		
a. Actives not in DROP	8,868,705	9,673,533
b. Actives in DROP	2,078,139	830,027
c. Total Active Participants	\$ 10,946,844	\$ 10,503,560
2. In-Pay Participants		
a. Retirees	10,840,144	12,127,471
b. Beneficiaries	472,965	476,266
c. Disabled Participants	9,065,103	9,210,372
d. Total In-Pay Participants	\$ 20,378,212	\$ 21,814,109
3. Inactive with Deferred Benefits		
a. Terminated Vested	1,056,440	1,181,396
b. Refunds of Contributions Owed	102,904	194,096
c. Total Inactive with Deferred Benefits	\$ 1,159,344	\$ 1,375,492
4. Total Actuarial Accrued Liability (1.c. + 2.d. + 3.c)	\$ 32,484,400	\$ 33,693,161
5. Actuarial Value of Assets (AVA)	\$ 24,244,054	\$ 26,203,307
6. Unfunded Liability Based on AVA (4. - 5.)	\$ 8,240,346	\$ 7,489,854
7. Funded Ratio Based on AVA (5. / 4.)	74.6%	77.8%
8. Market Value of Assets (MVA)	\$ 22,992,036	\$ 26,108,884
9. Unfunded Liability Based on MVA (4. - 8.)	\$ 9,492,364	\$ 7,584,277
10. Funded Ratio Based on MVA (8. / 4.)	70.8%	77.5%





# Experience Analysis

- Plan asset returns (vs 7.25% assumption)
  - Market Value Return: 11.9%
  - Actuarial Value (Smoothed) Return: 6.5%
- Cost-of-Living-Adjustment (vs 3.00% assumption)
  - CPI Increase: 3.35%
  - Weighted-Average COLA: 3.21%
- Payroll Changes
  - Returning Members: 4.84% (vs 5.50% assumption)
  - Total Payroll: -7.92% (vs 2.75% assumption)

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## 2026 Contribution

- Relative to the contribution developed for FY 2025:
  - 2.4% of pay reduction (45.58% to 43.18%)
- Primarily the result 15% decrease in active membership

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# **GASB RESULTS FOR FY 2024**

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# GASB 68

- **GASB 68 Applied For The First Time In FY 2015**
  - GASB 68 defines pension expense (different than cash contribution)
  - GASB 68 defines the balance sheet liability



AS OF 6/30/2024

# GASB 68 Information

- Provided to City: July 18, 2024
- GASB Discount Rate: 7.25%
- Key Results:

Total pension liability	\$ 33,385,463
Plan fiduciary net position	(26,108,884)
City's net pension liability	<u>\$ 7,276,579</u>
Plan fiduciary net position as a percentage of the total pension liability	78.20%

- GASB 68 Expense:
  - FY 2023: \$699,965
  - FY 2024: \$1,322,385



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# EMERGING TOPICS

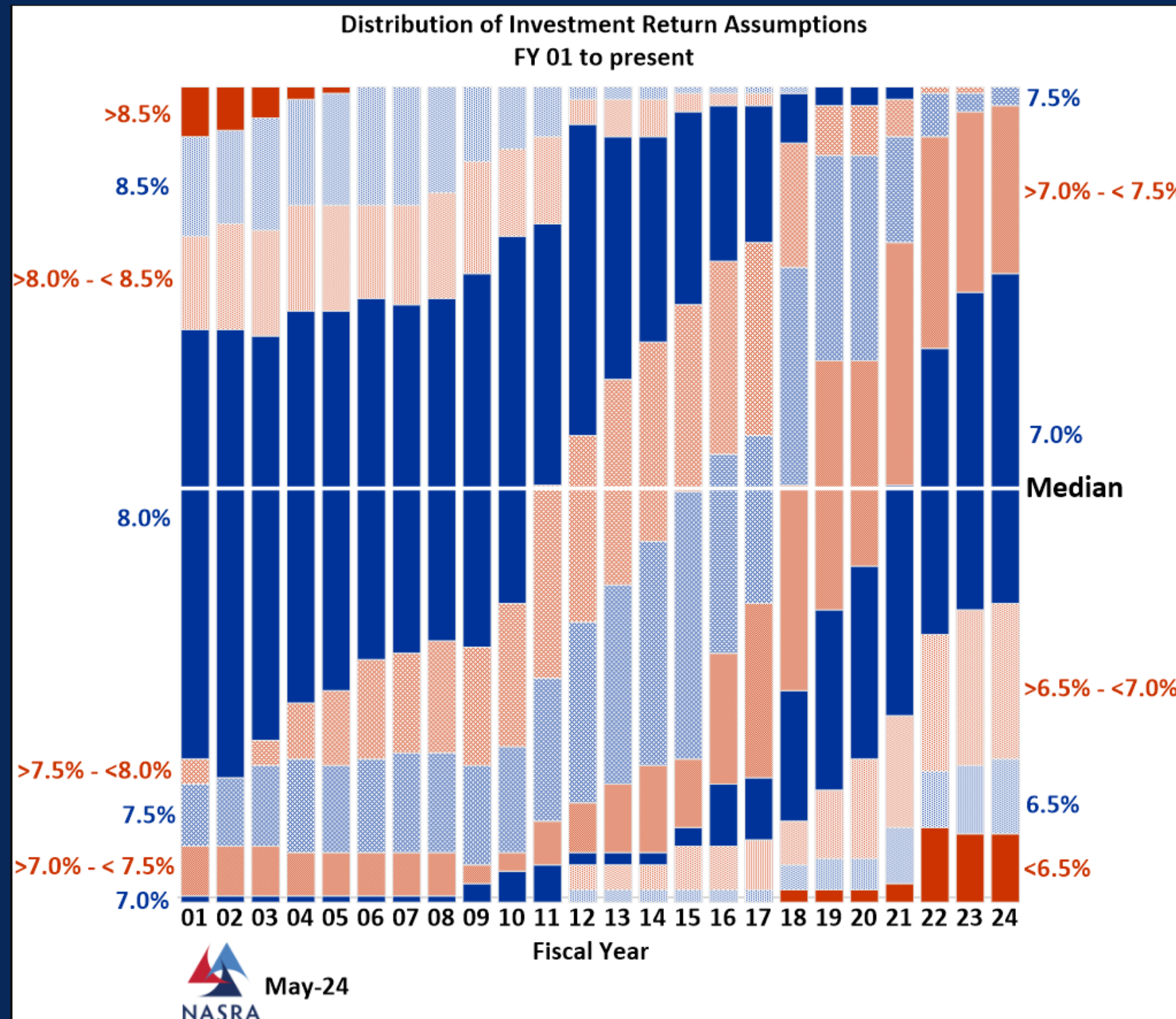
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# Emerging Topics

- Retention challenges
- Inflation challenges
- More focus on disclosure of risk
- LDROM

# 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, 2024, and the FY 2024 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.



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# 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.
- The 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 City's auditor, attorney, third party administrator or other professional, when providing professional services to the City, or any governmental agency to which this certification is required to be submitted by law or regulation. Any third-party recipient of our work product who desires professional guidance should not rely upon the work product but should engage qualified professionals for advice appropriate to its own specific needs.

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