

nyhart

CONSULTING AND ACTUARIAL SERVICES

# Proposal to Jacksonville Police and Fire Pension Fund

October 2016



# Agenda

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# Your Team



## David Harris

ASA, FCA, EA

- Will serve as actuary and relationships manager
- Manages Nyhart's client portfolio in Florida
- 25 years of experience
- Speaker at pension conferences



## Heath Merlak

FSA, EA

- Will serve as additional senior actuary
- Principal and Defined Benefits Practice Leader
- Provides senior peer review and backup
- 20 years of experience

# Your Team



## David Guy

ASA, EA

- Valuation specialist and actuary
- Will lead transition, annual valuations, special projects
- 6 years of experience

**nyhart**

## Actuarial Support Team

- 40 actuarial professionals
- 20 credentialed actuaries serving pension plans across the country



# About Nyhart



100%

Employee Owned

1943

Nyhart Founded



# Our Services

- Defined Benefit Actuarial Services
- Healthcare Actuarial Services
- Defined Contribution Recordkeeping
- HSA, FSA, and COBRA Administration
- Compensation Consulting
- Human Resource Consulting

# Nyhart's Commitment to Florida

- Targeted acquisition to increase Florida exposure
- Successful transition of client relationships
- Handle large clients and large assets
- OPEB expertise

# Nyhart's Commitment to Pensions

- Firm in existence for 70+ years
- Members of Pension Associations (e.g. Florida, Georgia, Michigan)
- Our Consultants speak at pension conferences
- Full outsourcing capabilities for clients



# Nyhart's Police & Fire Clients

- Miami
- Daytona Beach
- Orlando
- Pompano Beach
- Ocala
- Marathon
- St. Petersburg (NEW)



# Nyhart Valuation Services

## Deliverables

- Funding valuation report
- Year-end disclosure and fiscal year expense
- Management summary report focusing on the future

## Consulting

- Funding strategy and cost modeling
- Accounting strategy
- Regulatory and assumption changes

## Special Projects

- Experience studies
- Actuarial Impact Statements
- Cost projections
- COLA analysis

## Regulatory

- State reporting
- Legislation
- Plan document services

# Transition to Nyhart



Fresh perspectives



Limited effort from the Board



Thorough and independent  
review of plan valuation and  
administration



Extensive experience  
converting plans of all sizes  
and adding value to our clients

# Transition Timing



## Valuation

Planning meeting and agree on timeline

Pension Board Consultants and Board provide Nyhart prior year valuation data, asset information, and plan documents

Nyhart codes valuation system (ProVal), analyzes prior assumptions, matches prior year results

Nyhart provides a report showing matching results and will discuss recommendations



Week 1

Week 1-2

Week 3-5

Week 6

LIMITED EFFORT FROM BOARD

Proposed Plan Value vs. Current Plan Value

# Consulting Example



## Plan Design

- Dynamic Pension Design Manager calculates impact of changes for groups of participants
- Determine impact of Plan changes on employer cost and employees' retirement readiness

		Service at Transition						Totals
		0-4	5-9	10-14	15-19	20-24	25-29	
< 25	133%	131%						133%
	120	3						123
	\$25,519	\$21,229						\$25,414
25-29	113%	113%						113%
	241	65						306
	\$30,820	\$33,766						\$31,446
30-34	91%	98%	102%	104%				96%
	103	122	30	1				256
	\$39,738	\$42,765	\$48,622	\$21,914				\$42,152
35-39	72%	81%	90%	94%				81%
	53	66	45	8				172
	\$51,072	\$47,795	\$50,768	\$59,036				\$50,105
40-44	56%	66%	76%	89%				69%
	46	44	45	17				152
	\$61,500	\$44,435	\$68,296	\$60,696				\$58,482
45-49	53%	54%	68%	78%	89%	96%		63%
	27	52	61	27	1	1		169
	\$63,377	\$69,084	\$79,880	\$70,883	\$34,462	\$33,560		\$71,941
50-54	51%	55%	58%	73%	85%	93%	93%	59%
	36	49	69	20	1	2	3	180
	\$64,903	\$69,254	\$79,088	\$114,135	\$58,682	\$66,345	\$50,371	\$76,735
55-59	52%	59%	65%	71%	84%	93%	93%	63%
	18	50	67	14	2	1	2	154
	\$53,465	\$70,801	\$78,276	\$97,765	\$40,789	\$55,812	\$48,116	\$73,696
60+	68%	82%	87%	84%	94%	100%	96%	84%
	15	32	68	29	1	3	1	149
	\$54,708	\$70,372	\$79,043	\$80,252	\$85,946	\$103,718	\$82,747	\$75,534
Totals	97%	81%	75%	81%	87%	96%	94%	86%
	659	483	385	116	5	7	6	1,661
	\$39,377	\$52,512	\$72,119	\$81,195	\$52,134	\$76,174	\$55,015	\$53,956

