

# January 1, 2017 Actuarial Valuation of the City of Fort Collins General Employees' Retirement Plan

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# Agenda

- Overview of Results
- Review Data
  - Member Data
  - Financial Data
- Review Liabilities
- Funding Analysis (Resources vs. Obligations)
- Solvency Projections

# Purposes of the Valuation

- Review demographic and financial experience
- Determine the funded status of the plan
- Provide financial reporting information pursuant to accounting standards

# Overview of Results - Funding

	2017	2016
1. Market Value (MV) of Assets	\$ 43,869,306	\$ 43,050,288
2. Return on MV (Prior Year)	5.9%	-0.6%
3. Discount Rate for Liabilities	6.50%	6.50%
4. Present Value of Future Benefits	\$ 59,794,045	\$ 59,860,251
5. Actuarial Liability (AL)	\$ 58,377,767	\$ 57,914,989
6. Unfunded Actuarial Liability AL - MV	\$ 14,508,461	\$ 14,864,701
7. Funded Ratio MV ÷ AL	75.15%	74.33%

# Overview – GASB 67/68 Disclosure Information

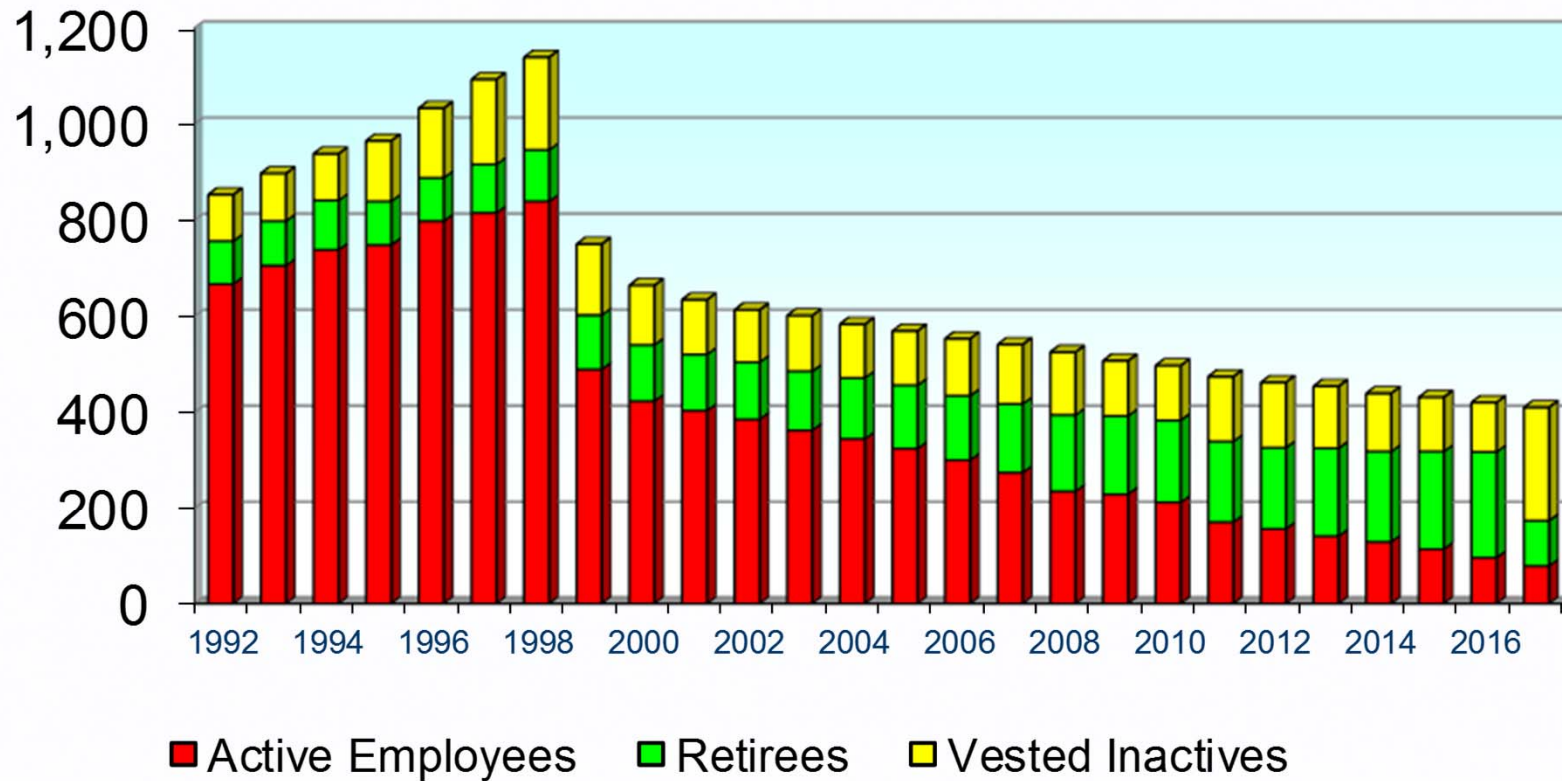
	12/31/2016	12/31/2015
Discount Rate for Liability	6.50%	6.50%
8. Total Pension Liability (TPL)	\$ 58,377,767	\$ 57,914,989
9. Fiduciary Net Position (FNP)	\$ 43,869,306	\$ 43,050,288
10. Net Pension Liability (NPL)	\$ 14,508,461	\$ 14,864,701
11. FNP as a % of TPL	75.15%	74.33%

