



Cavanaugh Macdonald
CONSULTING, LLC

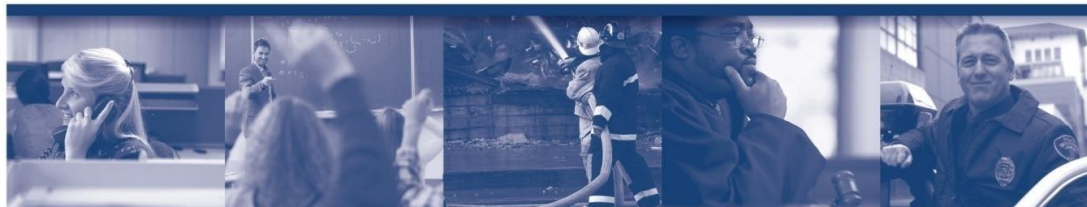
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Local Governmental Employees' Retirement System Actuarially Determined Employer Contributions (ADEC) Projections for the Local System

April 23, 2020 Board of Trustees Meeting

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Jonathan Craven, ASA, FCA, EA, MAAA





Projections

- Projections of contribution requirements and funded status into the future can be helpful planning tools for stakeholders. This section provides such projections. The projections of the actuarial valuation are known as deterministic projections. Deterministic projections are based on one scenario in the future. The baseline deterministic projection is based on December 31, 2018 valuation results and assumptions.

- Key Projection Assumptions
 - Valuation interest rate of 7.00% for all years in conjunction with direct rate smoothing of the employer contribution rate over a 3-year period beginning July 1, 2019.
 - 7.00% investment return on market value of assets
 - Actuarial assumptions and methods as described in Appendix D of the latest actuarial valuation report. All future demographic experience is assumed to be exactly realized.
 - The contribution rate under the Employer Contribution Rate Stabilization Policy (ECRSP) and Direct Rate Smoothing is contributed until fiscal year ending 2022.
 - The actuarially determined employer contribution rate is contributed for fiscal years ending 2023 and beyond.
 - 0% increase in the total active member population
 - No cost-of-living adjustments granted
 - Future pay increases based on long-term salary increase assumptions

