

Investment Return Assumption Discussion



FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

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President

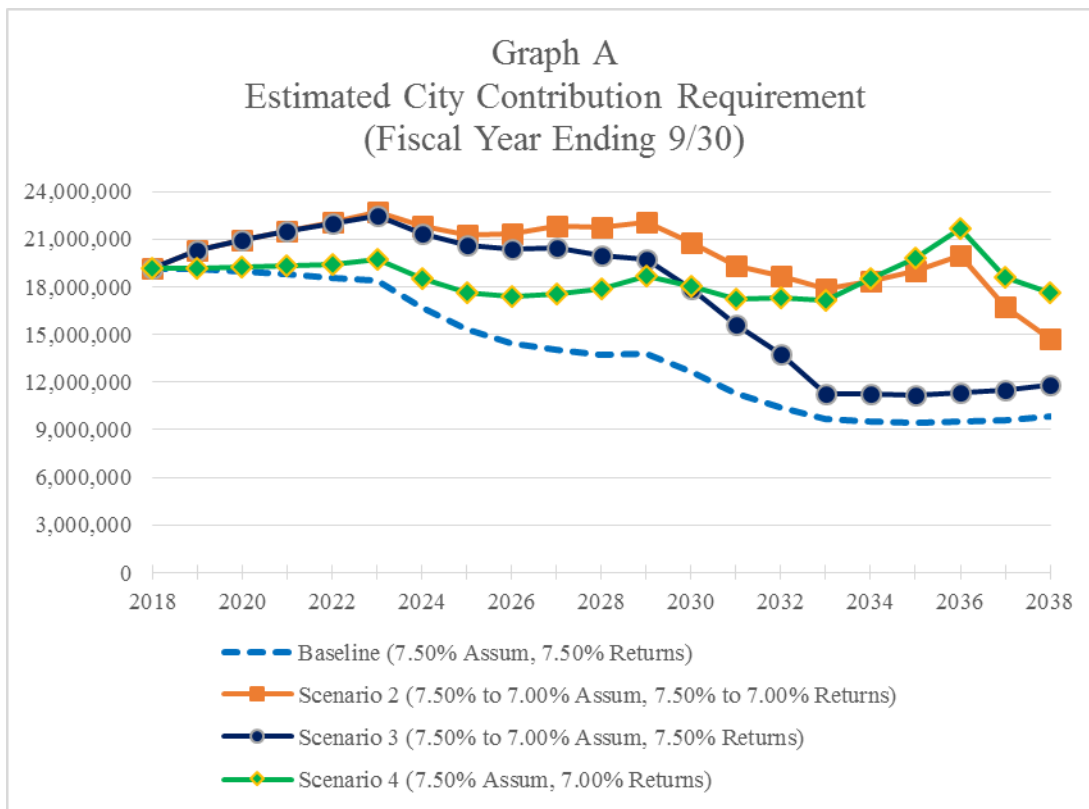
Recent Police & Firefighters' Board Decision

- ▶ Board voted to lower the assumed investment rate of return from 7.5% to 7.4% for fiscal 2019, and to systematically lower it each year in the future by 0.05% increments until it reaches 7.0%

