



## Finance Department Memorandum

**Date:** October 28, 2010  
**To:** Mayor Harold Perrin  
**From:** Jim Eagan, Assistant Finance Director  
**Subject:** Additional Information Regarding 2010 Actuarial Valuation for Non-Uniform Pension Plan

In the memorandum dated October 21, 2010, several items in the above report were mentioned. After further review, followed by a discussion with Jason Franken, the actuary who prepared the report, there are additional items that should be highlighted for consideration.

### **Member Data**

As mentioned in the previous memorandum, there are 3 employees eligible to receive normal retirement benefits, and 28 who are eligible for early retirement. Further analysis provides interesting statistics regarding future retirees.

Of the 28 persons who are eligible for early retirement (as of 12/31/2009), one became eligible for normal retirement this year, and eight will become eligible for normal retirement in the next four years. However, the remaining 19 persons will be eligible for normal retirement by the end of 2019, with 5 persons eligible in both 2016 and 2018. Further, there are ten persons age 60 and over who are not eligible for early retirement, but will be eligible for normal retirement within the next four years.

All of the above data is summarized in the **AGE AND SERVICE DISTRIBUTION MATRIX** shown on page 18 of the report. Also, it is important to note that this matrix indicates there are 40 persons aged 50 to 54 years (as of 12/31/2009), and sixteen of these individuals currently have a minimum of ten years of service.

### **Projection of Benefit Payments**

The impact of future retirements is shown on page 10 in the Projection of Benefit Payments table. This table shows the amount of funding required to pay benefits to current and prospective retirees in future years. As you can see, the payments for current actives begins to increase significantly (\$47,377) in 2014. Other significant increases were also noted for 2017 (\$62,967), 2019 (\$95,714), 2021 (\$95,655), and 2022 (\$150,516) at which time the annual payment will have increased to \$720,929.

### **Future Considerations**

These facts should be part of any discussion regarding the future of the defined benefit plan. Current efforts toward changes to improve investment performance and management of the funds, along with reduction in costs will lessen future funding costs. It is vital that attention be given to future actuarial valuations in light of the trends discussed above. The impact of increased funding requirements on future budgets could become significant.

Attached is a recent policy statement adopted by the Government Finance Officers Association regarding management and design of defined benefit plans, that you may find useful. If you have any questions regarding the report, please let me know.