

# The Great Gatsby

By F. Scott Fitzgerald

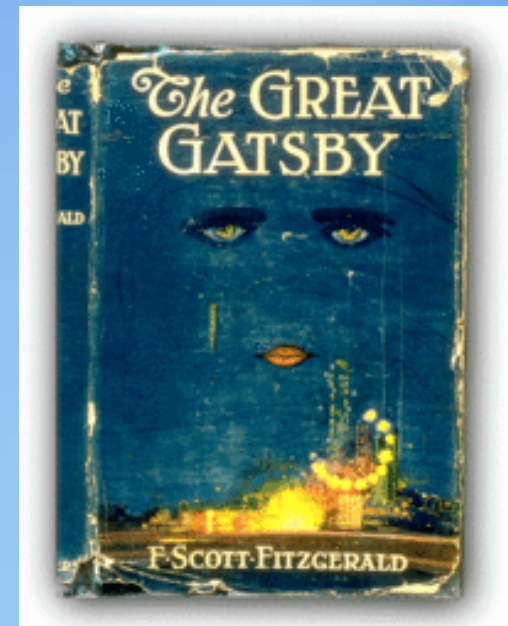
Published 1925

Setting: Long Island &  
NYC

1922- Jazz Era

“Great American Novel”

Jay Gatsby



# **GASB 45**

(GAZZ-BEE)

# **&**

# **OPEB**

Presented by Glenn S. Klocko, Comptroller



**GASB:  
Government Accounting  
Standards Board**

**Statement No. 45**

**OPEB:  
Other Post-Employment  
Benefits**

# Introduction



# Comptroller's Perspective

(Part 1 of 3)

# Sources

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Merrill Lynch. "OPEB Liability/ Financial Analysis." 2006.

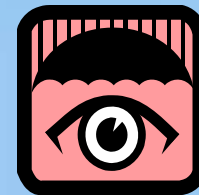
**GASB 45...**

**It's About  
Disclosure**

# **What is GASB Statement Number 45? The technical definition:**

- Establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial report of state and local government employers.

# Examples of Other Post- Employment Benefits



# Managerial Perspective

- Understand the meaning of liabilities
  - Methods and assumptions
  - Actuarial valuation results
- 
- The strength of management's plan will be critical
  - Benefits economically and politically correct?

# Financial Perspective

- Public's willingness to support
- Budget costs
- Financial flexibility



# Other Perspectives

- Labor Relations
- Department Administration
- Implementation Costs





Governmental Accounting Standards Board

# **A Word About GASB 34, 43 & 45**

# Issues of Implementing OPEB Accounting

- Misconceptions
- Financing
- Accounting



**CITY OF BRISTOL, CONNECTICUT  
STATEMENT OF NET ASSETS**

**JUNE 30, 2007**

(In Thousands)

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>BBHD</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 65,354	\$ 2,589	\$ 67,943	\$ 1,070
Investments	110	4,147	4,257	
Receivables, net	11,320	1,183	12,503	4
Internal balances	-		-	
Inventory	48	152	200	
Other assets	7,229	46	7,275	
Capital assets:			-	
Assets not being depreciated	61,255	3,962	65,217	
Assets being depreciated, net	199,207	21,499	220,706	86
Total assets	<u>344,523</u>	<u>33,578</u>	<u>378,101</u>	<u>1,160</u>
<b>Liabilities:</b>				
Accounts and other payables	8,172	475	8,647	10
Accrued liabilities	8,606	75	8,681	78
Bond anticipation notes payable	-	-	-	
Other current liabilities	-	761	761	
Unearned revenue	887	21	908	19
Noncurrent liabilities:			-	
Due within one year	10,007	978	10,985	23
Due in more than one year	64,085	6,544	70,629	28
Total liabilities	<u>91,757</u>	<u>8,854</u>	<u>100,611</u>	<u>158</u>
<b>Net Assets:</b>				
Invested in capital assets net of relat	200,700	18,427	219,127	86
Restricted for:				
Trust purposes:			-	
Expendable	164		164	
Nonexpendable	246		246	
Unrestricted	<u>51,656</u>	<u>6,297</u>	<u>57,953</u>	<u>916</u>
Total Net Assets	<u>\$ 252,766</u>	<u>\$ 24,724</u>	<u>\$ 277,490</u>	<u>\$ 1,002</u>

The accompanying notes are an integral part of the financial statements

**CITY OF BRISTOL, CONNECTICUT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2007**  
(In Thousands)

Functions/Program	Expenses	Net (Expense) Revenue and Changes in Net Assets						
		Program Revenues			Primary Government			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	BBHD
Primary Government:								
Governmental activities:								
General government	11,110	\$ 3,490	\$ 968	\$ 172,000	\$ (6,480)	\$ (6,480)	\$	
Public safety	24,268	1,289	435	-	(22,544)	(22,544)		
Public works	27,278	6,325	546	450	(19,957)	(19,957)		
Health and welfare	5,995	27	545	115	(5,308)	(5,308)		
Libraries	2,369	29	81	50	(2,209)	(2,209)		
Parks & Rec	3,175	291	578	62	(2,244)	(2,244)		
Education	108,150	2,247	54,647	7,792	(43,464)	(43,464)		
Miscellaneous	694	281	-	-	(413)	(413)		
Debt service:								
Interest and fiscal	2,335				(2,335)	(2,335)		
Total gov't activities	185,374	13,979	57,800	8,641	(104,954)	(104,954)	-	
Business-type activities:								
Water	6,154	5,428		209		(517)	(517)	
Total Primary Government	\$ 191,528	\$ 19,407	\$ 57,800	\$ 8,850	(104,954)	(517)	(105,471)	-
Component Unit:								
BBHD	\$ 2,649	\$ 119	\$ 2,570	\$			40	
General revenues:								
Property taxes					103,644	103,644		
Grants and contributions not restricted to specific program					6,409	6,409		
Unrestricted investment earnings					3,700	325	4,025	57
Gain on sale of capital assets					-	-		
Miscellaneous					147	147		
Total general revenues and transfers					113,900	325	114,225	57
Change in net assets					8,946	(192)	8,754	97
Net assets, July 1, 2006					243,820	24,916	268,736	905
Net assets, June 30, 2007					\$ 252,766	\$ 24,724	\$ 277,490	\$ 1,002

The accompanying notes are an integral part of the financial statements

# Notes to Financial Statements

*From the June 30, 2007 Comprehensive Annual Financial Report  
(CAFR)*

## 14. Other Post-employment Benefits

For 2006-07, 233 retirees received these benefits with a cost to the City in the amount of \$1,838,732 (amt. not rounded).