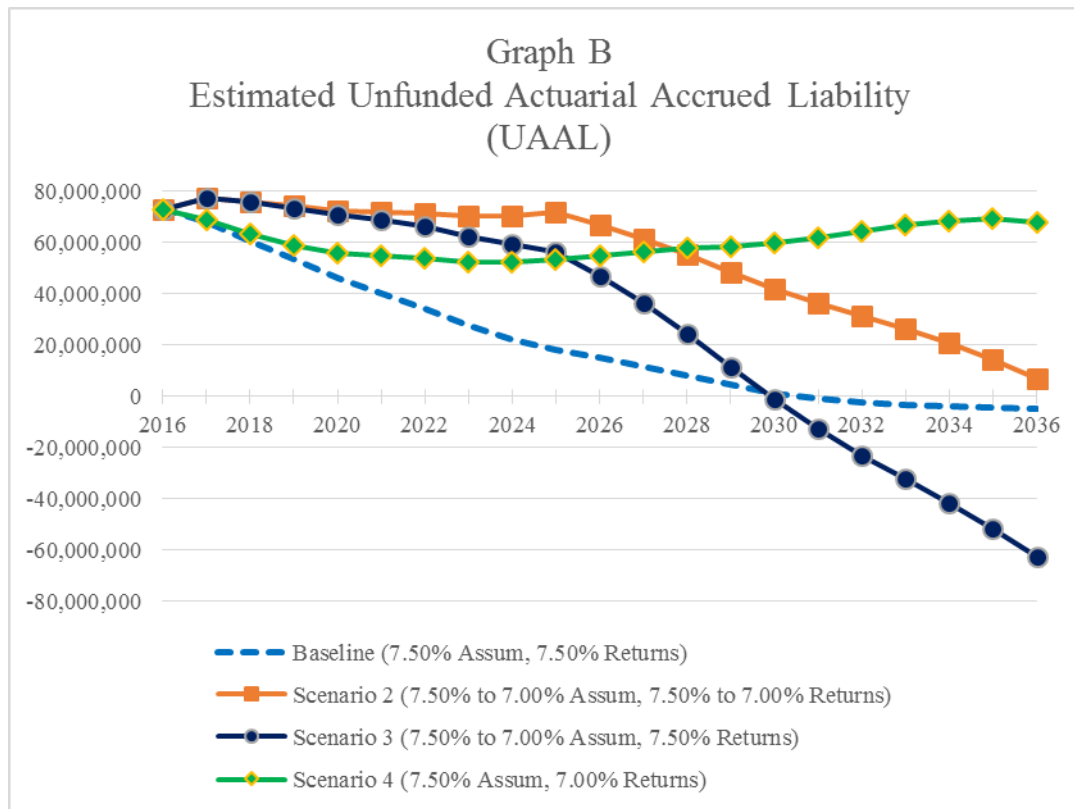
Reasons for the Decision

- ▶ After consulting with its Investment professionals, the Board believes that a lower assumption represents its best estimate of future investment performance.
- ▶ A more conservative assumption will prevent larger increases in City funding requirements in years where returns are less than 7.5%
- ▶ If investment performance remains solid, the returns on the additional City contributions will compound and serve to lower the Unfunded Liability faster and accelerate reductions in City funding requirements in the future

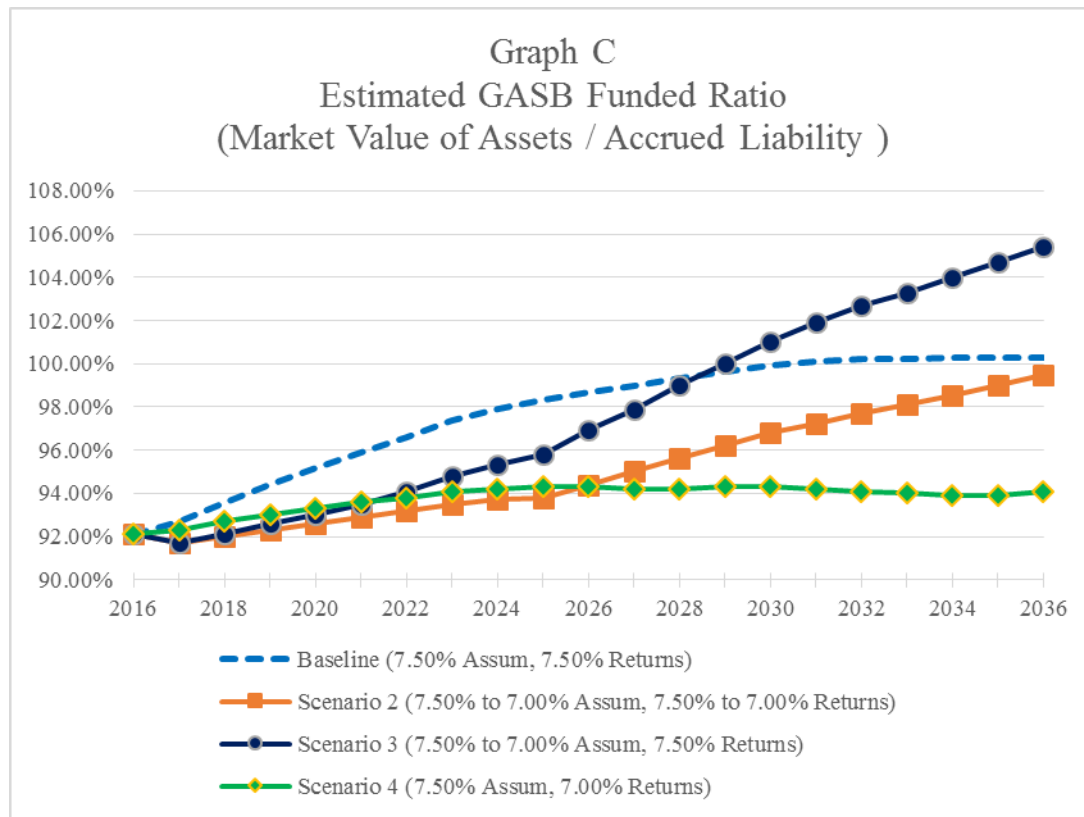
Impact on the City



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Impact on the City/Plan

- ▶ Immediate and sustained pension contribution increases over the short-term
- ▶ Achieves long-term funding stability and sustainability
 - ▶ Likely will develop surplus which can be used to offset cost increases in down markets
 - ▶ Relieves some pressure on system to achieve 7.5% or more
- ▶ Ultimately will obtain a higher funded ratio than if no changes were made
- ▶ Approximate \$9 million initial increase in the Unfunded Liability, but entire \$80 million Unfunded Liability anticipated to be paid off by 2030
- ▶ Approach will continue to be monitored each year by the Board of Trustees

Impact on the Membership

- ▶ There will be no impact on the benefits paid or promised to be paid out of the Plan