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

January 27, 2022 Board of Trustees Meeting

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Projections

- Projections of contribution requirements and funded status into the future can be helpful planning tools for stakeholders. This section provides deterministic projections of the actuarial valuation under the assumptions used in the December 31, 2020 valuation.

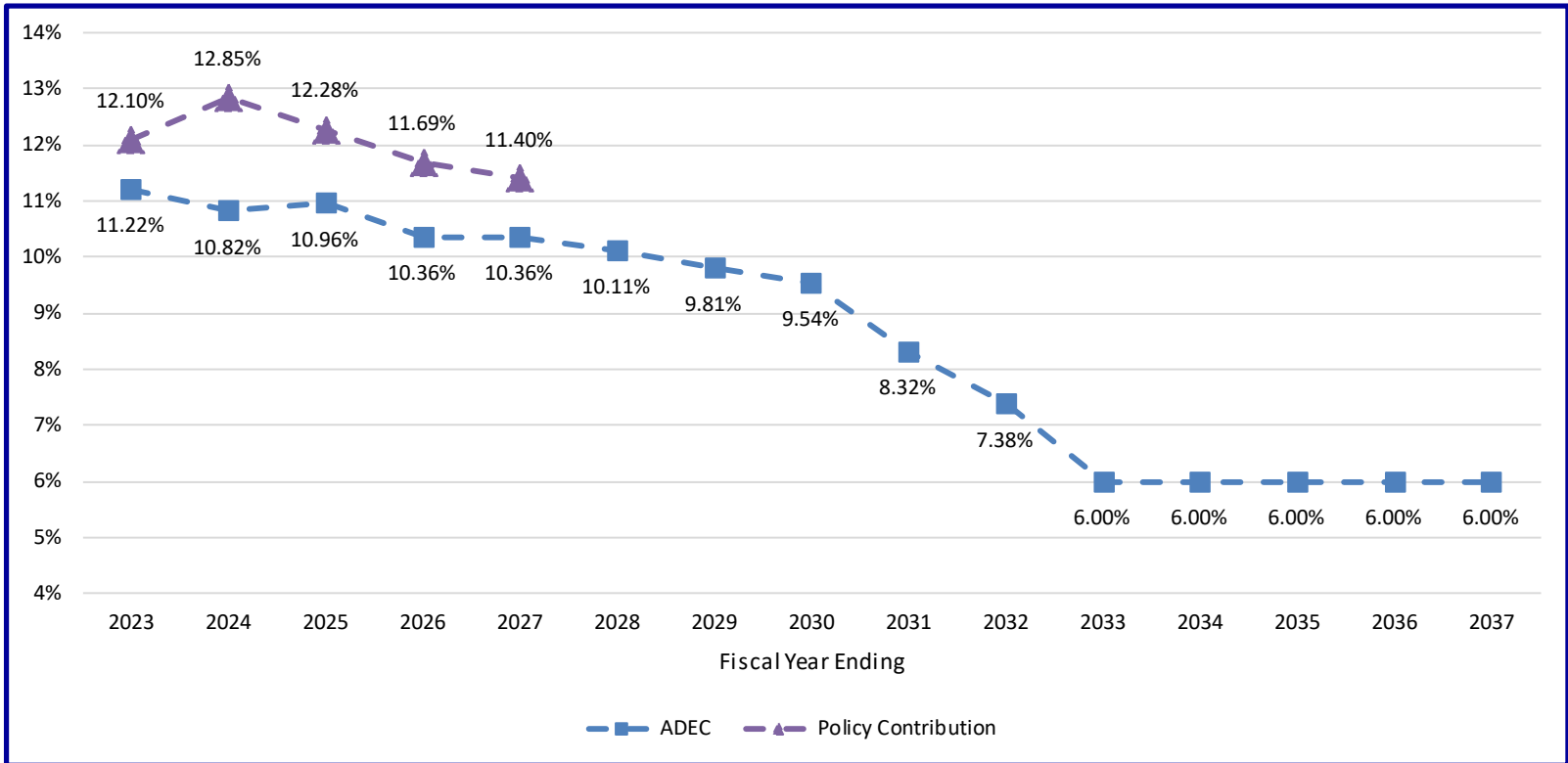
- Key Projection Assumptions
 - Valuation interest rate of 6.50% for all years in conjunction
 - The ADEC includes direct rate smoothing of the employer contribution rate over a 5-year period beginning FYE July 1, 2023.
 - Two Scenarios
 - 6.5% investment return on market value for all years
 - 9.6% investment return on market value of assets for 2021 and 6.5% return after 2021.
 - Actuarial assumptions and methods as described in Appendix D of the December 31, 2020 valuation report. All future demographic experience is assumed to be exactly realized.
 - The contribution rate under the Employer Contribution Rate Stabilization Policy (ECRSP), adopted at the April 2021 Board meeting, is contributed until fiscal year ending 2027 described on the next page.
 - The actuarially determined employer contribution rate is contributed for fiscal years ending 2028 and beyond.
 - The sum of the “normal contribution” and the “accrued liability contribution” shall not be less than the employee contributions, which is currently 6%.
 - 0% increase in the total active member population
 - No cost-of-living adjustments granted
 - Future pay increases based on long-term salary increase assumptions



