

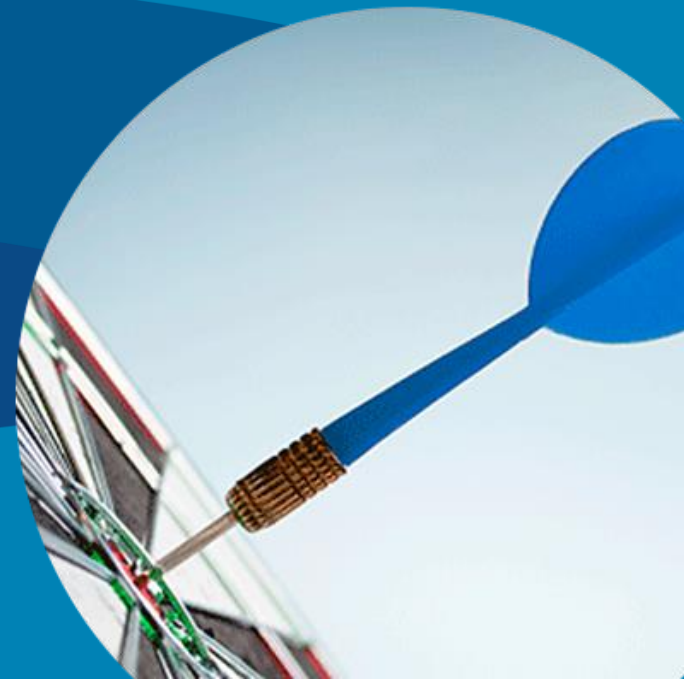


# CITY OF LONGMONT General Employees' Retirement Plan

## Preliminary Actuarial Valuation Results as of January 1, 2023

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August 21, 2023



# Actuarial Valuation – Purpose

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- Actuarial Valuation
  - Prepared as of January 1, 2023
    - Member data
    - Financial data
    - Benefit and contribution provisions
    - Actuarial assumptions and methods
  - Purposes:
    - Measure the actuarial liabilities
    - Determine adequacy of current contributions
    - Provide other information for reporting for accounting and CAFR
    - Explain changes in actuarial condition of the Plan

# Member Statistics

- Average active member is around age 45 with 9 years of service and earns approximately \$84,000 annually
- Average retiree, beneficiary, and disabled member is around age 72 and receives a pension benefit of approximately \$24,500 annually

	2022	2023	Change
<b>Active Members</b>			
Count	708	753	6.4%
Average Age	45.7	44.7	(2.2)
Average Service	<u>9.5</u>	<u>8.6</u>	<u>(9.5)</u>
Average Hire Age	36.2	36.1	(0.0)
Payroll	\$55.1 million	\$63.4 million	15.0%
Average Pay	\$77,892	\$84,198	8.1%
<b>Retirees, Beneficiaries and Disabled Members</b>			
Count	440	464	5.4%
Average Age	71.5	71.8	0.04
Average Annual Benefit	\$23,327	\$24,547	5.2%

# Market Value of Assets (in millions)

- Return on market value of -14.5% (dollar-weighted rate of return)
- Contribution rates historically set at a level to at least meet the actuarially determined contribution.
  - Current employer contributions of 9.0% of pay
  - Tier 1 employee contributions of 6.6% of pay
  - Tier 2 employee contributions of 5.6% of pay

	2022*	2023*
Market Value Beginning of Year	\$191.8	\$211.5
1. Contributions		
a. Contributions from Employer	\$4.7	\$5.1
b. Contributions from Plan Members	2.9	3.3
c. Total	\$7.5	\$8.4
2. Net Investment Income		
a. Interest and Dividends	\$8.3	\$1.4
b. Realized Gain and Unrealized Appreciation	14.8	(31.6)
c. Total	23.1	(30.2)
d. Investment Expenses	(0.2)	(0.2)
e. Net Investment Income	\$22.9	\$(30.4)
3. Benefit Payments and Refunds	\$(10.5)	\$(11.3)
4. Administrative Expenses	(0.2)	(0.1)
Market Value End of Year	\$211.5	\$178.1

\*Numbers may not add due to rounding



# Actuarial Value of Assets

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- All actuarial calculations are based on actuarial value of assets, not market value
  - Actuarial value reflects 20% of the difference between last year's expected return on market and the actual return and includes application of the 80%/120% corridor
- Actuarial value of assets is now \$197.9 million, compared to \$192.7 million last year
- Return on Actuarial Value of Assets was 4.3% in calendar year 2022, compared to the 7.0% assumption, resulting in an investment return loss
- Deferred losses of \$19.8 million will contribute to increases to the future contribution requirements

