

RETIREMENT SERVICES

The mission of the Office of Retirement Services is to provide quality services in the delivery of pension and related benefits and maintain financially sound pension plans.

RETIREMENT SERVICES

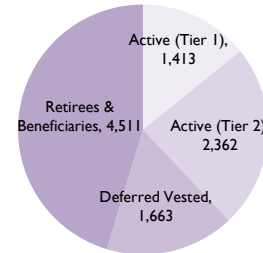
The Office of Retirement Services administers two pension plans, the Federated City Employees' Retirement System (Federated) and the Police and Fire Department Retirement Plan (Police and Fire), as well as Other Post-Employment Benefits (OPEB) for City employees and retirees. The City offers several tiers of benefits, based on the start date of the employee.

The Office is responsible for administering retirement benefits, including providing retirement planning and counseling; supervising the investment of plan assets; managing contracts; and producing financial reports.

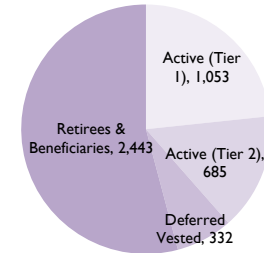
In 2020-21, the Office's personal expenses totaled \$6.9 million, and there were 39 authorized positions (down from 40 positions last year). About \$4.4 million in additional administrative costs, such as professional fees, were paid out of the retirement funds. Total investment fees were \$69 million in calendar year 2020, up from \$60.1 million in calendar year 2019.

The City's total contributions to the two plans included \$385 million for pension benefits and \$54.6 million for OPEB, along with contributions from City employees of \$77.5 million for pension and OPEB. This totals to \$517 million in contributions from the City and its employees. The City's contributions have grown dramatically since the early 2000s and are expected to continue to grow.

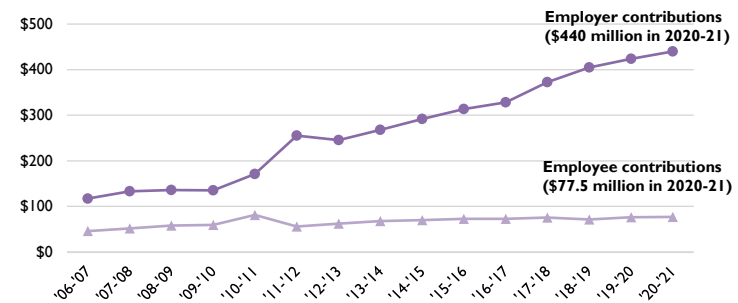
Federated Plan Membership



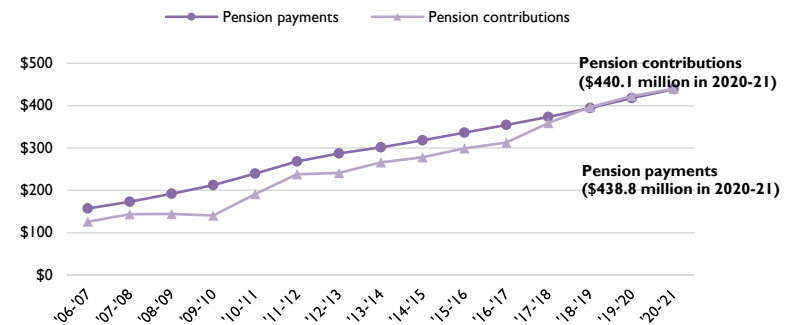
Police and Fire Plan Membership



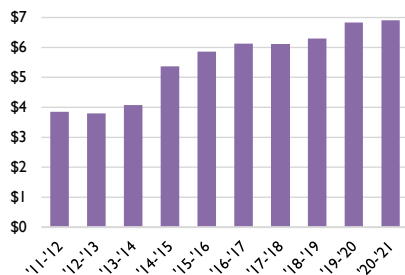
Total Annual Contributions for Pension and Retiree Health and Dental Benefits (\$millions)



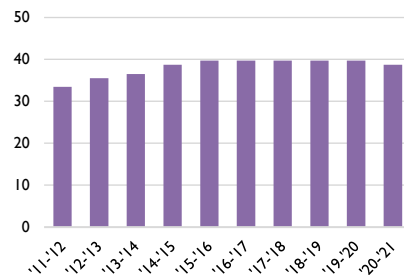
Pension Benefit Payments and Contributions (\$millions)



Retirement Services Personal Services Expenditures (\$millions)



Retirement Services Authorized Positions



Note: The Retirement Services chapter of the City's Operating Budget only includes personal services. Additional administrative expenses and investment expenses are detailed in the Federated City Employees Retirement System and the Police and Fire Department Retirement Plan Annual Comprehensive Financial Reports.