- Total Pension Liability calculated using a discount rate of 6.5%, the Plan's long-term expected rate of return assumption
- The use of the long-term expected rate of return assumption is based on Plan's Depletion Date Projection, which takes into account the current Fiduciary Net Position, projected net cash flow, and reliance on the adopted policy of supplemental contributions. If the Plan were projected to run out of money the Total Pension Liability would be calculated using a blended discount rate incorporating the current rates of 20-year tax-exempt municipal bonds. The 20-year Muni Bond rate was 3.78% at 12/31/2016.
- The Depletion Date Projection is reviewed annually based on factors such as the current Fiduciary Net Position and future anticipated level of contributions.

# Data Reconciliation

	Actives	Term Vested	Retired	Total
1/1/2016	95	103	222	420
Rehire	N/A	N/A	N/A	0
Terminations	(3)	3	N/A	0
Retirements	(12)	(9)	21	0
Deaths	(1)	(2)	(5)	(8)
Cash Outs	(1)	(1)	0	(2)
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change	(17)	(9)	16	(10)
1/1/2017	78	94	238	410

# Summary of Plan Participants

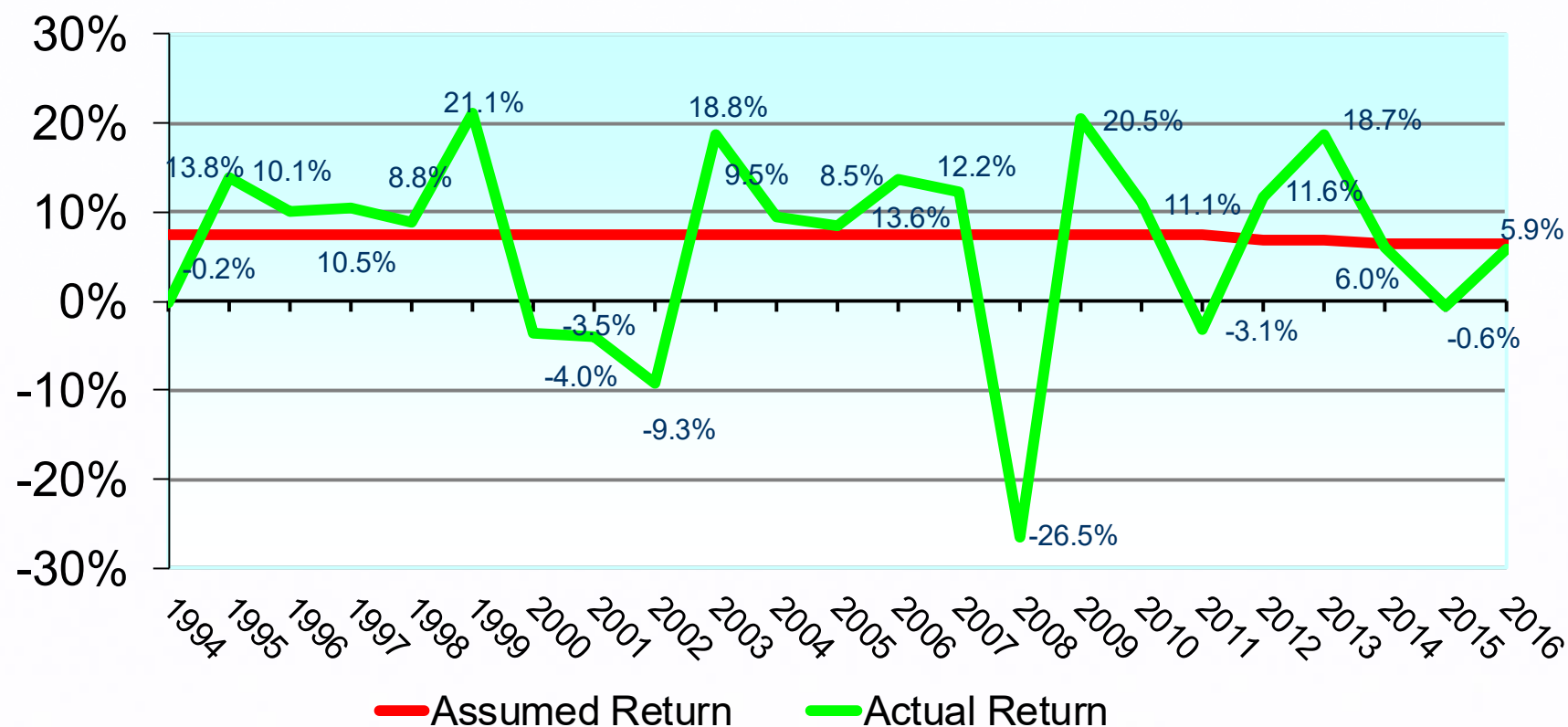


# Financial Data - 2016

1. Market Value of Assets – 1/1/2016	\$	43,050,288
2. Income		
a. Contributions	\$	1,720,650
b. Income and appreciation		<u>2,496,848</u>
c. Total	\$	4,217,498
3. Disbursements		
a. Monthly benefits	\$	3,191,027
b. Lump sum payments		176,708
c. Expenses		<u>30,745</u>
d. Total	\$	3,398,480
4. Net Increase/(Decrease)	\$	819,018
5. Market Value of Assets – 1/1/2017	\$	43,869,306