The City has designated \$1,100,000 from General Fund's unreserved fund balance for implementation of GASB 45.

# CAFR

## June 30, 2008

### Schedule of Funding Progress

#### City of Bristol Other Post Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (a-b)	Fund Ratio (a/b)	Covered Payroll (c)	UALL as a % of Covered Payroll (a-b)/c
6/30/07	\$0	\$71,700,000	\$71,700,000	0%	\$70,000,000	-102%

# CAFR

## June 30, 2007

### Schedule of Funding Progress

#### City of Bristol Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (a-b)	Fund Ratio (a/b)	Covered Payroll (c)	UALL as a % of Covered Payroll (a-b)/c
7/1/06	\$170,138	\$124,411	\$45,727	136.8%	\$26,901	170.0%
7/1/05	152,259	118,404	33,855	128.6	26,022	130.1

# CAFR

## June 30, 2007

### Schedule of Funding Progress

#### Police Benefit Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (a-b)	Fund Ratio (a/b)	Covered Payroll (c)	UALL as a % of Covered Payroll (a-b)/c)
7/1/06	\$137,399	\$73,840	\$63,559	186.1%	6,768	939.1%
7/1/05	122,121	74,674	47,447	163.5	6,718	706.7

# CAFR

## June 30, 2007

### Schedule of Funding Progress

#### Firefighters Benefit Fund

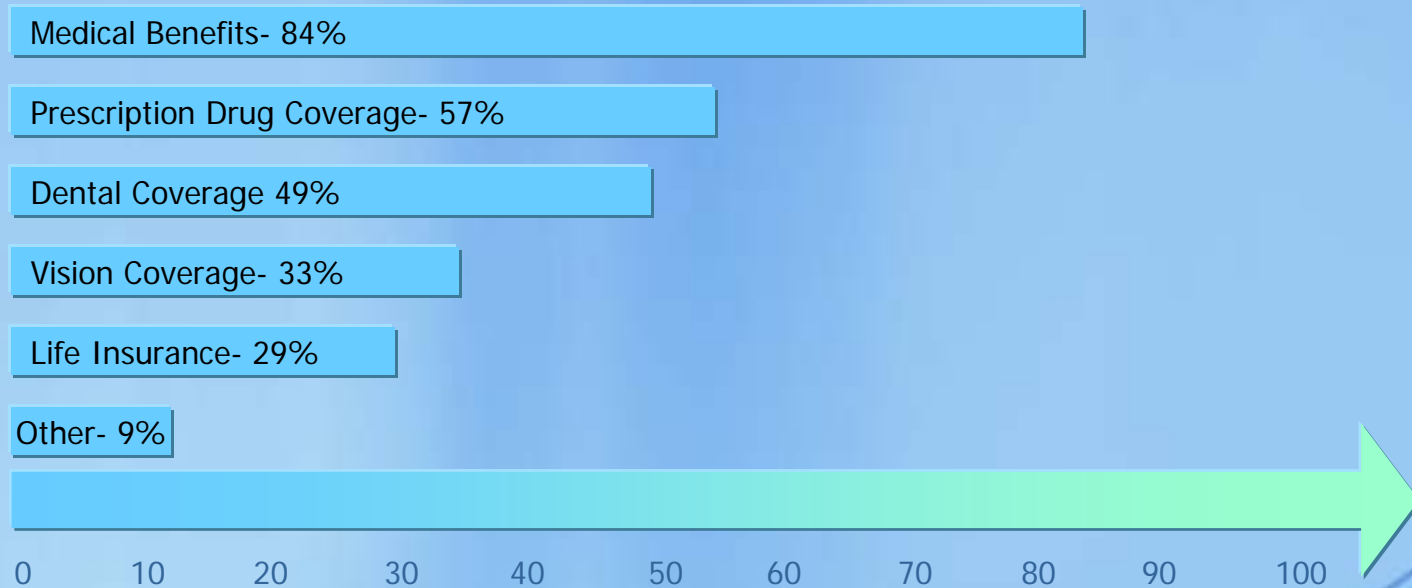
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (a-b)	Fund Ratio (a/b)	Covered Payroll (c)	UALL as a % of Covered Payroll (a-b)/c)
7/1/06	\$125,251	\$59,274	\$65,977	211.3%	\$4,696	1,405.0%
7/1/05	111,168	58,373	52,795	190.4	4,668	1,130.9



# AON Consulting's 2007 GASB OPEB Survey

Over 160 employers responded to Aon Consulting's GASB OPEB survey from all levels of government and public school systems in all regions of the United States.

## What current OPEB plans do you offer retirees?



# The Simple Guide to GASB 45

- GASB establishes standards of financial accounting and reporting
- Improving accounting and financial reporting
- GASB No. 45 governs non-pension related benefits

## **The Simple Guide to GASB 45 (cont.)**

- “Pay-as-you-go” approach
- That approach ignored the facts
- Is present in the private sector for 15 years

# Key GASB Facts

- Post-employment benefits are a form of deferred compensation
- *Other* post-employment benefits (OPEB) include healthcare and any type of post-employment benefits that is *not* an integral part of the pension plan



# Key GASB Facts (cont.)

- An actuarial valuation is used
- Annual required contribution (ARC)
- Net OPEB obligation can be eliminated
- Funding not required
- GASB cannot tell a government what to do- only how to reflect what is has done

# Key GASB Facts (cont.)

- GASB now requires an accrual basis
- Liabilities on the balance sheet
- Expenses on the income statement
- Notes of the financial statements

# Key Actuarial Terms

**Normal Cost:** The present value of the estimated future cost for pension benefits or OPEBs earned in the current year by current employees

**Service Cost:** The value of benefits expected to be earned during the year, again based on certain actuarial methods and assumptions

**AAL: Actuarial Accrued Liability:** is the liability or obligation for benefits earned through the valuation date, based on certain actuarial methods and assumptions

