Lycoming County Employees’ Retirement System

Actuarial Valuation as of January 1, 2018

Charles B. Friedlander, F.S.A.
Municipal Finance Partners, Inc.
August 9, 2018

Agenda

• 2018 Actuarially Determined Employer Contribution (ADEC)
• Fund Performance – Market v. Actuarial
• Plan Membership
• Plan Benefits
• Actuarial Assumptions
• Liabilities
• Impact of Proposed Assumption Changes
• GASB 67 & 68

Municipal Finance Partners, Inc.
Funding Philosophy

• Act 205 imposes funding requirements on all municipal pension plans
• Despite these rules, plans can become underfunded (losses, benefit increases)
• Without these rules, it can get even worse (see State pension plans, Illinois)
• Concept of Intergenerational Equity: Each generation of taxpayers funds the services they receive, including pensions.

Disclaimers

• Information in presentation is based on same plan provisions and actuarial assumptions and methods as 1/1/2017 actuarial valuation, except where noted, and census and trust information at 1/1/2018.
• Please refer to 1/1/2017 actuarial valuation report for reference to these items and my qualifications to determine and present this information.
Actuarially Determined Employer Contribution (ADEC)

- ARC decreased from $2,190,157 in 2017 to $1,803,847 under (under prior assumptions) for 2018.

Municipal Finance Partners, Inc.
Reasons for the ADEC

• Investment return greater than expected (actuarial basis), $3.376M gain
• Experience Loss: $875,862
• Active membership decreased from 527 to 514.

Municipal Finance Partners, Inc.
Asset Performance

- Fund Earned 17.92% on a Market Value basis.
- Market Value increased from $106,530,198 at 1/1/2017 to $122,665,342 at 12/31/2017.
- Actuarial Value is $115,145,500.
- Return on Actuarial Value was 10.20%
- Actuarial Asset gain was $3,376,153.

Municipal Finance Partners, Inc.

History of Fund Values

Municipal Finance Partners, Inc.
Asset Performance History

Municipal Finance Partners, Inc.

Fund Investment Allocation

Municipal Finance Partners, Inc.
Actuarial Balance Sheet

Municipal Finance Partners, Inc.

Assets v. Liabilities

Municipal Finance Partners, Inc.
Actuarial Assumptions and Methods

• Interest Rate: 7.0% (review 6.5%)
• Salary Scale: 4.0% per year
• Mortality:
  – Current: RP-2000 with full projection (Scale AA)
  – Updated: RP-2014 with full projection (Scale MP-2017)
• Turnover Table: T-4, six-year select period
• Accumulated Member Deductions: Valued by projecting balances to expected distribution date

Municipal Finance Partners, Inc.

Actuarial Cost Method

• Entry Age Normal Cost Actuarial Cost Method
  – Fund normal costs from hire date to retirement date as level percentage of payroll
  – Actuarial Accrued Liability is funding target, equal to present value of prior normal costs.
  – Amortization of changes in unfunded actuarial accrued liability.

Municipal Finance Partners, Inc.
Illustration of EANC Method

• Pattern of normal costs, level as percentage of payroll.

![Graph showing Entry Age Normal Cost ($) vs. age and years]

Changes in Actuarial Assumptions

• Mortality Table: Reviewed update from RP-2000 table to RP-2014 Table

• Reviewed decrease in interest rate from 7.0% to 6.5%
Retirees are Living Longer (Males)

Retirees are Living Longer (Females)
GASB 67 & 68

- Now fully effective.
- Pension Expense was $1,238,407 for 2017 compared to $3,623,533 for 2016 (no asset smoothing)
- Net Pension Liability dropped from $23,277,603 to $11,690,093.
- Net Deferred Outflows/(Inflows) of Resources dropped from $3,624,508 to $(7,383,912).

Municipal Finance Partners, Inc.
Questions

Municipal Finance Partners, Inc.