

Controller Krista Rogers called the meeting of the Lycoming County Retirement Board to order at 11:03 a.m. Thursday, September 2, 2021 in the Commissioners' Conference Room, first floor, Executive Plaza. Board members present included: Commissioner Richard Mirabito, Commissioner Scott Metzger, Commissioner Tony Mussare (via phone), Controller Krista Rogers and Treasurer Cindy Newcomer. Also in attendance were; Deputy Treasurer Carol Johnston, Solicitor Christopher Kenyon.

Treasurer Newcomer read the following, provided by Charles Friedlander, actuary, regarding the consideration before the board of a cost-of-living-adjustment for 2022 for retirees. At your direction, I have prepared an actuarial study of the cost of increasing the monthly pensions of current pensioners as of January 1, 2022. Under Act 96 of 1971 (the County Pension Law), as amended by Act 63 of 2015, increases cannot exceed the increase in the CPI since the year of retirement.

I studied the following increases:

1. The maximum allowable increase of 100% of the CPI increase since retirement applied to the basic monthly pension.
2. The maximum allowable increase of 80% of the CPI increase since retirement applied to the basic monthly pension. This is the amount of increase that was historically granted prior to 2016.
3. Flat 3% increase.
4. Flat 2% increase.
5. Flat 1% increase.

Under Act 63 of 2015, cost-of-living increases are based on the CPI-U, Philadelphia Region, for August of the year before the year the increase is effective. I have enclosed the recent history of this index, which can be generated at the following link: <https://data.bls.gov/cgi-bin/surveymost?cu>. We do not have the August 2021 CPI figure yet (it will be released around 9/15/2021), so I have estimated the August CPI to be 272.126 based on the historical average increase from June to August. The total estimated annual increase from August 2020 to August 2021 is 4.64%.

Note the following:

- Beneficiaries who are receiving a monthly survivor pension are not eligible for cost-of-living increases.
- Pensioners who retired in 2021 are not eligible for an increase, as the CPI for 2021 is the same as the CPI in their year of retirement.
- Pensioners who retired in 2020 or earlier are eligible for the full 1%, 2% and 3% increases, as the estimated CPI increase amount from 2020 to 2021 will exceed 4%.

The actuarial study is based on the same actuarial assumptions and methods as the January 1, 2020 actuarial valuation, as we have not made a decision on the assumptions for the January 1, 2021 valuation. The plan provisions are also the same as those used for the January 1, 2020 actuarial valuation, except for the cost-of-living increase granted at January 1, 2021 and the potential cost-of-living increase described above. The participant census information is also the same as that used for the January 1, 2021 actuarial valuation; however, I have removed retired members who died in 2021 that I am aware of. Any 2021 retirements are

irrelevant to the COLA cost as they are not eligible for the increase. I refer you to the January 1, 2020 actuarial valuation report for a more complete description of these items as well as my qualifications to present this information.

The enclosed listing shows the impact on each pensioner as of January 1, 2022. The scattergrams below show the distribution of the increases (omitting one participant with a high pension who is above the chart) for the various increases studied:

The table and graph below show the impact on the January 1, 2022 actuarial valuation of granting this increase. The increase in the Actuarial Present Value of Future Benefits (and the Actuarial Accrued Liability) for retired members would increase by the amounts shown. This increase can either be funded by direct appropriation or by an addition to the Actuarially Determined Employer Contribution (ADEC) equal to the amortization charge shown below over the ten-year amortization period, beginning with the January 1, 2022 actuarial valuation. Note that these amounts are estimates and will change based on the actual August 2022 CPI, any additional pensioner deaths and any change in actuarial assumptions. The January 1, 2022 actuarial valuation will also be impacted by fund returns and demographic changes during 2021.

COLA Increase Percentage	No COLA	100% of CPI from Retirement	80% of CPI from Retirement	3% (Flat), Limited	2% (Flat), Limited	1% (Flat), Limited
Actuarial Present Value of Future Benefits for Retired Members	\$77,167,125	\$81,533,543	\$79,487,904	\$79,319,882	\$78,606,607	\$77,886,856
Change in Actuarial Present Value (and Actuarial Accrued Liability)		\$4,366,418	\$2,320,779	\$2,152,757	\$1,439,482	\$719,731
Amortization of Change over 10 Years (Change in ADEC)		\$581,009	\$308,810	\$286,452	\$191,542	\$95,770

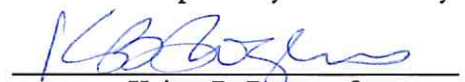
There is a requirement in Act 63 that a cost-of-increase for pensioners can only be granted if the plan's funding percentage is greater than 80% after the increase. While I have not yet completed the January 1, 2021 actuarial valuation, we do know that the plan was 99.5% funded under the prior actuarial assumptions as of January 1, 2021. A cost-of-living increase would have to increase the liability by over \$33 million to decrease the funding percentage below 80%. We can conclude, therefore, that all of the increases studied are allowable under this provision.

The board reviewed the increase in liability for the cost of living adjustment at 3%, 2%, and 1%.

Commissioner Metzger made a motion to grant a 2% cost of living adjustment for 2022 seconded by Commissioner Mirabito. The motion was amended to add that the COLA would be reviewed again in 2022. There was discussion amongst the board. Commissioner Mussare voted nay, Treasurer Newcomer abstained but the motion passed.

The meeting was adjourned by Controller Rogers at 12:06 p.m.

Respectfully submitted by:

  
 Krista B. Rogers, Secretary