

City Employees Pension Fund

Proposal

The City Employees Pension Fund (CEPF) has 88 pensioners and beneficiaries, with an average age of 79 years, and an average pension of \$17,470.80. Of these 88 members, 59 members are beneficiaries.

The following proposal is to supplement the current annual pensions of CEPF members with a one-time, tiered increase based on the current annual pension and years of service (at retirement) of each pensioner or beneficiary. The one time adjustments will be tiered as follows:

Current Annual Pension	Supplement
\$0 - \$10,000.00	\$700
\$10,000.01 - \$20,000.00	\$600
\$20,000.01 - \$30,000.00	\$500
\$30,000.01 - \$40,000.00	\$400
\$40,001.01 - \$50,000.00	\$300
\$50,000.01 and Above	\$200

Years of Service	Supplement
Beneficiary	\$200
0.00-10.00	\$200
10.01-20.00	\$300
20.01-30.00	\$400
30.01-40.00	\$500

For example, a pensioner who has a current pension of \$25,000 per year, who retired with 25 years of service, would receive a supplement of \$500 for their current pension level and \$400 for their years of service, for a total supplement of \$900. In the first year of implementation, the 3% Cost of Living Adjustment (COLA) required by ordinance will be calculated prior to the supplement being added. In future years, the COLA will be calculated on the total pension. An example of the calculation is below:

Years of Service	25.00	Year One Pension:	\$26,650.00
Current Annual Pension:	\$25,000.00	Year Two Pension:	\$27,449.50
3% COLA:	\$750.00	Year Three Pension:	\$28,272.99
Supplement:	\$900.00	Year Four Pension:	\$29,121.17
		Year Five Pension:	\$29,994.81

Financial Implications

While this proposal is a one-time supplement, there is an increased cost in the long-term, beyond the supplement amount, due to compounding. Under the current policy, without any additional supplement, in five years time, the average pension in the fund will increase by \$2,727.45, or about 16%. With the supplement added, the average pension will increase by \$3,676.85 or about 21% in the same time period.

This supplement would total \$74,200 in the first year of implementation. This increased benefit has a present value of \$581,740.50¹ over the remaining life of the fund. The draft actuarial valuation completed by Cavanaugh McDonald Consulting as of July 1, 2013 estimates that the fund is 216.7% funded with excess funding of \$15,096,271². Even if the fund's experience varies significantly to the negative from the actuarial assumptions used by Cavanaugh McDonald, there will be sufficient assets to cover the cost of this proposal over the remaining life of the fund.

¹ The present value is based on the sum of the present value of a growing annuity for each member. This calculation assumes life expectancy based on the the Social Security Administration, Actuarial Life Table, a 7% assumed rate of return, and a COLA of 3% for the remaining life of the fund.

² Assumes a 7% investment rate of return, 3% COLA, and a 15 year amortization period.

Membership Statistics

Retirement Type	Members	Average Pension	Average Age
Service	23	\$25,462.12	82.39
Non-Occupational	2	\$11,607.05	69.50
Occupational	4	\$10,657.83	77.00
Beneficiary	59	\$15,016.20	78.32
All Members	88	\$17,470.80	79.13

Total Pension Benefits Comparison

Year	Total Annual Benefits (Current Policy)	Total Annual Benefits (with Supplement)	Increase
1	\$1,583,553.00	\$1,657,753.00	\$74,200.00
2	\$1,631,059.59	\$1,707,485.59	\$76,426.00
3	\$1,679,991.38	\$1,758,710.16	\$78,718.78
4	\$1,696,474.41	\$1,776,789.85	\$80,315.43
5	\$1,716,850.80	\$1,797,549.78	\$80,698.98
6	\$1,582,364.22	\$1,655,166.63	\$72,802.41
7	\$1,578,594.22	\$1,650,595.58	\$72,001.35
8	\$1,240,805.00	\$1,304,020.52	\$63,215.52
9	\$1,002,936.79	\$1,057,914.61	\$54,977.82
10	\$984,319.46	\$1,038,598.02	\$54,278.56
11	\$710,527.98	\$755,280.39	\$44,752.42
12	\$711,069.94	\$754,811.73	\$43,741.79
13	\$651,648.41	\$690,286.53	\$38,638.12
14	\$338,544.34	\$366,740.18	\$28,195.85
15	\$301,774.97	\$325,522.63	\$23,747.66
16	\$209,298.63	\$226,903.66	\$17,605.03
17	\$200,988.07	\$217,677.02	\$16,688.95
18	\$197,713.36	\$213,415.41	\$15,702.05
19	\$148,400.52	\$160,147.31	\$11,746.79
20	\$103,423.07	\$110,787.80	\$7,364.73
21	\$106,525.77	\$114,111.43	\$7,585.67
22	\$77,670.39	\$82,135.09	\$4,464.71
23	\$80,000.50	\$84,599.15	\$4,598.65
24	\$60,874.88	\$64,032.62	\$3,157.74
25	\$62,701.13	\$65,953.60	\$3,252.47

Average Pension Benefit Comparison

Year	Average Annual Benefit (Current Policy)	Average Annual Benefit (with Supplement)	Increase
1	\$17,994.92	\$18,838.10	\$843.18
2	\$18,534.77	\$19,403.25	\$868.48
3	\$19,090.81	\$19,985.34	\$894.53
4	\$19,499.71	\$20,422.87	\$923.17
5	\$20,198.24	\$21,147.64	\$949.40
6	\$21,098.19	\$22,068.89	\$970.70
7	\$21,924.92	\$22,924.94	\$1,000.02
8	\$20,341.07	\$21,377.39	\$1,036.32
9	\$19,665.43	\$20,743.42	\$1,078.00
10	\$20,088.15	\$21,195.88	\$1,107.73
11	\$18,218.67	\$19,366.16	\$1,147.50
12	\$19,218.11	\$20,400.32	\$1,182.21
13	\$20,364.01	\$21,571.45	\$1,207.44
14	\$15,388.38	\$16,670.01	\$1,281.63
15	\$16,765.28	\$18,084.59	\$1,319.31
16	\$16,099.89	\$17,454.13	\$1,354.23
17	\$16,749.01	\$18,139.75	\$1,390.75
18	\$17,973.94	\$19,401.40	\$1,427.46
19	\$18,550.07	\$20,018.41	\$1,468.35
20	\$20,684.61	\$22,157.56	\$1,472.95
21	\$21,305.15	\$22,822.29	\$1,517.13
22	\$25,890.13	\$27,378.36	\$1,488.24
23	\$26,666.83	\$28,199.72	\$1,532.88
24	\$30,437.44	\$32,016.31	\$1,578.87
25	\$31,350.56	\$32,976.80	\$1,626.24