

# El Paso County Retirement Plan

Presentation to BOCC  
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# Presentation Outline

- Plan History and Dynamics
- Recent History
  - Board Efforts and Impacts
- Current Status of Plan
- Plan Changes Made
  - Actuarial Impacts
- Future of the Plan
  - Actuarial Projections



# Plan History

- Established in 1967
- Organized under a 401(a) IRS Code at the Federal Level and Under C.R.S. with the State of Colorado
- EPC Retirement Plan is a Defined Benefit Plan
- Separate Legal Entity from EPC
- 5 Member Voting Board
  - 2 Appointed from BoCC
  - 2 Employee Elected
  - 1 Statutory- County Treasurer
- 2 Associate Members (non-voting)



# Plan Dynamics

- Includes 5 Employers
  - El Paso County
  - 4<sup>th</sup> Judicial District
  - Public Health
  - Pikes Peak Library District
  - El Paso County Retirement Plan
- Mandatory Participation for all Full-Time employees
- Fixed Contribution Rate of 16%
  - (8% Employer/8% Employee)



# Plan Dynamics (cont'd)

- 8 Year Vesting Period
  - Effective for new hires after 1/1/2013
- Benefits Determined Using Accrual Calculation for Each Year Worked as a Percentage of Pay
- Eligibility for Retirement determined by Number of Years Worked + Age (includes Rule of 75)



# Plan Dynamics (cont'd)

## Statistics for 2015

- Plan Participants 4,317
  - ❖ Active 2,566
  - ❖ Retired 1,273
  - ❖ Beneficiaries 107
  - ❖ Vested Termination 371
- Average Employee Entry Age 36.5
- Active Employee Average Age 44.7
- Retiree Average Age 68.7
- Retiree Average Monthly Benefit \$1,422

# Recent History of the Plan

# Recent History - Board Efforts

## Plan Changes Made To Improve Funded Status

### 2013 or earlier:

- Increased employee annual contributions to 8.0%
- Employer match of 8.0% (Total 16%)
- Reduced yearly multiplier from 2.22% to 2.0% for all employees
- Eliminated 3-tiered multiplier for all service after 2012
- Increased vesting from 5 years to 8 years for new employees
- Maximum benefit decreased 75% to 60% for new employees



# Recent History - Board Efforts Plan Changes Made To Improve Funded Status

## 2014:

- Plan heard the call of the Board of County Commissioners, and took action to address their concerns with respect to being good stewards of Plan assets:
  - New Buck system went live on May 1, and has saved an FTE equivalent due to efficiencies gained. Staffing costs reduced by approx \$45,000 annually to office budget by going from 3 staff to 2 staff
  - Plan continues to weigh cost vs benefit on all its investment choices, and makes sure that if an investment costs more, the return it generates is superior to other alternatives

PEERS	FEE in BPS	Rate of Return 2014	Rate of Return 2013
ADAMS COUNTY	62.00	6.61%	13.87%
ARAPAHOE COUNTY	61.20	6.64%	13.20%
PUEBLO COUNTY	65.00	6.17%	12.75%
<b>EL PASO COUNTY</b>	<b>59.90</b>	<b>6.93%</b>	<b>14.64%</b>

- Initiated minimum age of 50 for Rule of 75 early retirement provision for all new employees hired 1-1-2016 or after
- Initiated contribution increase to 8.5% of pay, with proviso that Board of County Commissioners can fund this increase in the 2016 Budget

# Current Status of the Plan



# Current Status of Plan

- The projections for 2014 and beyond are now in greater alignment with our actual experience, due to Experience Analysis done in late 2013 for 2014 Plan Year. This allows for greater accuracy in determining funding changes needed to get the Plan to our goal of 100% funded
- New parameters included updated mortality tables, termination rates, and salary increase assumptions. Retirement rate assumptions were also adjusted to better reflect actual experience versus past projection assumptions