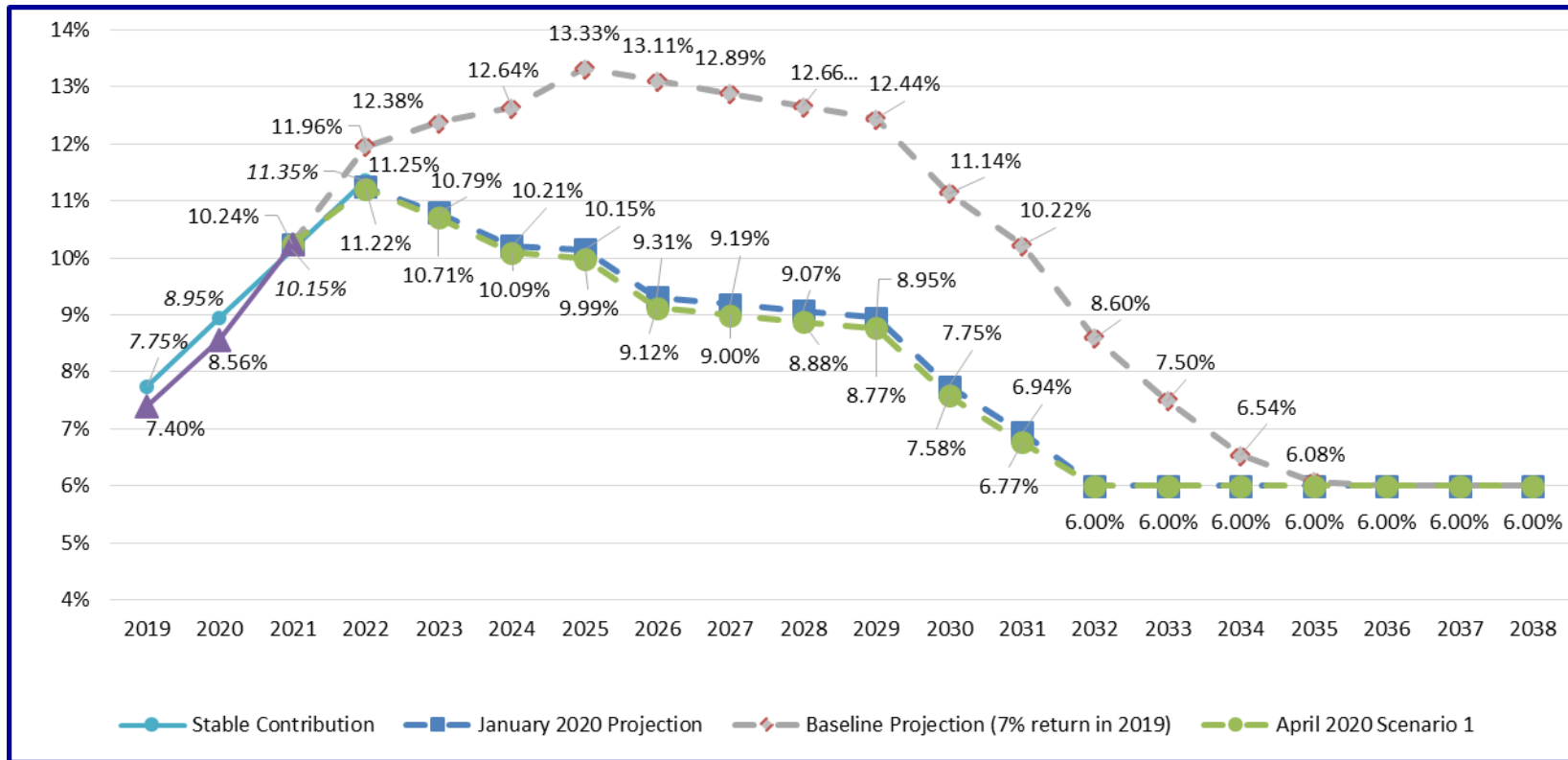


Projections

- The revised ECRSP adopted by the Board of Trustees on January 31, 2019 requires that recommended contributions for general employees be set at 8.95% of payroll for fiscal year ending 2020, 10.15% for fiscal year ending 2021, and 11.35% for fiscal year ending 2022, with the following additional adjustments, if applicable:
 - If the underlying actuarially determined employer contribution rate (ADEC) for a given fiscal year is 50% higher than the scheduled employer contribution rate for that fiscal year, the scheduled employer contribution rate for the current and future fiscal years increases 0.50%;
 - If the underlying ADEC for a given fiscal year is 50% lower than the scheduled employer contribution rate for that fiscal year, the scheduled employer contribution rate for the current and future fiscal year decreases 0.50%;