As of June 30, 2007 is \$71,700,000

**UAAL: Unfunded Actuarial Accrued Liability:** The difference between the present value of the projects costs for pension benefits or OPEBs earned to date by current and former employees and the market value of the assets pertaining to the pension fund or OPEB trust

# Key Actuarial Terms

ARC: Annual Required Contribution: Normal Cost + Amortized UAAL

Net OPEB Obligation: The shortfall of annual OPEB contributions to annual OPEB costs. Begins accruing at GASB 45 implementation

PVPB: Present Value of all Projected Benefits:

The total present value of all expected future benefits, based on certain actuarial assumptions, is a measure of total liability or obligation

PVPB is the value of the benefits promised to current and future retirees

As of June 30, 2007 Bristol's PVPB is \$115,000,000

**So...**  
**What Exactly Is Our  
Liability?**



**The liability is the same,  
the accounting is simply  
better**



**Numbers will be big,  
but the plan of action  
is more important**

# Summary of Actuarial Results

(as provided by AON Consulting)

June 30, 2007

<b>Present Value of all Projected Benefits (PVPB)</b>	<b>\$115,000,000</b>
<b>Present Value of benefits earned to date (AAL)</b>	<b>\$71,700,000</b>
<b>2005/06 Annual Required Contributions (ARC)</b>	<b>\$8,200,000</b>
<b>2005/06 Annual OPEB Cost</b>	<b>\$8,200,000</b>
<b>2005/06 Expected Benefit Premiums</b>	<b>\$3,300,000</b>
<b>Annual Required Contribution: June 30, 2008</b>	
<b>Service Cost (with interest) 2007/2008</b>	<b>\$3,600,000</b>
<b>AAL Amortization</b>	<b>\$4,600,000</b>
<b>Total Annual Required Contribution</b>	<b>\$8,200,000</b>

# Current Funding Strategy

<b>Year</b>	<b>Funding (Base + 25%)</b>	<b>Total</b>	<b>Year</b>	<b>Funding</b>	<b>Total</b>
<b>1 2007-08</b>	<b>Starting Base</b>	\$200,000	<b>9</b>	238,419	1,192,093
<b>2 2008-09</b>	50,000	250,000	<b>10</b>	298,023	1,490,116
<b>3</b>	62,500	312,500	<b>11</b>	372,529	1,862,645
<b>4</b>	78,125	390,625	<b>12</b>	465,661	2,328,306
<b>5</b>	97,656	488,281	<b>13</b>	582,077	2,910,383
<b>6</b>	122,070	610,352	<b>14</b>	727,596	3,637,979
<b>7</b>	152,588	762,939	<b>15</b>	909,495	4,547,474
<b>8</b>	190,735	953,674			

# Key Decision: How Should We Fund Our OPEB?

- Continue current strategy of pay-as-you-go funding (cash)
- Issue bonds
- Reduce or eliminate benefits
- Prefund



# What is Prefunding?

Let's say we want to buy an HDTV  
for \$3,000...



# Benefits of Prefunding

- Higher discount rate
- Control the liability
- Control our future



# Prefunding:

Benefits both sides of the funded status equation

- plan assets are higher through the cash contributed to the plan, and
- the present value of the obligation is lowered through the use of a higher discount rate

Allows state or local government to take advantage of the compounding effects of investment returns.





# **GASB Statement Number 45 is a big change for public retiree health care**



**There are important  
public policy  
implications**

**They are...**

**Credit rating agencies are looking for a plan of action.**



# To them...



*Moody's Investors Service*

STANDARD  
& POOR'S

**Fitch**Ratings  
KNOW YOUR RISK

**A plan is likely more  
important than the size  
of the obligation.**

# How do creditors respond to the disclosures of these liabilities?

From a Credit Perspective:

- Not new liabilities
- Fundamental analysis
- On target?



*Moody's Investors Service*

**“The choices made (or not made) by governments to address pension problems can have a significant impact on short- and long-term financial stability.”**

*-Moody's Investor Services*

# Ratings Guide-Moody's

## Bristol's Rating: Aa3

Aaa	Best quality
Aa1, Aa2, <b>Aa3</b>	High quality by all standards
A1, A2, A3	Upper medium grade
Baa1, Baa2, Baa3	Medium grade
Ba1, Ba2, Ba3	Has speculative elements
B1, B2, B3	Generally lack characteristics of a desirable investment
Caa	Poor standing; may be in default
Ca	Speculative in a high degree; often in default
C	Lowest rated class of bonds; extremely poor prospects



**“The key to preserving creditworthiness in the face of any OPEB pressures will be how these liabilities are managed.”**

***-Standard & Poor's***

# Ratings Standard & Poor's

## Bristol's Rating: AA

AAA	Highest quality; extremely strong capacity to pay
<b>AA</b> (+ or -)	High credit quality; very strong capacity to pay
A (+ or -)	Strong capacity to pay principal and interest
BBB (+ or -)	Adequate capacity to pay principal and interest
BB (+ or -)	Low speculative
B (+ or -)	Speculative
CCC & CC(+ or -)	High speculation
C	Income bonds on which no interest is being paid
D	In default

# Fitch

- Will incorporate a government's approach to addressing its OPEB liability, as well as the magnitude of the liability itself, into its analysis of the main credit factors
- As more governments receive actuarial reports that estimate the liability, Fitch will evaluate those reports and discuss the governments' plans for addressing the liability

# Ratings Guide-Fitch

## Bristol's Rating: AA

AAA	Highest credit quality
<b>AA</b> (+ or -)	Very high credit quality
A (+ or -)	High credit quality
BBB (+ or -)	Good credit quality
BB (+ or -)	Speculative
B (+ or -)	Highly speculative
CCC, CC, C (+ or -)	High default risk
D	In default

# Key Credit Concerns

1. Scope of benefits
2. OPEB ARC as a percentage of budget
3. OPEB funding ratio (currently, less of a concern than pension ratios)
4. Management of future benefits
5. Plan for handling the liability
6. Comparison to peers

# The Important Message

- It has been made clear by the rating agencies, that doing nothing is not an option
- There is not a single funding answer that will fit all circumstances
- Many Towns & Cities will consider several funding options rather than trying to rectify the complex problem with only one approach

