DATE: 03/27/2024 **TIME:** 10:30 a.m. **LOCATION:** Executive Board Room
625 St. Joseph Street
New Orleans, Louisiana 70165

BOARD OF TRUSTEES MEETING AGENDA

I. Roll Call

II. Acceptance of Minutes dated December 20, 2023

III. Presentation Item

A. Pension Plan Listening session – Roles and Responsibilities, best practices and other matters for general plan education – Mitchell Bilbe, F.S.A -- Lead Actuary – Rudd & Wisdom

IV. Public Comment

V. Adjournment

625 St. Joseph Street
New Orleans, LA 70165
504.529.2837 or 52.WATER

December 20, 2023

The Board of Trustees met on Wednesday, December 20, 2023, in the Executive Boardroom. The meeting convened at approximately 11:41 A.M.

Present:
Honorable Mayor LaToya Cantrell
Trustee Tamika Duplessis, Ph. D.
Trustee Robin Barnes
Trustee Lynes R. Sloss
Trustee Joseph Peychaud
Trustee Maurice Sholas,
M.D., Ph.D.
Trustee Tyler Antrup
Trustee Kenneth Davis
Trustee Jackie Shine

Absent:
Councilmember Freddie King, III
Trustee Carol Markowitz
Trustee Janet Howard
Trustee Mubashir Maqbool
Trustee Rebecca Johnsey

Honorable Mayor LaToya Cantrell asked for a motion to approve the minutes dated September 20, 2023. Trustee Sholas made a motion. Trustee Duplessis seconded. The motion carried.

CFO E. Grey Lewis gave an overview of the Action Item presented to the Trustees.

ACTION ITEMS

- Resolution (R-165-2023) Private Equity Asset Class Manager Search
  - **Trustee Sholas made a motion to approve resolution R-165-2023. Trustee Sholas moved to approve. Trustee Antrup seconded. The motion carried.**

INFORMATION ITEMS:
Received.

PUBLIC COMMENT:
None.

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ADJOURNMENT:

There being no further business to come before the Board of Trustees, Mayor Cantrell asked for a motion to adjourn. Trustee Sloss moved. Trustee Duplessis seconded. The motion carried. The meeting adjourned at approximately 11:47 A.M.

SWBNO Pension Plan – Plan Amendment Discussion

1. What responsibilities does the BOT have and what framework does the BOT follow to govern over Pension Rule changes?
    a. Section 3.6 of Rules and Regulations – employ personnel to administer the Plan, establish rules of the Plan, designate Actuary and consider any recommendations of the Pension Committee.
    b. GFOA Best Practices, Regular studies and design review considering workforce goals for recruitment and all relevant financial and non-financial data related to impacts

2. Section 3.1 of the Rules and Regulations outlines the roles and responsibilities of Pension Committee members, including acting solely in the interest of the Plan's members and beneficiaries. Would enhancing the benefits be in the best interest of plan members?
    a. Current retirees would not receive such enhancements and their benefits would be less well funded following an amendment.
    b. In addition, GFOA Governance Guidance states that trustees must not be motivated by personal views or interests and should act in the interest of all plan members.

3. What prompted the desire to explore amending the Employees' Retirement System of SWBNO (the Pension Plan)?

4. Why is the Pension Plan being compared to civilian members' benefits under the Municipal Police Employees' Retirement System (MPERS)? Is NOMERS a better comparison?

5. The Pension Plan provides a retirement benefit of 100% of average compensation for members who work 34 years and 5 months.
    a. Is there a desire for members to accrue the full benefit over a shorter period of time?
    b. Are there concerns that the current level of benefits is insufficient?
    c. Are there issues with recruiting new employees due to the level of benefits?
    d. Are there issues with employee retention due to the level of benefits?

6. Why would the vesting schedule be extended from full vesting at 5 years of service to full vesting at 10 years of service?

7. What is the purpose of reducing the maximum level of benefits that can be provided under the plan for members who are affected by the maximum benefit levels permissible under qualified governmental pension plans?
    a. At present, fewer than 10 employees are projected to be affected by these limits.
    b. Those projected to be affected may be in key management positions at SWBNO. Might reducing their future benefit levels harm the ability to recruit and/or retain employees in high value positions?

8. What is the rationale for applying the proposed changes on a retroactive basis?
    a. Are there any legal obstacles to such a retroactive application of changes?