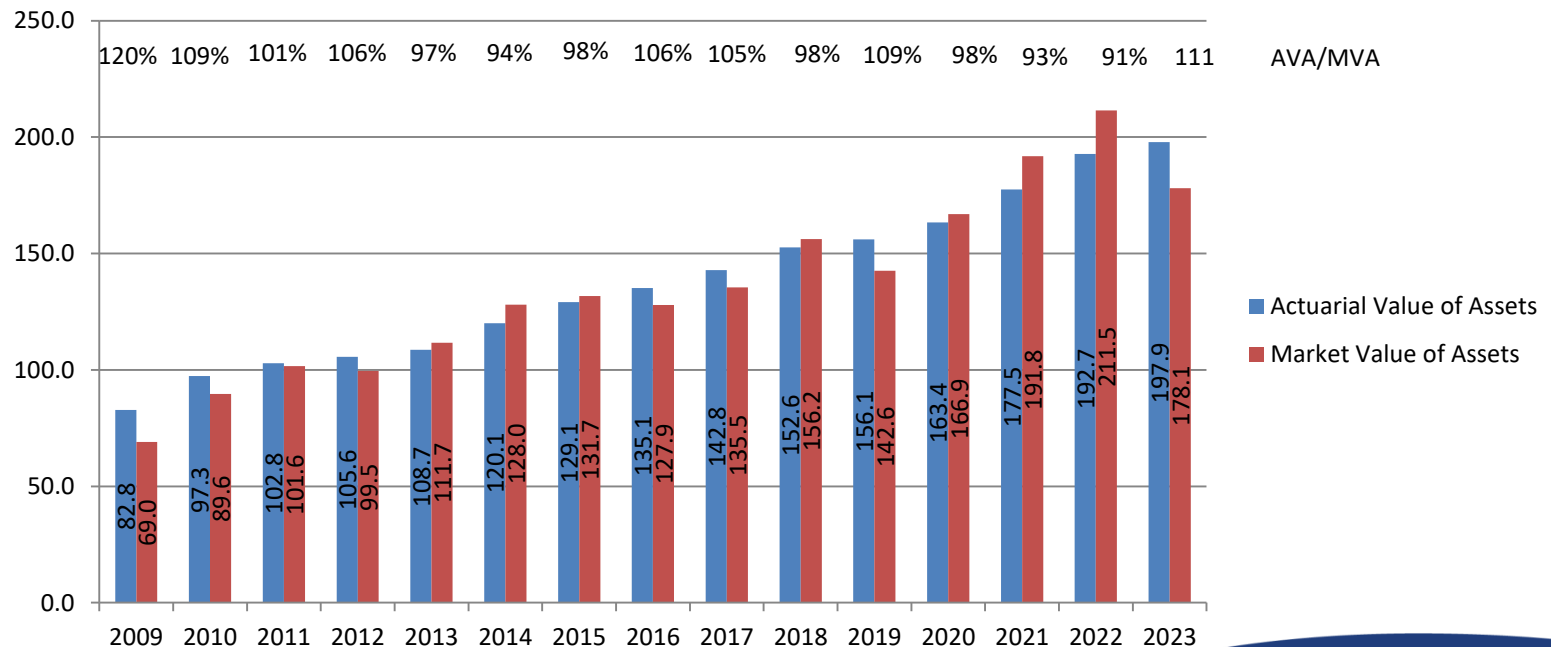
Actuarial Value of Assets:	\$197.9M
Deferred Losses:	<u>(19.8)M</u>
Market Value of Assets:	\$178.1M



# Market and Actuarial Value of Assets

- Actuarial Value of Assets as a percent of Market Value of Assets shown at top of chart
- Actuarial value is 111% of fair market value in 2023; in 2009, it was 120% of fair market value
- \$19.8 million in deferred losses, not yet recognized in the actuarial value