ECRSP Policy Contribution Rate

- Non-LEO Policy Contribution Rate is the sum of 1 through 7 below:
 - 1) Rate for previous year excluding one-time benefit funding
 - 2) Increase of 0.75%
 - 3) Enacted benefit change not incorporated in (1)
 - 4) Actuarial assumption/method changes not incorporated in (1)
 - 5) Guardrail-related increase (any FYE 2023-2027) - If the Underlying ADEC (Non-LEO) for the fiscal year exceeds the sum of (1) through (4) by more than 1.00% of compensation, an increase equal to 50% multiplied by the difference
 - 6) Guardrail-related decrease (only FY 2025-2027) - If the sum of (1) through (4) exceeds the Underlying ADEC (Non-LEO) for the fiscal year by more than 1.00% of compensation, a decrease equal to 50% multiplied by the difference, limited to 1.50% of compensation
 - 7) Discretionary increase based on anticipated guardrail
- LEO Policy Contribution Rate:
 - Policy Contribution Established according to the following schedule:
 - FYE 2023: Policy Contribution (Non-LEO) plus 1.00%.
 - FYE 2024: Policy Contribution (Non-LEO) plus 1.25%.
 - FYE 2025: Policy Contribution (Non-LEO) plus 1.50%.
 - FYE 2026: Policy Contribution (Non-LEO) plus 1.75%.
 - FYE 2027: Policy Contribution (Non-LEO) plus 2.00%.
 - Enacted benefit change not already incorporated
- Policy Contribution Rate is not less than the employee contribution rate of $\frac{6}{3}\%$

