

Ordinance No. 230440 and Defined Benefit Pension Plan Update as of May 1, 2022

Finance, Governance, and Public Safety Committee

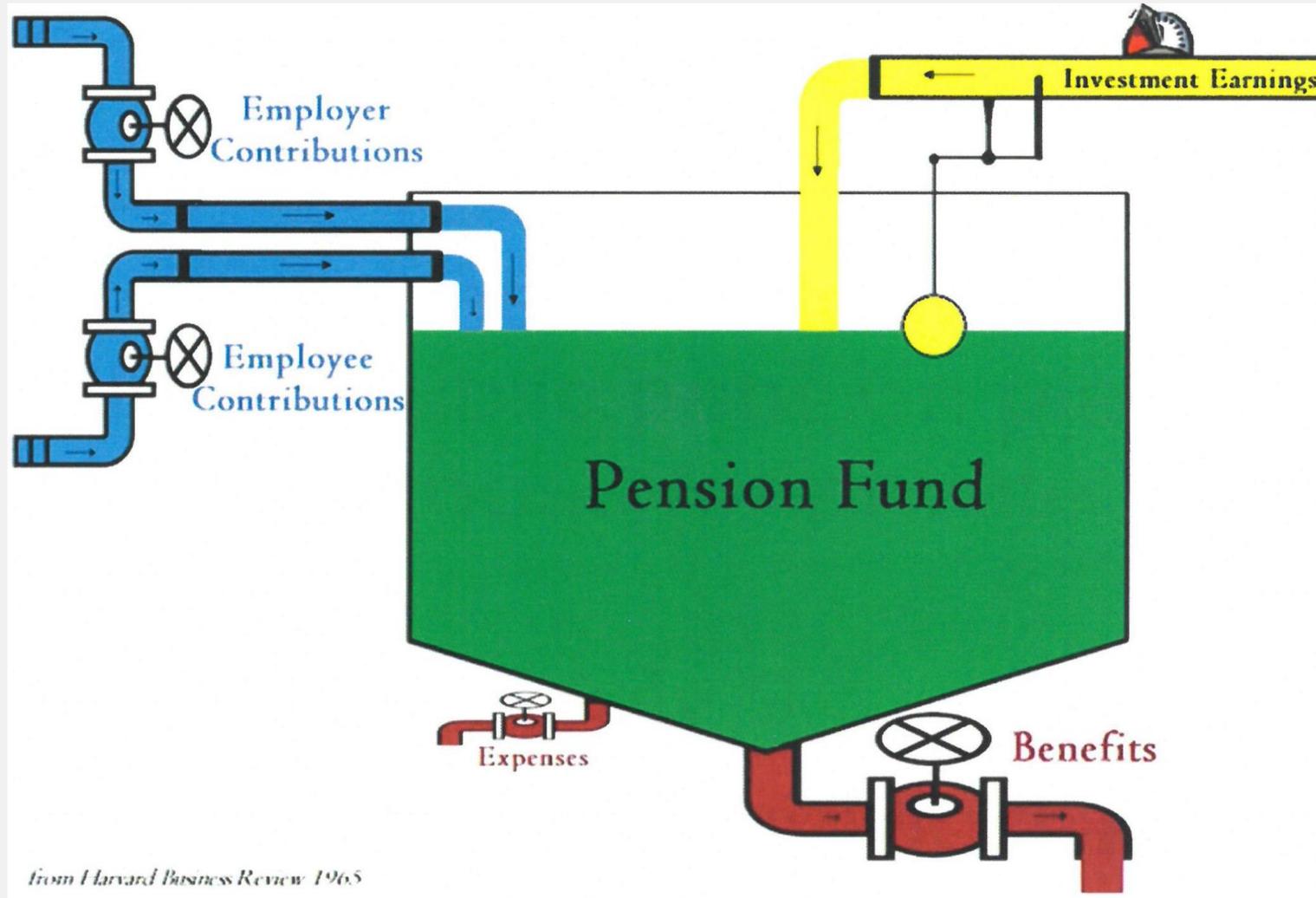
June 7, 2023

Sources:

