Pension Board Minutes – September 24, 2024

Attending: Alderman: John McCann, Matt Whitcomb, and Carrie Savage; School Commissioners: Cathy Solsaa; Chair, Mary Markowski

Absent: Alderman, Anna Tadio and Alex Adams; School Commissioners, Heather Hauke

Others Attending: Alderman Joe Barbagallo; Others: Larry Cupoli, Peter Amons, Ray Mooney, and Chief Lovett; and Erik Schait of Newport Group.

The meeting was held at City Hall in the first-floor conference room; the Chair opened the meeting at 5:30 pm.

The first order of business was review and approval of the minutes. Matt Whitcomb made a motion to approve the minutes of May 15, 2024. The motion approved.

The Chair introduced Erik Schait of Newport Group. Erik explained that the Newport Group has joined with Ascensus. As part of the transition, the retirement plans actuarial, and consulting services will transition to FuturePlan by Ascensus. As of October 15, 2024, any billing will come from FuturePlan by Ascensus. The change does not impact the arrangement for actuarial services, fees remain the same and contacts remain the same.

Erik presented the Plan valuation report as of January 1, 2024. 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, 2024.

City Plan: The presentation began with a review of the City Plan. At the end of 2023, the asset market value was $25.4 million. The activity in 2023 included, $1.74 million in employee/employer contributions, $3.58 million in benefit payments and fees, $3.78 million in net investment earnings. The market return for the year was 15.28% and total plan assets for the end of the year were $28.4 million. The actuarial value of assets for the end of the year was $28.6 million using a smoothing value method.

Participant Data: There are 47active participants, 28 terminated/inactive participants and 146 retired participants/beneficiaries in pay status. The average age of active participants is 51.86 with an average service of 20.04 and average future service of 5.50. Total plan participants in the City Plan were 221.

Contributions and Liability: The total normal cost of benefits earned during the year for active participants is $597K. The plan had an accrued actuarial liability of $49.6 million vs actuarial assets of $28.4 million for an unfunded actuarial accrued liability for past benefits earned of $21.27 million as of January 1, 2024. The total contributions were $1.7million and the recommended contribution was $2.1million. Erik commented that a discount rate of 7.0% was within a reasonable range for public plans.

Mary provided a schedule of the investment market values from FY20 to FY24. The current market value of the plan as of 9/23/2024 is $118 million compared to $108 million as of the valuation date.

School Plan: At the end of 2023, the asset market value was $71.2 million. The activity in 2023 included, $3.52 million in employee/employer contributions and $5.1 million in benefit payments and fees and $10.84 million in net investment earnings. The market return for the year was 15.26% and total plan assets for the end of the year were $80.97 million. Benefit payments are increasing over time as people retire. The actuarial value of assets for the end of the year was $83.9 million using a smooth value method.

Participant Data: There are currently 453 active participants, 254 terminated/inactive participants and 354 retired participants/beneficiaries in pay status. The average age of active participants is 48.31 with an average service of 10.30 and average future service of 7.67. Total participants in the School Plan were 1,061.

Contributions and Liability: The total normal cost of benefits earned during the year for active participants is $2.08 million. The unfunded actuarial accrued liability was $8 million as of January 1, 2024. The projected payment on the unfunded portion of the accrued liability is $1.91 million. The funded status increased from 90.29% to 91.24% based on the smooth value.

Peter Amons questioned the funding report and discussed the 20-year plan that the School had adopted to address the unfunded liability. There are 12 years remaining in this plan and there was some discussion about the impacts of accelerating the plan. Cathy confirmed that changes would require input from the School.

Combined City and School Plan: Erik reviewed the plan as a whole and noted that the unfunded liability for the year ended 12/31/2023 was $29,282,744 and the funded status of the plan increased from 78.5% to 79.24%. Activity in 2023 included $5,7 million in employee/employer contributions and $8.712 million and in benefit payments. The market value of plan assets increased from $96.9 million to $108.5 million.

Ray Mooney asked about the unfunded position and how the $21million unfunded position happened. In the past the City contributions were not adequate to cover the benefits. For a period of time the city capped the contributions at $300K. The contributions that were being made did not meet the increased benefit obligations. Over time this resulted in the pension underfunding. Progress has been slow, but the City has taken steps to address the underfunding.

The meeting was adjourned at 6:22 pm.

Respectfully submitted,

Mary A. Markowski