# Consulting Example

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# Consulting Example

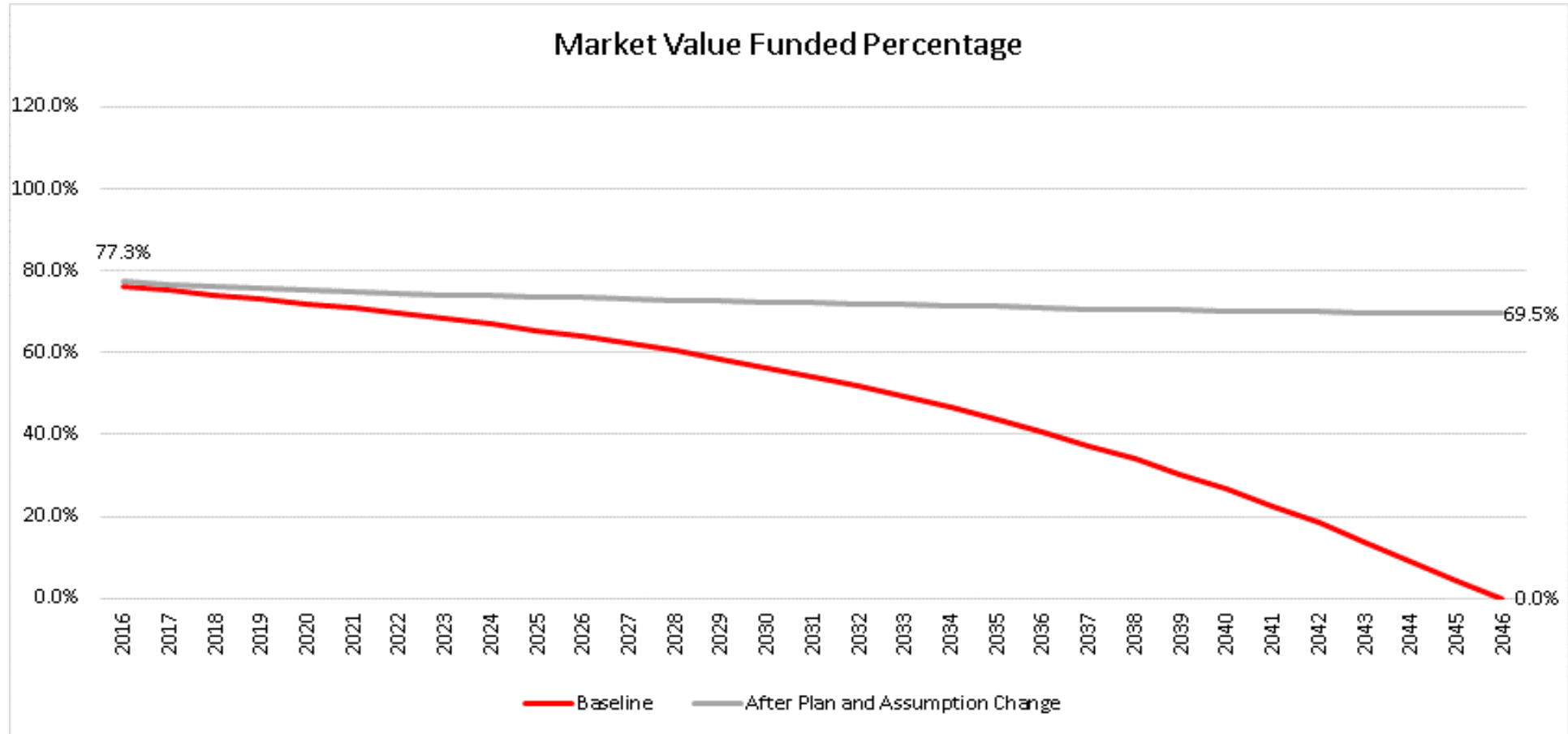


## Pension Financial Manager (PFM)

- Nyhart uses PFM to provide proactive consulting for vast majority of our clients
- PFM has the ability to change multiple variables on the fly such as interest rates, asset performance, funding strategy, and plan design
- We view PFM to be a key tool in providing the consulting our clients expect to effectively plan for the future