**“Remember, GASB 45 encourages, but does not dictate funding”**

# **It's Not Too Late!**

Formulate a reporting plan of action  
based on the actuarial reports and

Develop a long term financing strategy

## It's Not Too Late (cont.)

- This issue would have to be addressed even without GASB 45
- As baby boomers retire and begin to receive benefits local governments will be facing dramatically higher pay-as-you-go amounts over the next decade
- A plan of action to address retiree health care obligations should not be viewed as being driven simply by the implementation of a new accounting rule, but as a natural reaction to the shifting demographics of the workforce

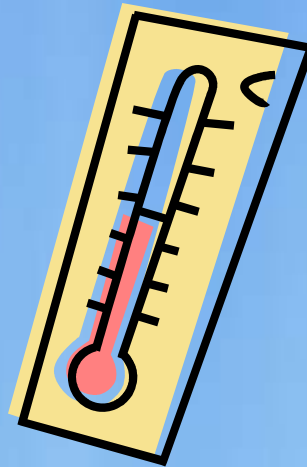
# Facts & Figures

**The first step in effective problem solving, of course, is to correctly identify the problem.**

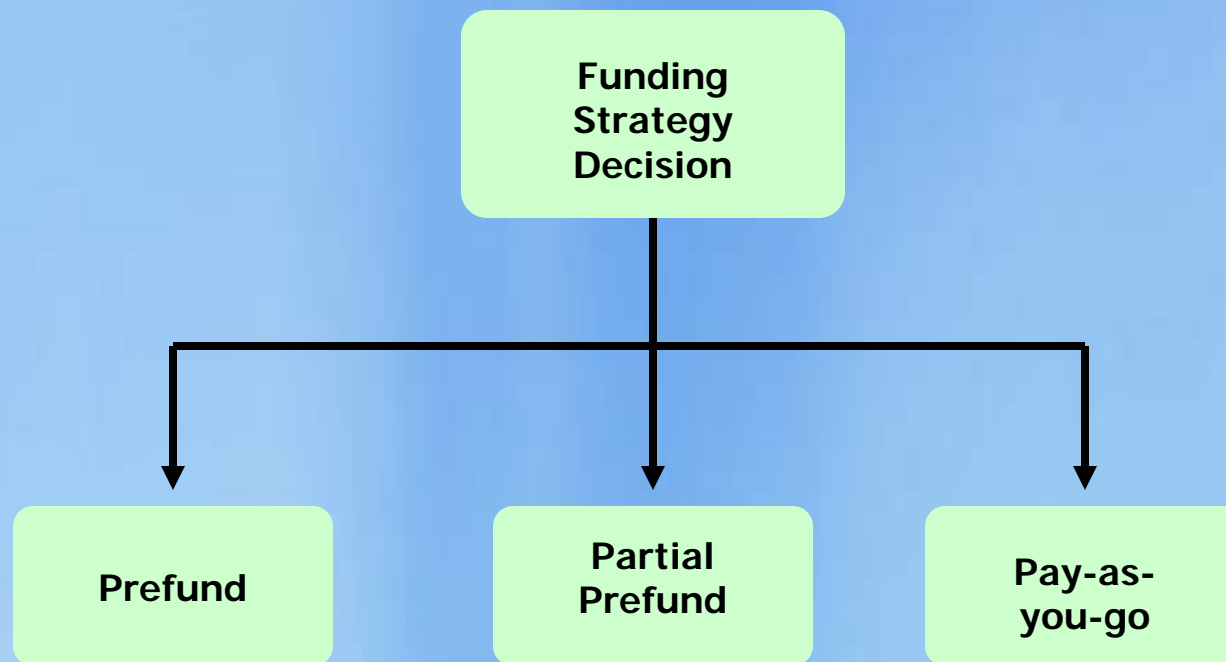


# Pension vs. OPEB

**The problem is the Fever  
Not the Thermometer!**



# Solution is in Our Funding Strategy Decision



# Summary of Actuarial Results

(as provided by AON Consulting)

June 30, 2007

<b>Present Value of all Projected Benefits (PVPB)</b>	<b>\$115,000,000</b>
<b>Present Value of benefits earned to date (AAL)</b>	<b>\$71,700,000</b>
<b>2005/06 Annual Required Contributions (ARC)</b>	<b>\$8,200,000</b>
<b>2005/06 Annual OPEB Cost</b>	<b>\$8,200,000</b>
<b>2005-06 Expected Benefit Premiums</b>	<b>\$3,300,000</b>
<b>Annual Required Contribution: June 30, 2008</b>	
<b>Service Cost (with interest) 2007/2008</b>	<b>\$3,600,000</b>
<b>AAL Amortization</b>	<b>\$4,600,000</b>
<b>Total Annual Required Contribution</b>	<b>\$8,200,000</b>

# City Pension Plan

## 24 Year Total of Contributions

### 1982-2005

<b><u>CITY</u></b>	<b><u>Employer (54%)</u></b>	<b><u>Employee (46%)</u></b>
Total	\$22,549,000	\$19,253,062

<b><u>POLICE</u></b>	<b><u>Employer (86%)</u></b>	<b><u>Employee (14%)</u></b>
Total	\$27,263,000	\$4,607,194

<b><u>FIRE</u></b>	<b><u>Employer (83%)</u></b>	<b><u>Employee (17%)</u></b>
Total	\$14,287,000	\$3,011,785

**GASB 45 has provoked  
strong negative reactions  
in some quarters**



**However, it seems only fair to observe that the statement does not so much create a problem as dissolve one that has been around for a long time, just under the surface.**