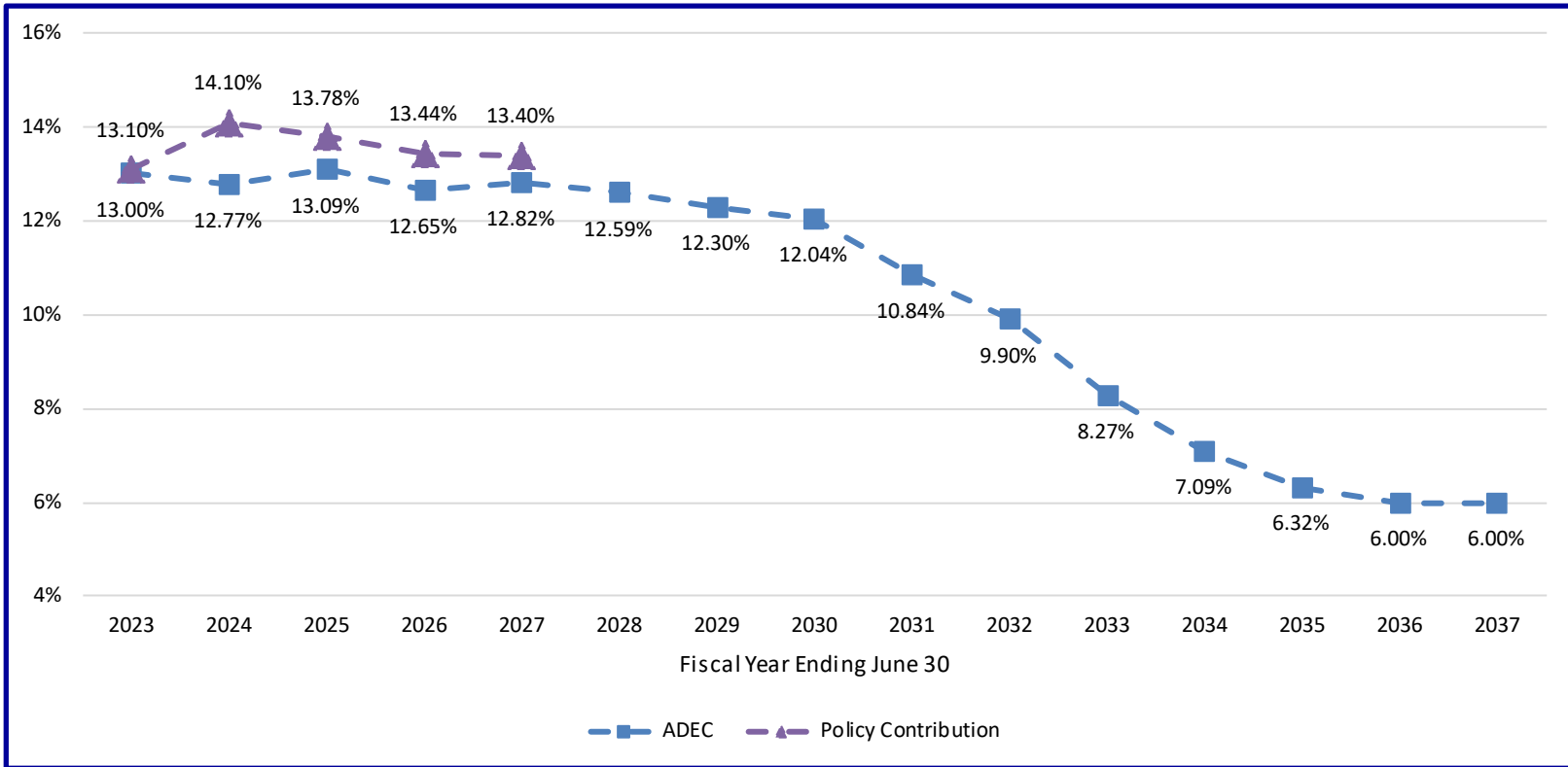
Projected Contribution Rates Non-LEO 6.5% Return for All Years



The Non-LEO contribution rates are decreasing as a result of returns in excess of expected being reflected and the 12-year amortization policy. Guardrail decreases are projected for FYE 2025 through 2027.

