



New Castle County

2013 Pension Plan Review

March, 2013





2013 Valuation Overview

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- Market Value changes
- Valuation Approach
- Valuation Assumptions
- Total Funded Status
- Total Recommended County Contributions
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Demographics

	Actives	Terminated Vested	Retired	Disabled	Total
County Employee's Pension Plan	171	29	137	15	352
Employees' Retirement System					
- Police	61	3	267	1	332
- General Personnel	804	57	744	31	1,636
Alternative Pension Plan (closed plan)	6	0	36	0	42
Crossing Guards Pension Plan	96	5	46	1	148
Total	1,138	94	1,230	48	2,510



Plan Assets

Market Value and Actuarial Value

	12/31/2011	12/31/2012
Market Value	\$360,692,065	\$387,268,900
Investment Return	(2.37)%	12.15%
Actuarial Value*	\$394,237,598	\$377,204,229
Investment Return	3.25%	0.49%
Actuarial Value/Market Value	109%	97%

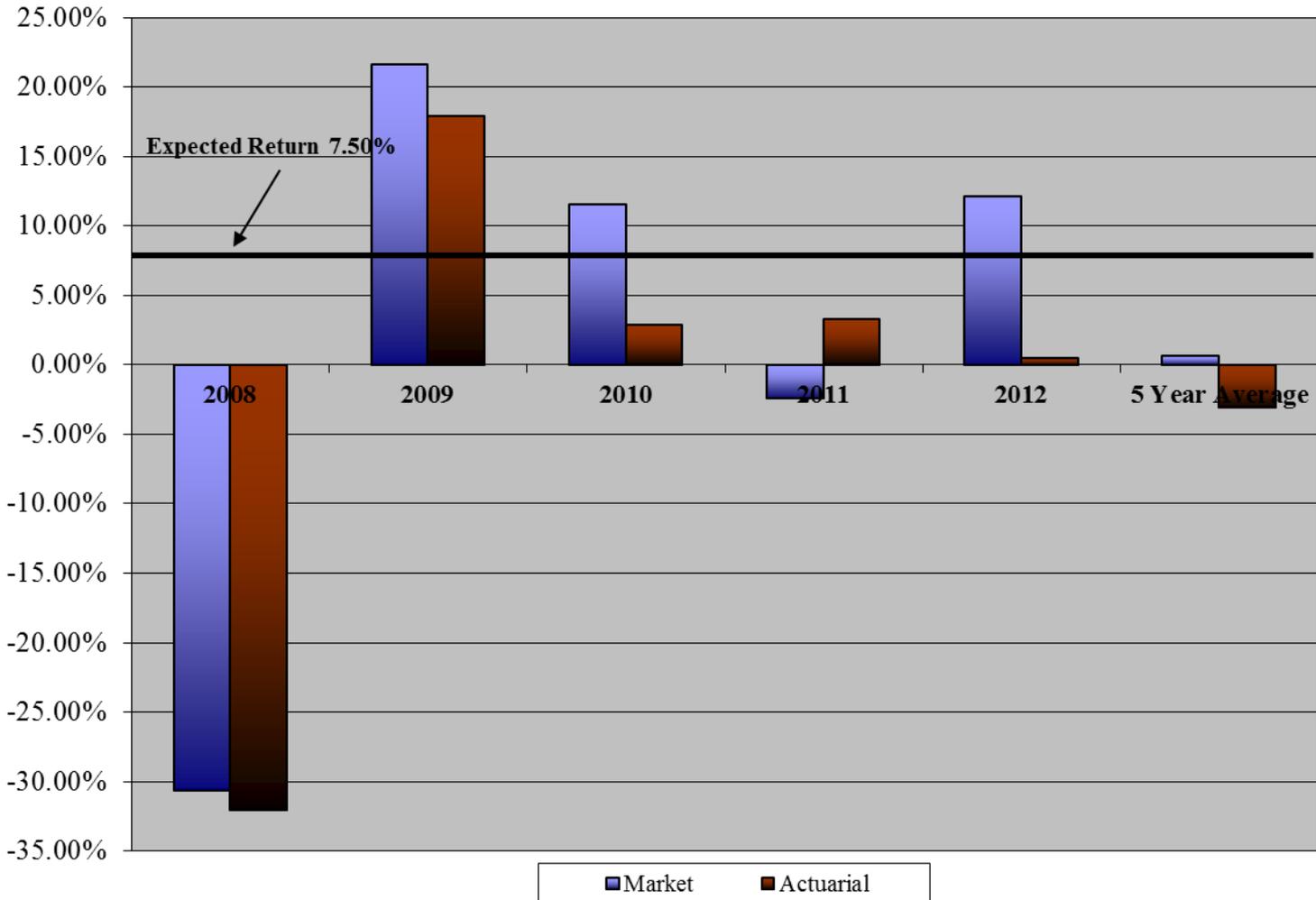
5 Year Average Investment Return

	12/31/2011	12/31/2012
Market Value	(0.37)%	0.61%
Actuarial Value*	(1.77)%	(3.07)%

* Note: Actuarial Value of Assets is based on 5 year averaging method for investment gains/losses.