# Current Status of Plan

- 2015 Valuation came very close to expected results due to new parameters being put into place in mid 2014 as a result of Experience Analysis recommendations. 2015 funded ratio increased to 71%, up from 69.5% in 2014. Last nine years show the decline from 2008 and recent upward trend in the Plan's funding:

<b>Actuarial Valuation Date</b>	<b>Funded Ratio (Percentage)</b>
1/1/2007	87.70%
1/1/2008	91.40%
1/1/2009	75.40%
1/1/2010	79.80%
1/1/2011	75.80%
1/1/2012	71.30%
1/1/2013	67.20%
1/1/2014	69.50%
1/1/2015	70.90%



# Current Status of Plan

- Board recognizes additional action has to occur to address the unfunded deficit
- Review All Components of the Plan:
  - ✓ Contribution Rate / Cash Flow
  - ✓ Investment Returns/Appropriateness
    - *Plan has re-allocated over \$60 million of portfolio in last 12 months*
  - ✓ Plan Benefits
  - ✓ Plan Expenses
  - ✓ Plan Design

# Current Status of Plan

## Annual Cash Flow Equation

	2014	2015*	2016^
Contributions	\$19,710,000	\$20,711,000	\$22,010,000
Less: Benefits	(\$23,025,000)	(\$24,756,000)	(\$24,756,000)
Less: Expenses	(\$ 590,000)	(\$ 603,000)	(\$ 603,000)
Annual Cash Flow	(\$ 3,905,000)	(\$ 4,045,000)	(\$ 3,349,000)

*\*Current contribution rate does not cover annual plan expenses*

*^Assumes 8.5% contribution rate*

# Normal Cost Summary (\$Thousands)

	As of January 1	
	2014	2015
Actuarial Contribution		
• Normal Cost		
➤ Amount	\$ 12,001	\$ 12,598
➤ % of Salary	9.7%	9.7%
• Amortization of Unfunded Liability	7,983	8,000
• Administrative Expenses	<u>531</u>	<u>603</u>
• Total Annual Contribution		
➤ Amount	\$ 20,515	\$ 21,201
➤ % of Salary	16.6%	16.2%
• Actual Member Contribution Rates		
➤ Member	8.0%	8.0%
➤ Employer	8.0%	8.0%
➤ Total	16.0%	16.0%

# Plan Changes Made



# Plan Changes Made

## Step 1 – Determine Funding Goal

- Funded Percentage Goal?
- Discussed in 2014 how to get to our target of 100% funding. In order to get there, it was decided to have both a 10 year goal and a 30 year goal. 10 year goal was 80% funding, and 30 year goal to get to 100% funding, or by 2044. In 2007, our Funded Percentage was 90%.
- Current Funded Percentage is approximately 71%
- Benchmarks:
  - ERISA Minimum is 80% to avoid benefit restrictions
  - Other Colorado Public Plans

	<u>2014</u>	<u>2015</u>
➤ El Paso County	69.5%	70.9%
➤ Pueblo County	61.5%	Not available
➤ Adams County	51.5%	57.1%
➤ Arapahoe County	64.7%	66.7%
➤ Weld County	65.7%	78.0%



# Plan Changes Made

## Step 2 – Align Goals with Options

- Plan undertook an Employee Survey for the first time in several years in the summer of 2014 to get employee feedback on options
- Options employees overwhelmingly preferred were to increase rate of contribution and greater vesting or eligibility requirements for new employees hired after January 1, 2016. Employees wanted to protect, at all costs, their current accrual rates and their current benefit formula, even if it meant they had to pay more out of their paychecks in order to keep that same benefit
- Board voted to increase Rule of 75 eligibility for all new employees hired January 1, 2016 or after
- Board also voted in an increase in the contribution rate to 8.5% of pay starting January 1, 2016, with proviso that County could fund this in its 2016 Budget