Sources for above charts: Police and Fire Department Retirement Plan and Federated City Employees' Retirement System Annual Comprehensive Financial Reports

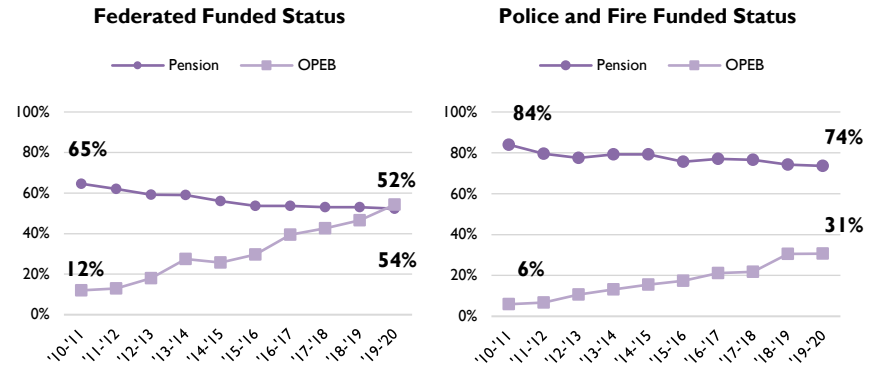
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As of June 30, 2021, there were 6,954 retirees or beneficiaries of the plans, up from 5,545 ten years ago. Over that period, the ratio of active members (i.e., current employees contributing to the plans) to beneficiaries has declined to less than 1:1. In 1980, the ratio was nearly 5:1, and in 2000 it was over 2:1.

The pension and OPEB plans' total liabilities (including future pension payments) exceeded the values of their assets by \$1.9 billion for Federated and \$1.2 billion for Police and Fire. These net liabilities totaled about \$193,000 per Federated member and about \$264,000 per Police and Fire member.

As of the June 30, 2020 actuarial valuations, the Federated and Police and Fire funded ratios (or percent of liabilities covered by plan assets) were 52 percent and 74 percent for the respective pension plans.

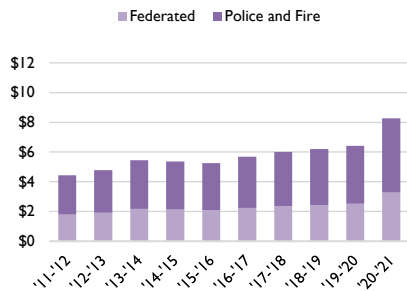
In November 2019, the City convened a Retirement Stakeholder Solutions Group (Group) to address retirement fund resilience and increasing retirement costs that were competing with other City services and programs in the General Fund. One of the options under consideration is using pension obligation bonds, which are taxable bonds that fund the unfunded portion of pension liabilities by creating debt. On October 5, 2021, the City Council adopted a resolution authorizing judicial validation proceedings relating to the issuance of pension obligation bonds. This step is a precursor towards issuing pension obligation bonds. Prior to actually issuing pension obligation bonds, the City Council plans to consider adoption of a pension funding policy.



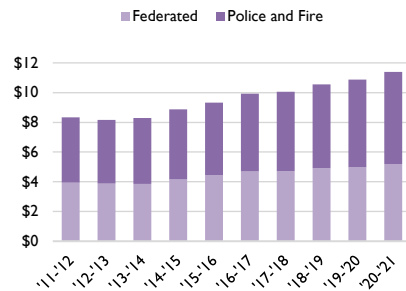
Sources: Federated City Employees' Retirement System and Police and Fire Department Retirement Plan Actuarial Valuations

Note: Funded status calculated using the actuarial value of assets, which differs from the market value, as gains/losses are recognized over five years to minimize the effect of market volatility on contributions. As of 2016-17, OPEB funded status reflects changes to asset and liability calculations based on guidance from the Government Accounting Standards Board.