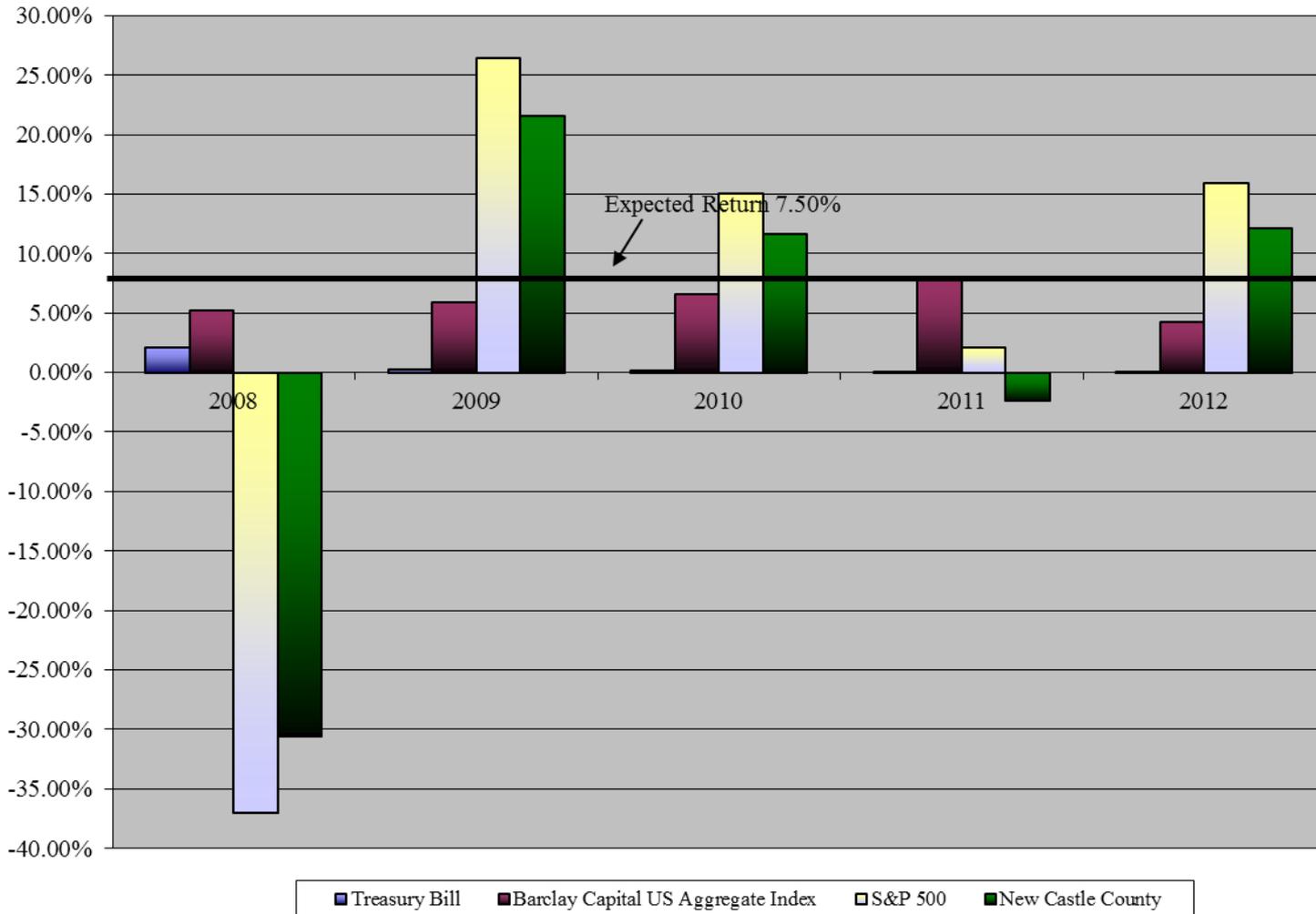


Rates of Return Market and Actuarial Asset Values





Comparison of Investment Performance (Market Value) to Selected Indices





Market Value Changes

Market Value of Assets 1/1/2012		\$360,692,065
Contributions	\$15,758,578	
Income	<u>14,243,189</u>	
		30,001,767
Unrealized Appreciation and Other Investment Proceeds		31,313,724
Benefit Payments	(31,814,721)	
Expenses	(2,923,933)	
		<u>(34,738,654)</u>
Market Value of Assets as of 12/31/2012		\$387,268,902



Valuation Approach

- 1/1/2012 Demographic Population Projected Forward to 1/1/2013
- Actual Assets and Contributions Recognized



2013 Valuation Assumptions

Investment Return	7.50%
Salary Increases	4.50%
Ultimate Retirement Age	Varies by Plan:
General	Age 65
Police	Earlier of 55 or 25 years
County	Age 65 with 5 years
Alternate	Age 65 with 15 years
Crossing Guards	Age 65 with 5 years
Mortality	RP-2000 Combined Healthy Males/Females Table
Disability	75% of 1974-78 Social Security Experience Study
Withdrawal	Special Tables
Spouse	80% assumed married
Post Retirement Adjustment	For Retirement System only: Non-Police – 2% of initial benefit per annum Police – 3% per annum Assumed 40% of Cost of COLA paid by the State
State Contributions (Police Plan)	Average of past 3 plan years: \$2,374,247
Expenses	Average of past 3 plan years: \$897,000



2013 Valuation Assumptions

We strongly recommend that a full Actuarial Experience Study be completed in 2013 to update and determine appropriateness of current assumption package vs. recent years' actual experience.