 - If the General Assembly grants any additional COLA beyond the amount of COLA granted by the Board, increases the multiplier for active employees, or changes the benefit structure in a way that has a cost to the system, the schedule of contributions for the current and future fiscal years will be increased by the cost of the benefit enhancement. The cost of any COLA granted by the Board under the authority allowed by statute will not impact the scheduled contribution rates.
 - Contribution rates for law enforcement officers will be 0.75% higher than contribution rates for general employees.
- In addition, we have provided alternate deterministic projections:
 - Estimated 2019 asset return of 14.50% and actual 2019 return of 14.88%
 - Hypothetical 2020 asset returns of 7.0%, 0.0%, 14.0%, -14.0% and -7.0%



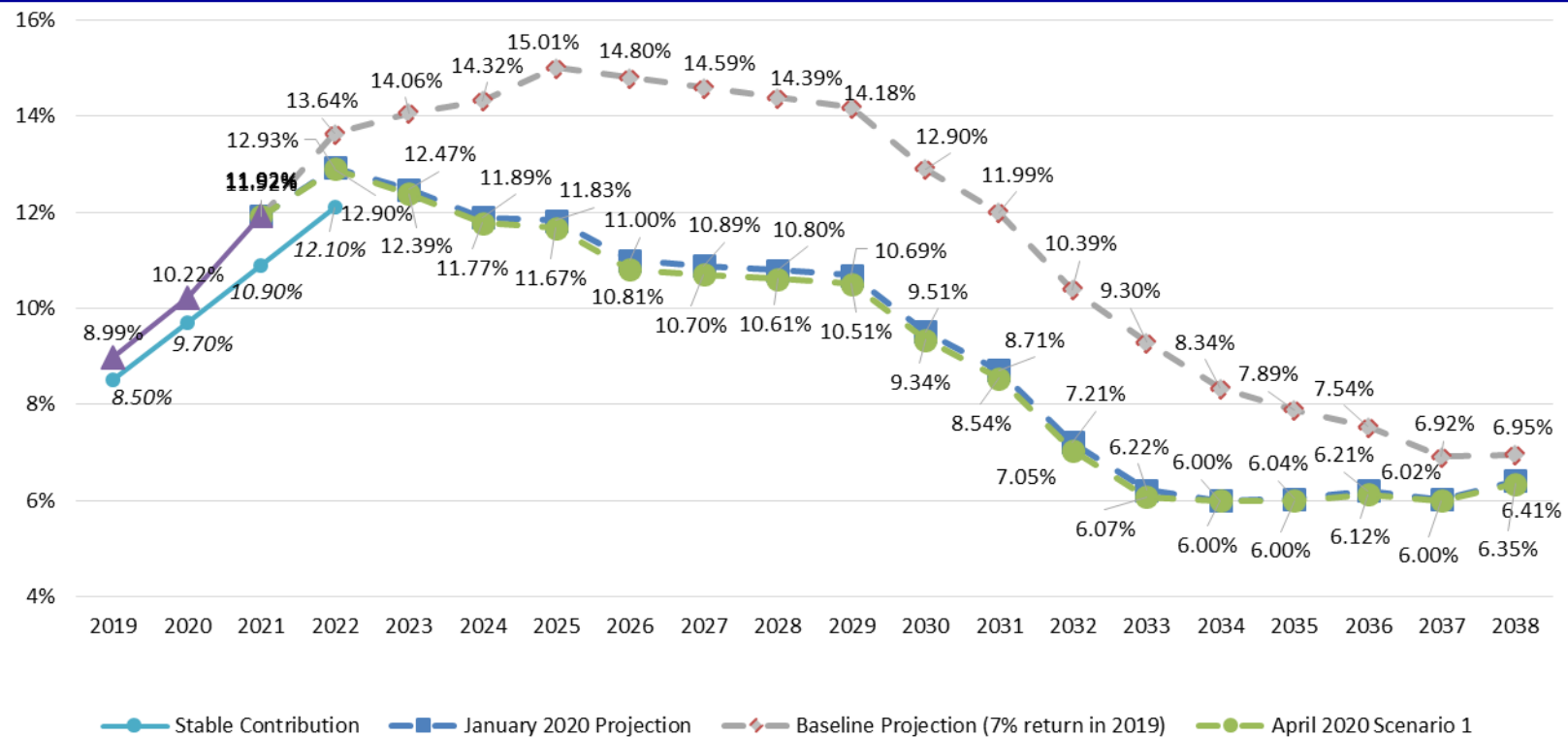
Projected Contribution Rates – General Employees and Firefighters