- Cheiron - Actuarial Valuation as of May 1, 2022 - Employees' Retirement System**
- Cheiron - Actuarial Valuation as of May 1, 2022 - Firefighters Retirement System**
- Cavanaugh McDonald - Actuarial Valuation as of April 30, 2022 - Civilian Employees' Retirement System**
- Cavanaugh McDonald - Actuarial Valuation as of April 30, 2022 - Police Retirement System**

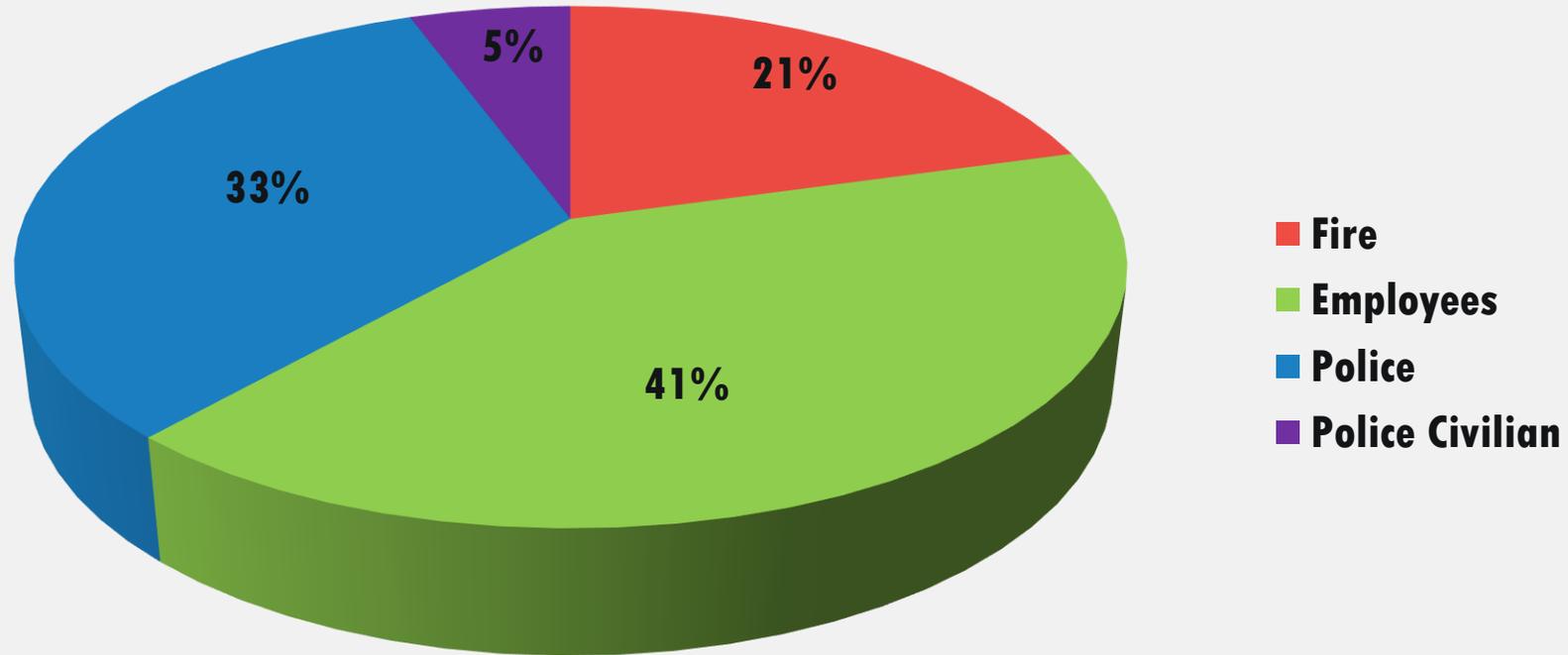


Defined Benefit Funding Process



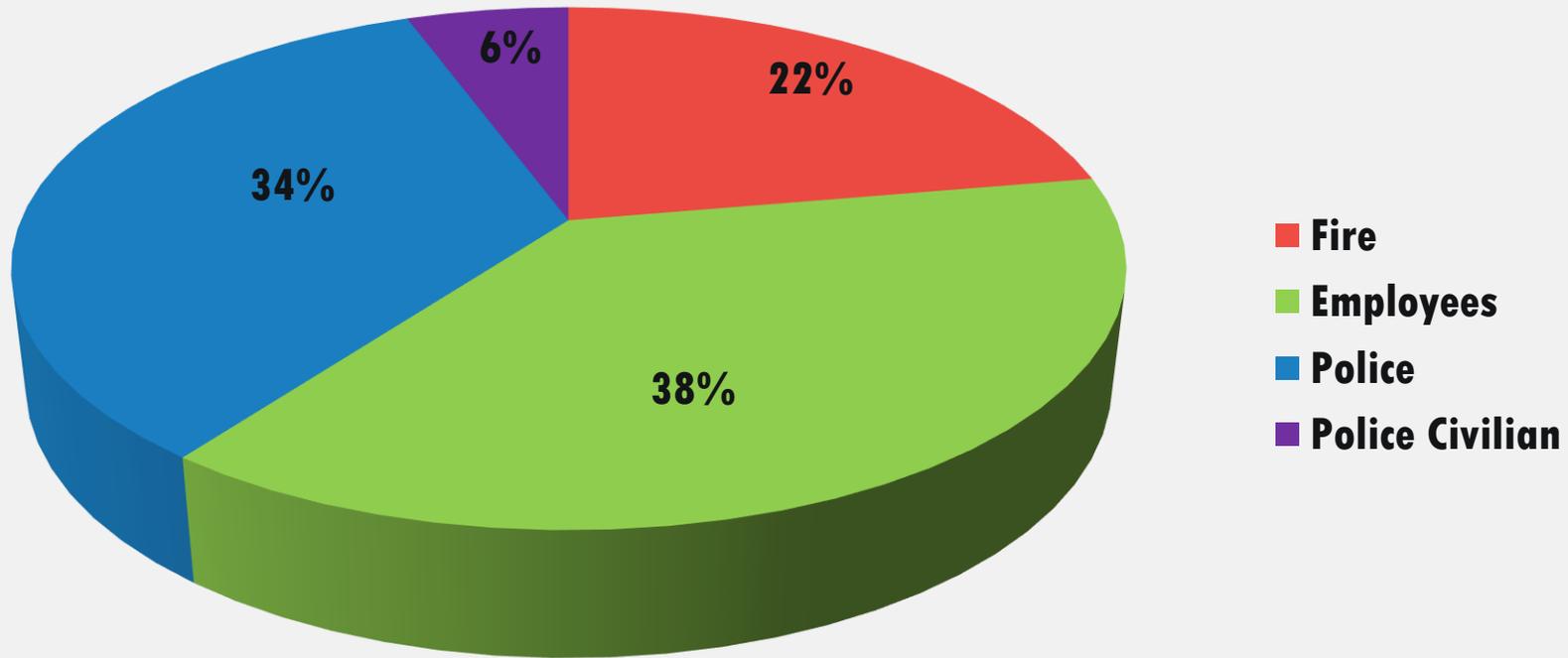
Actuarial Value of Assets

Total = \$3.087 billion
(As of May 1, 2022)

