Legislation Text

File #: ID#21-9316, **Version:** 1

SUBJECT/RECOMMENDATION:
Accept the January 1, 2021 Annual Actuarial Valuation Report for the Employees' Pension Plan.

SUMMARY:
Per the actuarial valuation report dated January 1, 2021, a minimum city employer contribution of $11.40 million, or 12.30% of covered payroll, is required for fiscal year 2022. This is a decrease of approximately $121 thousand over the fiscal 2021 required contribution of $11.52 million, which represented 12.72% of covered payroll.

The breakout of the required contribution by group is as follows:

Police	$ 4,681,293	21.84%
Fire	$ 3,230,263	18.68%
Non-public safety	$ 3,489,438	6.46%
Total	$11,400,994	12.30%

The calendar year 2020 investment return was 15.12%, versus an assumed rate of 6.65% for 2020. The five-year smoothed actuarial investment rate of return was 11.10% versus the 6.65% assumption. Calendar 2016 through 2020 investment returns were 6.70%, 16.01%, (2.48%), 20.20%, and 15.12%, respectively. As previously approved by the Trustees, the assumed rate of return will reduce to 6.55% for 2021 and to 6.50% effective January 1, 2022.

The plan experienced a net actuarial experience gain of $45.7 million for the year. The gain was primarily due to investment returns, slightly offset by net liability-related experience losses. The net liability-related experience losses included salary and mortality experience losses offset by retirement and disability experience gains.

The plan's funded ratio at January 1, 2021 was 108.70% (including the credit balance) versus 102.60% for the prior year. The market value of assets exceeds the actuarial value of assets by $129.6 million as of January 1, 2021.

The plan's credit balance, which reflects actual contributions in-excess of actuarially required contributions in prior years, increased from $28.96 million to $31.55 million during calendar 2020, primarily due to interest earned on the credit balance. This credit balance is available to subsidize volatile employer contribution requirements during future investment market downturns.