

**CITY OF EL PASO, TEXAS
AGENDA ITEM
DEPARTMENT HEAD'S SUMMARY FORM**

DEPARTMENT: City Manager's Office
Office of Management & Budget

AGENDA DATE: August 14, 2012

CONTACT PERSON/PHONE: Lynly Leeper, Chief Budget Officer, (915) 541-4777

DISTRICT(S) AFFECTED: All

SUBJECT:

Presentation and discussion on the status of the City Employees' Pension Fund.

BACKGROUND / DISCUSSION:

Mayor and Council have requested an update on the status of the fund to be presented by the pension administrator.

PRIOR COUNCIL ACTION:

N/A

AMOUNT AND SOURCE OF FUNDING:

N/A

BOARD / COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

DEPARTMENT HEAD: Lynly L. Leeper **DATE:** 8/7/12



PENSION PLAN UPDATE

I. Recent Pension Plan Data

II. Actuarial Summary

III. Sustainability

IV. Communications

PENSION PLAN DATA

El Paso City Employees' Pension Fund
 Actuarial Valuation - September 1, 2010

Schedule A

Membership Data

	<u>September 1, 2010*</u>	<u>September 1, 2008*</u>
1. Active members		
a. Number of vested	1,666	1,643
b. Number of nonvested	<u>2,498</u>	<u>2,474</u>
c. Total	4,164	4,117
d. Covered payroll	\$ 143,107,477	\$ 136,507,894
e. Average annual pay	\$ 34,368	\$ 33,157
f. Average age	46.5	46.1
g. Average service (years)	10.0	9.8

Membership Data

	<u>September 1, 2010*</u>	<u>September 1, 2008*</u>
2. Retired members		
a. Number currently being paid from fund**	2,172	1,944
b. Total current annual benefit	\$ 35,674,776	\$ 30,512,360
c. Average current annual benefit	\$ 16,425	\$ 15,696
d. Average age	68.0	67.5



El Paso City Employees' Pension Fund Funding Status

August 6, 2012

Measure of Funding Status

Use funding period – length of time in years required to amortize the current unfunded actuarial accrued liability (UAAL) based on current contribution rates.

Per Texas Pension Review Board (PRB) Guidelines for Actuarial Soundness (adopted September 28, 2011), funding period should not exceed 40 years, with 15 – 25 years being a more preferable target.

Benefit increases should not be adopted if they cause a material increase in the funding period and if the resulting period exceeds 25 years.

As of most recent valuation date, September 1, 2010, the funding period for the City Employees' plan is 39 years.

Measure of Funding Status

- Estimated funding period as of September 1, 2011 is 23 years, based on:
 - Unaudited assets as of September 1, 2011 of \$551,640,435
 - Updated actuarial assumptions adopted by Board of Trustees on April 20, 2011
 - Revised plan provisions, including adoption of second tier of benefits and increased contribution rates, adopted at City Council meeting of August 30, 2011

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Measure of Funding Status

- Estimated funding period for El Paso City Employees' Pension Fund – 23 years
- Funding periods for other Texas municipal pension funds*:
 - Austin - infinite
 - Dallas – 30 years
 - Fort Worth – 28.4 years
 - Houston – 29 years

**from May, 2012 PRB List of Current Plan Valuations*



Estimated September 1, 2011 Valuation Results

	September 1, 2011	September 1, 2010
Assets		
Market value	\$ 551,640,435	\$ 494,258,344
Actuarial value	\$ 577,651,495	\$ 569,723,124
Valuation Results		
Unfunded actuarial accrued liability	\$ 182,387,494	\$ 140,274,242
Funding period	23 years	39 years
GASB No. 25		
Actuarial accrued liability (AAL)	\$ 760,038,989	\$ 709,997,366
Assets (actuarial)	\$ 577,651,495	\$ 569,723,124
GASB ratio	76.0%	80.2%
Unfunded AAL	\$ 182,387,494	\$ 140,274,242

SUSTAINABILITY

Measures recently undertaken to improve the sustainability of the Plan:

- **Lowered the Investment Return Assumption from 8% to 7.5%**
- **Lowered Benefits for 2nd Tier Participants**
- **Increased Contributions by employees and employer**
- **Increased Diversification of Investment Types**

EFFECT OF CHANGES MADE EFFECTIVE SEPTEMBER 1, 2011

Estimated impact of a 7.5% return on assets for the year ending August 31, 2012

	<u>Actual</u>			
<u>September 1,</u>	<u>Rate of Return on MV for Year Ending August 31,</u>	<u>Rate of Return on AV for Year Ending August 31,</u>	<u>Funded Percentage</u>	<u>Funding Period</u>
2006	9.14%	8.31%	82.9%	75
2007	12.82%	11.52%		
2008	-5.52%	7.91%	87.5%	16
2009	-8.92%	3.63%		
2010	8.39%	1.91%	80.2%	39
2011	13.72%	3.13%	76.0%	23
		<u>Projected Estimates</u>		
2012	7.5%	2.57%	72.9%	22
2013	7.5%	5.52%	72.0%	21
2014	7.5%	8.65%	73.4%	20
2015	7.5%	8.46%	74.9%	19
2016	7.5%	7.50%	75.7%	18

These projections are based on the September 1, 2010 Valuation

COMMUNICATIONS

Communication with City; Employees; and Retirees

- ◆ By Ordinance the City's Comptroller is the Treasurer of the City Employees' Pension Fund. The Comptroller provides the Board with monthly reports on the financial condition of the Fund and assists with the Fund's annual audit.
- ◆ Two City Representatives serve as Trustees on the Pension Board.
- ◆ Pension Administration distributes an Annual Report and copies of the Fund's Annual Audit Report to the Board, Mayor, City Council and the City Manager.

Communication with City; Employees; and Retirees

- ◆ Pension Administration makes presentations at New Employee Orientation. Participants are given a Summary Plan Description at the time of hire and anytime there is a change in the Plan.
- ◆ Annual Benefit Statements are provided to participants.
- ◆ Pension Administration makes presentations at Pre-retirement Classes as scheduled by the City's Human Resources Department.
- ◆ Pension Administration makes presentations to the Employees' Association when requested.
- ◆ The Pension Office is located on the 6th floor of City Hall and is open Monday through Thursday from 7 a.m. to 6 p.m. and by appointment.

Communication with City; Employees; and Retirees

- ◆ Pension Administration has added a Retiree Liaison position to our organization chart in order to improve customer service and communication with retirees. Once the position is filled the Pension Office will coordinate customer service for retirees.

Our Fund's Website
www.eppension.org

Information available on our website includes:

 **Pension Board Meeting Agendas**

 **Quarterly Financial Statements**

 **Annual Audit Reports**

 **Biennial & Interim Actuarial Valuations**

 **Information and News Items**

Questions or Comments