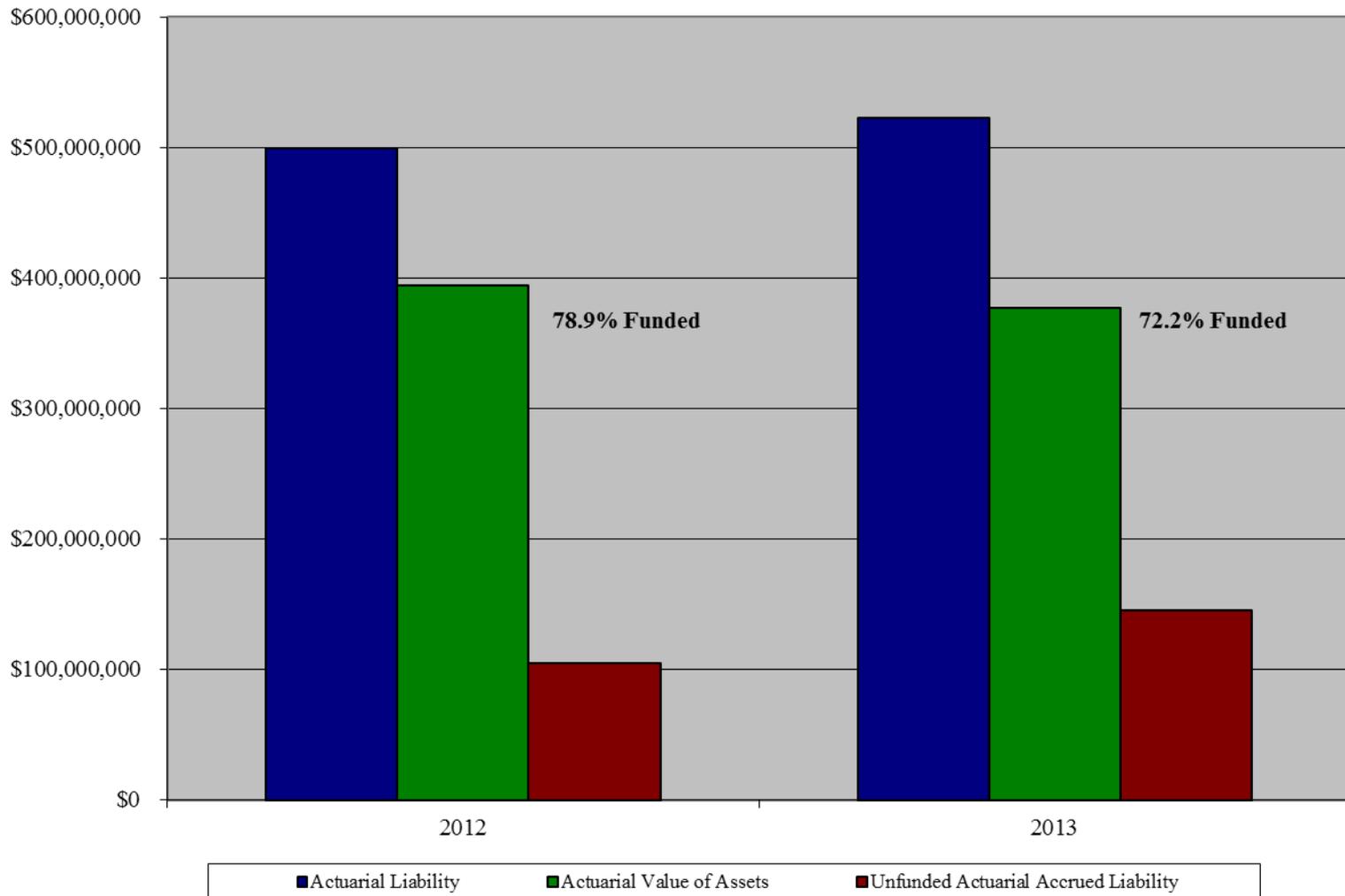
Total Funded Status

	01/01/2012	01/01/2013
Actuarial Accrued Liability	\$499,506,000	\$522,724,000
Actuarial Value of Assets	394,237,000	377,204,000
Unfunded Actuarial Accrued Liability	105,269,000	145,520,000
Funded Ratio	78.9%	72.2%

Present Value of Accumulated Benefits	\$457,014,000	\$478,954,000
Market Value of Assets	360,692,000	387,268,900
Funded Ratio	78.9%	80.9%