Retirement Plan Net Assets (\$billions)

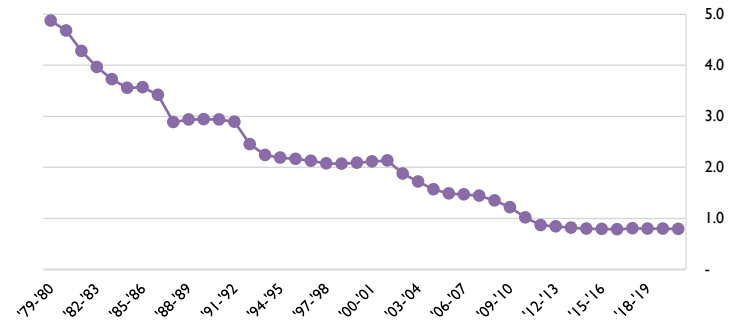


Retirement Plan Total Liabilities (\$billions)



Source: Police and Fire Department Retirement Plan and Federated City Employees' Retirement System Annual Comprehensive Financial Reports and Actuarial Valuations

Ratio of Active Members to Retirees and Beneficiaries



Source: Police and Fire Department Retirement Plan and Federated City Employees' Retirement System Annual Comprehensive Financial Reports and Actuarial Valuations

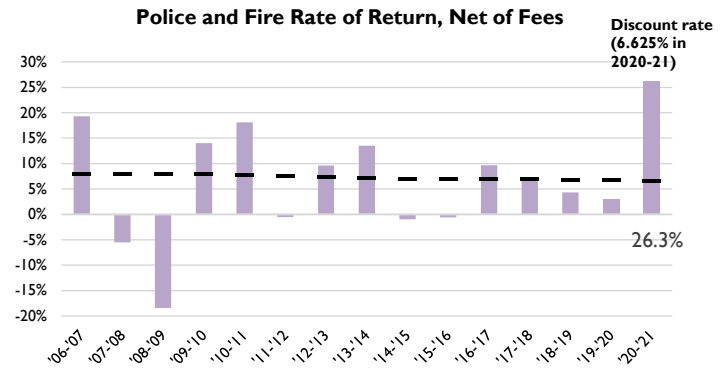
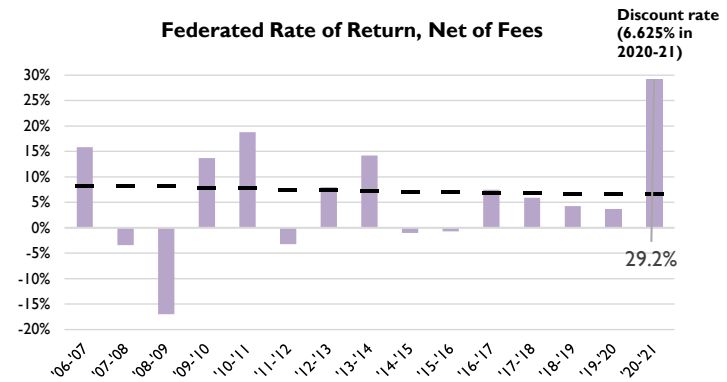
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The retirement plans' assets are distributed among various types of investments, according to each board's investment policies. As of June 30, 2021, the largest category of assets held by each pension plan was public entities. For each plan, public entities accounted for about half of all assets. The second largest portion of both pension plans were "alternatives," which are generally investments outside of traditional stocks, bonds, or cash.

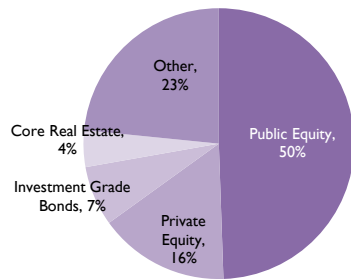
During 2020-21, the Federated pension plan had a net rate of return on pension plan assets of 29.2 percent, up from 3.6 percent last year. The Police and Fire pension plan had a net rate of return of 26.3 percent, up from 3.1 percent in 2019-20. In 2020-21, the assumed rate of return, or discount rate*, for both the Federated pension plan and the Police and Fire pension plan was 6.625 percent, both slightly down from last year's 6.75 percent.

Both the Federated and Police and Fire net returns were larger than last year. As a result of the positive investment returns, total plan assets increased from \$6.42 billion last year to \$8.27 billion on June 30, 2021.

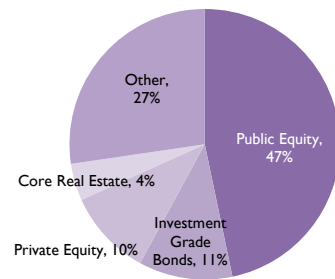
*The assumed rate of return, or discount rate, is the annual rate used to discount pensions expected to be paid in the future to current dollars. For pension plans, it is often based on average expected investment returns over a long time horizon.



Federated Pension Actual Asset Allocation



Police and Fire Pension Actual Asset Allocation



Source: Federated City Employees' Retirement System and Police and Fire Department Retirement Plan Annual Comprehensive Financial Reports. Note: Asset classes not in top four largest categories grouped in "other", such as other bonds, real estate, and cash. Percentages do not add up to 100 due to rounding.