Projected Contribution Rates - LEO

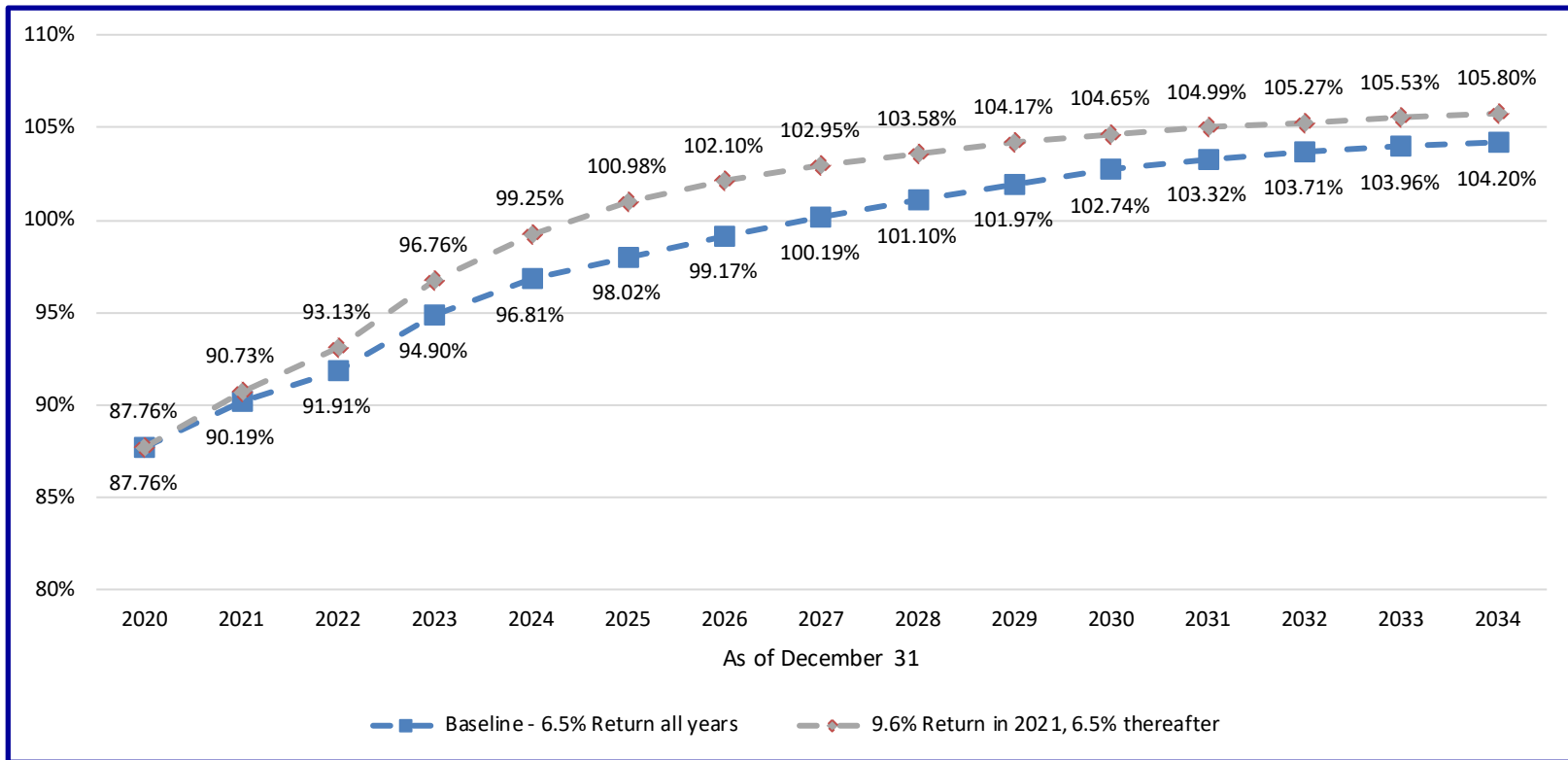
6.5% Return for All Years



The LEO contribution rates are decreasing, but not as fast as Non-LEO rates. This is primarily due to the phase in of LEO rates to the full ADEC.