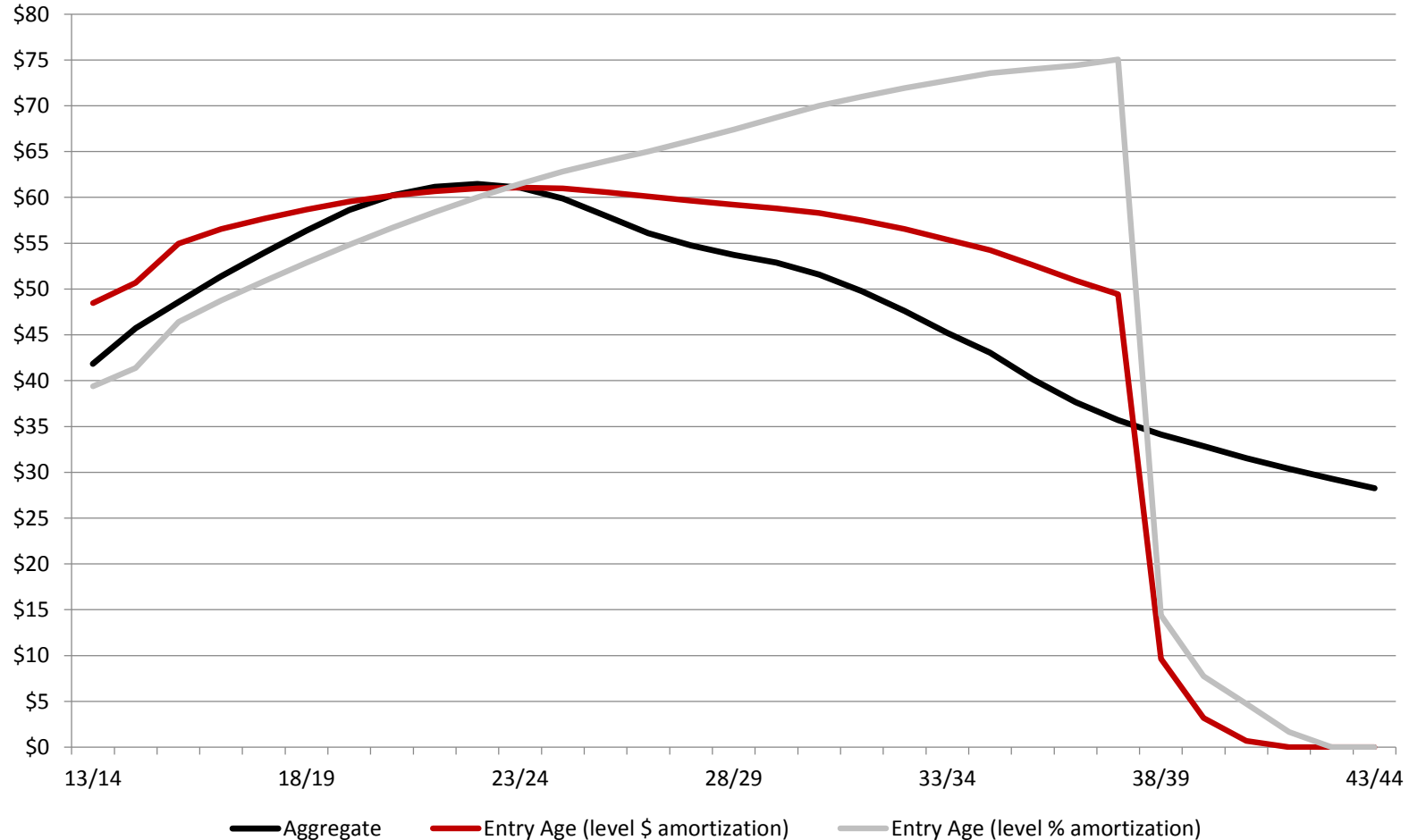
# Pension Financial Manager (PFM)





# Pension Financial Manager (PFM)

Projected Contribution Requirements by Fiscal Year (\$ in Millions)





# Administration



Nyhart's web-based plan administration service platform.