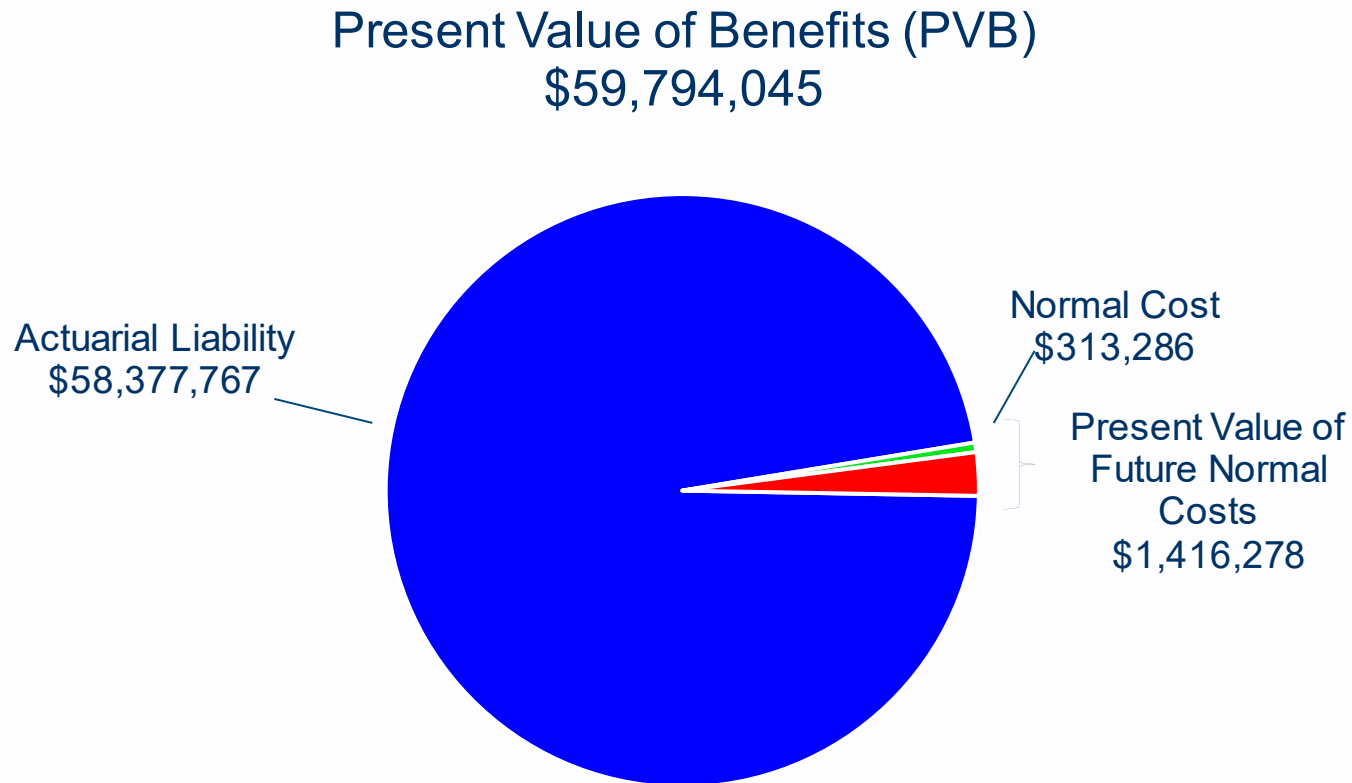


# Return on Market Value of Assets Net of Investment Expenses\*

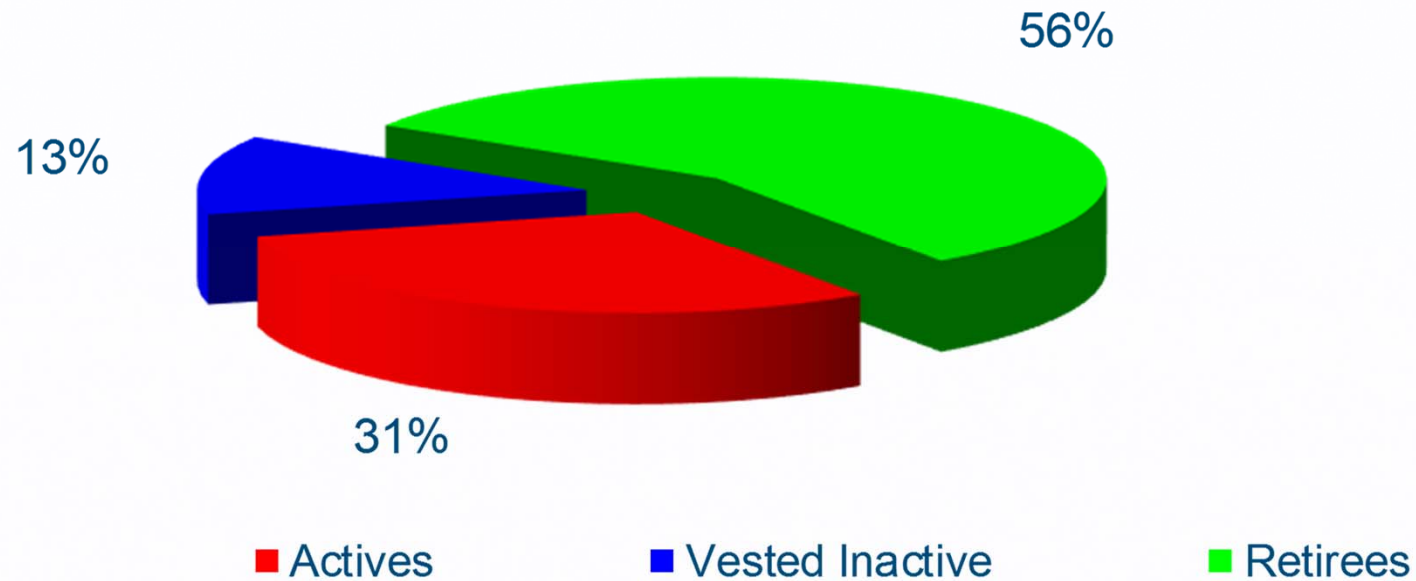


\*Net of all expenses prior to 2014

# Entry Age Normal Cost Method



# Actuarial Liability