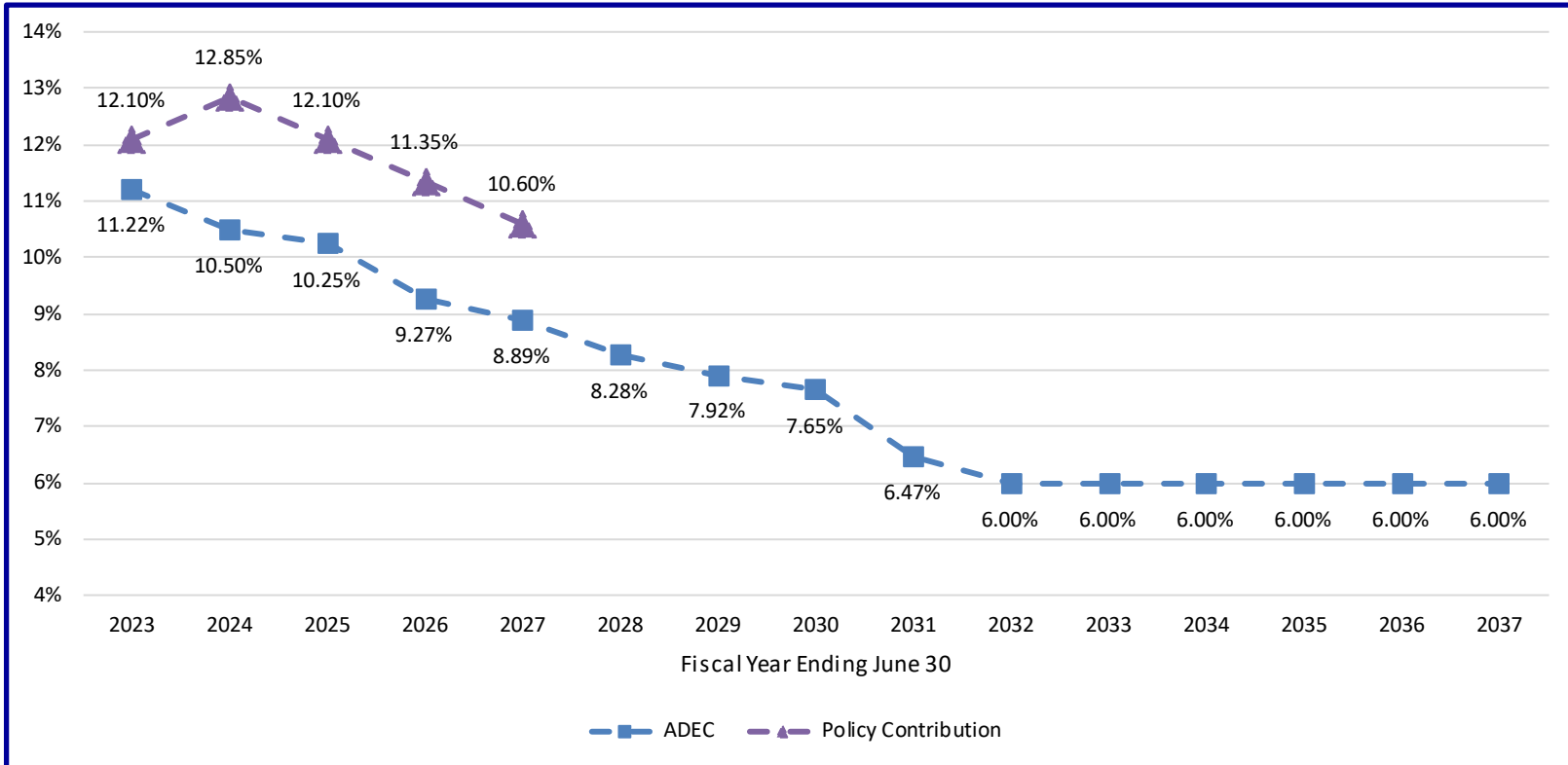
Projected Funded Ratio



Estimated returns are 3.1% higher than expected. Therefore, we are projecting that the unfunded actuarial accrued liability will be lower than previously expected resulting in lower employer contribution rates seen on the next slides.