**Customized to our clients' needs.**

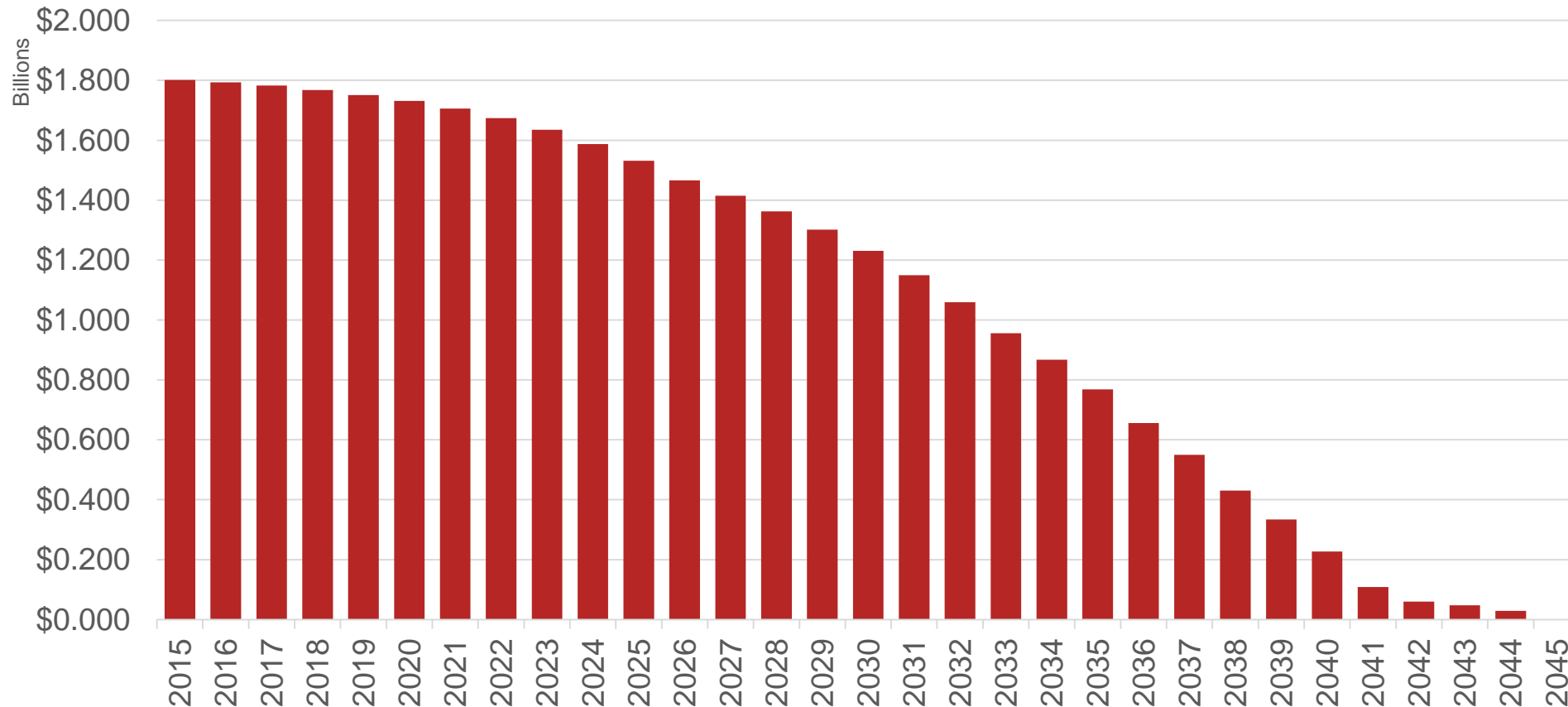
- 24/7 accessibility by plan sponsor
- Document storage (plan docs, valuation, reports, audit reports)
- Links to additional information
- Benefit estimates and projections
- Retirement calculations and election packages.
- Secure data storage



# New Legislation (HB 1297)

## Jacksonville's Issue – \$1.8 Billion in Unfunded Liability (JPFPF)

Projected Unfunded Liability (no future gains or losses)