9. How would a benefit enhancement be funded?
    a. Is there a separate source of funding available to pay for these benefits?
    b. Are there any concerns with increasing the employer's current funding obligation of 21% of pension payroll ($11.2M in 2023)? Would such an increase reduce cash flow flexibility in years where losses occur?
    c. Would employees be expected to fund a portion of the benefit increase by increasing their contribution level from the current amount of 6.0% of pensionable earnings?
        i. MPERS requires civilian employees to fund 7.5% to 10.0% of pay.
        ii. Would SWBNO consider an increase in the level of employee contributions?

Employees' Retirement System of the Sewerage and Water Board of New Orleans Trustee Training

March 27, 2024

Presented by:

Mitchell L. Bilbe, FSA, EA, MAAA

Rudd and Wisdom, Inc.

Agenda

- Roles of Stakeholders
  - Pension Committee
  - BOT
  - Rudd and Wisdom, Inc.
- Government Finance Officers Association (GFOA) – Best Practices
  - Sustainable Funding Practices / Core Elements of Funding Policy
  - Governance
  - Investment Policies and Guidelines
  - Review of Actuarial Valuation Report
  - Design Elements
  - Participant Communications
- Plan Amendments
- Other
  - Reciprocity Agreement with NOMERS
  - OPEB
- Actuarial Experience Studies
  - Purpose
  - Frequency
- Q&A and Links to GFOA Best Practices

Stakeholders' Responsibilities

Pension Committee Responsibilities

- Pension Committee comprised of:
  - 5 members of the Board of Directors, including Chairpersons of Exec and Finance Committees
  - 3 employees elected by fellow employees
  - 1 retiree elected by fellow retirees
- Pension Committee's role defined in Section 3.1 of Rules and Regulations
  - Administer the Plan in accordance with the Rules and Regulations
  - Act solely in the interest of the Plan's members and beneficiaries
  - Interpret the Rules and Regulations when plan provisions are unclear
    - Utilize advice of ERISA counsel and plan actuary
    - Apply plan terms consistently
- Other responsibilities:
  - Review the annual Actuarial Valuation reports and annual COLA determination
  - Make recommendations to the BOT to:
    - Accept the results of annual Actuarial Valuation and adopt an employer contribution that meets the funding policy objectives each year
    - Adopt a COLA increase that satisfies the terms of Rules and Regulations
  - Review results of periodic Actuarial Experience Studies (generally every 5 years)
    - Make recommendations to the BOT to adopt updated actuarial assumptions and methods, if warranted
    - Make recommendations to the BOT to change the Funding Policy, if warranted

BOT Pension Plan Responsibilities

- BOT comprised of Board of Directors plus employee and retiree members of the Pension Committee
- Article 3 of Rules and Regulations outlines:
  - Duties of Pension Committee and BOT
  - Continuing Education requirements for each Trustee
    - 5 hours per year (2 investment, 1 actuarial, 1 Rules and Regs, 1 fiduciary duty & ethics)
- Section 8.6 of Rules and Regulations
  - BOT must adopt Investment Policy establishing parameters of investment and management of Plan assets which includes
    - Addressing Duty of Prudence / Duty of Care
    - Setting investment goals
    - Monitoring performance of investment managers of Plan assets

What services does R&W provide?

- Annual Actuarial Valuations
  - Determine Employer Contribution and GASB Accounting Information for Employees' Retirement System of SWBNO
    - aka the Pension Plan
  - Determine GASB Accounting Information for the Retiree Component of the Employee Benefit Plan (EBP)
    - medical and prescription drug benefits provided to eligible retirees
    - aka the OPEB Plan (Other Post-Employment Benefits Plan)
- Insurance Reserves for Active and Retiree Components of EBP
- Calculations under Reciprocity Agreement between Pension Plan and NOMERS for employee transfers to/from City
- Calculations for Pension Plan Retirements/Deaths/COLAs/Etc.
- Annual Employee Benefit Statements
- Actuarial Experience Studies
- Pension Portal

GFOA – Best Practices

GFOA – Background

- GFOA is a Resource, Educator, Facilitator and Advocate for its members
- Members include 23,000+ finance officers in US and Canada
- Publishes Best Practices
  - Purposes
    - Identify policies and procedures designed to improve government management
    - Aimed to promote and facilitate positive change/excellence
  - Categories
    - Accounting, Auditing, Budgeting, Capital Planning
    - Financial Reporting
    - Pension and Benefit Administration