Projected Contribution Rates - Non-LEO

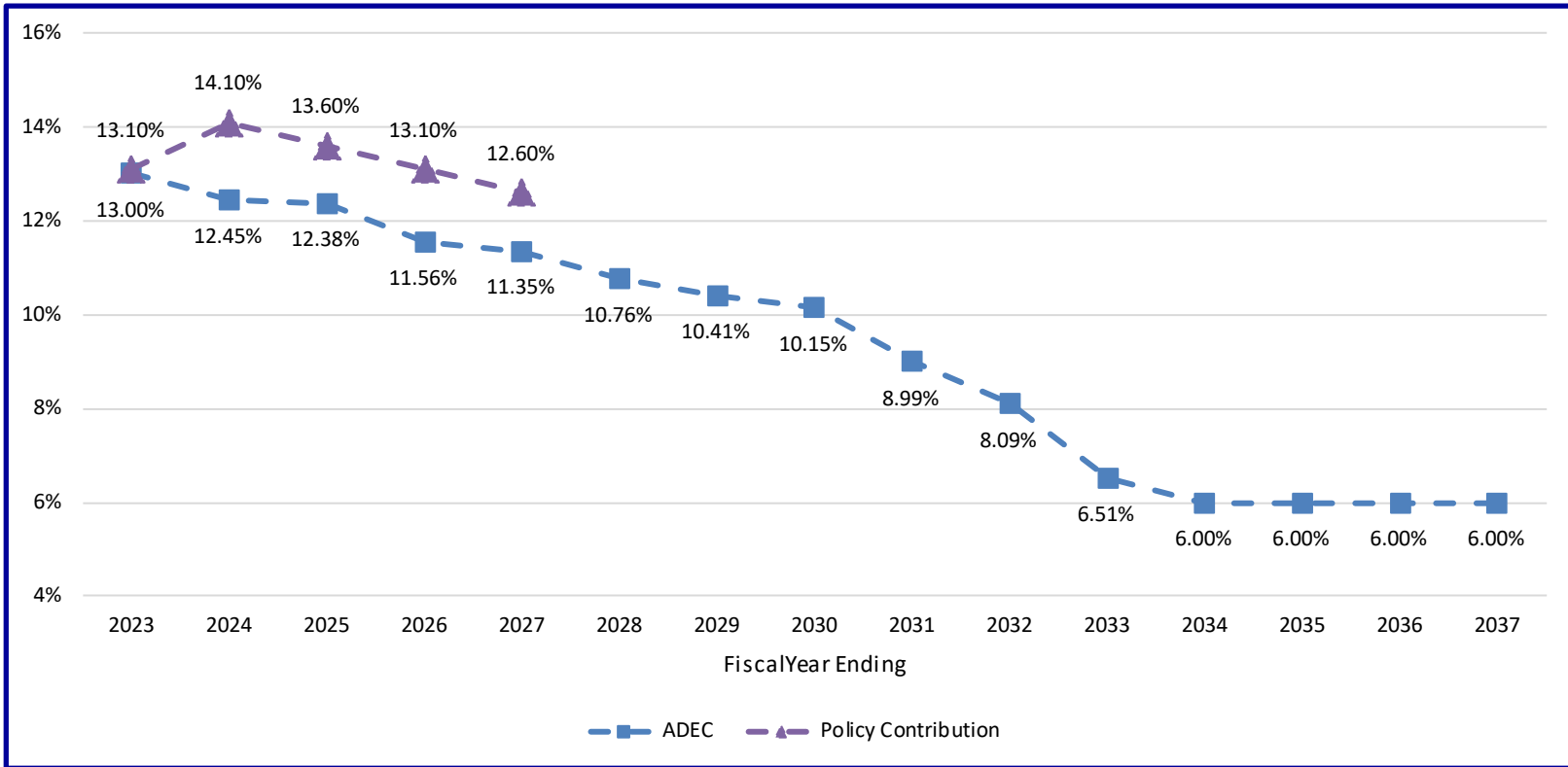
9.6% Return in 2021, 6.5% Thereafter



The additional 3.1% return results in lower projected contribution rates. The maximum guardrail decreases are projected for FYE 2025 through 2027.

Projected Contribution Rates - LEO

9.6% Return in 2021, 6.5% Thereafter



The additional 3.1% return results in lower projected contribution rates.