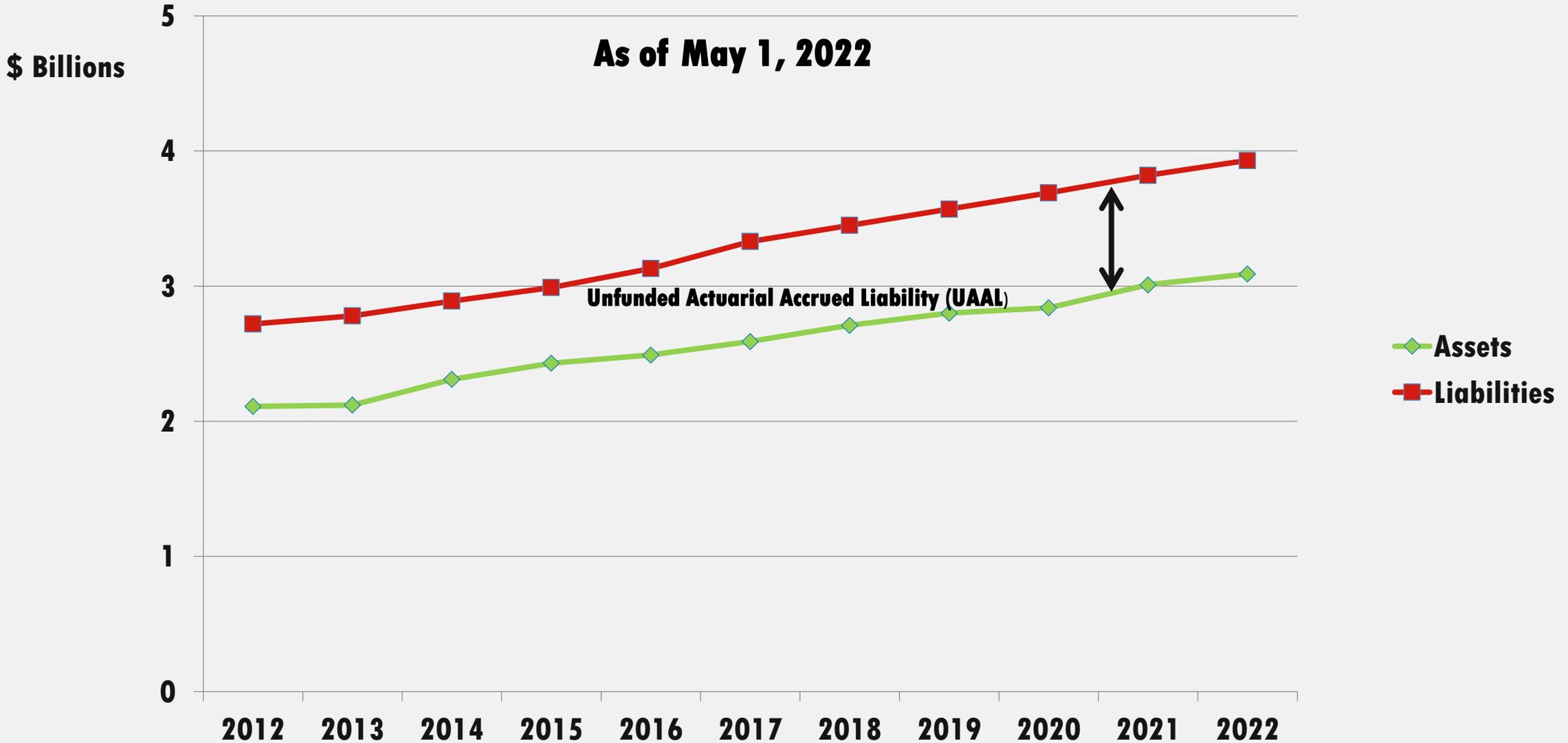


Actuarial Value of Liabilities