Estimated returns were 7.50% higher than expected. Actual returns were 7.88% higher than expected for 2019. As a result of the 2019 asset returns we are projecting that the unfunded actuarial accrued liability will be lower resulting in lower employer contribution rates.

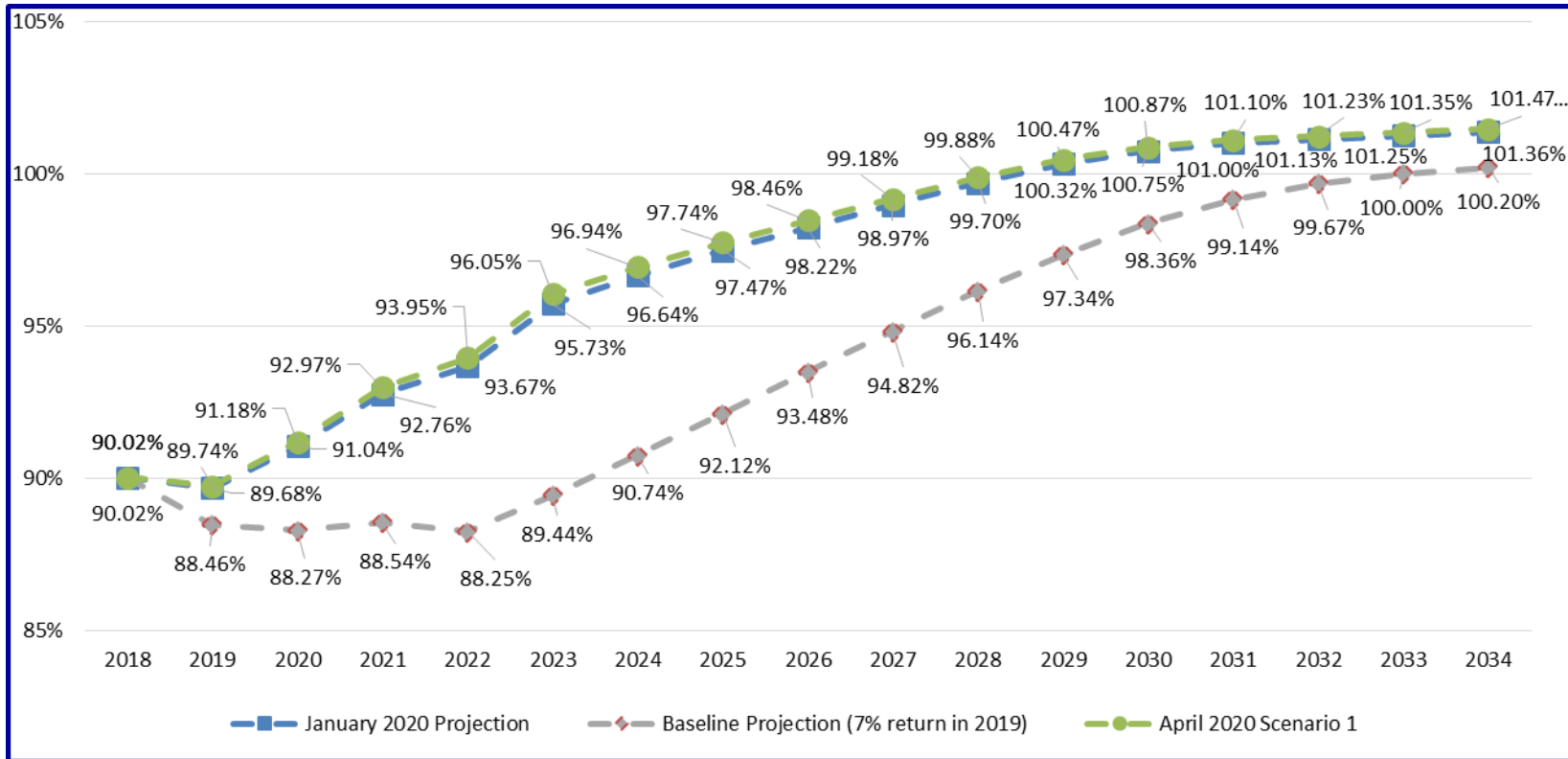


Projected Contribution Rates – Law Enforcement Officers



Estimated returns were 7.50% higher than expected. Actual returns were 7.88% higher than expected for 2019. As a result of the 2019 asset returns we are projecting that the unfunded actuarial accrued liability will be lower resulting in lower employer contribution rates.