# Plan Changes Made

## Impacts of Changes Already Made

	<u>Actuarial Snapshots</u>		
	<u>2013*</u>	<u>2014^</u>	<u>2015^^</u>
2014 Funded Ratio	67.8%	69.4%	N/A
2024 Funded Ratio	63.0%	78.1%	77.1%
2015 Funded Ratio	67.6%	71.0%	70.9%
2025 Funded Ratio	62.2%	78.6%	77.8%

\*Before changes made

^After changes made

^^Did not meet 8% return assumption

# Future of Plan



# Future of Plan

## November 2014 Board Actions

1. Impact on Funded Percentage in 30 years due to an Increase in Contributions
  - a) From 8.0% to 8.5% = 15.6%<sup>^</sup>
    - Annual Dollar Impact (EE & ER at 0.5%) = \$ 1,309,036
    - *Annual El Paso County Budget Impact (EE & ER at 0.5%) = \$ 1,233,036*
    - *Annual Pikes Peak Library Budget Impact (EE & ER at 0.5%) = \$ 76,000*
    - **Critical Need Request for BoCC (EE & ER at 0.5%) = \$844,980**

<sup>^</sup>30 year impacts estimated from 2013 Buck valuation projections



# Future of Plan

## November 2014 Board Actions

2. Minimum Age Option for Rule of 75<sup>^^</sup>
  - Normal Retirement Age is 62
  - Currently no minimum age for Rule of 75, but for New Employees\* ONLY, if we:
    - a) Establish Minimum Age of 50 = 0.8%

<sup>^^</sup>30 year impacts are estimated from September 26, 2011 Buck study

\*Employees hired after January 1, 2016



# Future of Plan

Options voted in by the Board at their November 17, 2014 meeting would make our future projections look like this:

## Actuarial Snapshots (assumes 8% return annually)

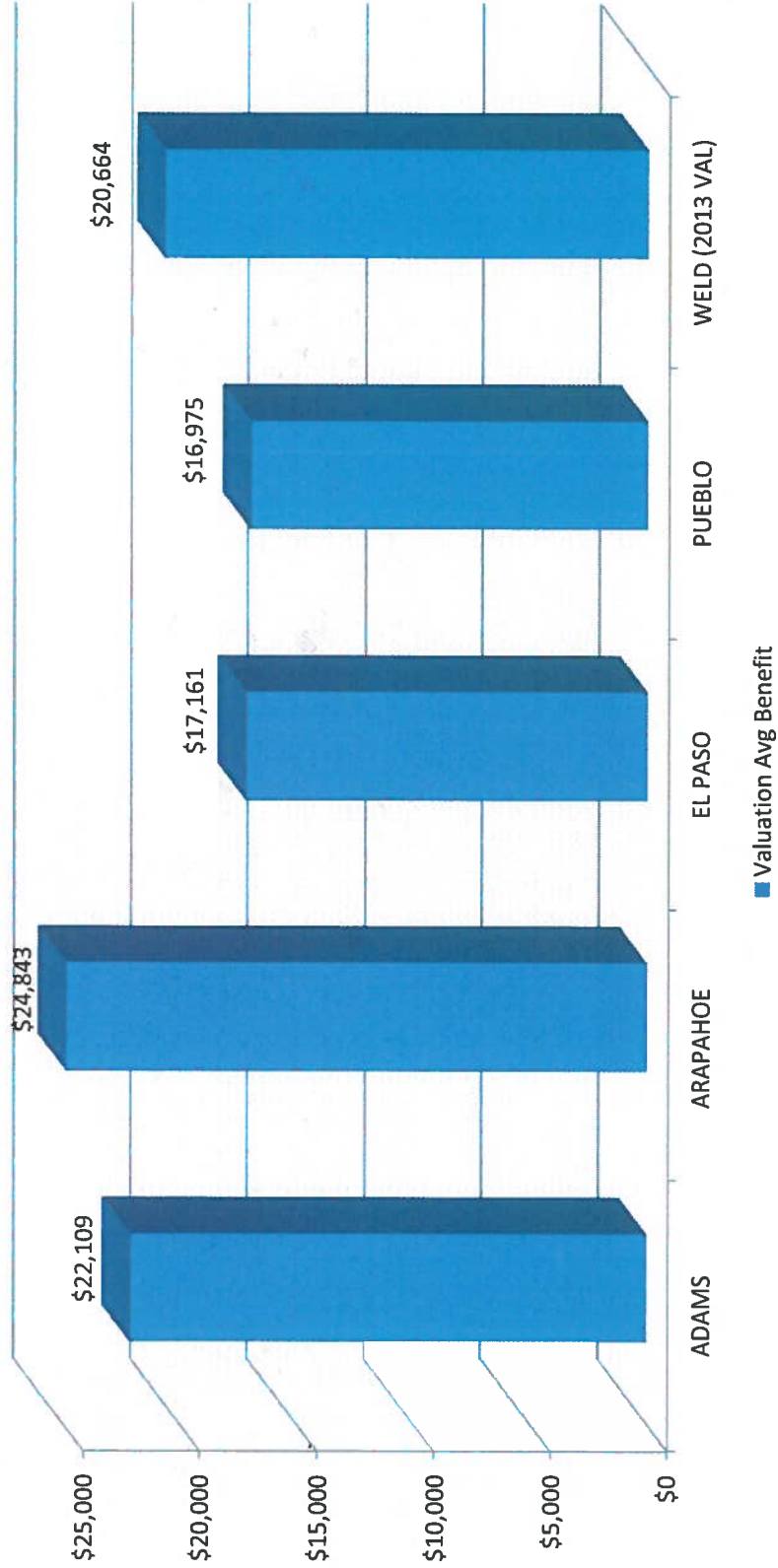
	<u>2015*</u>	<u>2016^</u>
2015 Funded Ratio	70.9%	N/A
2016 Funded Ratio	71.6%	71.6%
2025 Funded Ratio	77.8%	81.0%
2026 Funded Ratio	78.2%	81.1%
2045 Funded Ratio	93.4%	109.8%