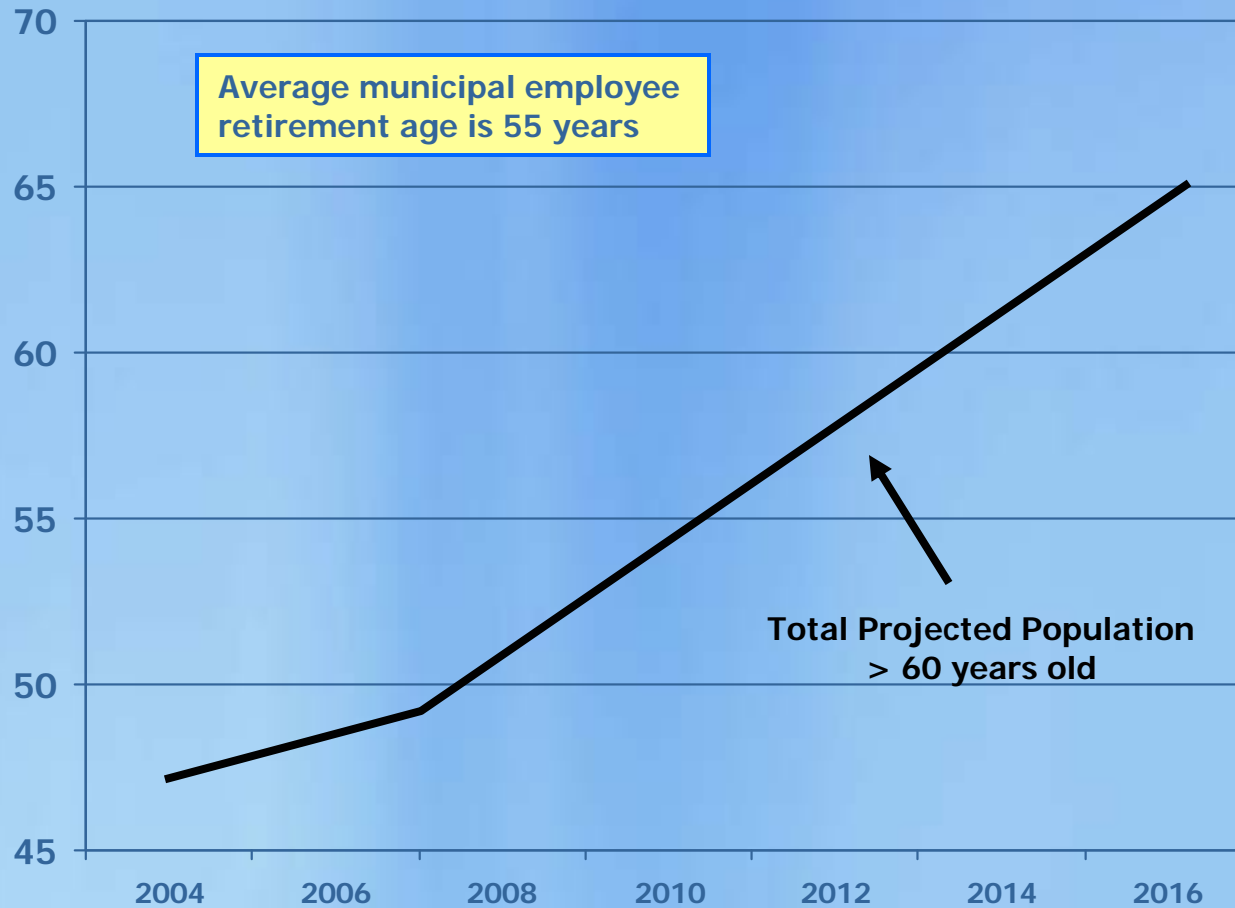
# THE REAL CHALLENGE...



## Budgetary Implications



# Demographics



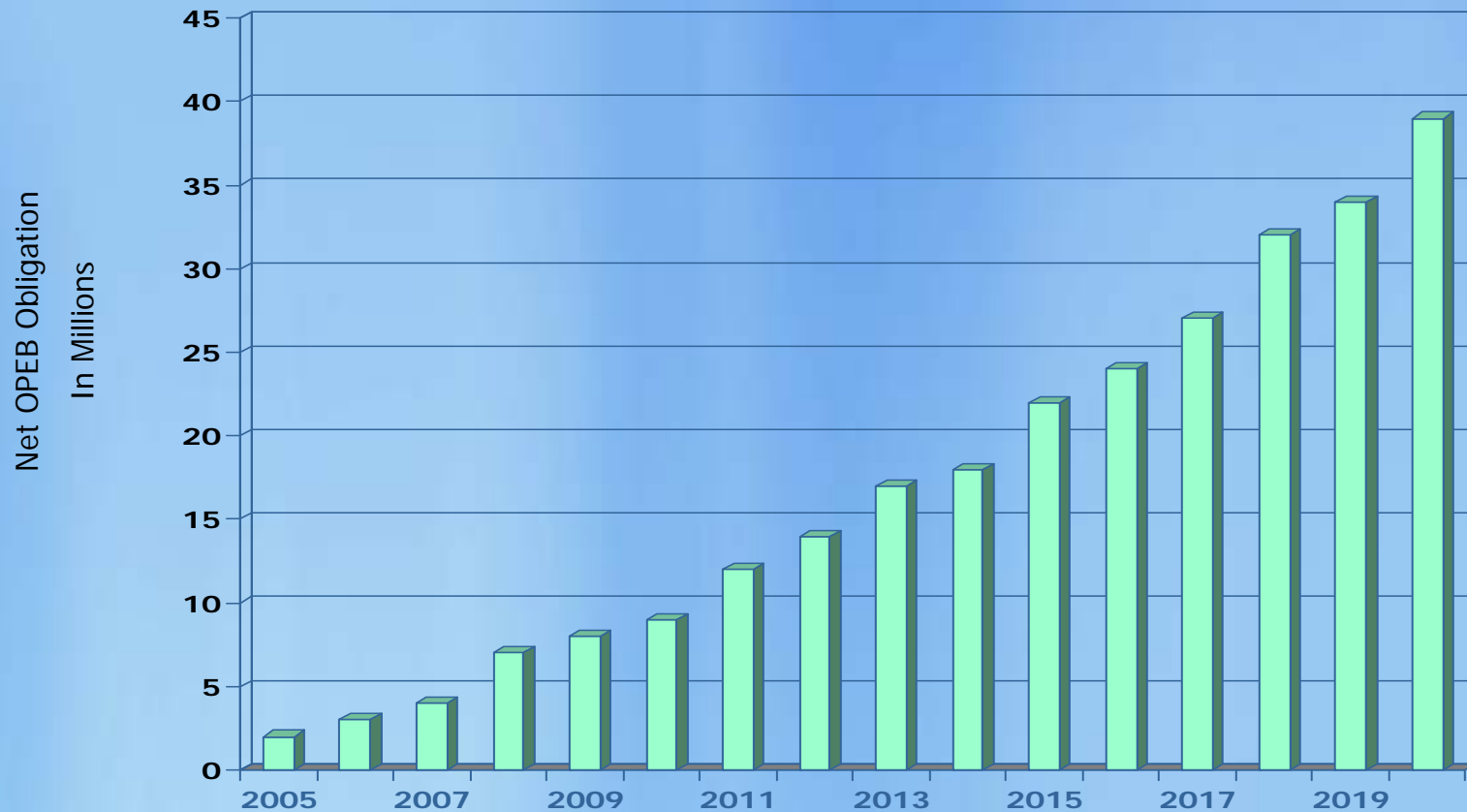
# OPEB Liabilities- Example

Impact of GASB 45 if Employer Does Not Fund the Actuarially Required Contribution



# OPEB Liabilities- Example

Impact of GASB 45 on a Municipality's Balance Sheet if Pay-As-You-Go Continues





# The Norwalk Story

(where GASB is headquartered)



In July 2007, the City began prefunding its OPEB liabilities using a Section 115 Trust, perhaps the most common form of Trust used for this purpose.