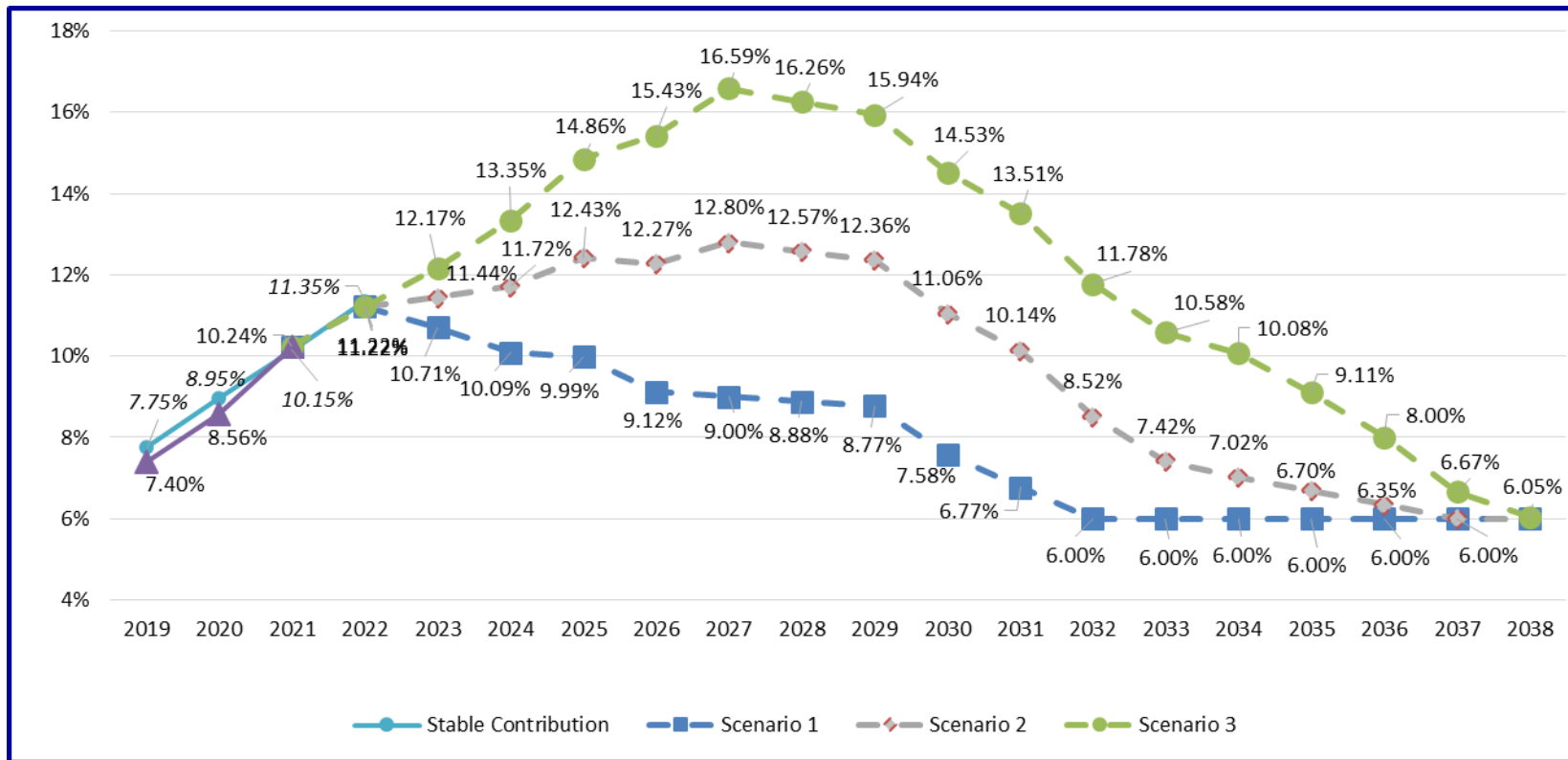
Projected Funded Ratio



Estimated returns were 7.5% higher than expected. Actual returns were 7.88% higher than expected for 2019. As a result we are projecting that the unfunded actuarial accrued liability will be lower resulting in a higher funded ratios.

