



nyhart

January 24, 2017

## MANAGEMENT SUMMARY

# City of Dover, Delaware

## General Employee and Police Pension Plans



# Certification

This report was prepared for the City of Dover to summarize the results of the 7/1/2016 funding valuations and the GASB 67 & 68 accounting reports as of June 30, 2016, and may not be appropriate for other uses. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than the intended use.

Except where indicated otherwise, the funding results included in this report are based on the same data, assumptions, methods, and plan provisions as the 7/1/2016 funding valuations. As a result, these sections of the 2016 funding reports dated 12/30/2016 should be considered part of this report.

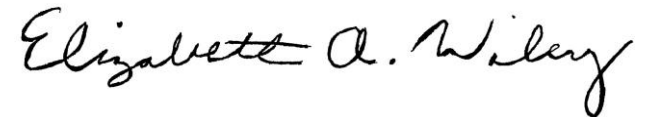
Accounting results are based on the same data, assumptions, methods and plan provisions as described in the 6/30/2016 GASB 67 & 68 reports. As a result, these sections of the GASB 67 & 68 report dated 10/4/2016 and 9/23/2016 should be considered part of this report.

This report has been prepared in accordance with generally accepted actuarial principles and practice.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.



**Carter M. Angell, FSA, EA, MAAA**



**Elizabeth A. Wiley, ASA**

# A lot of changes



New actuary



Audit of previous results for funding and accounting



Fresh look at where things are and where they are going

# Transition to Nyhart



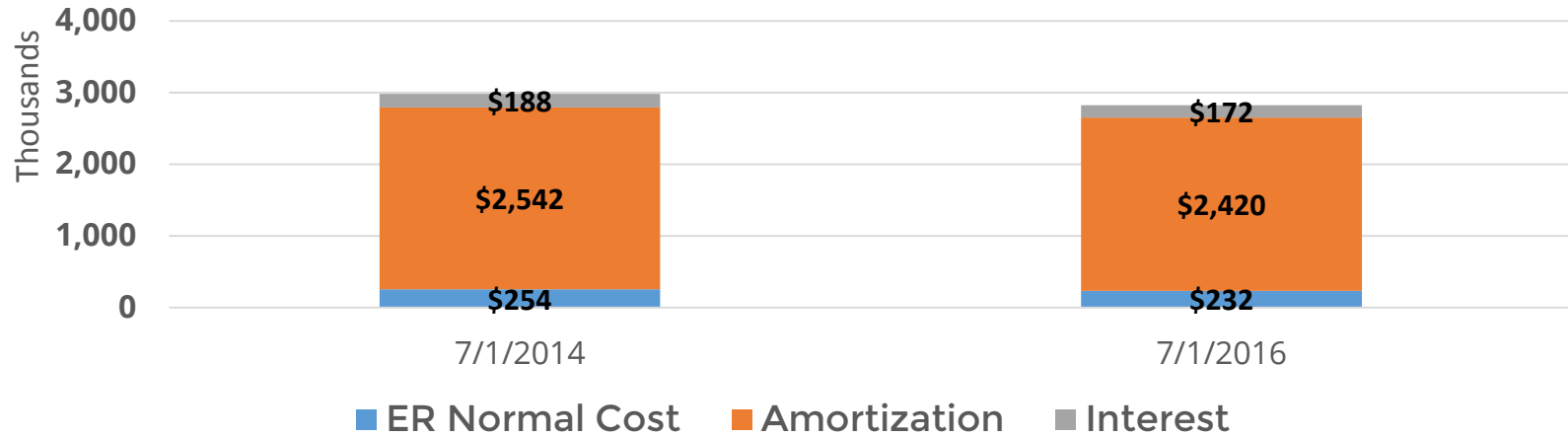
Measurements as of 7/1/2014	Prior Actuary	Nyhart	\$ Difference	% Difference
<b>Actuarial Accrued Liability</b>	\$58,278,646	\$57,854,095	(\$424,551)	(0.7%)
<b>Employer Normal Cost</b>	\$253,709	\$237,390	(\$16,319)	(6.4%)
<b>Employee Normal Cost</b>	\$199,958	\$203,725	\$3,767	1.9%
<b>PYE 2016 Contribution</b>	\$2,983,776	\$2,914,643	(\$69,133)	(2.3%)