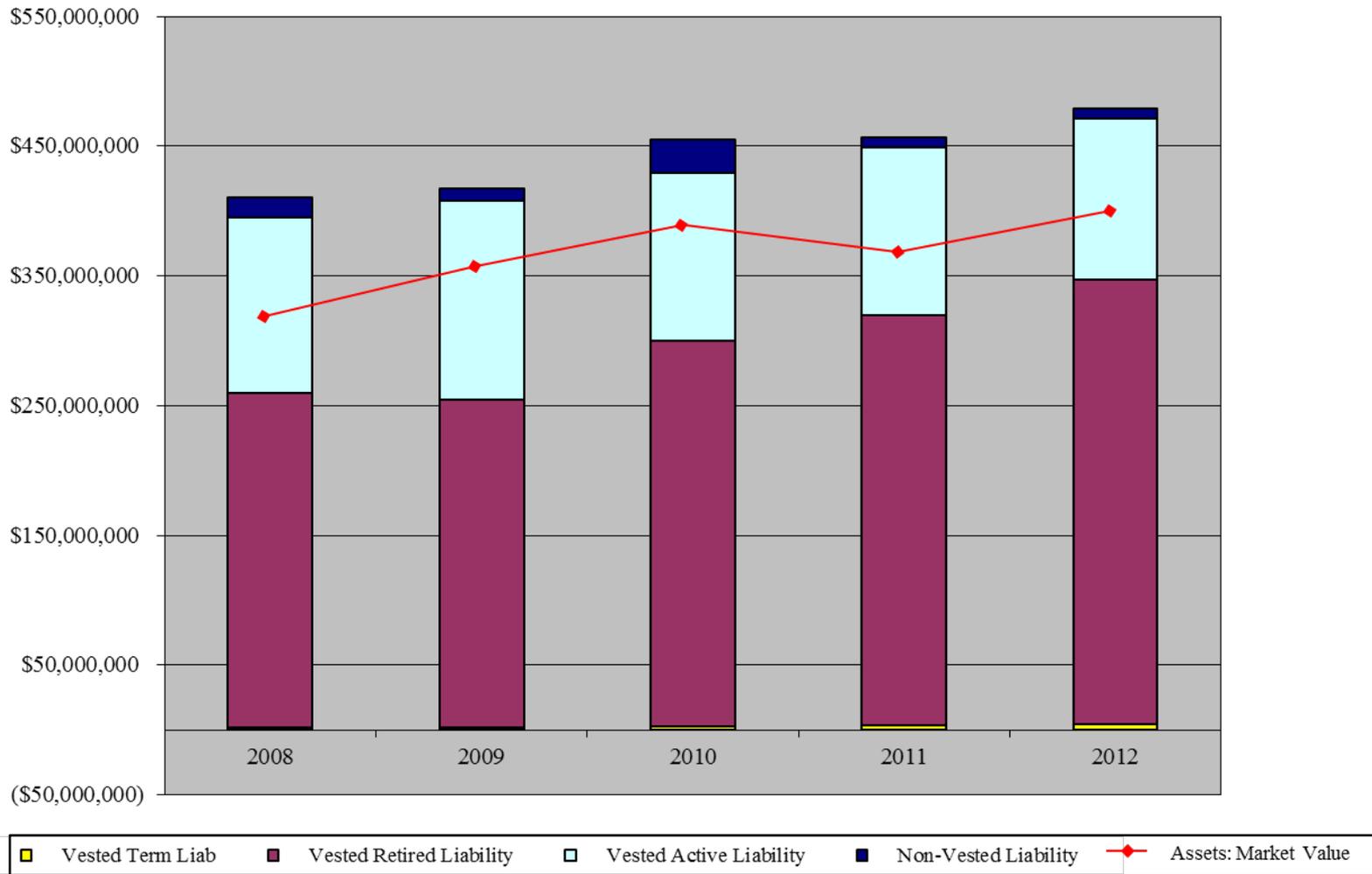


Total Plan Funded Status





GASB Funded Status- Present Value of Accrued Benefits





Total Recommended County Contributions

	2012	2013
Total Normal Cost	\$9,187,000	\$8,886,000
Employee Contributions	\$3,215,000	\$3,191,000
Net County Normal Cost	\$5,972,000	\$5,694,000
Amortization Payments	\$9,606,000	\$13,279,000
Total as of Beginning of Plan Year	\$15,577,000	\$18,973,000
Total as of End of Plan Year	\$16,746,000	\$20,395,000
As a % of Payroll	18.40%	27.33%
Total Net of Expected State Contribution	\$14,266,000	\$17,844,000
As a % of Payroll	15.68%	23.91%

Note: For GASB purposes, Annual Required Contribution (ARC) is now reported on a % of pay basis vs. a dollar basis.