## Norwalk's Employee Benefits System Covers:

- 2,000 Active City & School Employees
- 625 Retirees
- 440 Retiree Spouses





## City of Norwalk

PVPB	<u>\$153 million</u>
Between Pay-Go of	\$ 6 million
Annual Gap	<u>\$ 8 million</u>
And its ARC	<u>\$ 13 million</u>



## Wishing to Maintain its AAA Credit Level

Norwalk's Common Council decided to close that \$8 million gap over a four year period by appropriating

- 1<sup>st</sup> Year \$2 million
  - 2<sup>nd</sup> Year \$4 million
  - 3<sup>rd</sup> Year \$6 million
  - 4<sup>th</sup> Year \$8 million
- } Per Year



# **The Section 115 Trust will be “Starting From Scratch”**

**Tom Hamilton, Finance Director**

# Where did they find the cash??





First:

Raising property taxes

AND....

Second:

Renegotiating retiree health benefits  
with labor unions



Norwalk has made dealing with its retiree medical benefits a top priority in all of its collective bargaining negotiations...

AND...



Norwalk argued strenuously that establishing and funding an OPEB Trust is the only way to assure that these benefits will be there for future retirees.



**There has been some controversy...**

About the changes among the  
three collective bargaining groups  
affected in Norwalk

Their Outcome...

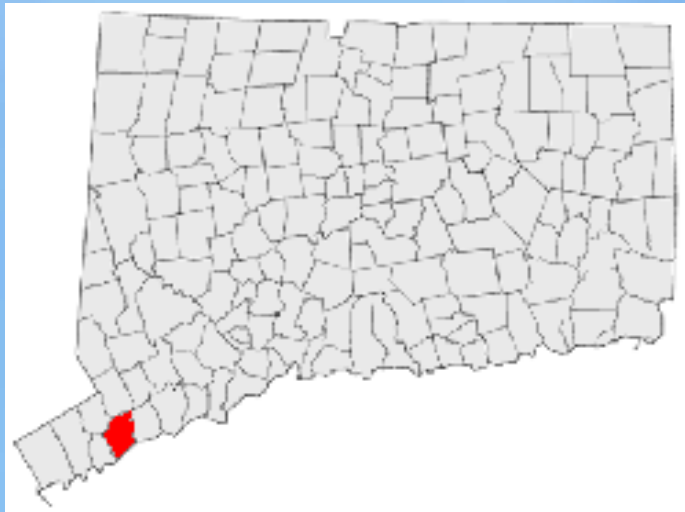


In two of the three contracts the matter was resolved through negotiations and not through binding arbitration.

In the third contract, the City prevailed in arbitration before a neutral third-party arbitrator.

# Difference between...

**NORWALK**



&

**BRISTOL**



# Norwalk:

- Triple A Rated
- Located in Fairfield County
- Miles of Ocean shoreline





# Bristol's Advantage?

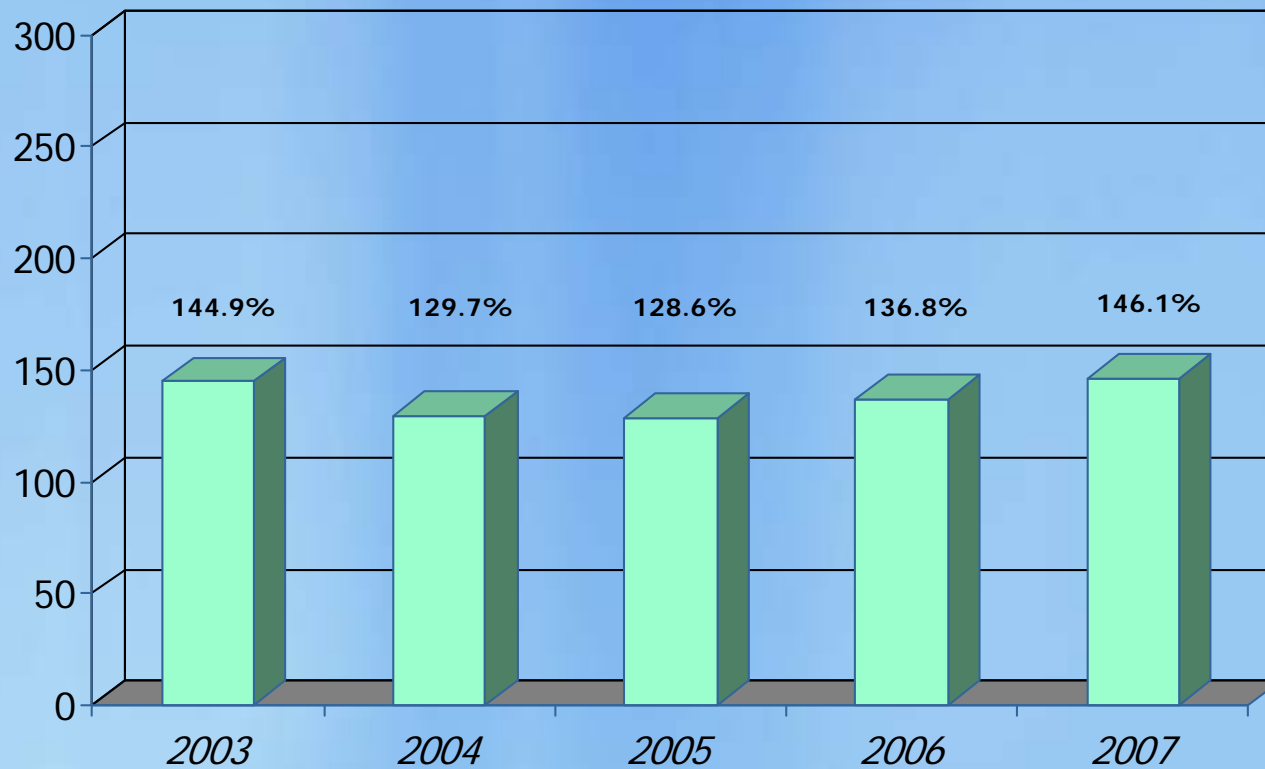
# Three Over Funded Pension Plans



# Defined Benefit Pension Plan City

This table presents a comparison of funded ratio for the Pension Plan for the past five years.

