City of Clearwater

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Legislation Details (With Text)

File #:	ID#19-5553 **Version:** 1	**Name:**	Accept Actuarial Experience Study
Type:	Action Item	**Status:**	Passed
File created:	12/28/2018	**In control:**	Pension Trustees
On agenda:	1/14/2019	**Final action:**	1/14/2019

Title: Accept the actuary's recommendations for changes to plan actuarial assumptions and methods, as amended for phase-in of change in net investment return assumption to 6.50%, per the Experience Investigation completed by Gabriel Roeder Smith and Company for the five-year period ending December 31, 2017.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Exhibit 1 to Experience Study agenda item.pdf, 2. Clearwater Employees Pension Plan - 2013-2018 Experience Study Report.pdf

Date	Ver.	Action By	Action	Result
1/14/2019	1	Pension Trustees		

SUBJECT/RECOMMENDATION:

Accept the actuary's recommendations for changes to plan actuarial assumptions and methods, as amended for phase-in of change in net investment return assumption to 6.50%, per the Experience Investigation completed by Gabriel Roeder Smith and Company for the five-year period ending December 31, 2017.

SUMMARY:

The Plan's actuaries, Gabriel Roeder Smith & Company (GRS), have completed an Experience Investigation study for the pension plan and have provided recommendations of changes to the assumptions and methods used in the plan's annual actuarial valuation.

The pension plan ordinance requires a study of the actuarial assumptions every six years. The ordinance further states (Section 2.413 (i)), "Taking into account the result of such investigation, the trustees shall adopt for the retirement plan such mortality, service and other tables as are necessary and proper." It has been six years since completion of the last experience study for the Clearwater Employees' Pension Plan, with changes adopted by the Trustees in December 2012.

The impact of the proposed changes in assumptions is highly dependent on the funded ratio as of the valuation date of implementation, as there is no unfunded liability amortization payment if the funded ratio remains above 100% (the required contribution impact is equal to the change in the normal cost only). Once the funded ratio falls below 100%, the cost impact of the proposed changes is significantly higher because there is an unfunded liability amortization payment in addition to the change in the normal cost. Assuming no changes in the funded ratio as of January 1, 2018, which was 104.47%, the net effect of all staff-recommended changes would be an increase in the annual required contribution to the plan of $1,138,770. Again, assuming no change in the baseline funded ratio (104.47%), the increase in the contribution requirement for the next three years thereafter would be approximately $0.45 million, $1.0 million, and then $0.65 million, respectively. Any change in the baseline funded ratio from 104.47% would change these cost impact estimates significantly.

The recommended changes include changes to the salary increase assumption, assumed rates of future retirements, assumed rates of future separation from employment, assumed rates of future disability, assumed probability of married at retirement, and a change in the investment return assumption phase-in over a four-year period.

Staff recommends approval of all recommended changes to more accurately determine the pension plan liability and required funding levels, per the professional advice of the plan's actuaries.