Net Allocated County Contributions

	County Pension Plan	Retirement System		Alternate	Crossing Guards	Total
		General	Police			
2012						
Contribution	\$1,426,000	\$9,815,000	\$2,918,000	\$30,000	\$77,000	\$14,266,000
As % of Pay	10.26%	15.61%	27.02%	6.00%	2.64%	15.68%
Subtotal				\$14,189,000		
As % of Pay				16.10%		
2013						
Contribution	\$1,815,000	12,169,000	\$3,735,000	\$36,000	\$89,000	\$17,844,000
As % of Pay	15.03%	22.70%	59.90%	9.72%	3.77%	23.91%
Subtotal				\$17,755,000		
As % of Pay				24.56%		



Governmental Accounting Standards Board (GASB) Summary

	GASB	Funding
Actuarial Method	Entry Age Normal (EAN)	Entry Age Normal (EAN)
Accrued Liability	EAN – AL	EAN – AL
Accrued Liability – Ongoing Plan (AL)	\$522,724,000	\$522,724,000
Assets	\$377,204,000 (actuarial)	\$377,204,000 (actuarial)
Funded Ratio: Assets/AL (based on Actuarial Value of Assets)	72.2%	72.2%
Present Value of Accumulated Plan Benefits (PVAB)	\$478,954,000	\$478,954,000
Funded Ratio: Assets/PVAB (based on Market Value of Assets)	80.9%	80.9%

Note: For GASB purposes, Actuarial Method is revised from PUC to EAN.



Conclusions

- Funded Ratios
 - Decreased on Funding and GASB basis
- Factors Impacting Plan Costs/Liabilities
 - Loss on Actuarial Asset Basis (Gain on Market Value Return on Assets) – relative to 7.50% Valuation interest rate basis
 - Actuarial Loss due to changes in the plan population
 - Reduction in Covered Payroll
- Recommended Contributions
 - Percent of Pay: increase about 8.2%
 - Based on current funding approach



Alternative Asset Smoothing Approaches

(\$ in 000's)

	<u>Current Valuation</u>	<u>Alternative A</u>	<u>Alternative B</u>	<u>Alternative C</u>
	5 year smoothing	Modified 5 year smoothing	3 year smoothing	8 year smoothing
Alternatives - Actuarial Asset Value				
Actuarial Accrued Liability (AAL)	522,724	522,724	522,724	522,724
Actuarial Value of Assets (AVA)	377,204	389,401	386,307	423,717
Unfunded Actuarial Accrued Liability	145,520	133,323	136,417	99,007
Net County Normal Cost	5,695	5,695	5,695	5,695
Amortization of Unfunded Accrued Liability over 20 years	13,278	12,166	12,448	9,034
State Aid	2,374	2,374	2,374	2,374
Total Annual Cost - Beginning of Year	16,599	15,487	15,769	12,355
Total Annual Cost - End of Year	17,844	16,648	16,952	13,282
Estimated Total Payroll	74,640	74,640	74,640	74,640
Cost as a % of Payroll	23.9%	22.3%	22.7%	17.8%
Net Deferred (gain)/loss	(10,065)	2,132	(962)	36,448
Expected AVA 1/1/2014*	395,903	395,903	390,558	379,419

* Assumes 7.5% investment return during 2013 (MVA of approximately \$397 million).