Funded Ratio

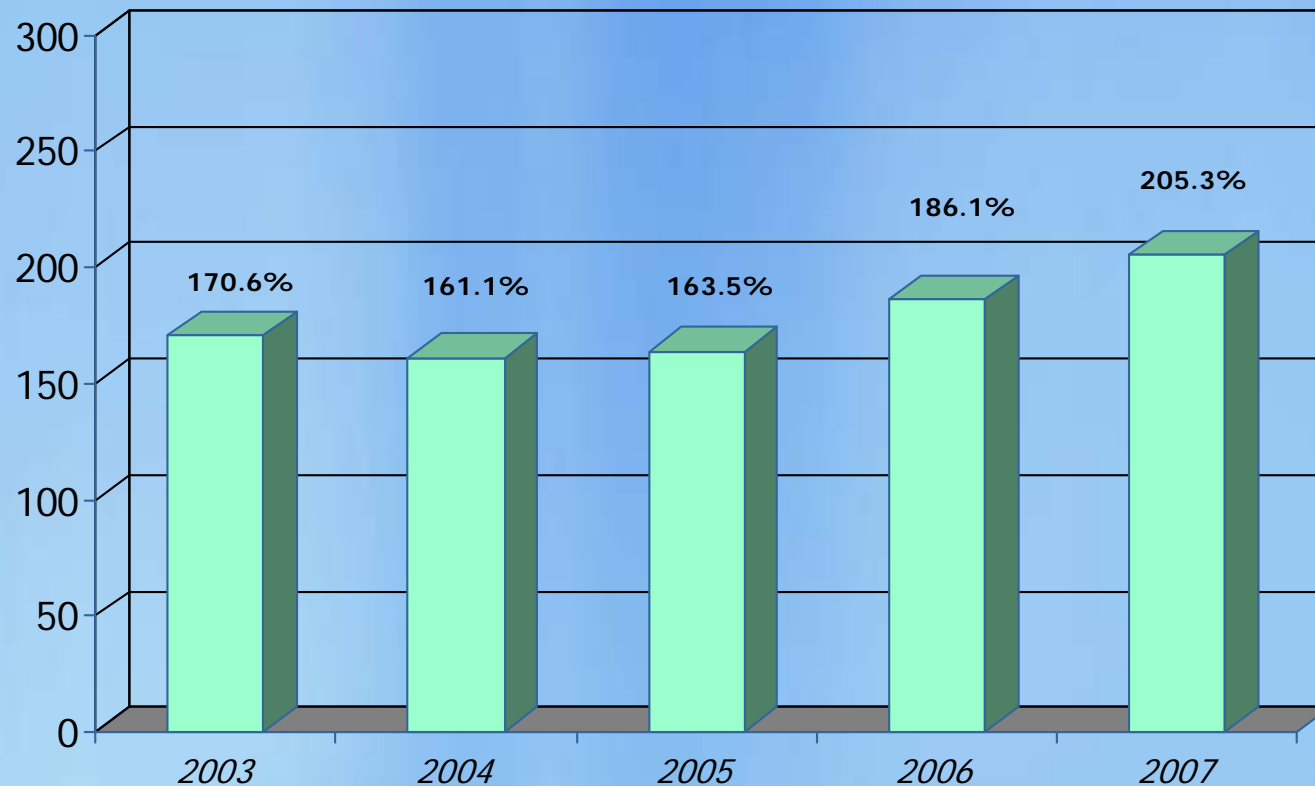


Actuarial Value of Assets/Accrued Liabilities

# Defined Benefit Pension Plan Police Benefit Fund

This table presents a comparison of funded ratio for the Pension Plan for the past five years.