Hypothetical 2020 Asset Returns

Projected Contribution Rates – General Employees and Firefighters



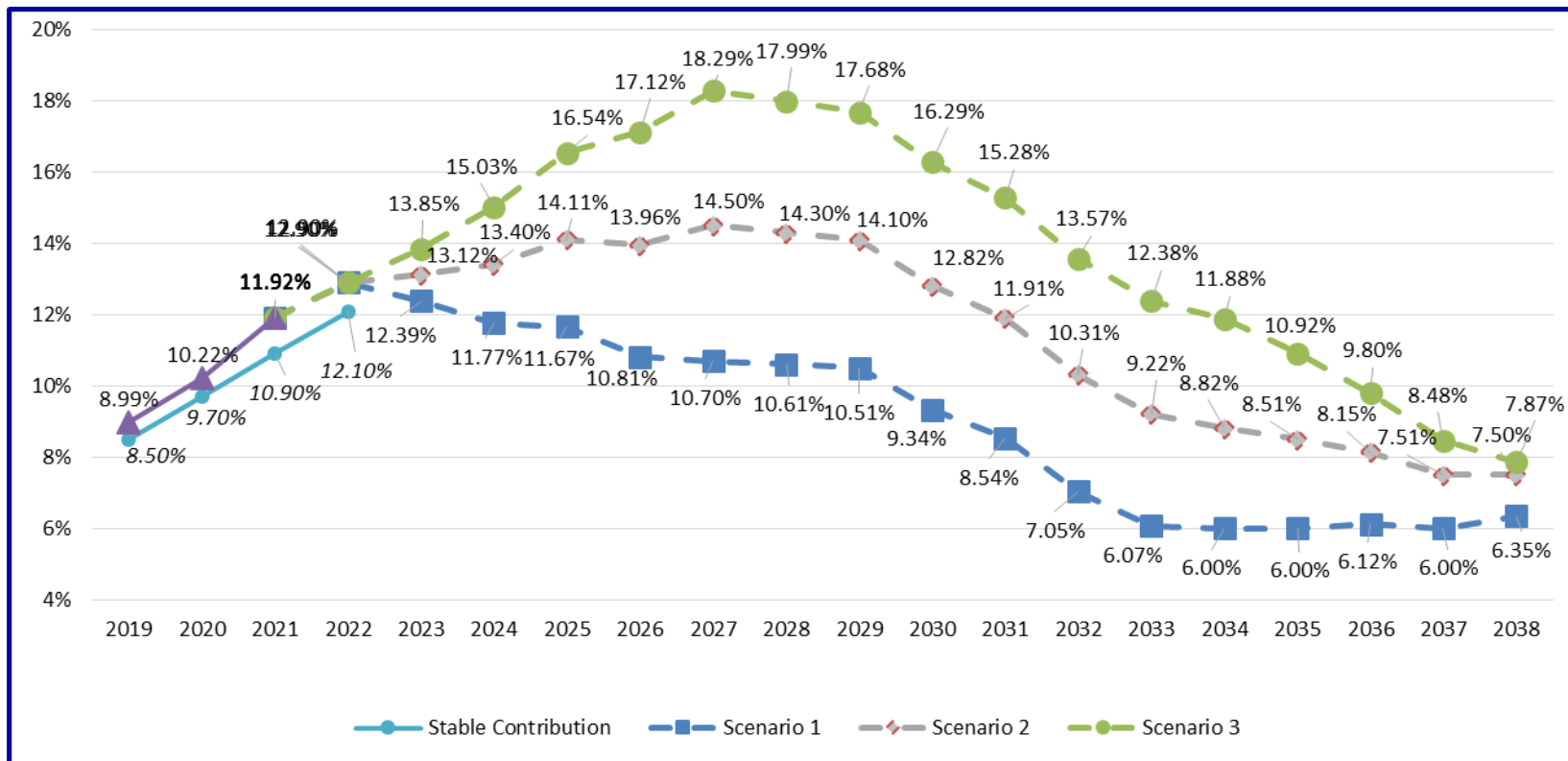
Scenario 1: 7.0% 2020 return

Scenario 2: 0.0% 2020 return

Scenario 3: -7.0% 2020 return

Hypothetical 2020 Asset Returns

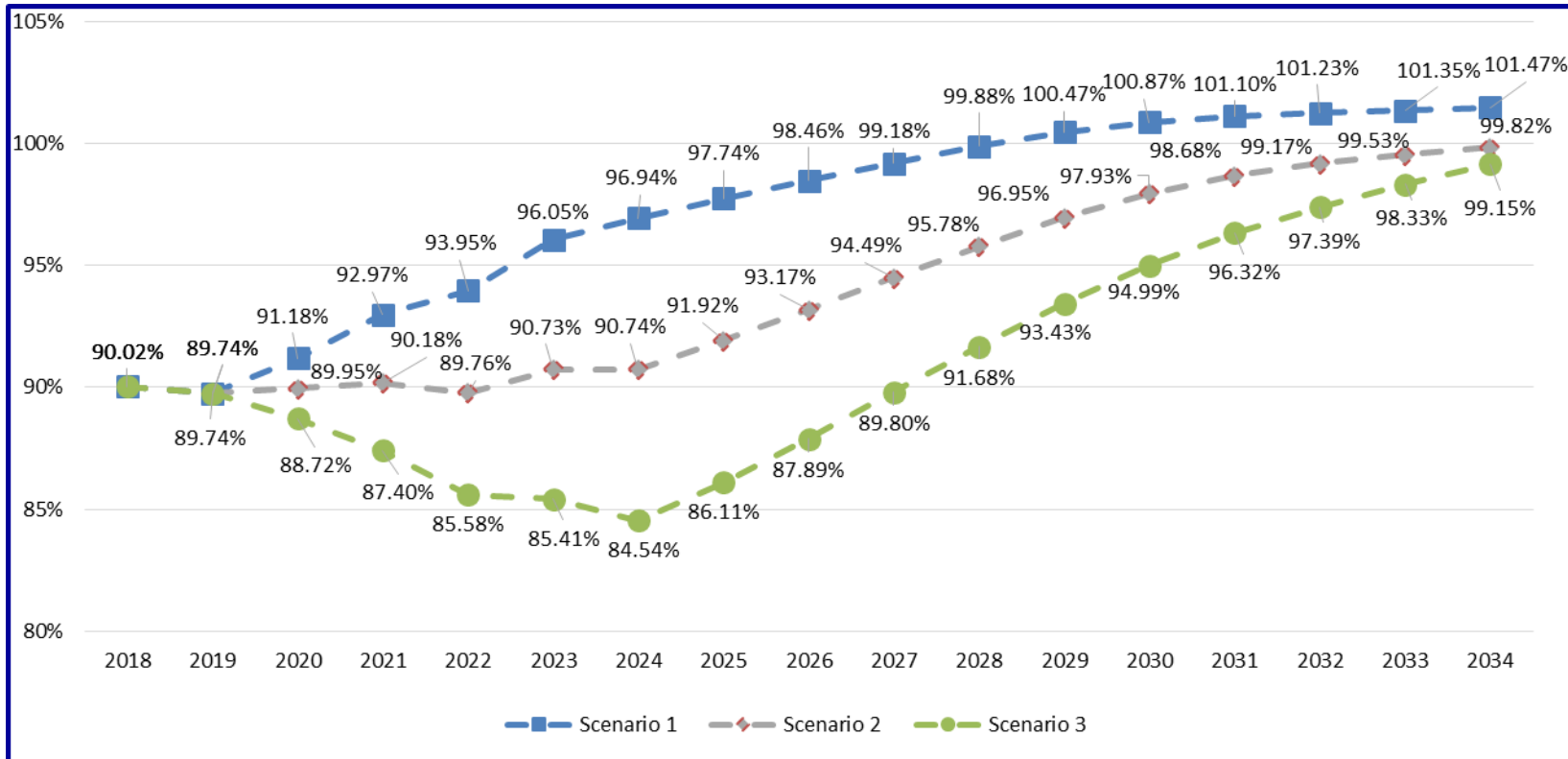
Projected Contribution Rates – Law Enforcement Officers



Scenario 1: 7.0% 2020 return
 Scenario 2: 0.0% 2020 return
 Scenario 3: -7.0% 2020 return