Appendix



Summary of Results

	1/1/2012	1/1/2013	% Change
<u>TOTAL PLANS</u>			
Number of Participants			
Active	1,170	1,138	
Terminated Vested or duc Refund	89	94	
Retired	<u>1,239</u>	<u>1,278</u>	
Total	2,498	2,510	0.5%
Annual Compensation of Active Participants*	\$91,000,000	\$74,640,625	(18.0)%
Average Annual Compensation of Active Participants	\$67,578	\$65,589	(2.9)%
Average Age	49.58	49.90	
Average Service	15.13	14.92	
<u>ASSET INFORMATION</u>			
Market Value	\$360,692,065	\$387,268,900	7.4%
Actuarial Value	\$394,237,598	\$377,204,229	(4.3)%
<u>RECOMMENDED CONTRIBUTION</u>			
Total Contribution as of 12/31:**	\$19,386,888	\$23,378,000	20.6%
Three County Plans Subtotal	\$16,668,927	\$20,306,945	
Subtotal as % of Payroll	18.92%	28.09%	
Net Subtotal as % of Payroll	16.10%	24.56%	
Estimated Contribution for Police Covered in State Plan	\$2,641,300	\$2,982,057	
As a % of Payroll	14.64%	15.14%	
Crossing Guards Plan	\$76,661	\$88,998	
<u>ACCOUNTING INFORMATION</u>			
GASB-25 Actuarial Accrued Liability			
Vested	\$448,822,184	\$471,460,441	
Non-Vested	<u>36,623,843</u>	<u>51,263,970</u>	
Total	\$485,446,027	\$522,724,411	4.6%
Interest Rate	7.50%	7.50%	
Funded Ratio (based on Actuarial Value of Assets)	81.21%	72.16%	
Accumulated Plan Benefits:			
Vested	\$448,822,184	\$471,460,441	
Non-Vested	<u>\$8,191,540</u>	<u>\$7,493,656</u>	
Total	\$457,013,724	\$478,954,096	4.8%
Interest Rate	7.50%	7.50%	
Funded Ratio (based on Market Value of Assets)	78.92%	80.86%	
*Based on County estimated budgeted payroll			
**Includes County contributions to State Plans for Police			
Reflects estimated State contribution of \$2,306,613 and \$2,374,247 for 2012 and 2013 respectively.			



EMPLOYEES' RETIREMENT SYSTEM								
	County Employees Pension Plan \$	General Personnel \$	Police \$	Alternate Pension Plan \$	Crossing Guards \$	County General \$	County EMS \$	Total \$
Allocated Market Value of Assets at 12/31/2011	32,949,977	197,942,428	127,066,170	949,673	1,783,817			360,692,065
Employee Contributions	299,283	2,301,489	303,355	0	18,580			2,922,707
Buybacks	0	0	0	0	0			0
Employee Contributions	299,283	2,301,489	303,355	0	18,580			2,922,707
Employer Contributions	1,703,384	7,144,063	1,170,494	49,735	76,661	31,277	5,728	10,181,342
State Contributions			2,654,529					2,654,529
	2,002,667	9,445,552	4,128,378	49,735	95,241	31,277	5,728	15,758,577
Benefit Payments	2,091,443	18,460,054	11,000,683	130,519	132,021			31,814,721
Prorata Administration Expenses *	77,640	466,415	299,408	2,238	4,203			849,905
Prorata Investment Expenses	189,466	1,138,196	730,648	5,461	10,257			2,074,028
	2,358,549	20,064,665	12,030,739	138,218	146,481	0	0	34,738,654
Expected Return	2,457,903	14,447,465	9,233,624	67,907	131,865	1,173	215	26,340,152
Actual Return	4,161,721	25,000,954	16,048,987	119,948	225,304	0	0	45,556,912
Market Value of Assets at 12/31/2012	36,755,815	212,324,269	135,212,796	981,138	1,957,881	31,277	5,728	387,268,900
Allocated Actuarial Value of Assets at 12/31/2012**	33,098,243	214,564,803	127,087,324	758,828	1,695,031	0	0	377,204,229

* Adjusted for miscellaneous receipts

** Re-allocated based on Actuarial Accrued Liability