# Unfunded Actuarial Liability

Actuarial Liability

**58,377,767**

Assets

**43,869,306**

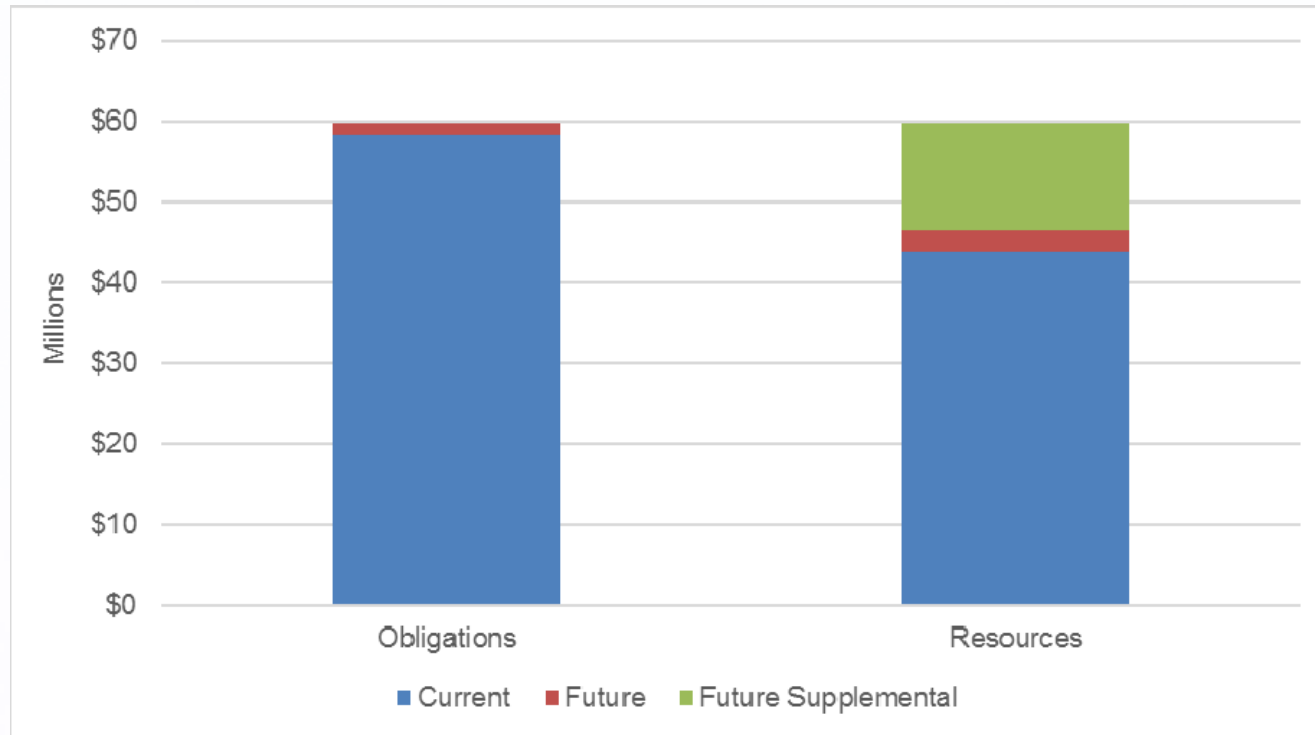
Unfunded Actuarial Liability

**14,508,461**

## Gain/Loss

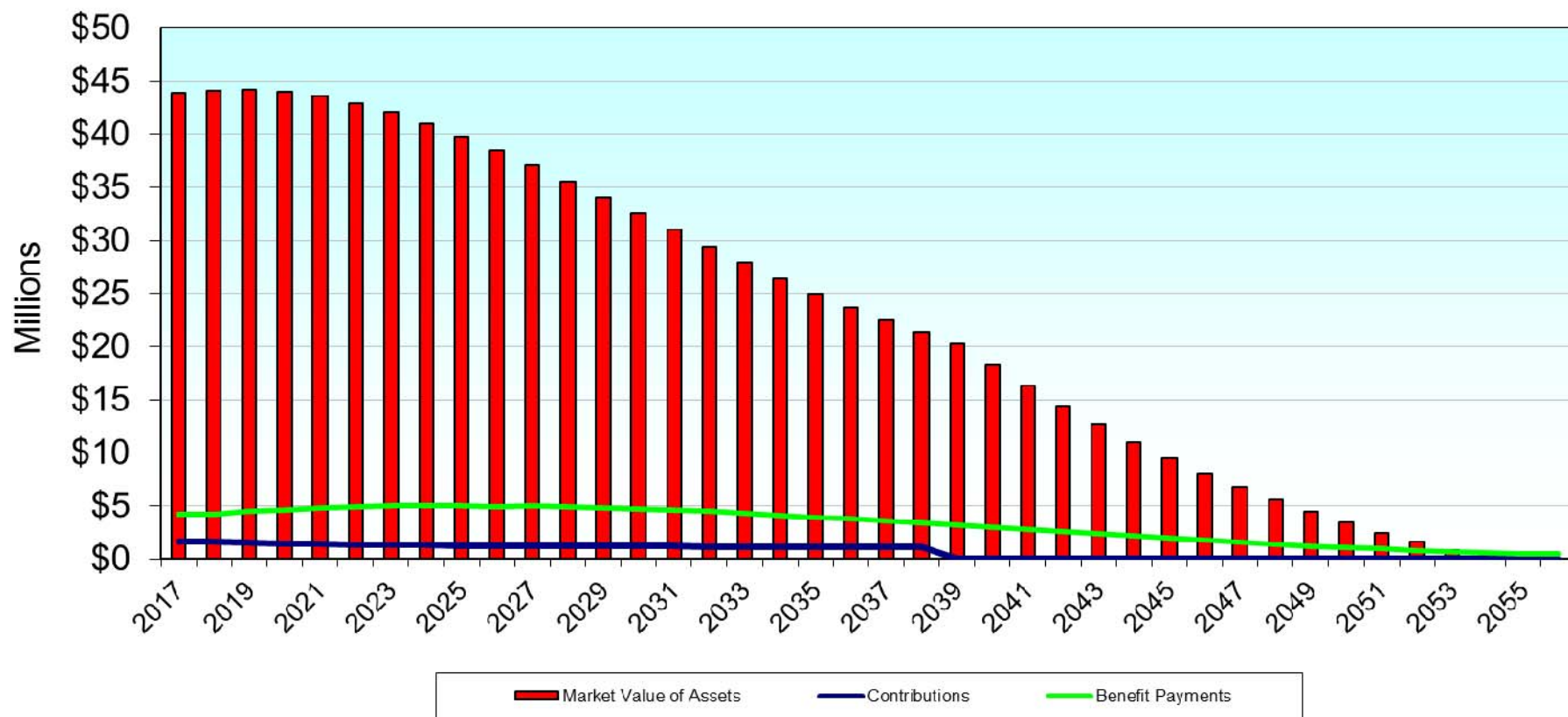
1. Actual UAL, 1/1/2016	\$ 14,864,701
2. Expected changes during 2016	<u>(369,056)</u>
3. Expected UAL, 1/1/2017	\$ 14,495,645
Changes:	
4. Asset (gain)/loss	\$ 247,750
5. Salary change different than assumed	(162,585)
6. Pensioner Mortality Experience	(105,224)
7. Retirement and other terminations	(76,468)
8. Other demographic	(111,110)
9. Retirement Assumption Change	50,333
10. Lump Sum Election Assumption Change	<u>170,120</u>
11. Total	\$ 12,816
12. Actual UAL, 1/1/2017	\$ 14,508,461