Hypothetical 2020 Asset Returns

Projected Funded Ratio

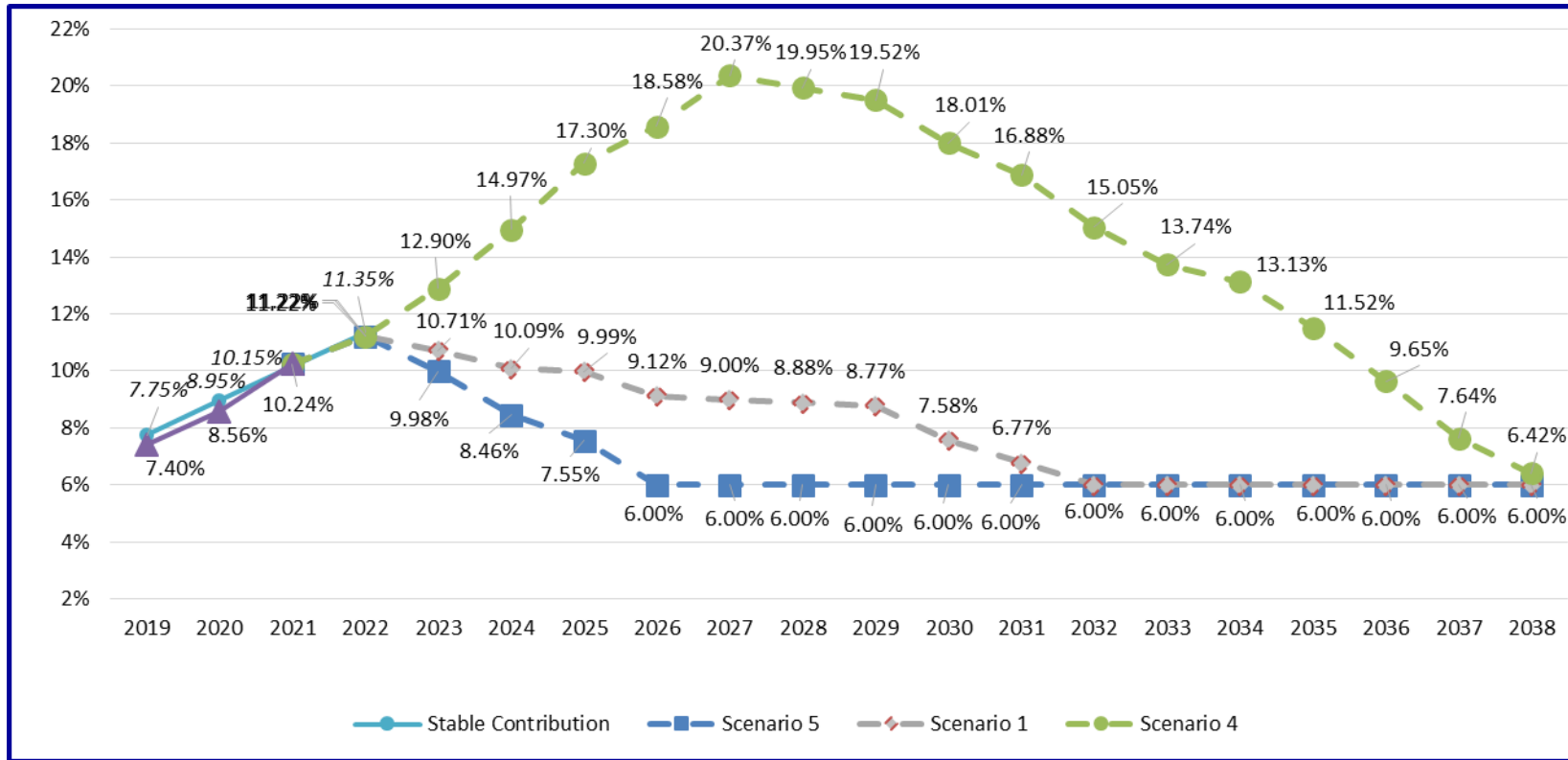


Scenario 1: 7.0% 2020 return

Scenario 2: 0.0% 2020 return

Scenario 3: -7.0% 2020 return

Hypothetical 2020 Asset Returns Projected Contribution Rates – General Employees and Firefighters