Funding Guidance - General

- GFOA published updated Best Practices on Pension Plan Funding in 2023
  - Sustainable Funding Practices for Pensions – March 3, 2023 publication
  - Core Elements of Funding Policies – March 23, 2023 publication
- Employers should
  - Annually fund the full amount of Actuarially Determined Contribution (ADC)
  - Adopt a Funding Policy with
    - Target Funded Ratio of 100%+
    - Strategy for Surplus Management
    - Measures to control volatility of ADC
    - Stipulation that Employer and Employee contributions made at regular intervals
- Annual or Biennial Valuations should include gain/loss analysis
- Actuarial Experience Studies should be performed every 3 years
  - New shorter requirement than prior recommendation of every 3 to 5 years
- Actuarial Audit of Valuations at least every 5 years

Funding Guidance – ADC

- ADC Volatility Reduction Strategies
  - Smooth Asset Returns over 5 to 10 years, often with a corridor
  - Diversify Investment Portfolio to manage investment volatility
  - Manage Investment Returns in the Long-Term
    - Management should not rely on excess returns to solve a funding shortfall over the long-term
    - Rather, Funding Policy should solve funding shortfall over the long-term
  - Manage Growth in Liabilities
    - Incorporate Benefit Enhancement strategies into Funding Policy
      - Includes restrictions on plan amendments enhancing benefits when certain funding thresholds are not met
    - Identify source of funding that can support Benefit Enhancements
- Design Plan to avoid calculation abuses such as salary spiking in final averaging period
  - Strategies include
    - Exclusion of OT from Pensionable Earnings
    - Not permitting retroactive DROPs

Funding Guidance – Core Elements

- Core Elements of Funding Policy
  - Actuarial Cost Method
    - Entry Age - Level % method is recommended
  - Asset Smoothing Method
    - Gains and Losses should be treated identically
    - Smooth over 5 to 10 years
    - If smoothing period exceeds 5 years
      - Include symmetrical corridor (beyond which gains/losses are not smoothed)
  - Amortization Method of Unfunded Accrued Liability
    - Use Fixed Closed Periods
    - 15-25 year period but "ideally in 15-20 year range"
    - Some Plan Amendments may need to be amortized over shorter periods
    - Use Layered Approach
  - Surplus Management Policy
    - Reconsider risk/return profile of investments when in surplus
    - Reevaluate key actuarial assumptions if risk/return profile changes
    - Consider not changing ADC method at 100% funded
      - Wait until reaching a buffer at a level above 100% funded
    - Establish clear guardrails around benefit enhancements

GFOA vs. SWBNO Funding Policy

Policy Component	GFOA Guidance Published March 2023	Current Funding Policy Effective January 1, 2021
1. UAL Amortization Method		
a. Closed vs. Open Period	Closed Period	Closed Period
b. Level Dollar vs. Level %	Level Dollar or Level Percent of Compensation	Level Dollar
c. Single vs. Layered	Layered	Layered
2. UAL Amortization Period(s)		
a. Transition to New Policy	Not Discussed	29 years at 1/1/2021 adoption of funding policy; 26 years remaining at 1/1/2024
b. Actuarial (Gain)/Loss	Up to 25 years; 15-20 years recommended	25 years
c. Plan Amendments	Up to 25 years; 15-20 years recommended; if amendment has temporary effect then amortize over period related to temporary period	15 years
d. Assumption Changes	Up to 25 years; 15-20 years recommended	25 years
3. Actuarial Value of Assets Method		
a. Market vs. Smoothing	Smooth asset (gains)/losses, typically over 5-year period but no longer than 10 years	Smooth asset (gains)/losses over 7-year period
b. Corridor around Market	Yes if smoothing period is longer than 5 years	Yes; 30% corridor so that AVA does not exceed 130% MVA nor can AVA be less than 70% MVA

GFOA vs. SWBNO Funding Policy (cont'd)

Policy Component	GFOA Guidance Published March 2023	Current Funding Policy Effective January 1, 2021
4. Actuarial Cost Method	Entry Age Normal – Level Percent Recommended	Entry Age Normal – Level Percent
5. Targeted Funding Ratio	100%+	100%
6. Employer & Employee Contributions	Stipulate contributions to be made at regular intervals	Contributions are made biweekly in practice (not explicitly stated in policy)
7. Surplus Management		
a. Contribution Determination	Consider limiting contribution reductions until other conditions are met, such as buffer above 100% Funded Ratio	Eliminate all outstanding amortization layers; Contribute Normal Cost until 5 consecutive years above 100% funded ratio, then evaluate if surplus should be amortized to reduce contribution
b. Risk Reduction Strategies when Fully Funded	Consider changing risk return profile of investments	Not handled in Funding Policy; separate Investment Policy Statement (IPS) does not directly address but requires annual review of IPS with updates when there are pertinent or substantive changes
c. Plan Enhancement Guardrails	Provide clear illustration of immediate and long-term costs of enhancements to BOT and determine acceptable conditions for enhancements	Actuary required to provide BOT with analysis of potential enhancement's effect on Funded Ratio and ADC
8. Actuarial Experience Studies	Conduct Study every 3 years (new recommendation)	Conduct Study every 5 years, but BOT may authorize studies sooner than 5 years if desired