Funded Ratio

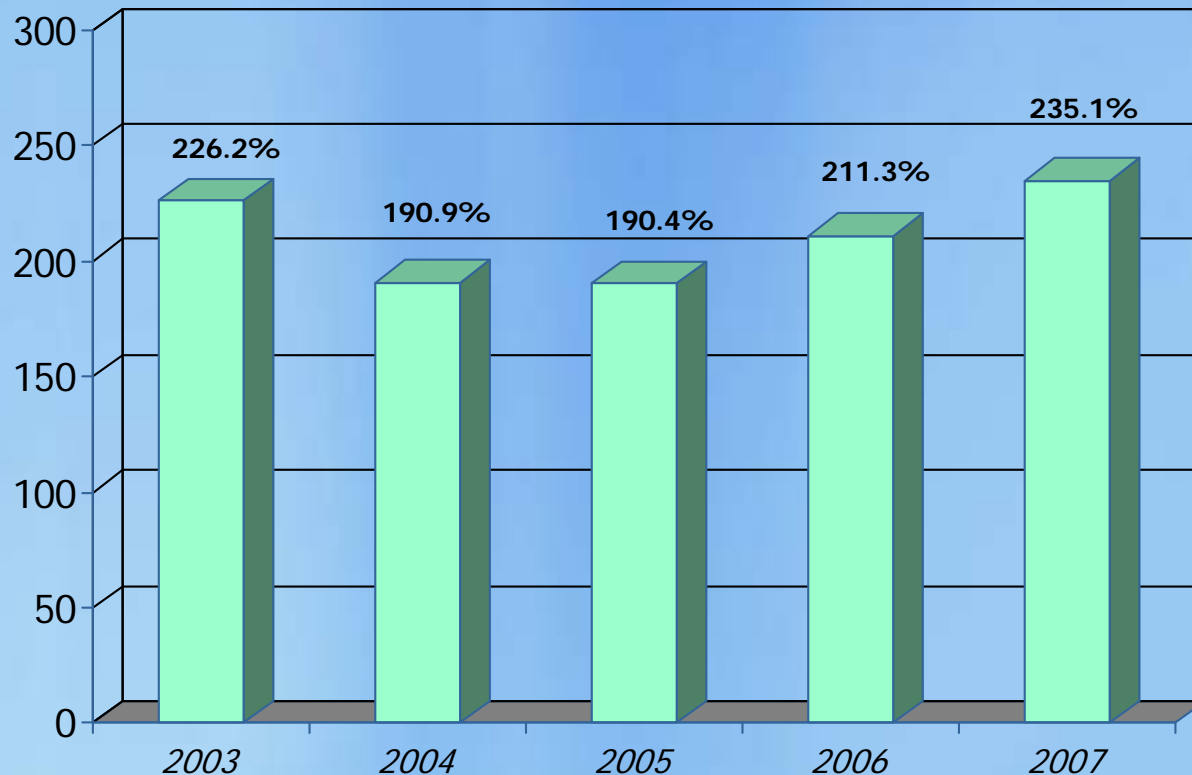


Actuarial Value of Assets/Accrued Liabilities

# Defined Benefit Pension Plan Firefighters Benefit Fund

This table presents a comparison of funded ratio for the Pension Plan for the past five years.

**Funded Ratio**



Actuarial Value of Assets/Accrued Liabilities

# Legal Perspective

(Part 2 of 3)



# Legal Stuff...

## IRS Funding Vehicles

A governmental plan can pre-fund retiree healthcare:

1. Code Section 115 Trust
2. Code Section 401(h) Account
3. Voluntary Employees' Beneficiary Associations (VEBA)

# Transfer of Pension Assets

## Code Section 420

Section 420 permits a defined benefit pension fund to transfer excess retirement plan assets to a retiree health account established as a separate sub-account in the plan under Section 401(h)

There are two ways:

- **“qualified transfer”**
- **“qualified future transfer.”**

## Qualified Transfer of Pension Assets into 401(h) Account:

1. Excess pension assets may be transferred to a separate account;
2. Transfers are limited to the lesser of:
  - i. assets in excess of 125% of current pension liability, or
  - ii. the retiree health liability for the year;
3. Participants must become 100% vested;
4. Maintain the same level of retiree healthcare costs for a five-year period after the transfer;
5. If assets are not used to pay must be transferred back.

# Qualified Future Transfers of Pension Assets into 401(h) Accounts:

In lieu of a “qualified transfer,” Code Section 420 allows defined benefit plans to make a “qualified future transfer” up to a ten year period.

1. Excess pension assets may be transferred for not less than 2 and not more than 10 years;
2. Transfer are limited to the lesser of:
  - i. assets in excess of 120% of the plan’s funding
  - ii. sum of the retiree health liabilities
3. Participants must become 100% vested
4. Maintain the same level of retiree healthcare costs during a four-year period
5. Plan becomes less than 120% funded:
  - i. Must fund to the 120% level

# Summary

Although retiree health care may be pre-funded through the use of three different funding vehicles,

1. 115 Trust
2. 401(h) Trust
3. VEBA Account

**Only a 401(h) account may receive a transfer of excess pension funds, provided the conditions of Section 420 are met.**

However, unlike a 115 Trust and VEBA, a 401(h) account is subject to a subordination limit that could potentially restrict contributions below the level necessary to fund the retiree healthcare costs.

It is advised, that a pension plan which transfers assets under Section 420 to a 401(h) account request a **determination letter** from the IRS to ensure that the plan's language complies with the requirements of Section 420 as it relates to asset transfers.

# A Word From Our Actuary...



(Part 3 of 3)

Steve Lemanski, Consulting Actuary  
Milliman

## **From Our Actuary (cont)...**

“We expect that the City’s additional funding cost for vesting all participants in their accrued benefits would be nominal.”

## From Our Actuary (cont)...

- Accrued benefits build up very slowly
- The refund of employee contributions plus interest would be more valuable than the newly vested accrued benefit

## From an Administrative Perspective

- There is a question of the timing of pension distributions who have less than 10 years of service
- Would that employee be allowed to receive a reduced Early Retirement benefits

# Interest Rate Assumptions

With a Trust Fund:

- 7.75% assumption used in the actuarial valuations.

Without a Trust Fund:

- Liability interest rate was 5.83%.

# Taking into Account... 125% Threshold

- Milliman estimates that the City's three pension plans exceeded the 125% (qualified transfer) Current Liability threshold:

	6/30/07	6/30/08
City:	\$26 million	\$14 million
Police:	\$56 million	\$55 million
Fire:	<u>\$65 million</u>	<u>\$65 million</u>
	\$147 million	\$134 million

- The City's total annual retiree healthcare benefit payments are about \$1.8 million per year
- Assets that exceed benefit payments could be transferred

## Taking into Account... 120% Threshold

6/30/08

City:	\$22 million
Police:	\$54 million
Fire:	<u>\$68 million</u>
	\$144 million

- The City's total annual retiree healthcare benefit payments are about \$1.8 million per year
- Assets that exceed benefit payments could be transferred

# It is not satisfied if below..

At the 125% level

City \$194 million  
Police \$116 million  
Fire \$ 91 million  
\$401 million

At the 120% level

City \$186 million  
Police \$112 million  
Fire \$ 88 million  
\$386 million

# Pension Value

High- Dow at 14,000                      \$550 million

Low- October 27, 2008                      \$412 million

Now- October 28, 2008                      \$426 million

# Impact on Pension Plan Funded Status and Future Contributions

- Transferred assets are no longer available to pay pension benefits
- The funded ratio of the pension plan would be lower
- We recommend that the City review the actuarial assumptions used
- We also recommend that the retiree healthcare expected benefit payments and emerging liabilities be broken down into the following groups:
  - General City
  - Police
  - Fire
  - Board of Education (non-certified)
  - Board of Education (certified)

# Conclusion

Decisions To Be Made

Choice of Financing

Pay-go

or

Transfer excess pension assets

# The End



# The Great GASB?

*I would like to extend a thank you to Jodi McGrane, Assistant to the Comptroller, for her assistance in the preparation and review of this presentation.*