

LEGISLATIVE, FINANCE, AND ADMINISTRATION COMMITTEE

A G E N D A

January 9, 2006 - 5:30 P.M. - Council Chambers - City Hall - City of Dover
*Public comments are welcomed on any item and will be permitted at appropriate times.
When possible, please notify the City Clerk (736-7008 or e-mail at Jgreen@dover.de.us)
should you wish to be recognized.*

AGENDA ADDITIONS/DELETIONS

1. Pension Actuary Study
2. Actuarial Analysis of Post Retirement Benefits

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Prepared for: Legislative, Finance & Administration Committee
 Agenda Item: 1 - January 9, 2006 Meeting
 Prepared by: Donna Mitchell, Treasurer/Finance Director

City of Dover Pension Actuarial Analysis Presentation

**General Employee Pension Fund
 Schedule of Funding Progress**

<u>Valuation Date</u>	<u>Adjusted Market Value of Plan Assets</u>	<u>Market Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Payroll</u>	<u>Unfunded as a Percent of Payroll</u>	<u>City and Employee Contributions</u>
7/1/1998	\$ 18,792,809	18,792,809	\$ 22,096,611	\$ (3,303,802)	85.05%	\$ 6,592,117	50.12%	\$ 727,097
7/1/2000	22,095,632	22,095,632	27,497,493	\$ (5,401,861)	80.36%	6,559,611	82.35%	700,927
7/1/2002	15,688,122	20,638,445	32,013,030	\$ (11,374,585)	64.47%	6,774,554	167.90%	819,736
7/1/2003	14,446,848	19,133,025	36,131,839	\$ (16,998,814)	52.95%	6,661,757	255.17%	1,179,095
7/1/2004	14,694,437	17,531,096	37,764,973	\$ (20,233,877)	46.42%	7,320,938	276.38%	1,291,290
7/1/2005	16,277,640	14,884,935	39,860,241	\$ (24,975,306)	37.34%	7,380,629	338.39%	1,822,052

**Police Pension Fund
 Schedule of Funding Progress**

<u>Valuation Date</u>	<u>Market Value of Plan Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Accrued Liability</u>	<u>Funded Ratio</u>	<u>Payroll</u>	<u>Unfunded as a Percent of Payroll</u>	<u>City and Employee Contributions</u>
7/1/1998	14,704,970	\$ 15,310,072	\$ (605,102)	96.05%	\$ 462,976	130.70%	\$ 149,829
7/1/2000	17,148,623	16,659,729	\$ 488,894	102.93%	298,678	-163.69%	486,367
7/1/2002	16,640,975	17,480,732	\$ (839,757)	95.20%	138,353	606.97%	761,649
7/1/2003	11,660,850	17,492,167	\$ (5,831,317)	66.66%	138,353	4214.81%	548,946
7/1/2004	11,829,963	17,587,922	\$ (5,757,959)	67.26%	63,830	9020.77%	472,891
7/1/2005	11,944,213	17,850,795	\$ (5,906,582)	66.91%	65,745	8984.08%	859,275

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**City of Dover
 Civilian Pension Plan
 Changes in Contribution Rate**

	<u>7/1/1998</u>	<u>7/1/2000</u>	<u>7/1/2002</u>	<u>7/1/2003</u>	<u>7/1/2004</u>	<u>7/1/2005</u>	
Contribution Rate at Beginning of Period		7.49%	9.03%	14.60%	21.52%	23.59%	
Change due to:							
1) Salary Increases		*	0.47%	-0.46%	-1.01%	0.00%	
2) Investment gains/losses		-1.68%	2.16%	2.19%	2.00%	1.98%	
3) Liability Losses (mostly greater number of retirements)		0.64%	1.94%	0.84%	0.69%	0.63%	
4) Retiree COLAs		0.66%	0.73%	0.34%	-	0.50%	
5) Mortality Assumption Change		1.69%	-	-	-	-	
6) Retirement Rate Assumption Change		-	-	3.38%	-	-	
7) Gross payroll did not increase @ 3.5%		0.23%	0.27%	0.63%	-	0.52%	
8) Contribution Shortfall					0.37%	0.17%	
9) Increased normal cost rate					0.02%	0.01%	
Contribution Rate at Ending of Period	7.49%	9.03%	14.60%	21.52%	23.59%	27.40%	3.81% % Increase \$ 281,202 Est. \$ Increase