GFOA Governance Guidance

- Trustees
  - Duty of Loyalty
    - Act for Exclusive Benefit of plan participants and beneficiaries
    - Regardless of selection process, trustee does not represent specific constituency, interest group or individual plan members
    - As fiduciary, decisions must not be motivated by trustee's personal views of social and political issues
  - Duty of Prudence/Duty of Care
    - General standard is to act in a way a reasonable or prudent person would act
    - Includes ensuring plan design and funding practices follow the system's policies
- Recommended Best Practices
  - Governance Structure
    - Board Size/Board Composition
      - Include both representatives of entity and representatives of employees/retirees
    - Include Term Limits
  - Expectations and Roles
    - Clearly define decision-making processes
    - Define roles of employees who administer the plan
    - Transparency and Reporting
  - Maintain Governance Policies
    - Mission and Vision, Code of Ethics and Board Education
    - Develop and Maintain Investment Policy and Funding Policy
  - Publish a Governance Manual – developed for full transparency and succession

SWBNO Governance

- Rules and Regulations define Duties
  - Article 3 of Rules and Regulations outlines:
    - Duties of Pension Committee and BOT
    - Continuing Education requirements for each Trustee
  - Section 8.6 of Rules and Regulations
    - BOT must adopt Investment Policy establishing parameters of investment and management of Plan assets
      - Current Investment Policy was last amended in February 2022
- BOT has adopted Funding Policy and Investment Policy Statement
- Governance Manual – Uncertain if SWBNO has one for Pension Plan

GFOA - Investment Policies for DB Plans

- Investment Policy should include:
  - Statement of Goal/Purpose/Mission
  - Statement on Managing Risks
    - provide guidelines for investment professionals
  - Asset Allocation Strategy
    - strategy, monitoring and rebalancing
  - Liquidity
    - requirements and how to balance cash flow needs with maximizing returns
  - Investment Consultants and Custodian Guidelines
    - selection of professionals, performance evaluation
  - Investment Management Guidelines
    - selection criteria, watch list/termination guidelines
  - Cost Management
    - define how to evaluate cost and fee transparency (transaction costs, investment management fees, custodial fees, other investment-related expenses)
  - Performance measurement (benchmarking) and reporting
    - define frequency for reporting and monitoring, benchmarks for asset classes, etc.
- Other Guidelines
  - Foreign Assets – parameters for foreign currency positions and management requirements
  - Conflict of Interest – guidelines for service providers

GFOA – Other Investment Best Practices

- Other Investment Best Practices include:
  - "Investment Policy"
    - Provides general requirements of a written investment policy
    - Scope/Objectives, Roles/Responsibilities, Permissible Investments, Diversification Requirements, Internal Controls, etc.
  - "Investment Fee Guidelines for External Management of Defined Benefit Plans"
    - Addresses Fees in Context of People, Process, Performance and Price
  - "Asset Allocation For Defined Benefit Plans"
    - Provides framework for developing appropriate mix of assets within investment policy
  - "Selecting Third-Party Investment Professionals for Pension Fund Assets"
    - How to source, Ethics and Avoiding Conflicts of Interest, Selection Criteria
- "Alternative Investments Checklist"
  - Supplement to "Asset Allocation for DB Plans" Best Practice
  - Provides advice prior to entering into alternative investment transactions

GFOA – Actuarial Reports

- "Role of Actuarial Valuation Report in Plan Funding" Best Practice:
  - Understanding the
    - Actuarially Determined Contribution (ADC)
    - Liabilities, Assets and Funded Ratios
    - Actuarial Assumptions
    - Historical Plan Information – Assets, Liabilities, ADCs, Funded Ratios
    - Risks and Uncertainty
  - Using the Report to
    - Make appropriate contributions
    - Assess Funding Progress
    - Mitigate Risks (e.g., observing asset volatility and taking appropriate action within Investment Policy or AVA methodology)
  - Responsibilities of Plan Sponsor Prior to Actuarial Report Issuance
    - Ensure delivery of reliable census and asset information to actuary
    - Communicating changes in plan provisions, Investment Policy, etc. to actuary