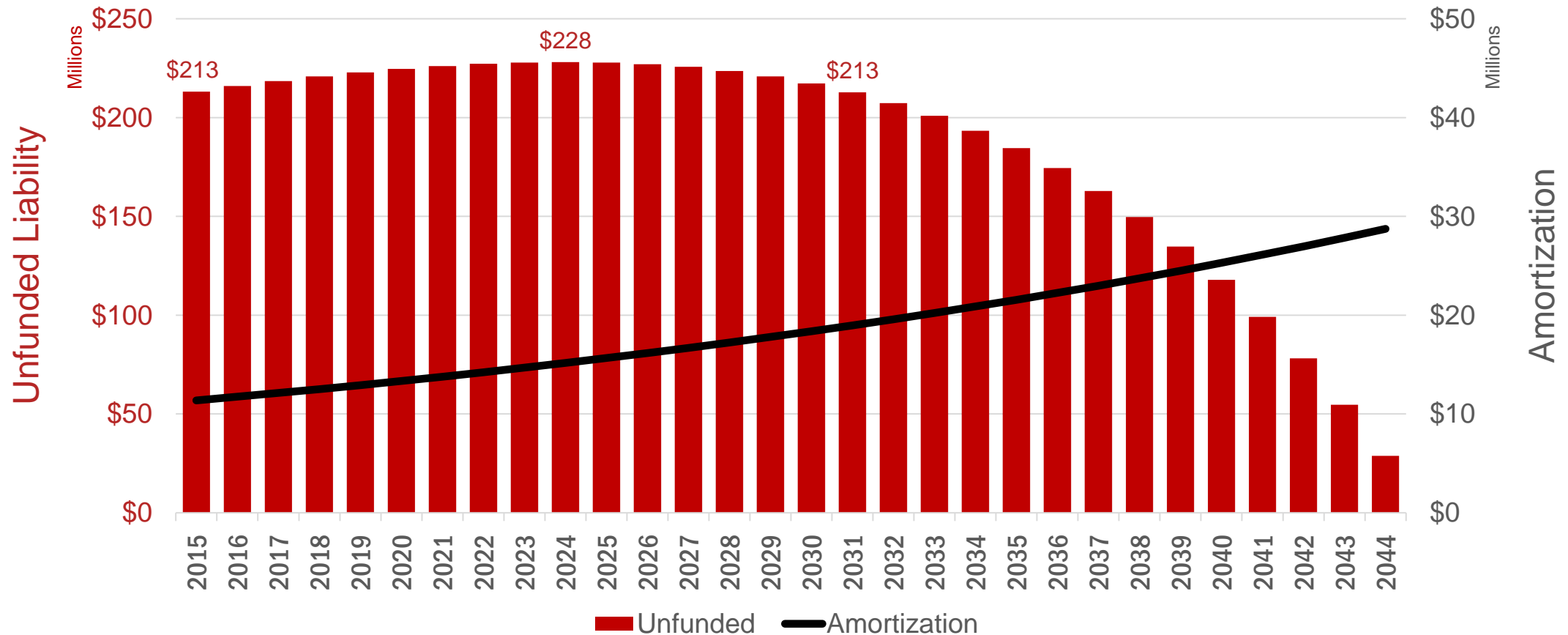




# New Legislation (HB 1297)

## Jacksonville's Issue – \$1.8 Billion in Unfunded Liability (JPFPF)

10/1/2015 Unfunded Liability Base

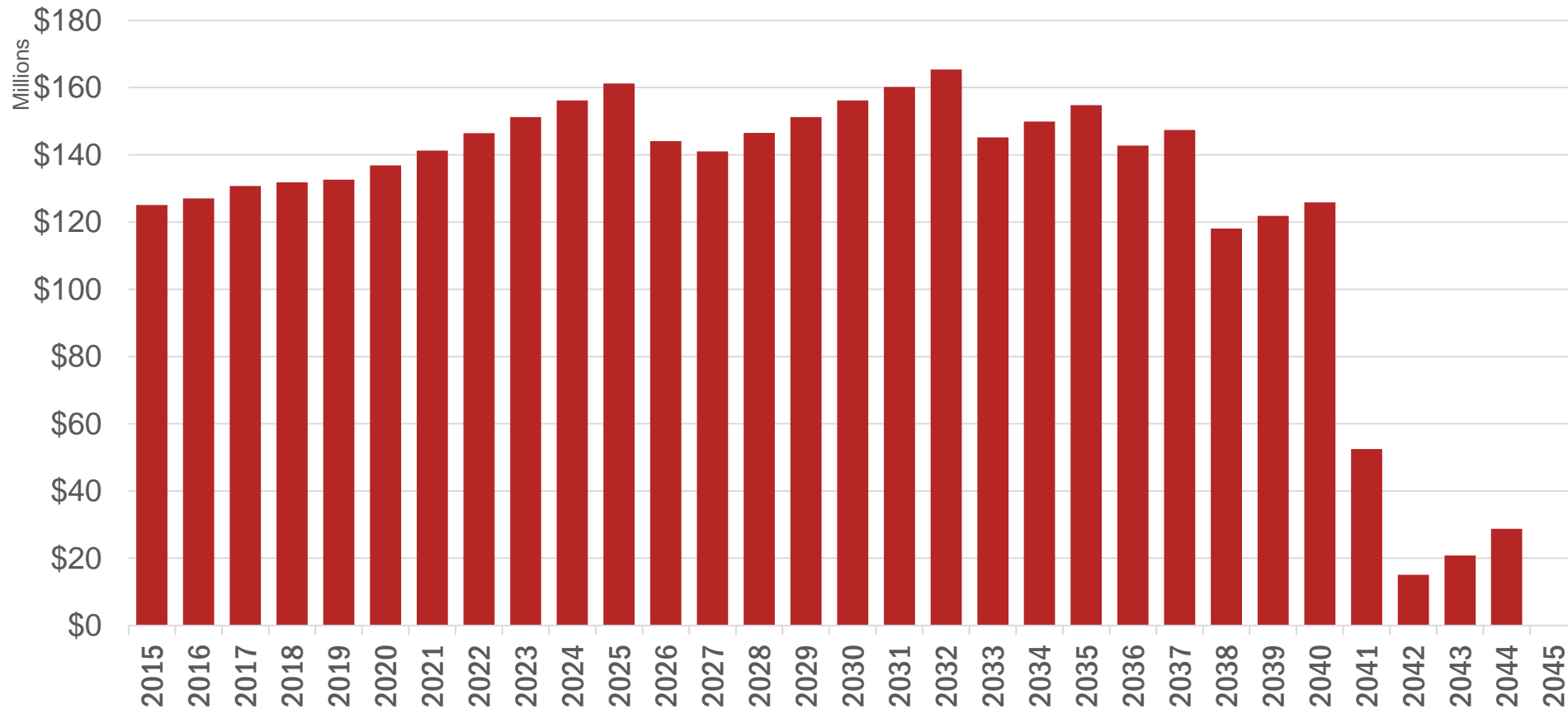




# New Legislation (HB 1297)

Jacksonville's Issue – \$1.8 Billion in Unfunded Liability (JPFPF)

Projected Amortization Payments (no future gains or losses)





# New Legislation (HB 1297)

## NYHART'S UNDERSTANDING

- Effective July 1, 2016
- One-half percent sales tax referendum
  - 65% YES vote on August 30<sup>th</sup> among 150,000 voters
  - Proceeds start in 1/1 of year following termination of Better Jacksonville ½-cent sales surtax (i.e. 2030)
  - Continues no longer than 12/31/2060 (subject to earlier termination if plans reach full funding)
  - Employee contributions required to be at least 10%
  - Plan required to be closed to new entrants (must be bargained)



# New Legislation (HB 1297)

## One Approach

- Review alternative assumptions
  - Want to avoid putting a strategy in place and then have it go off track because assumptions get updated 1-3 years later
- Determine anticipated surtax proceeds for 2030 – 2060
  - How will proceeds be divided among plans?
  - Expected growth of surtax