* Included with liability loss

Notes:

1. Changes due to individual salary increases that are more/less than the assumed 3.5%.
2. Changes due to investment losses are attributed to investment returns more/less than the assumed 7.5%.
Some investment losses have been deferred and will not be reflected until future valuations.
3. Changes due to liability losses are mostly due to more retirements than expected. They also reflect changes in mortality, turnover and average age.
4. Changes due to retiree COLAs reflect the cost of ad hoc COLAs granted by the City.
5. Changes due to Mortality Assumption reflect the 7/1/2000 change to the GAM 1983 mortality table.
6. Changes due to Retirement Rate Assumption reflect the 7/1/2003 change to assume participants will retire earlier than previously assumed.
7. Changes due to gross payroll are due to the gross payroll increasing at a different rate than the assumed 3.5% annual increase in the amortization payment.
8. Contribution shortfall is attributed to the prior year contributions being of a lesser amount than what was projected in the last actuarial analysis.
9. Increase in normal cost rate attributed to premiums increasing at a higher rate than assumed.

Source: Actuary Reports

City of Dover
GASB Postretirement Benefits
Summary of Liability and Expense at 7/1/2005

	<u>Including Medicare Reimbursements</u>	<u>Excluding Medicare Reimbursements</u>	<u>Difference</u>
Benefit Obligation at 7/1/2005			
Active participants	\$ 18,268,000	\$ 15,917,000	\$ 2,351,000
Retired participants	<u>35,424,000</u>	<u>31,622,000</u>	<u>3,802,000</u>
Total	53,692,000	47,539,000	6,153,000
Plan Assets	<u>(2,423,000)</u>	<u>(2,423,000)</u>	<u>-</u>
Unfunded Actuarial Accrued Liability (Amortized)	\$ 51,269,000	\$ 45,116,000	\$ 6,153,000
Annual Required Contribution (ARC)			
Normal Cost	\$ 1,340,000	\$ 1,137,000	\$ 203,000
Amortization payment of unfunded liability	<u>3,335,000</u>	<u>2,935,000</u>	<u>400,000</u>
Total Annual Required Contribution	4,675,000	4,072,000	603,000
Adjustment for current budgeted payout for retiree's	<u>(1,403,025)</u>	<u>(1,403,025)</u>	<u>-</u>
Additional Annual Required Contribution over Budget	\$ 3,271,975	\$ 2,668,975	\$ 603,000
Budget Impact by Fund			
General Fund	\$ 2,720,065	\$ 2,272,419	\$ 447,646
Water/Wastewater Fund	420,192	375,839	44,353
Electric Revenue Fund	<u>1,534,743</u>	<u>1,423,742</u>	<u>111,001</u>
Total Annual Required Contribution by Fund	4,675,000	4,072,000	603,000
Adjustment for current budgeted payout for retiree's			
General Fund	(732,555)	(732,555)	-
Water/Wastewater Fund	(142,983)	(142,983)	-
Electric Revenue Fund	<u>(527,487)</u>	<u>(527,487)</u>	<u>-</u>
Additional Annual Required Contribution by Fund	\$ 3,271,975	\$ 2,668,975	\$ 603,000
	<u>General</u>	<u>Water/Wastewater</u>	<u>Electric Revenue</u>
FY 2006 Budgeted Expenditures (excl. Budget Balance)	\$ 29,820,305	\$ 11,920,561	\$ 65,871,859
Percentage Increase to Current Budget w/ Medicare	6.7%	2.3%	1.5%
Percentage Increase to Current Budget w/o Medicare	5.2%	2.0%	1.4%