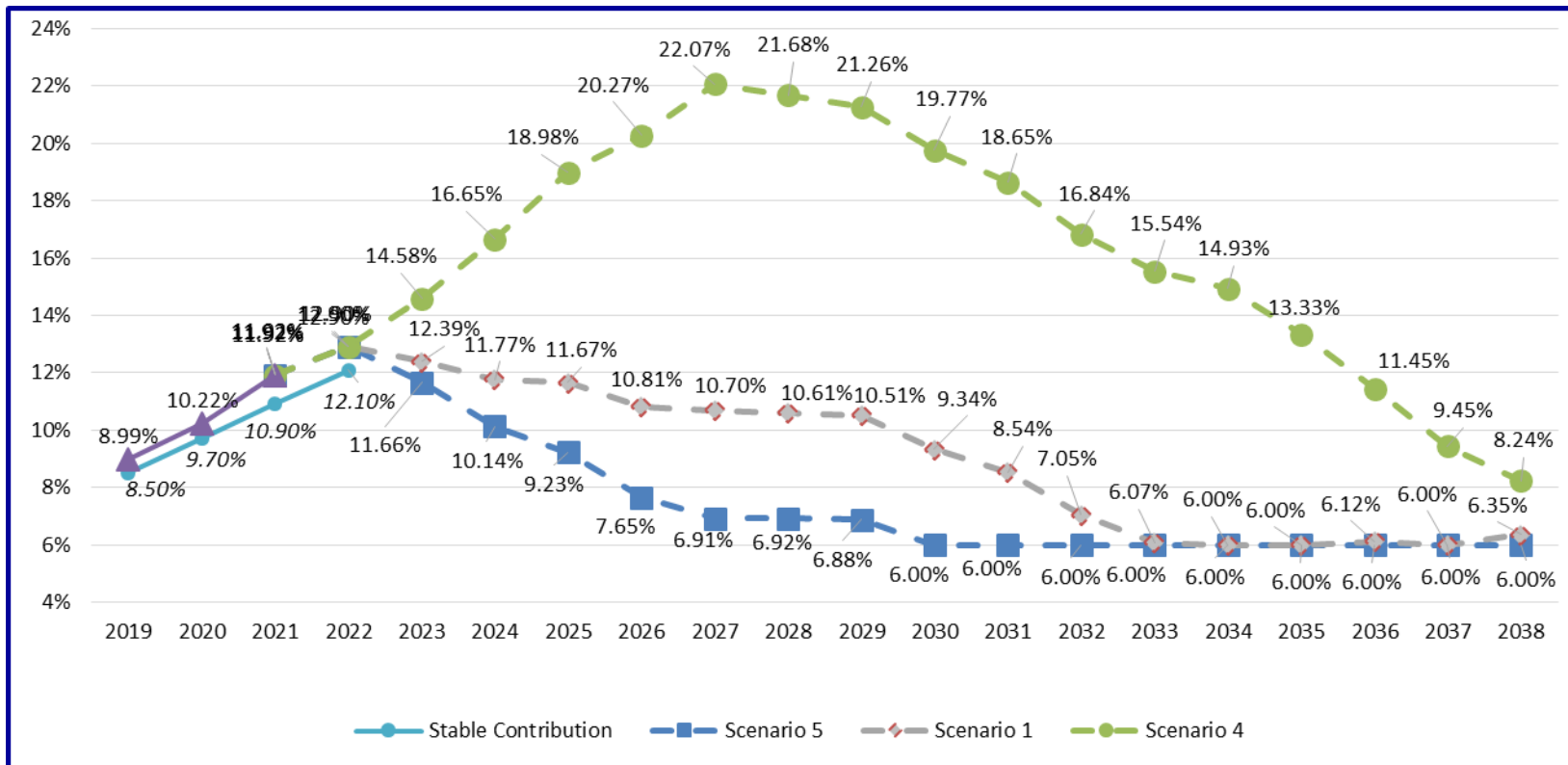
Scenario 1: 7.0% 2020 return

Scenario 4: -14.0% 2020 return

Scenario 5: 14.0% 2020 return

Hypothetical 2020 Asset Returns

Projected Contribution Rates – Law Enforcement Officers



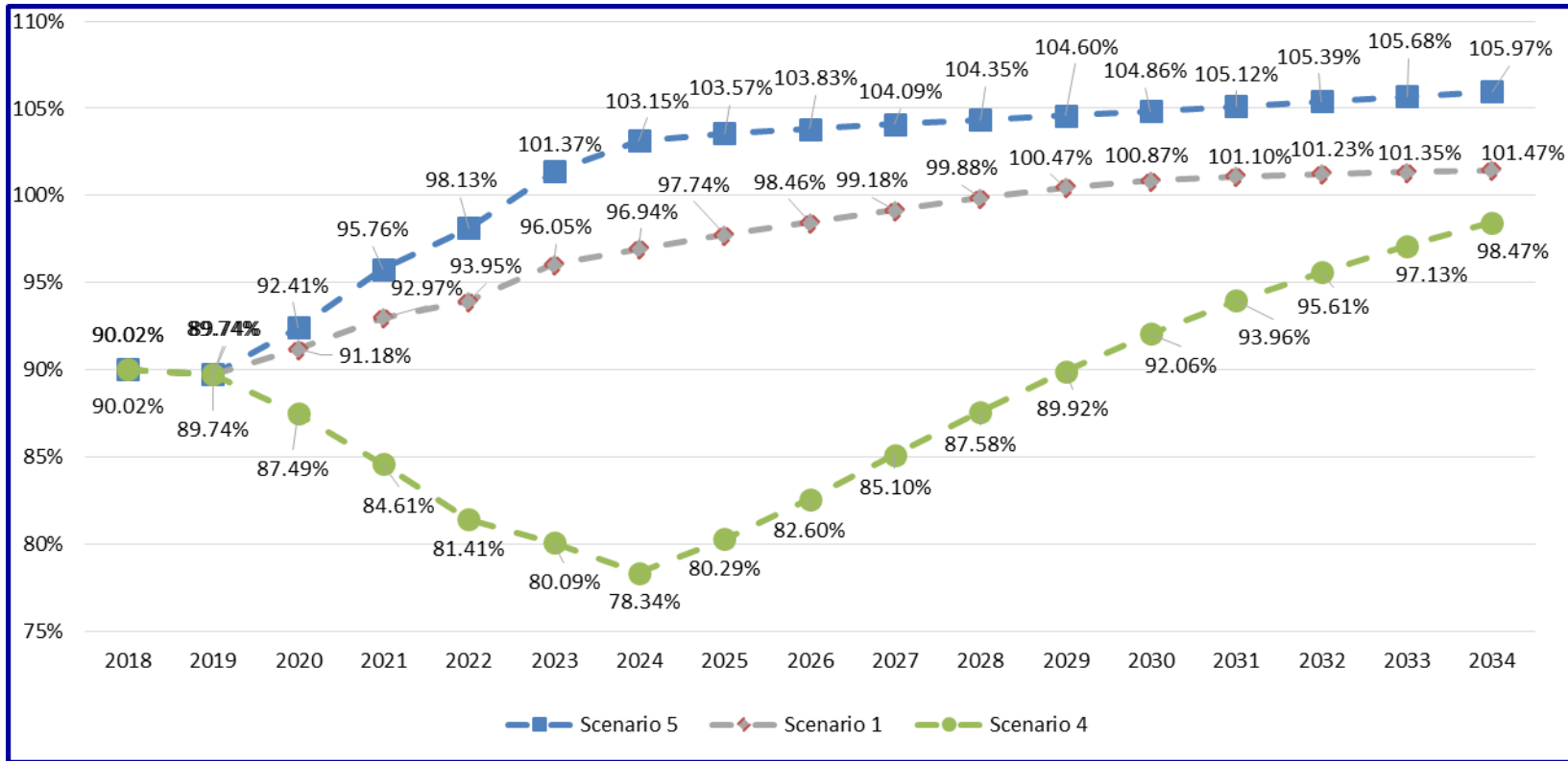
Scenario 1: 7.0% 2020 return

Scenario 4: -14.0% 2020 return

Scenario 5: 14.0% 2020 return

Hypothetical 2020 Asset Returns

Projected Funded Ratio



Scenario 1: 7.0% 2020 return

Scenario 4: -14.0% 2020 return

Scenario 5: 14.0% 2020 return

Certification



Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Because of limited scope, Cavanaugh Macdonald performed no analysis of the potential range of such future differences, except for some limited analysis in financial projections or required disclosure information. Results prior to December 31, 2018 were provided by the prior consulting actuary.

We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and we are available to answer questions about it.

Larry Langer, ASA, EA, FCA, MAAA
Principal and Consulting Actuary

Jonathan T. Craven, ASA, EA, FCA, MAAA
Consulting Actuary