GFOA – Actuarial Reports (cont'd)

- "Enhancing Reliability of Actuarial Valuations for Pension Plans" Best Practice:
  - Ensure accurate information provided to actuary
  - Conduct Regular Audits of census data
    - Accurate Pay and Service Histories
    - Accurate records of pension payments
    - Maintaining current beneficiary designations
  - Ensure Actuary provides
    - Gain/Loss analysis – difference between assumed and actual plan experience
    - Periodic Actuarial Experience Studies
    - Sensitivity Analysis
      - Projections to illustrate risks of investment losses, longevity, etc.
    - Cashflows to Investment Consultants for Asset/Liability Studies
    - Analyses of proposed benefit changes

GFOA – Design Elements

- "Design Elements of Defined Benefit Retirement Plans" - Best Practice
  - Goals for Income Replacement
  - Employees to be Covered by Pension Plan (e.g., exclude Part-Time employees)
  - Vesting provisions
  - Benefit formula provisions and how it comports with income replacement goals
  - Ancillary benefits (i.e., death and disability)
  - Funding: employer vs. employee
  - Board Governance
  - Participant Education

GFOA – Participant Communications

- "Preparing an Effective Summary Plan Description" - Best Practice
  - Document that describes Pension Plan provisions in layman's terms
  - Several other requirements, including distribution to members
- "Educating Employees About the Adequacy of Retirement Benefits" – Best Practice
  - Educate Members re: Pension Benefit Levels, Social Security Benefits and OPEB benefits
  - Educate Members about adequacy of benefits relative to pre-retirement income
  - Tool for Members to Estimate retirement income
  - Retirement Planning Sessions throughout career
- Annual Employee Benefit Statements and Upcoming Portal will address most of these requirements

Plan Amendments

Plan Amendments

- August 31, 2022 letter from employee member of Pension Committee requesting 3 plan design changes:
  - Change No. 1. - Change Vesting Schedule from 5 to 10 years:

Years of Credited Service	Current Plan Vesting Percent	Proposed Plan Vesting Percent
Less than 5	0%	0%
At least 5 but less than 10	100%	0%
10 or more	100%	100%

  - Change No. 2. - Increase Benefit Accrual Factors:

Years of Credited Service	Current Plan Accrual Factor Per Year of Service	Proposed Plan Accrual Factor Per Year of Service
0 – 25	2.5%	3.0%
25+	4.0%	4.0%

  - Change No. 3 - Decrease Maximum Plan Benefit:
    - Current Max Benefit is lesser of
      - $275,000 which is Internal Revenue Code 415(b) dollar limit, and
      - Average of final 3-Years of high pay
    - Reduce from Current Max Benefit to $130,000
  - Design Changes were requested to be implemented <u>retroactively</u>

Plan Amendments – Legal Considerations

- If implemented retroactively, Changes No 1. and No. 3 would
  - Reduce plan benefits and liabilities for some members
  - But have no effect on members who already have 10 YOS or have accrued and projected benefits below $130,000
- Legal issues to examine before completing a comprehensive design study
  - Can benefit reductions be implemented retroactively?
    - Does the State of Louisiana's Constitution, Revised Statutes or other applicable State laws/rules preclude the application of these changes to
      - (a) benefits accrued prior to the implementation of the design changes or
      - (b) employees employed before the implementation of the design changes.
  - Or does law require reductions be implemented prospectively only, and if so with respect to all employees or only employees hired after adoption date?

Plan Amendments – Cost

- Assume changes implemented retrospectively
  - Funded status would decrease by roughly 3% from 71% to 68% based on most recent valuation of January 1, 2023
  - Employer's annual contribution estimated to increase by 4.5% of payroll or approximately $2.5M
    - From 21.0% of payroll ($11.2M) to 25.5% of payroll ($13.7M) in 2023
  - Above estimates do not consider how plan design changes could affect employee behavior
    - Longer vesting might encourage some employees to remain employed longer in order to become vested (i.e., termination rates might change)
    - Change in formula might encourage some employees to retire earlier since they would accrue a larger benefit with shorter service (i.e., retirement rates might change)
  - Actuarial Experience Study will be prepared in coming months
    - If SWBNO wishes to pursue design study, recommend design changes be priced relative to assumptions that could be updated as a result of experience study
    - In this event, R&W would consider tweaking updated assumptions to reflect anticipated changes in behavior due to design changes