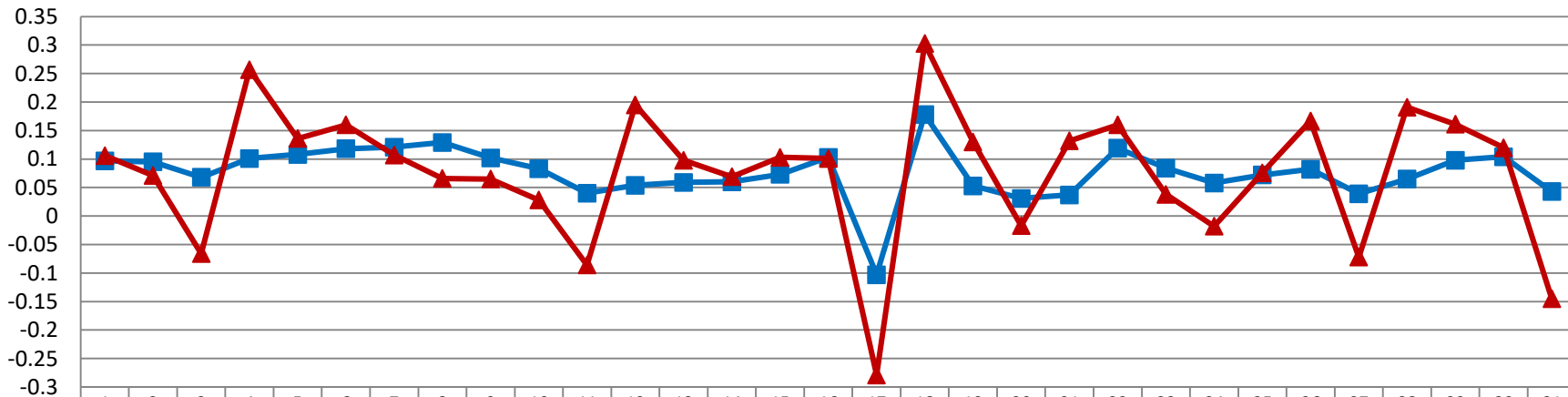
### Asset Values (in millions)



# Average Annual Rates of Return

- Actuarial value smoothes market volatility
- 6.9% average return in market value since 1992
- 7.5% average return in actuarial value since 1992
- 7.0% current assumed rate of return

Annual Rates of Return



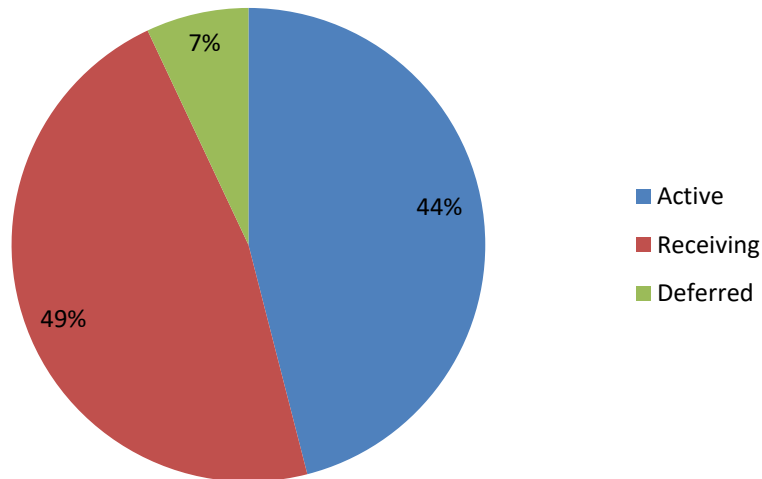
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31
Year	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Actuarial Value	9.7%	9.5%	6.8%	10.1%	10.8%	11.8%	12.1%	12.9%	10.2%	8.3%	4.0%	5.4%	5.9%	6.0%	7.3%	10.3%	-10.3%	17.8%	5.3%	3.1%	3.7%	11.9%	8.4%	5.8%	7.2%	8.2%	3.9%	6.5%	9.8%	10.4%	4.3%
Market Value	10.6%	7.1%	-6.6%	25.7%	13.6%	16.0%	10.7%	6.6%	6.5%	2.8%	-8.6%	19.5%	9.8%	6.9%	10.3%	10.1%	-27.9%	30.3%	13.0%	-1.7%	13.2%	16.0%	3.8%	-1.8%	7.6%	16.7%	-7.2%	19.1%	16.1%	12.0%	-14.5%