- Nyhart was able to match key measurements within a reasonable range, and did not identify any pension plan provisions which were not captured or were valued inappropriately.
- For the conversion, Nyhart reviewed data, plan provisions, & assumptions summarized by the prior actuary in the 7/1/2014 valuation report.

# Valuation Results



Recommended Contribution



Valuation Date	7/1/2014	7/1/2016
<b>Accrued Liability</b>	\$58,278,646	\$58,851,782
<b>Actuarial Value of Assets</b>	32,825,853	36,791,391
<b>Unfunded Liability</b>	25,452,793	22,060,391
<b>Funded Percentage</b>	56.3%	62.5%
<b>Recommended Contribution</b>	\$2,983,776	\$2,824,098



# GASB 67, 68 Accounting Results – General Employees

Measurement Date	6/30/2015	6/30/2016
<b>Total pension liability (TPL)</b>	58,673,000	58,807,821
<b>Plan fiduciary net position</b>	(35,290,922)	(35,698,537)
<b>Net pension liability</b>	23,382,078	23,109,284
<b>Ratio of plan fiduciary net position to TPL</b>	60.15%	60.70%

- The net pension liability decreased from 2015 to 2016.
- \$1,435,000 expected decrease
- \$267,000 decrease due to demographic gains
- \$1,429,000 increase due to asset underperformance (i.e. return of 2.4% vs. expectation of 6.50%)



# GASB 67, 68 Accounting Results - General Employees

Measurement Date	6/30/2015	6/30/2016
<b>Service Cost</b>	\$458,969	\$401,218
<b>Interest on TPL</b>	3,861,154	3,718,982
<b>Projected earnings on investments</b>	(2,406,707)	(2,279,528)
<b>Employee contributions</b>	(209,446)	(202,340)
<b>Administrative expense</b>	18,792	16,040
<b>Recognition of deferred outflows/(inflows)*</b>	\$716,377	935,467
<b>Pension Expense</b>	\$2,439,139	\$2,589,839

## ACTUARY'S COMMENT

The expense was \$219,000 higher than anticipated. The increase was largely due to the \$1.4 million loss on asset performance, which caused a \$286,000 increase in expense (as the loss is amortized over 5 years). This loss was offset by demographic gains which lowered expense by \$67,000.

\* The recognition of deferred outflows/(inflows) includes charges due to differences between expected and actual experience in measurement of the TPL, changes of assumptions, and differences between projected and actual earnings on pension plan investments

# Transition to Nyhart



Police

Measurements as of 7/1/2014	Prior Actuary	Nyhart	\$ Difference	% Difference
<b>Actuarial Accrued Liability</b>	\$20,736,450	\$20,747,874	\$11,424	0.1%
<b>PYE 2016 Contribution</b>	\$1,176,422	\$1,178,011	\$1,589	0.1%

