Pension Board Minutes – August 9, 2023

Attending: Alderman: Alex Adams, Larry Cupoli, Anna Tadio and John McCann; School Commissioners: Heather Hauke, Stephanie Stoodley, and Cathy Solsaa; Chair, Mary Markowski

Absent: Alderman, Carrie Savage; School Commissioners, Sara Atkins-Doenges and Mary-Beth Lennox-Levins

Others Attending: Ted Plemenos, CFO of RPS; Alderman Joe Barbagallo, Chief Bill Lovett and Erik Schait of Newport Group.

The meeting was held at City Hall in the upstairs chambers. The Chair opened the meeting at 6:00 pm.

The first order of business was review and approval of the minutes. Larry Cupoli made a motion to approve the minutes of May 11, 2023. Anna Tadio seconded the motion; motion approved.

The Chair introduced Erik Schait of Newport Group to present the Plan Valuation of January 1, 2023. Erik has been involved with the City Pension Plan for over 10 years.

Erik explained the purpose of the valuation and noted that the valuation is performed annually to calculate the liability in comparison to the activity in the plan. The valuation presented provides a snapshot of the plan funding status as of January 1, 2023. The valuation includes three separate sections; the City employee groups, the School employee groups and the combined City and School groups.

City Plan: The presentation began with a review of the City Plan. of the handout. At the beginning of 2022 the asset market value was $31.9 million. The activity in 2022 included, $1.64 million in employee/employer contributions, $3.54 million in benefit payments and fees. .and $4.65 million in investment loss. The city side of the pension is closed to new employees therefore, the EE contributions will continue to decrease and the plan benefit payments will continue to increase. The market return for the year was -15.10% and total plan assets for the end of the year were $25.5 million. The actuarial value of assets for the end of the year was $29.18 million using a smoothing value method.

Participant Data: There are currentl50 active participants, 29 terminated/inactive participants and 150 retired participants/beneficiaries in pay status. The average age of active participants is 51.41 with an average service of 19.34 and average future service of 5.71.

Contributions and Liability: The total normal cost of benefits earned during the year for active participants is $600K. The plan had an accrued actuarial liability of $49.5 million vs actuarial assets of $28.4 million for an unfunded actuarial accrued liability of $21 million as of January 1, 2023. The funded status of the City plan decreased from 59.4% to 57.46% based on the smoothed valuation. Erik noted the that plan unfunded liability is negatively impacted by the reduction in the discount rate from 7.5% to 7.0%. The discount rate has been reduced incrementally over the last 5 years and this will be the final year that we will see the impact.

School Plan: At the beginning of 2022 the asset market value was $85.2 million. The activity in 2022 included, $3.57 million in employee/employer contributions and $5 million in benefit payments and fees and $12.69 million in net investment loss. The market return for the year was -15.10% and total plan assets for the end of the year were $71.42 million. Benefit payments are increasing over time as people retire. The actuarial value of assets for the end of the year was $71.4 million using a smooth value method.

Participant Data: There are currently 441 active participants, 239 terminated/inactive participants and 349 retired participants/beneficiaries in pay status. The average age of active participants is 48.35 with an average service of 10.28 and average future service of 7.79. Total plan participants in the School Plan were 1,029.

Contributions and Liability: The total normal cost of benefits earned during the year for active participants is $1.95 million. The unfunded actuarial accrued liability was $8.5 million as of January 1, 2023. The projected payment on the unfunded portion of the accrued liability is $1.89 million. Erik noted the School adopted a 20 year plan to address the unfunded liability. The funded status of the School Plan decreased 91.87% to 90.29% based on the smooth value. The School unfunded liability was negatively impacted by the change in discount rate by $907K. As noted with the City plan this will be the final year that we see the negative impact of the changes in the discount rate.

Erik reviewed the plan as a whole and noted that the unfunded liability for the year ended 12/31/2022 was $29,646,189 and the funded status of the plan decreased from 79.98% to 78.5%. Erik discussed the change in this discount rate to 7% and commented that this is appropriate for the current market. noted that the discount rate is being reduced to reach the target of 7%. Peter asked how this compares with other plans. Erik noted that he sees the median at 6.75%. This will need to be reviewed in the next few years as we reach the 7% target.

The meeting was adjourned at 6:27 pm and was immediately followed by a meeting of the Pension Deficit Committee.

Respectfully submitted,

Mary A. Markowski