\*Current Plan before changes

^Adopt both options 1 & 2 in previous slide

# Future of Plan County Comparisons by Avg Benefit

Valuation Avg Benefit







# Future of Plan Relevant County Comparisons

## Comparison of New Hire Treatment under other County Plans in Colorado

County	Funded % (2014)	Unfunded Liability (\$ millions)	Contribution Rate (EE)	Benefit Multiplier	Avg Salary Figure	Vesting	Special Early Rule	Assets (\$ millions)	Active Employees
Adams	57.1%	\$170.7	9.00%	1.75%	Career Avg	10 years	Rule of 80, min 55	\$227.3	1,934
Arapahoe	66.7%	\$131.6	8.00%	1.85%	High 5	8 years	Rule of 85, min 60	\$275.3	1,834
El Paso	70.9%	\$132.9	8.00%	2.00%	High 3	8 years	Rule of 75, min 50 in 2016	\$324.5	2,566
Pueblo	61.5%	\$68.6	8.25%	1.85%	High 5	10 years	Rule of 80, min 55	\$109.8	1,047
Weld	78.0%	\$51.0	10.75%	Variable Annuity	High 3	5 years	Not available	\$136.9	1,069



# Summary

- The Plan is still underfunded, and this needs to be addressed soon to keep the Plan viable and sustainable for all County employees and retirees
- Buck Consultants gave their Annual Valuation presentation on May 18<sup>th</sup> before the Board. The Plan is now funded to 70.9%, so a slight improvement over the 69.5% last year
- Total Required Contribution by actuarial calculation is 16.25%, and we are currently at 16.0% with employee and employer contribution combined
- Plan is making progress, but with equity markets slowing down, it will be more important than ever to continue to fund the Plan properly, and to meet or exceed the 16.25% contribution required
- Plan and Board would request that the BOCC approve budget authority to increase contributions to the Plan further to 8.5% of pay