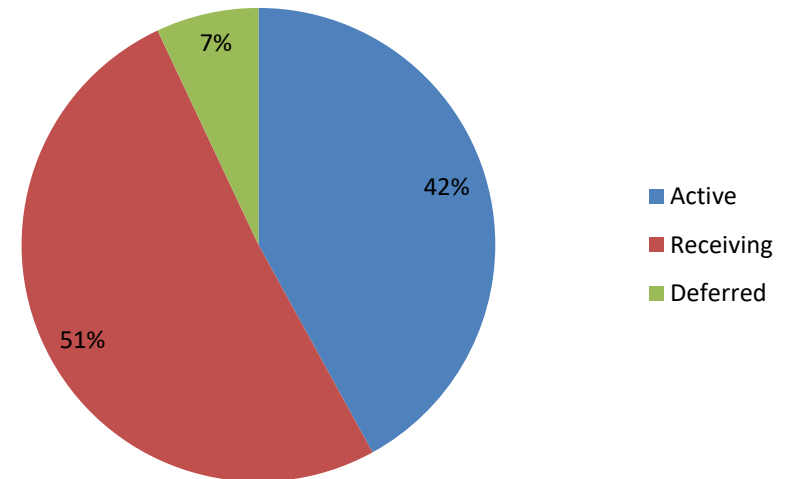
# Actuarial Accrued Liability

- Actuarial accrued liability increased from 2022 to 2023, growing more than expected
- Liability (gain)/losses
  - Total liability losses of approximately \$5.3 million of which, \$6.2 million came from higher than expected salary increases
- Plan maturing with more retiree liability as percent of total