Plan Amendments – Other Considerations

- SWBNO Funding Policy requirements with respect to Plan Amendments
  - Actuary must determine effect of amendment on Funded Ratio and ADC
    - Increase in UAL is amortized over 15-year period and added to ADC
  - Actuary must report findings to BOT if amendment would materially increase benefits
  - In aggregate, the 3 proposed amendments would materially increase benefits
- Pension Plan not subject to ERISA, but for comparison
  - Private Plans subject to ERISA may not enhance benefits unless
    - the Plan would be at least 80% funded after the amendment is adopted
      - And increase to UAL is funded over a 15-year amortization schedule
    - Otherwise, if plan would be less than 80% funded,
      - the increase in the UAL associated with the amendment must be fully funded upon adoption or pay for full cost immediately
    - SWBNO Pension Plan estimated to be 68% funded after proposed amendment
- Workforce Initiatives
  - How would changes affect ability to recruit and retain employees?

Plan Amendments – Other Considerations

- In addition to retroactive vs. prospective application
  - Would $130,000 limit be indexed to inflation just as 415(b) limit is indexed to inflation?
    - Rough estimates assume $130,000 would be indexed
    - Note that only 6 employees currently have average compensation above $130,000 and would need to work for almost 30 years to be affected by this reduced limit
  - Cost savings from Change Nos. 1 and 3 are minimal
  - Cost increase from Change No. 2 (benefit formula) has large effect on plan costs
- Rationale for changes
  - Pension Committee member noted that Municipal Police Employees' Retirement System (MPERS) provides civilian members with a 3.0% per year of service accrual factor (compared to the 2.5% SWBNO factor for the first 25 years)
    - Did not note the 4.0% SWBNO factor being higher in years 25+
    - Did not note that MPERS civilian members contribute 7.5% - 10% of compensation compared to 6.0% at SWBNO
  - Is it appropriate to compare benefits at MPERS to those at SWBNO?
    - SWBNO has same formula as NOMERS for members hired before 1/1/2018
    - SWBNO has better formula than NOMERS for members hired after 12/31/2017

Other Information: Reciprocity Agreement and OPEB

Other – Reciprocity Agreement

- Pension Plan has Reciprocity Agreement with NOMERS
  - Adopted in 1993
  - When a member transfers from Pension Plan to NOMERS (or vice versa)
    - Member's Credited Service is transferred to the receiving system
    - Assets are transferred from sending system to receiving system based on member's accrued liability taking into account future expected pay increases
    - Idea is that receiving system only pays for future benefit accruals associated with future service
    - Method used to determine asset transfer based on GASB No. 5 liability method in effect in 1993 and set discount rate of 7.0% and salary scale of 5.0%
  - Potential updates to Reciprocity Agreement
    - Consider using discount rate and salary scale of sending system at time of transfer
    - Consider using current GASB Nos. 67/68 liability methods (generally how transfers work with other State plans)
    - Consider updating agreement to reflect change in benefit formula for NOMERS employees hired after 12/31/2017 who get 2.5% accrual factor for YOS (i.e., they do not receive 4.0% for YOS above 25 years)
- If SWBNO Plan is amended per proposed Change Nos. 1, 2 and 3 or any other amendment to formula
  - Reciprocity Agreement would need to be updated
- Any updates to Reciprocity Agreement would require action by both Pension Plan and NOMERS
  - Pension Committees of both plans must ratify
  - BOT and City Council must also ratify

Other – OPEB

- GFOA Best Practices
  - Many of Pension Best Practices also apply to OPEB (or similar stand-alone OPEB Best Practices exist) including
    - Setting Assumptions
    - Establishing Investment Policies and Funding Policies
    - Participant Communications
  - OPEB Plan is administered as Pay-as-you-go (i.e., no prefunding)
- Not uncommon for OPEB Plans to receive less oversight than Pension Plans
- Should plan have an OPEB Committee similar to Pension Committee?
  - Review Plan Design and Obligations?
  - Review GFOA Practices with respect to OPEB?

