



Summary of the Pension Plans for the City of Warwick

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Actuarial Valuations

◆ Purposes:

- ▶ Performed annually
- ▶ Measure the System's liabilities
- ▶ Determine employer contributions
 - Provide other information for reporting
 - GASB #67/68 & CAFR
- ▶ Explain changes in actuarial condition
- ▶ Track changes over time



Actuarial Valuations

- ◆ Prepared as of the valuation date using
 - ▶ Member and financial data provided by City Staff
 - ▶ Current benefit and contribution provisions
 - ▶ Actuarial assumptions and methods remain unchanged
- ◆ Plans Covered:
 - ▶ Municipal Employees'
 - ▶ Police and Fire I (for members hired before 1992)
 - ▶ Fire II (for members hired after 1992)
 - ▶ Police II (for members hired after 1992)
 - ▶ Beginning with the June 30, 2014 valuations, all plans are valued every year



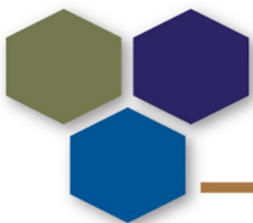
Three Open Plans

- ◆ The Municipal, Fire II, and Police II are all open plans
 - ▶ New members come into the Plans
- ◆ All three Plans have new benefit structures for members hired after June 30, 2012 which have substantially lower benefit provisions
 - ▶ Average difference in the value of the benefit is about 26%
 - ▶ This will lower future contributions as the new members are phased in through attrition
- ◆ All three Plans are funded through Normal Cost and Amortization Payments
 - ▶ The normal cost represents the value of the new accruals. Making normal cost contributions assures that assets are being accumulated as services are being rendered.
 - ▶ The amortization payments on any unfunded actuarial accrued liability (UAAL) that may exist. An UAAL can be created for several reasons, but usually from benefit enhancements granted on past service, changes in actuarial assumptions, or actual experience deviating from assumptions
 - ▶ All three Plans have a systematic and consistent approach to financing the unfunded liabilities to ensure they are fully amortized. This includes both current or any future bases that may be created
 - ▶ However, future positive experience can lower the UAAL directly



Police/Fire I

- ◆ The Police/Fire I Plan was closed to new entrants in 1992
- ◆ Before that, the funding into the Plan was consistently less than the actuarially determined rate
- ◆ A decision was made in 1992 to begin funding the liabilities
 - ▶ New hires entered the new plans Fire II and Police II
 - ▶ The remaining liabilities were set up on a 40 year amortization schedule, which began in 1995
 - ▶ FY2016 is the 21st year of the 40 year schedule
 - ▶ The City has met its obligation each year, and the funding plan is actually slightly ahead of schedule



Police/Fire I

- ◆ If the City remains on the current schedule, the Plan will be fully funded (accumulated assets = liabilities) by 2036 (40 years from 1995)
- ◆ At which time, the City's contribution would drop to \$0
- ◆ To remain on schedule, the City's annual contribution must continue to increase at 2.75% per year



Unfunded Accrued Liability

Plan	2014	2015	Change
Municipal	\$39.7 M	\$37.9 M	-\$1.8 M
Fire II	3.9 M	3.6 M	-0.3 M
Police II	23.1 M	21.5 M	-1.6 M
Police/Fire I	<u>210.8 M</u>	<u>208.1 M</u>	<u>-2.7 M</u>
Total	\$277.5 M	\$271.1 M	-\$6.4 M



Funded Ratio

Plan	2014	2015	Change
Municipal	72.7%	75.0%	2.3%
Fire II	91.6%	93.3%	1.7%
Police II	87.6%	89.1%	1.5%
Police/Fire I	<u>23.9%</u>	<u>25.0%</u>	<u>1.1%</u>
Combined	57.6%	60.1%	2.5%



City Contributions

Plan	Projected 2015-2016 based on 2014 Valuations	Projected 2016-2017 based on 2015 Valuations	Change
Municipal	\$5.56 M	\$5.58 M	0.4%
Fire II	2.86 M	2.85 M	-0.3%
Police II	3.60 M	3.63 M	0.8%
Police/Fire I	16.99 M	17.45 M	2.7%
Total	\$29.01 M	\$29.51 M	1.7%



Questions?