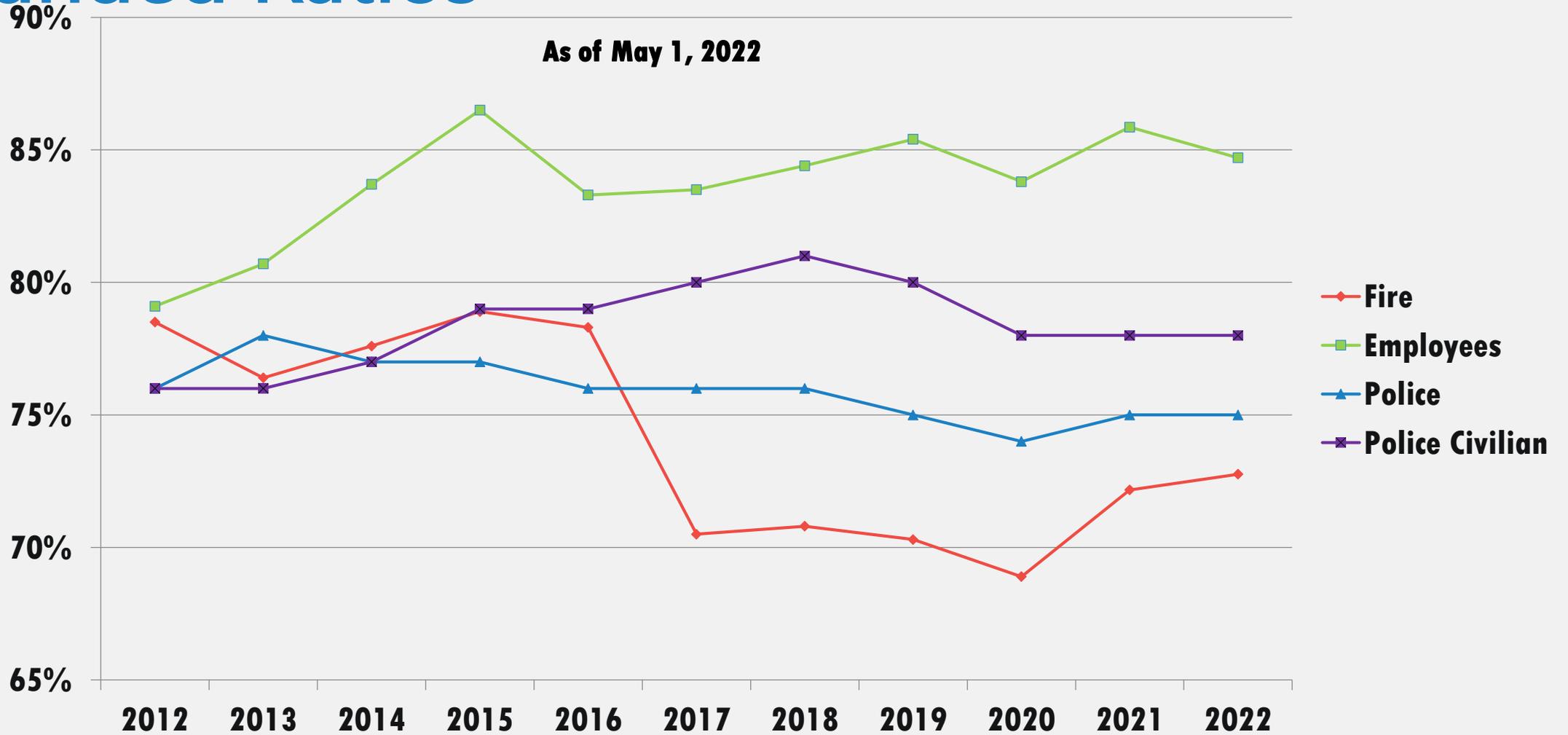
Total = \$3.931 billion
(As of May 1, 2022)