  - Analyze range of surtax and funding implications
- Develop a funding strategy that takes into account the surtax to achieve defined objectives, such as:
  - Fully funded by a certain date
  - Maximizing impact of surtax on City's contribution

# First Year Services and Fees



## Summary

<b>ANNUAL FUNDING SERVICES (2 PLANS)</b>	<b>\$53,000</b>
<ul style="list-style-type: none"><li>• Funding valuation reports</li><li>• Financial reporting (GASB 67/68)</li><li>• Management summary &amp; presentation of results</li><li>• State reporting</li><li>• COLA analysis</li></ul>	
<b>TRANSITION</b>	<b>FREE</b>
<b>ANNUAL BOARD/COUNCIL TRAINING</b>	<b>FREE</b>
<b>TOTAL</b>	<b>\$53,000</b>

*\* Projects outside the scope of services will be charged on a time & materials basis or a negotiated fixed fee.*

# Why Choose Us?



## ESOP Culture

- Company-wide commitment to client services
- Less overhead – Better fees for our clients
- Growth focus



## Client Focus

- 99% Client retention rate
- Proactive and flexible
- Expertise and experience to meet or exceed your expectations



## Our Solutions

- Technology focus
- Pension Financial Manager: Multi-year cost modeler
- Full outsourcing administration solution



# Questions?