



Finance Department Memorandum

Date: October 21, 2010
To: Mayor Harold Perrin
From: Jim Eagan, Assistant Finance Director
Subject: 2010 Actuarial Valuation for Non-Uniform Pension Plan

Today I received the 2010 actuarial valuation prepared by Foster&Foster, for the Non-Uniform Pension Plan (Plan). This report serves as the basis for determining the contributions required for funding the Plan. This report has been reviewed and the following items were noted.

Required Contribution

Last year, the 2009 actuarial valuation (prepared by Principal Financial Group) indicated a required contribution of \$853,015. The 2010 valuation calculated that a contribution of only \$690,346 will be required for 2010. The reduction in contribution is mainly due to the positive investment results achieved in 2009. You will recall that the Plan experienced an unrealized gain of \$1,056,442 during 2009 (see Non-Uniform Pension Fund report attached). Principal Financial Group had assumed a 7.5% investment return.

The main components of the required contribution, normal cost and payment to amortize the unfunded liability, both decreased. Normal cost, the current charge to pay future benefits, decreased from \$581,813 to \$509,602; a reduction of \$72,211.

The unrealized gain in 2009 resulted in a decrease in the unfunded liability. This lowered the payment to amortize the unfunded liability (over 30 years), from \$234,578 to \$144,120. Combined with the lower normal cost, the required contribution was decreased \$162,669.

For budgetary purposes, we had originally estimated the 2010 Plan contribution to be \$655,538, therefore, the results of the valuation will have minimal budgetary impact.

Actuarial Values

There were several significant changes in actuarial values. Among these were the following:

	2009	2010	Change
Actuarial Value of Assets	\$ 5,127,195	\$ 6,776,314	\$ 1,649,119
Present Value of Active Member Benefits	8,522,974	8,256,281	(266,693)
Present Value of Vested Benefits	1,541,724	1,430,105	(111,619)
Present Value of Retiree Benefits	2,222,756	2,306,723	83,967
Total Actuarial Accrued Liability	7,897,648	8,478,431	580,783
Unfunded Actuarial Accrued Liability	2,770,453	1,702,117	(1,068,336)
Total Present Value Accrued Benefits	5,449,135	6,042,563	593,428

Member Data

It was noted in the report that the number of persons included in the Plan dropped from 243 to 219. Included in those no longer active were 13 vested employees with deferred benefits, and 5 retirees.

Among those still active, the report lists 3 employees who are eligible to receive normal retirement benefits, and 28 who are eligible for early retirement.

Summary

The reduction in contribution for the Plan is favorable news. Jason Franken, the actuary who prepared the report, will be present at the upcoming Finance Committee to discuss the report and answer any questions. In the meantime, if you have any comments, please do not hesitate to let me know.