Actuarial Experience Studies

Actuarial Experience Study - Purpose

- Reduce contribution volatility due to variance between actual and assumed experience
- Review funding policy and actuarial methods
  - Consider recommended guidelines of
    - Conference of Consulting Actuaries Public Plans Community
    - Government Finance Officers Association (GFOA)
- Reasonable assumptions required by Actuarial Standards of Practice (ASOPs)
- ASOP 35
  - Actuary must disclose the information and analysis used to select each significant demographic assumption
  - Actuary should include an explanation of the information and analysis that results in a change to non-prescribed assumptions
- Experience studies are now recommended every 3 years by the GFOA (was a 5 year guideline at time of last experience study)

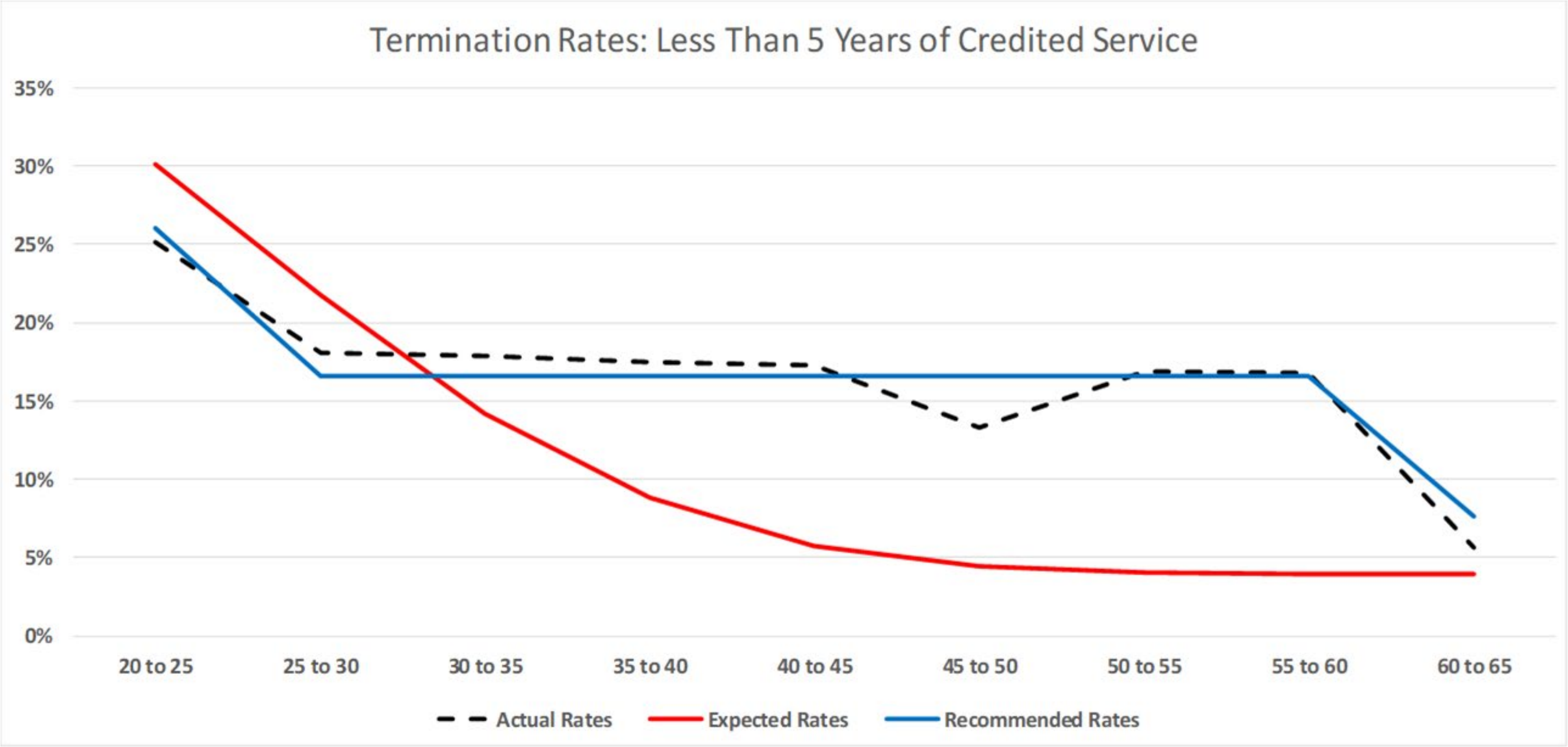
Actuarial Experience Study - Timing

- Last Experience Study reviewed Plan experience over the 5-year period January 1, 2014 – December 31, 2018
- Next Experience study will review Plan experience over the 5-year period January 1, 2019 – December 31, 2023
  - Will commence after R&W completes the December 31, 2023 GASB 67/68 Valuation in mid-2024
  - Will review Funding Policy
  - Will review Economic and Demographic Assumptions, including:

• Inflation	• Retirement Rates	• Disability Incidence Rates
• COLA Increases	• DROP Participation Rates	• Credited Service for Unused Leave
• Compensation Increases	• Termination Rates	• Other (Form of Annuity Election, Spouse Age Difference)
• Investment Return (Discount Rate)	• Post-Termination Withdrawal of Employee Contributions	• Mortality

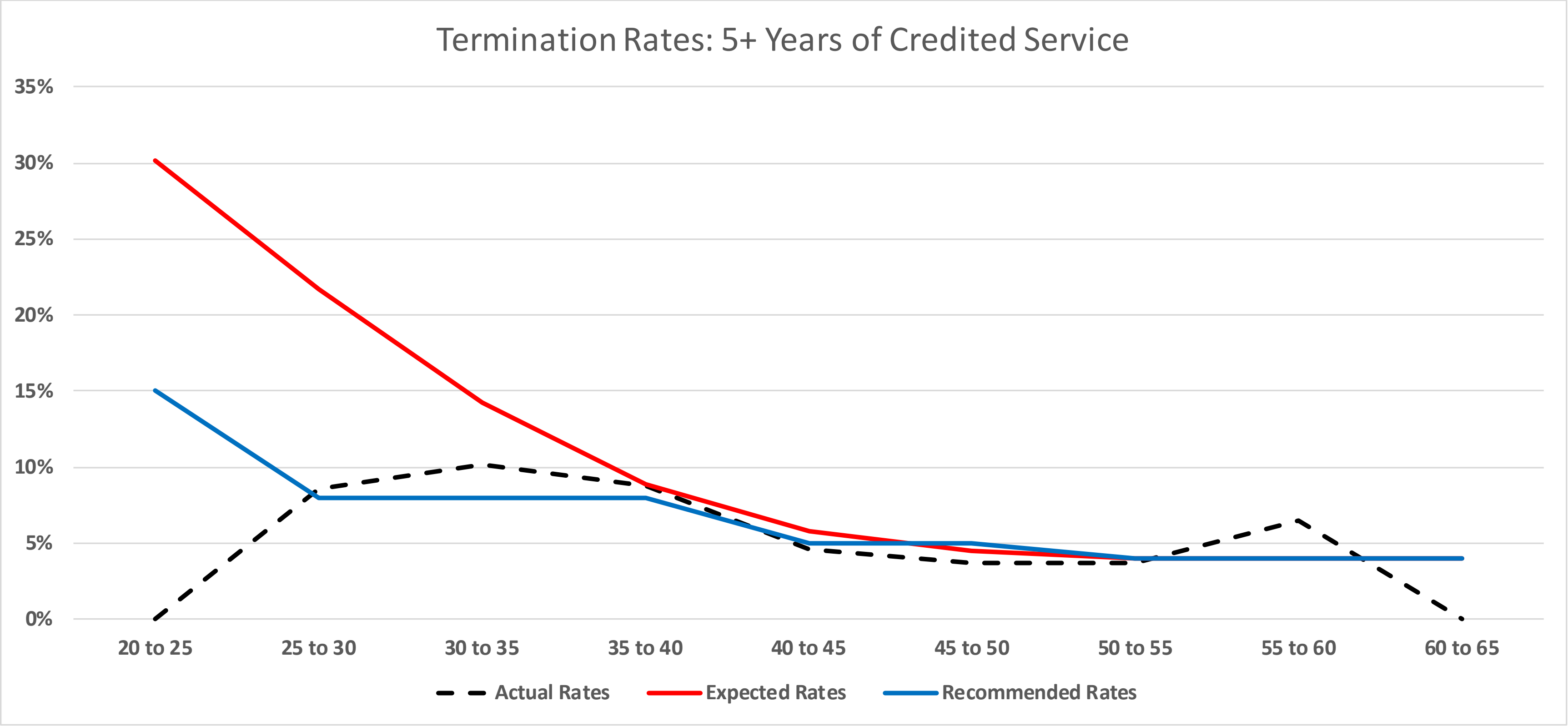
Actuarial Experience Study - Example

- Termination Assumption from last Experience Study
  - < 5 Years of Service (YOS)



Actuarial Experience Study - Example

- Termination Assumption from last Experience Study
  - 5 or more YOS



Q&A

and

Links to GFOA Best Practices

https://www.gfoa.org/best-practices/pension-policy-governance-and-management

After clicking the above link, click on various categories including:

- Pension Policy, Governance and Management
- Defined Benefit Plans
- Pension Investments
- Actuarial Services
- Pension Reporting
- OPEB