# Summary of Resources and Obligations



- Obligations consist of the Actuarial Liability (Current) and the amount of the total liability attributable to future service, the Present Value of Future Normal Costs (Future)
- Resources consist of the current market value of assets (Current) and the present value of the future anticipated payroll contributions of 10.5% of compensation (Future)
- The difference of \$13.3 million is the amount anticipated to be funded through the supplemental contribution of \$1.12 million per year. This equates to about 22 years as of the valuation date.

# Projection of Contributions, Benefit Payments, and Market Value of Assets



Assumes Market Value of Assets earns 6.5% per annum, and contributions are 10.5% of compensation. Includes excess contributions of \$1,120,000 for 2017- 2038.

# Projection of Contributions, Benefit Payments, and Market Value of Assets

Year	Market Value	Expected Contribution	Benefit Payment	Year	Market Value	Expected Contribution	Benefit Payment
2017	43,869,306	1,671,798	4,200,813	2037	22,461,502	1,137,523	3,632,848
2018	44,084,690	1,588,170	4,211,612	2038	21,304,253	1,131,689	3,429,545
2019	44,215,955	1,524,571	4,505,308	2039	20,274,649	8,018	3,208,572
2020	43,986,207	1,453,209	4,558,074	2040	18,245,039	6,395	2,987,796
2021	43,612,709	1,408,189	4,797,795	2041	16,308,708	5,043	2,812,214
2022	42,920,268	1,360,934	4,861,077	2042	14,425,309	1,730	2,574,794
2023	42,068,000	1,327,327	5,041,690	2043	12,660,078	909	2,351,932
2024	40,938,448	1,284,719	4,960,207	2044	11,008,210	562	2,136,660
2025	39,774,891	1,263,458	5,019,576	2045	9,469,697	348	1,932,315
2026	38,451,713	1,244,257	4,945,457	2046	8,040,732	0	1,731,169
2027	37,098,472	1,231,467	5,000,365	2047	6,724,965	0	1,544,154
2028	35,586,594	1,210,558	4,890,511	2048	5,515,492	0	1,369,575
2029	34,067,483	1,197,802	4,833,930	2049	4,406,350	0	1,208,174
2030	32,494,061	1,184,166	4,663,685	2050	3,390,420	0	1,060,418
2031	30,979,228	1,177,758	4,583,501	2051	2,459,640	0	926,172
2032	29,441,246	1,168,421	4,496,967	2052	1,605,562	0	805,043
2033	27,882,122	1,156,710	4,325,787	2053	819,592	0	696,785
2034	26,385,405	1,149,488	4,125,283	2054	92,833	0	600,814
2035	24,990,039	1,145,794	3,934,632	2055	0	0	515,983
2036	23,696,060	1,142,641	3,791,527	2056	0	0	441,435

Assumes Market Value of Assets earns 6.5% per annum, and contributions are 10.5% of compensation. Includes excess contributions of \$1,120,000 for 2017 - 2038.



# Certification

- Except as otherwise indicated in this presentation, the explanatory notes contained in our draft January 1, 2017 actuarial valuation report, including statements of reliance and limitations on use, continue to apply.
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- The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.
- On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.