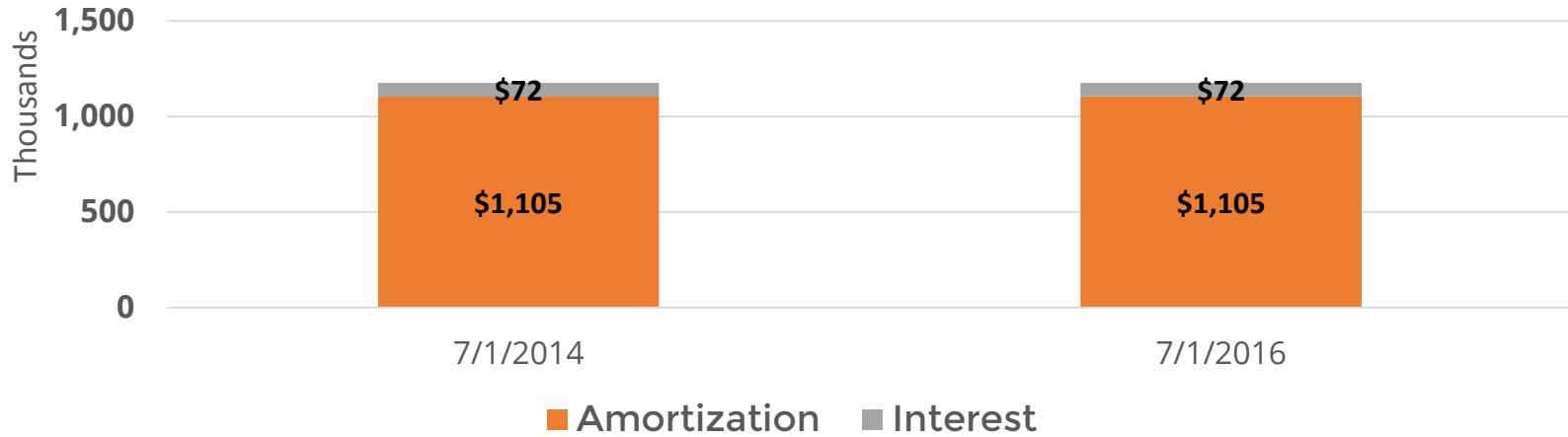
- Nyhart was able to match key measurements within a reasonable range, and did not identify any pension plan provisions which were not captured or were valued inappropriately.
- For the conversion, Nyhart reviewed the data, plan provisions, & assumptions summarized by the prior actuary in the 7/1/2014 valuation report.



# Valuation Results



Recommended Contribution



Valuation Date	7/1/2014	7/1/2016
<b>Accrued Liability</b>	\$20,736,450	\$19,387,871
<b>Actuarial Value of Assets</b>	12,279,347	12,224,685
<b>Unfunded Liability</b>	8,457,103	7,163,186
<b>Funded Percentage</b>	59.2%	63.1%
<b>Recommended Contribution</b>	\$1,176,422	\$1,176,462



## GASB 67, 68 Accounting Results – Police

Measurement Date	6/30/2015	6/30/2016
<b>Total pension liability (TPL)</b>	20,471,000	19,387,871
<b>Plan fiduciary net position</b>	(12,384,845)	(12,224,685)
<b>Net pension liability</b>	8,086,155	7,163,186
<b>Ratio of plan fiduciary net position to TPL</b>	60.50%	63.05%

- The net pension liability decreased from 2015 to 2016.
- \$598,000 expected decrease
- \$836,000 decrease due to demographic gains
- \$511,000 increase due to asset underperformance (i.e. return of 2.3% vs. expectation of 6.50%)



# GASB 67, 68 Accounting Results – Police

Measurement Date	6/30/2015	6/30/2016
<b>Service Cost</b>	\$0	\$0
<b>Interest on TPL</b>	1,311,335	1,280,958
<b>Projected earnings on investments</b>	(853,442)	(790,732)
<b>Employee contributions</b>	0	0
<b>Administrative expense</b>	5,794	4,831
<b>Recognition of deferred outflows/(inflows)*</b>	\$1,332,366	(619,831)
<b>Pension Expense/(Income)</b>	\$1,796,053	(\$124,774)

## ACTUARY'S COMMENT

The expense was \$734,000 lower than anticipated. The decrease was largely due to the \$836,000 demographic gains which were immediately recognized. The gain was offset by a \$511,000 asset loss which will be recognized over 5 years. The asset loss increased expense by \$102,000.

\* The recognition of deferred outflows/(inflows) includes charges due to differences between expected and actual experience in measurement of the TPL, changes of assumptions, and differences between projected and actual earnings on pension plan investments

# Looking ahead



Mortality Update



Review of Assumptions



Long-term Projections and Planning