Pension Board Minutes – July 10, 2018

Attending: Aldermen, Rebecca Mattis, Sharon Davis and Chris Ettori, School Commissioners, Matthew Olewnik and Charlene Seward, Chair Mary Markowski

Others attending: Erik Schait and Tracy Braun from Newport Group, Peter Amons, Chief Financial Officer, RPS, Adam Taylor, Superintendent, RPS and Lynne Holmquist, Assistant City Treasurer

The Chair began the meeting at 6:30 pm, and introduced Committee members and others present to the plan Actuary. The Chair asked if there were any changes or additions to the agenda. As there were no changes, there are two items on the agenda:

- Approval of the minutes of the meeting of February 6, 2018 and May 15, 2018
- Review of Valuation dated January 1, 2018 by Newport Group, Actuary

The minutes of February 6, 2018 and May 15, 2018 were moved and unanimously approved.

The Chair introduced Mr. Schait to the group for presentation of the Valuation report. (Copies of the Valuation report were distributed prior to the meeting.)

Mr. Schait explained the purpose and results of the Actuarial Valuation. The Valuation measures the plan liabilities as of January 1, 2018 and compares those liabilities with the plan assets, to determine the contribution required to properly fund the Plan on an ongoing basis. The presentation began with a review of the Summary Report. As of January 1, 2018, total plan participants were 1,108, with 246 City participants and 875 School participants.

Plan assets were valued at $87.4 million as of the valuation date, January 1, 2018. The plan reported a return of approximately 15.38% in 2017, versus the expected return of 7.5%. Mr. Schait explained that a smoothing method is applied to the market value of assets to generate the actuarial value and determine the recommended contribution. The smoothing method mitigates the effects of market fluctuations and offsets market returns so that contributions don’t fluctuate a great deal from year to year. This year the actuarial value of assets was $84 million 96.5% of the market value of assets.

As of January 1, 2018, the recommended Employer Plan Contribution for the City was $2.26 million and for the School was $2 million. The recommended contributions represent an increase over the prior year with the City at $2.24 million and the School at $1.6 million as of January 1, 2017. The City and School recommended contributions are calculated separately with the 30 year amortization for the City and 20 year amortization for the School. The $1.6 million contribution calculated as of January 1, 2017 for the School was based on the 30 year amortization method.

The summary of actuarial valuation was reviewed by Mr. Schait. The summary included contribution information for the City and school, with City groups detailed for PD, Fire, DPW and General. Erik focused on the totals noting that the recommended contributions of $2.26M for the city represents 41.36% (37.8% in 2017) of covered payroll while the School contribution represents 8.81% (7.43% in 2017) of covered payroll.

The unfunded liability for the plan was $19.5 million for the City and $1.6 million for the school. Mr. Schait noted that the City had passed a resolution to increase the pension funding to $1.35 million beginning in fiscal year 2018. This increase was based on paying down the unfunded liability over a 45 year period. The contribution level should be continuously monitored based on changes to the plan status.

Administrative expenses increased from $90K in 2017 to $120K in 2018. The increase reflects Chubb insurance, fiduciary council and PensionSoft, accounting software. The Pension soft system is not fully utilized since participants have not been granted online access to the system.

Erik reviewed the Actuarial Summary for the City portion of the plan and noted the following:

- Employer contributions increased by $328,207 from 2016 to 2017
- Employee contributions decreased by $12,077 from 2016 to 2017
- Net investment earnings increased $1.9 million from 2016 to 2017
- Fair Market Value of Assets increased $2.45million from 2016 to 2017
- IRS determined rate of return was 15.38% compared with 7.11% from the prior year
- Actuarial Assumptions are based on salary 4% salary increases
- Mortality is based on 2018 table which incorporates a longer life span results in increased liability

Erik reviewed the Actuarial Summary for the School portion of the plan and noted the following:

- Employer contributions increased by $30,932 from 2016 to 2017
- Employee contributions increased by $8,065 from 2016 to 2017
- Net investment earnings increased $3.5 million from 2016 to 2017
- Fair Market Value of Assets increased $7.78 million from 2016 to 2017
- IRS determined rate of return was 15.38% compared with 7.11% from the prior year
- Actuarial Assumptions are based on salary 4% salary increases
- Mortality is based on 2018 table which incorporates a longer life spans results in increased liability

Mr. Amons questioned the used of the mortality table. Erik stated that this table is now commonly used; VMERS and two other municipalities are using it now. Alderman Davis questioned the 4% salary increases and stated that new contracts provide for 3% to 3.5%. Erik recommended a more in depth review of assumptions at a future meeting.

The Committee thanked Erik and Tracy from Newport Group for their detailed presentation. The committee discussed planning for the next meeting to incorporate a review by Prudential and Newport Group. The Chair will coordinate the next meeting for September 10th or 18th.

The meeting was adjourned at 7.35pm.

Respectfully submitted,

Mary Markowski
City Treasurer &
Pension Board Chair