Actuarial Assets & Liabilities



Funded Ratios



Current Plan Assumptions

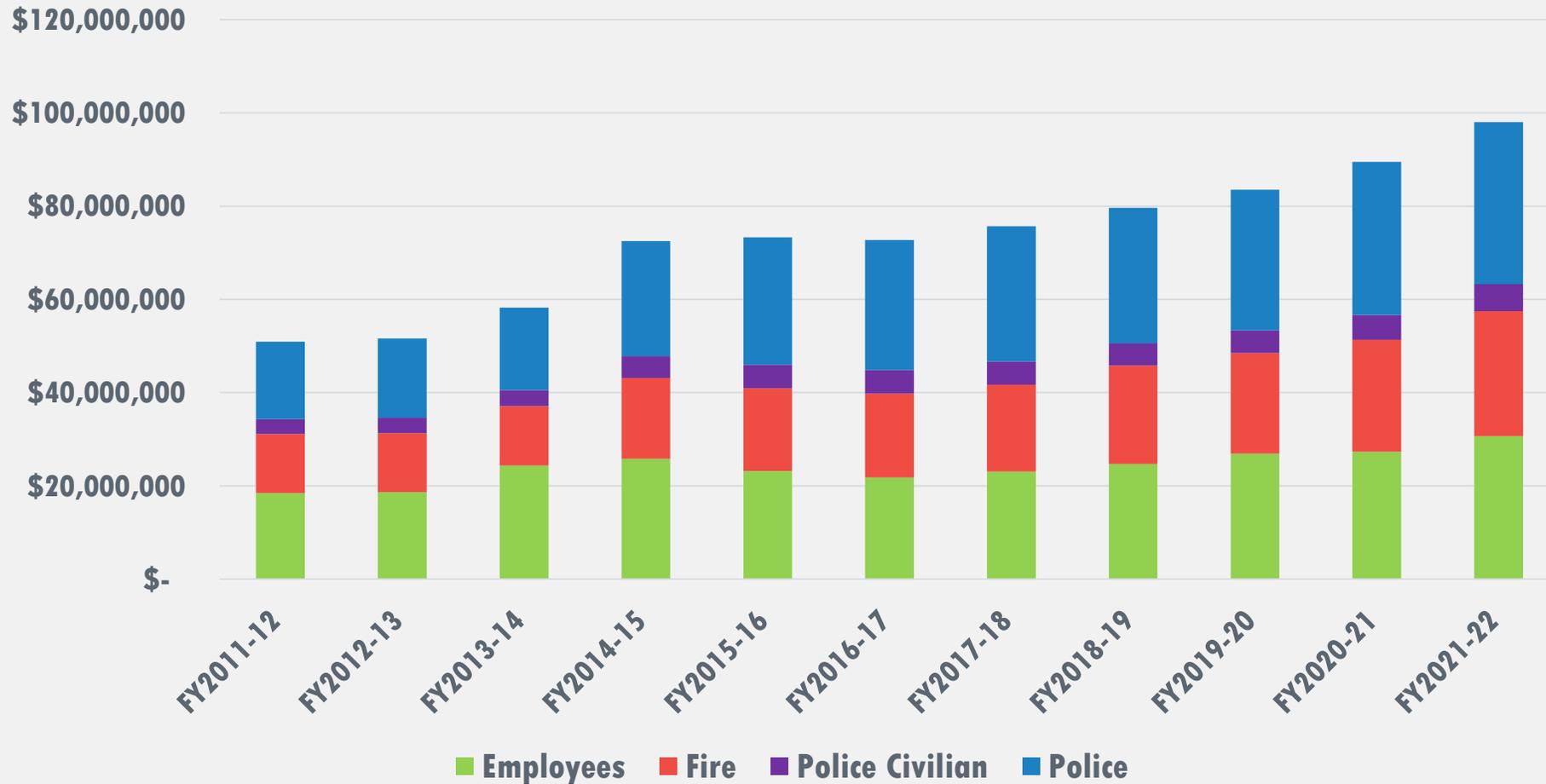
- Fire
 - Budgeted employer contribution rate – 42.62%*
 - Employee contribution rate – 11.55%**
 - Baseline return assumption – 7.00%
- Police
 - Budgeted employer contribution rate – 38.81%
 - Employee contribution rate – 11.55%
 - Baseline return assumption – 7.20%
- Employees
 - Budgeted employer contribution rate – 19.73%
 - Employee contribution rate – 5.00%
 - Baseline return assumption – 7.00%
- Police Civilian
 - Budgeted employer contribution rate – 21.78%
 - Employee contribution rate – 5.0%
 - Baseline return assumption – 7.05%

* Included in total is a City contribution of an additional 2% of pay toward supplemental health benefit.

