



FINANCE DEPARTMENT 2-25-2025

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CITY MUNICIPAL FIREFIGHTERS & POLICE PENSION TRUST FUNDS (PLANS)

**Question: Terminate the Plans or
Continue Administering the Plans**



Cost to Terminate the Plans

- A plan termination estimate is now required to be including in the pension plan valuation reports
- It's called the "Low Default Risk Obligation Measure" (LDROM)
- It's a measure of the Plan's liability using high quality bond interest rates
- Which is what insurance companies will use to price group annuity contracts.

LDRROM Estimates as of 10/1/2024

Actuarial Valuation Reports

	Firefighters Plan	Police Plan
Current Asset Value (millions)	\$ 37.7	\$ 45.1
LDRROM Liabilities (millions)	\$ (66.9)	\$ (58.2)
Additional Amount Needed (millions) in Order to Terminate the Plans & Transfer all Liabilities to an Insurance Company	<u>\$ (29.2)</u>	<u>\$ (13.1)</u>
Current Funded Ratio	76%	104%

Note: Actual Insurance Company quotes for group annuity contracts may come in less than or more than \$66.9 million & \$58.2 million, in which case the estimated **shortfalls** of **\$29.2** million & **\$13** million would be lower or higher.

Process to Terminate the Plans

- Best way to eliminate all responsibility & risk would be to purchase a group annuity contract from an insurance company.
- The insurance company would assume all risks & pay all monthly retirement benefits for the lifetimes of all members.
- City would pay a one-time premium to the insurance company selected.
- Usually, a bidding process with multiple competing insurance companies (usually coordinated by a group annuity broker)

Process to Terminate the Plans

- Actuary
- Pension Attorney
- Group Annuity Broker
- Insurance Company



Process to Terminate the Plans

- Once premium is paid, & the Insurance Company is given all the data & monthly payment information, the insurance company assumes full responsibility from there.

Alternative to Purchasing a Group Annuity Contract

- City continues to administer the plans & maintain responsibility for paying all future benefits

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Questions/Comments

Council Action:

1. Move Forward to Terminate the Plans, or
2. Continue Administering the Plans



THANK YOU!