**2022 - \$223.3M**



**2023 - \$238.9M**



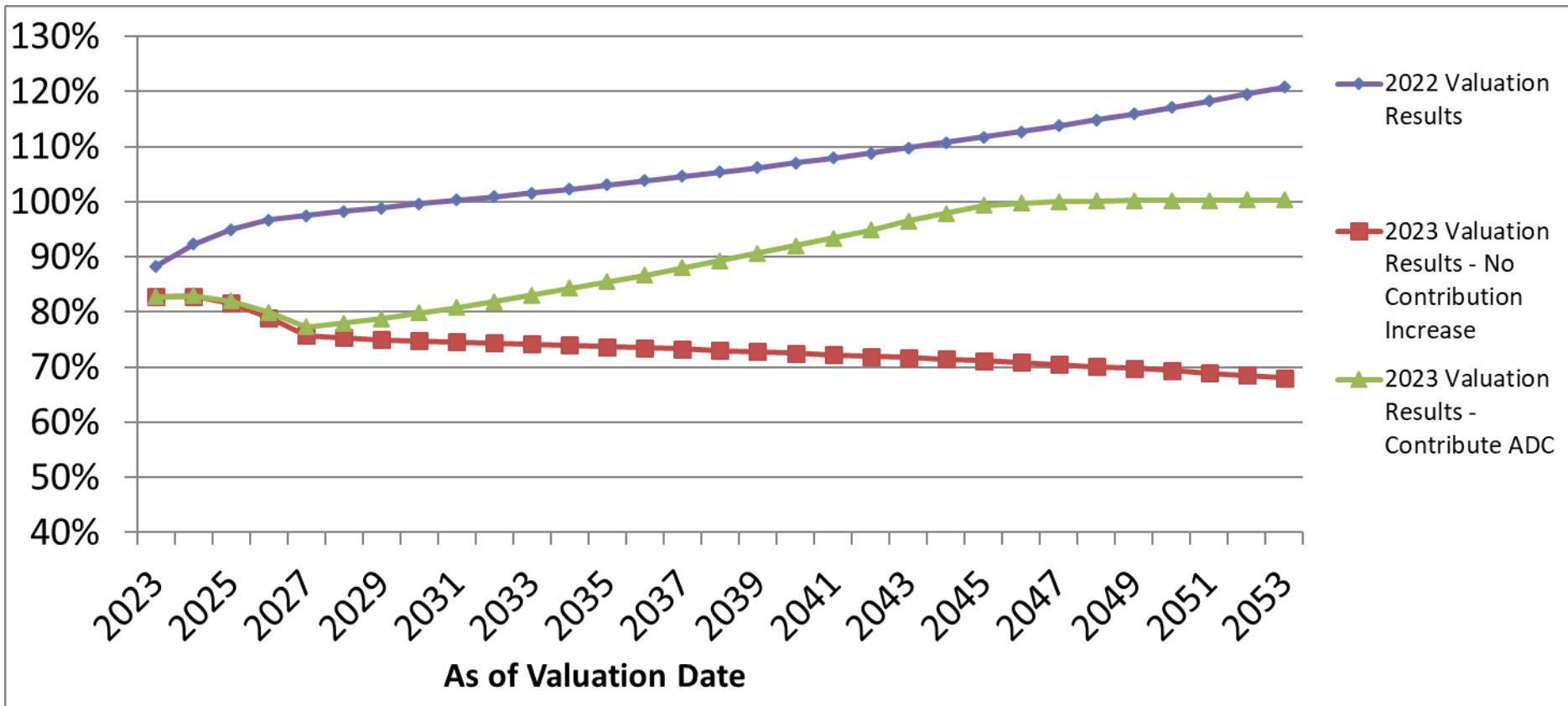


# (Gains)/Losses Summary

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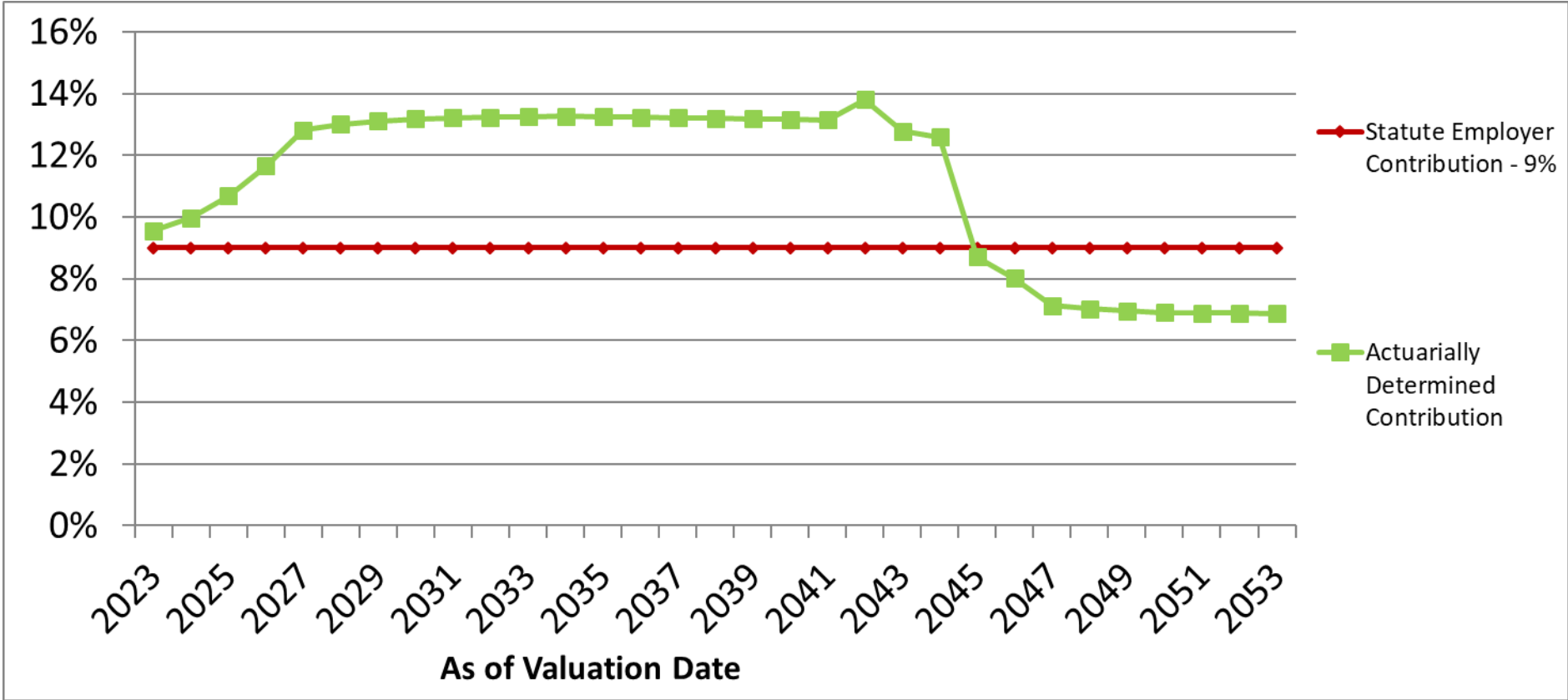
- Actuarial (gains)/losses due to:
  - Investment return on AVA \$ 5.16 million
  - Actual vs. Expected Contributions \$(0.24) million
  - Liabilities \$ 5.28 million
- Total (gains)/losses are \$10.20 million
- Salary increases were higher than expected
- Investment returns were lower than expected
- Losses increased actuarially determined contribution by \$701,000 or 1.1% of pay

# Long Term Projections Funded Ratio



- Plan has a history of making additional contributions to satisfy ADC.

# Long Term Projections Contributions as % of Pay



# Valuation Summary

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- Plan is well funded relative to many of its peers
- Contributions in 2022
  - Total actuarially determined contribution (ADC) rate = 15.4%
  - Current actual total contribution rate = 15.0%
- Plan is projected to reach full funding in 2047 if additional contributions are made to meet the ADC
- Increases in salary due to high short term inflation could slow the growth to full funding but the trajectory is still reasonable
- Short term asset returns will have an outsized impact on the projected funded status
- Important not to over-react to good news or bad news as we are long term investors