**Included in total is an employee contribution of an additional 1% of pay toward supplemental health benefit.

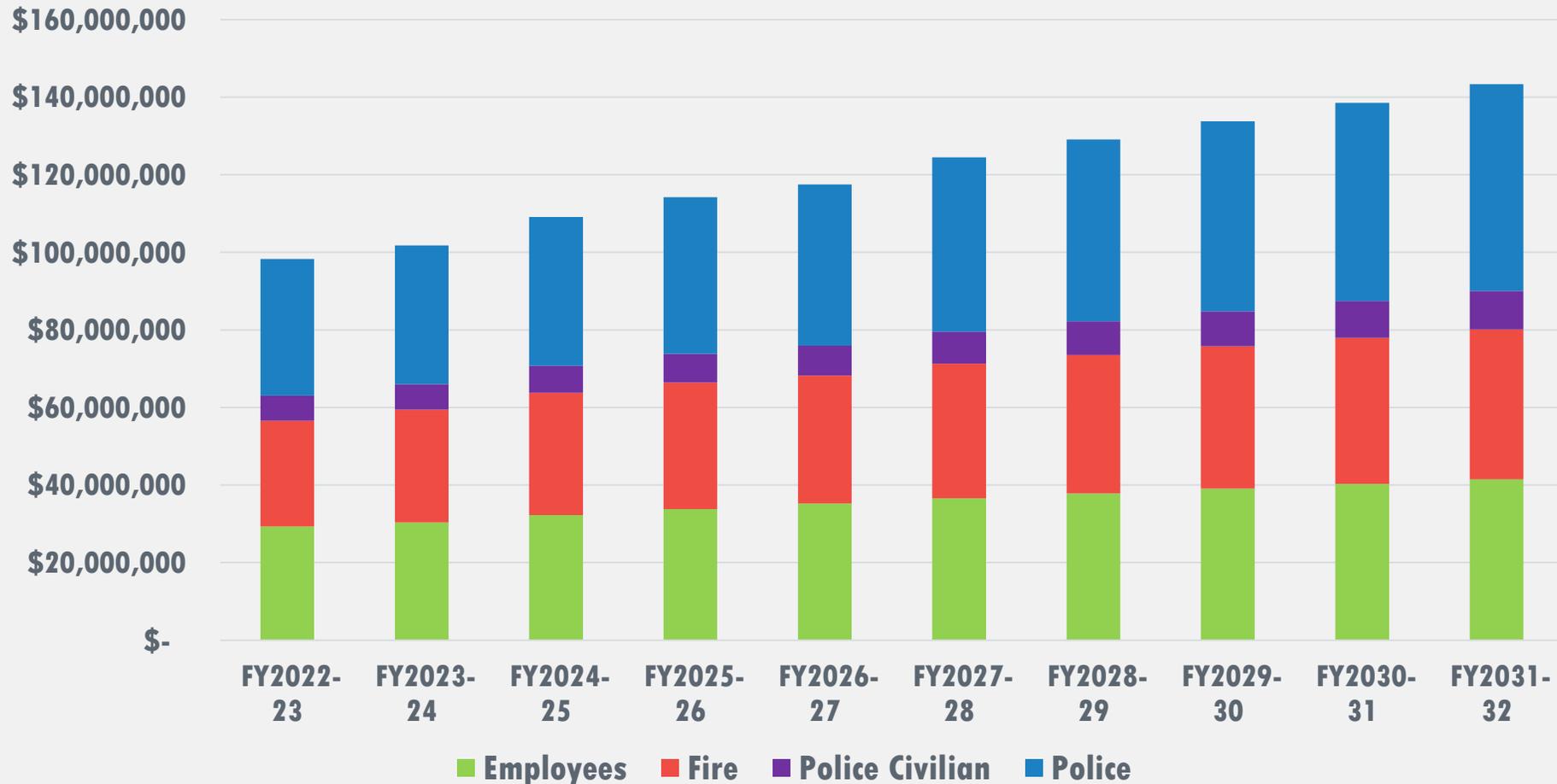
Employer Contribution by Plan

Pension Expense by Plan - All Funds



Future Employer Contribution by Plan

Estimated - All Funds



Mayor's Pension Task Force - 2018

- Convened in August 2018
- Approved recommendations
 - Reduce discount rate assumption to 6.50%
 - Adopt Pension Funding Policy
 - Change Tier 2 vesting (subject of Ordinance 230440)
 - Final average pay based on years of service
 - COLA – from simple to compounded and based on CPI
 - Combined DC/DB plan for certain employees
 - Review all recommendations every five years

Ordinance No. 230440

- Effective August 1, 2023
- Employees Retirement System (ERS)
 - Tier 2 employees vest in 5 years
 - Additional annual cost beginning FY2024-25 - \$292,365
 - Cost will increase over time as Tier 2 employees increase
 - Change in funded ratio – from 84.7% to 84.6%
 - Change composition of ERS Board to reflect collective bargaining agreements
 - Increase the required minimum distribution age to reflect Secure Act 2.0 requirements

Questions?