

Allentown Single Employer Pension Plans



Discount Rate Review

August 25, 2021

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Preliminary Actuarial Valuation Results with Alternative Discount Rate (10 bps reduction)

| January 1, 2021 | Police | Fire | O&E | Total |
|---|------------------|------------------|---------------|------------------|
| Actuarial Liability with Retirement Assumption Changes* | \$ 228,800,000 | \$ 133,530,000 | \$ 10,870,000 | \$ 373,200,000 |
| Change due to Alternate Discount Rate (Alt DR) | <u>2,710,000</u> | <u>1,440,000</u> | <u>60,000</u> | <u>4,210,000</u> |
| Updated Actuarial Liability (AL) with Alt DR | \$ 231,510,000 | \$ 134,970,000 | \$ 10,930,000 | \$ 377,410,000 |
| Percentage Change | 1.2% | 1.1% | 0.6% | 1.1% |
| Actuarial Valuation of Assets | \$ 186,550,000 | \$ 117,900,000 | \$ 9,720,000 | \$ 314,170,000 |
| Funded Ratio with Retirement Assumption Changes* | 81.5% | 88.3% | 89.4% | 84.2% |
| Updated Funded Ratio with Alt DR | 80.6% | 87.4% | 88.9% | 83.2% |
| Total Normal Cost with Retirement Assumption Changes* | \$ 4,080,000 | \$ 1,910,000 | \$ 10,000 | \$ 6,000,000 |
| Change due to Alternate Discount Rate | <u>100,000</u> | <u>40,000</u> | <u>-</u> | <u>140,000</u> |
| Updated Total Normal Cost with Alt DR | \$ 4,180,000 | \$ 1,950,000 | \$ 10,000 | \$ 6,140,000 |
| Percentage Change | 2.5% | 2.1% | - | 2.3% |
| Estimated 2022 MMO with Retirement Assumption Change* | \$ 9,190,000 | \$ 3,570,000 | \$ 230,000 | \$ 12,990,000 |
| Change due to Alternate Discount Rate | <u>430,000</u> | <u>230,000</u> | <u>-</u> | <u>660,000</u> |
| Updated Est 2022 MMO with Alt DR | \$ 9,620,000 | \$ 3,800,000 | \$ 230,000 | \$ 13,650,000 |
| Discount Rate | 7.50% | 7.50% | 6.50% | |
| Alternative Discount Rate | 7.40% | 7.40% | 6.40% | |

* Reflects Police Retirement Assumption change: 20%/30%/15% retirement rates upon attainment of 20/21/22+ years of service, 100% retirement rate for 29+ years of service along, all participants retirement eligible upon attainment of 20 years of service, and update for non-vested contribution refund. O&E retirement assumption change: one active participant retires in 2 years.

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The purpose of this presentation is to provide a discount rate review based on the preliminary 2021 actuarial valuation results of the City of Allentown Pension Plans and is for the use of the Pension Board of Trustees. This presentation was prepared exclusively for the City of Allentown, PA for the purpose described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

In preparing this presentation, we relied without audit, on information (some oral and some written) supplied by the City. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

This analysis was based on the current assumptions and methods, financial data through 12/31/2020, and the 1/1/2021 membership data as provided by the City of Allentown. Assumptions, methods and plan provisions are outlined in the 2020 Actuarial Valuation Report, unless a specific change is outlined. Actual results can be expected to differ to the extent that final data differs from the current data and that future experience differs from the actuarial assumptions used. Future actuarial valuations may differ significantly from the actuarial valuation presented here due to factors such as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

This presentation and its contents were prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as a credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

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