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, 2017 were provided by the prior consulting actuary. In order to prepare the results in this study, we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results. 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

Wendy Ludbrook, FSA, EA, FCA, MAAA
Consulting Actuary



APPENDIX

Projected Contribution Rates and Cashflows



9.6% Return in 2020, 6.5% Return Thereafter

Fiscal Year Ending	Employer Policy Contribution Rate		Year Ending	Employer Contributions	Member Contributions	Benefit Payments
	Non-LEO	LEO				
6/30/2023	12.10%	13.10%	12/31/2021	809,188,736	444,553,192	1,667,656,466
6/30/2024	12.85%	14.10%	12/31/2022	897,085,686	451,559,251	1,753,205,099
6/30/2025	12.10%	13.60%	12/31/2023	973,252,539	459,274,018	1,844,445,417
6/30/2026	11.35%	13.10%	12/31/2024	994,302,333	467,581,837	1,940,839,715
6/30/2027	10.60%	12.60%	12/31/2025	956,901,254	476,382,765	2,042,139,445
6/30/2028	8.28%	10.76%	12/31/2026	918,582,415	485,814,282	2,149,776,561
6/30/2029	7.92%	10.41%	12/31/2027	812,192,044	495,720,350	2,255,886,877
6/30/2030	7.65%	10.15%	12/31/2028	719,610,567	506,130,362	2,364,233,014
6/30/2031	6.47%	8.99%	12/31/2029	707,857,025	516,925,556	2,473,064,074
6/30/2032	6.00%	8.09%	12/31/2030	660,070,887	528,457,346	2,580,338,283
6/30/2033	6.00%	6.51%	12/31/2031	597,936,247	540,710,257	2,685,786,161
6/30/2034	6.00%	6.00%	12/31/2032	574,595,576	553,784,668	2,787,335,307
6/30/2035	6.00%	6.00%	12/31/2033	571,830,611	567,646,778	2,887,892,275
6/30/2036	6.00%	6.00%	12/31/2034	582,039,289	582,039,289	2,989,280,990
6/30/2037	6.00%	6.00%	12/31/2035	596,900,561	596,900,561	3,092,514,209



Asset and Liability Projection

9.6% Return in 2020, 6.5% Return Thereafter

Valuation Date	Market Value of Assets	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio
12/31/2020	30,905,571,000	29,387,656,000	33,485,233,000	4,097,577,000	87.76%
12/31/2021	33,430,771,000	31,628,907,000	34,859,125,000	3,230,218,000	90.73%
12/31/2022	35,177,836,000	33,754,587,000	36,244,866,000	2,490,279,000	93.13%
12/31/2023	37,030,705,000	36,417,945,000	37,638,474,000	1,220,529,000	96.76%
12/31/2024	38,934,657,000	38,744,301,000	39,035,927,000	291,626,000	99.25%
12/31/2025	40,828,125,000	40,828,125,000	40,433,317,000	(394,808,000)	100.98%
12/31/2026	42,703,585,000	42,703,585,000	41,825,789,000	(877,796,000)	102.10%
12/31/2027	44,491,676,000	44,491,676,000	43,215,949,000	(1,275,727,000)	102.95%
12/31/2028	46,199,173,000	46,199,173,000	44,602,281,000	(1,596,892,000)	103.58%
12/31/2029	47,904,139,000	47,904,139,000	45,985,255,000	(1,918,884,000)	104.17%
12/31/2030	49,571,579,000	49,571,579,000	47,367,949,000	(2,203,630,000)	104.65%
12/31/2031	51,186,863,000	51,186,863,000	48,753,416,000	(2,433,447,000)	104.99%
12/31/2032	52,791,493,000	52,791,493,000	50,148,308,000	(2,643,185,000)	105.27%
12/31/2033	54,407,835,000	54,407,835,000	51,555,909,000	(2,851,926,000)	105.53%
12/31/2034	56,049,719,000	56,049,719,000	52,977,806,000	(3,071,913,000)	105.80%