

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 under IRS regulations and Colorado statutes
- 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
 - 4th 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 2017

- Plan Participants 4,317
 - ❖ Active 2,699
 - ❖ Retired 1,455
 - ❖ Beneficiaries 109
 - ❖ Vested Termination 398
- Average Employee Entry Age 36.7
- Active Employee Average Age 44.5
- Retiree Average Age 69.2
- Retiree Average Monthly Benefit \$1,513

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
- 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 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%
EL PASO COUNTY	59.90	6.93%	14.64%

Current Status of the Plan

Current Status of Plan

- The projections for 2017 and beyond are now in greater alignment with our actual results. Experience Analysis completed in 2014 improves accuracy in projecting changes needed to achieve goal of 100% funded
- Next Experience Analysis will be conducted in 2018
- New parameters include updated mortality tables, termination rates, salary projections and retirement rates

Current Status of Plan

- 2015 Valuation came very close to expected results based on Experience Analysis. 2015 funded ratio increased to 71%, up from 69.5% in 2014. Noteworthy recent upward trend in funding after several years of decline:

Actuarial Valuation Date	Funded Ratio (Percentage)
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%
1/1/2016	70.00%
1/1/2017	70.20%

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 Benefits
 - ✓ Plan Expenses
 - ✓ Plan Design

Current Status of Plan

Annual Cash Flow Equation

	2016	2017	2018
Contributions	\$23,072,000	\$24,863,000	\$26,800,000
Add: County Plan Expense Reimbursement		\$ 450,000	\$ 1,050,000
Less: Benefits	(\$29,760,000)	(\$35,000,000)	(\$40,000,000)
Less: Expenses	(\$ 686,000)	(\$ 688,370)	(\$ 685,000)
Annual Cash Flow	(\$ 7,374,000)	(\$ 10,375,370)	(\$ 13,285,000)

Plan Changes Made

Plan Changes Made

Impacts of Changes Already Made

	<u>Actuarial Snapshots</u>				
	<u>2013*</u>	<u>2014^</u>	<u>2015^^</u>	<u>2016</u>	<u>2017</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%		
2016 Funded Ratio				70.0%	
2017 Funded Ratio					70.2%
2025 Funded Ratio	62.2%	78.6%	77.8%		
2026 Funded Ratio				69.1%	
2027 Funded Ratio					71.4%

*Before changes made

^After changes made

^^Did not meet 8% return assumption

Future of Plan

Where do we go from here?

- Plan funding is stable, but is still short of 80% target for 2024.
- Plan is becoming more mature, and will hit the maximum number of retirees and payments in 2026.
- Retirement Board is reviewing a number of assumption and design changes for 2018 & beyond:
 - Lower assumed rate from 8.0% to 7.5% (drops funded ratio from 70.2% to 66.8%)
 - Lower inflation rate from 3.5% to 2.5%
 - Changes in investment strategies and asset classes

Summary

- ❑ The Plan is still funded below levels necessary for sustainability
- ❑ Consultant Annual Valuation presentation to Board confirms funding at 70.2% is a slight improvement over 70.0% last year
- ❑ Actuarial calculation indicates required funding at 16.39%. County plan is currently at 16.0% employee and employer contribution combined
- ❑ Plan performance is improving, but with equity markets cooling it will become more important to meet or exceed the 16.39% contribution required by actuarial calculations