

From: Pete.Strong@gabrielroeder.com [<mailto:Pete.Strong@gabrielroeder.com>]
Sent: Monday, November 30, 2015 3:26 PM
To: jlinn@llw-law.com; Linda Senne <LSenne@Venicegov.com>; Edward Lavallee <ELavallee@Venicegov.com>
Cc: Alan Bullock <ABullock@Venicegov.com>; jcowan@llw-law.com; Joanne Benjamin <JBenjamin@Venicegov.com>
Subject: RE: Venice Police and Fire Pension - Assumption and Method Changes

Hi Jim,

Attached is a red-lined mark up of your outline. Also attached is a DRAFT of our projections. The numbers came out a little differently than we had previously discussed because the actual total impact of the change in the investment return assumption (isolated by itself) was +\$704,490. Phasing in this assumption change over three years would reduce the current year's contributions by about \$477,000.

After I dug deeper into F&F's reports, I realized the extra year of interest being applied was actually due to applying a full year's salary increase assumption (which is 7.4% for firefighters and 7.9% for police) to the contribution amounts. I really don't think this is necessary since projected payroll is expected to decline in every future year (through attrition) now that the plan is closed. Our projections are showing that F&F's method will pay down the unfunded liability more quickly than scheduled. Removing the salary increase adjustment would result in a more systematic scheduled pay-down of the unfunded liability, and it would reduce the current year's contribution requirement by an additional \$315,000.

The largest source of savings would result from reflecting the actual FRS elections in the revised 10/1/2014 actuarial valuations. These would reduce the current years' contribution requirements by about \$830,000. These reductions will be reflected in the 10/1/2015 actuarial valuations, so if the 10/1/2014 valuations are not revised, the increase for FY 2016 will be for one year only and result in additional funding for the Plans.

All projections include recognition of the FRS elections as of the 10/1/2015 valuation date (if not stated to be reflected as of 10/1/2014), and all projections reflect the mandated change to adopt the FRS mortality assumption as of 10/1/2016 (which impacts the FY 2018 contribution requirements).

These projections, along with a cover letter and description of the alternative assumptions, are currently being reviewed by another actuary. I expect our full report to be finalized tomorrow.

Thank you!
-Pete Strong

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From: Jim Linn [<mailto:jlinn@llw-law.com>]
Sent: Monday, November 30, 2015 12:06 PM
To: 'Linda Senne'; Edward Lavalley
Cc: Alan Bullock; Strong, Pete (FLP1); Jennifer Cowan; Joanne Benjamin
Subject: RE: Venice Police and Fire Pension - Assumption and Method Changes

Linda - I am OK with using actuarial accrued liability instead of total liability. Not sure it makes a big difference for this purpose. Might be good to get Pete's take on which liability number should be used.

Jim

From: Linda Senne [<mailto:LSenne@Venicegov.com>]
Sent: Monday, November 30, 2015 11:44 AM
To: Jim Linn <jlinn@llw-law.com>; Edward Lavalley <ELavalley@Venicegov.com>
Cc: Alan Bullock <ABullock@Venicegov.com>; 'Pete.Strong@gabrielroeder.com' <Pete.Strong@gabrielroeder.com>; Jennifer Cowan <jcowan@llw-law.com>; Joanne Benjamin <JBenjamin@Venicegov.com>
Subject: RE: Venice Police and Fire Pension - Assumption and Method Changes

Ok I see that, but don't we have to use the "actuarial accrued liability" amounts which are on page 4.

From: Jim Linn [<mailto:jlinn@llw-law.com>]
Sent: Monday, November 30, 2015 10:58 AM
To: Linda Senne <LSenne@Venicegov.com>; Edward Lavalley <ELavalley@Venicegov.com>
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Subject: RE: Venice Police and Fire Pension - Assumption and Method Changes

Thanks Linda. See my responses to your comments below.

Based on Pete Strong's 11/25 email, I am going to hold off on revising the outline until he completes the projections he is working on.

Jim

From: Linda Senne [<mailto:LSenne@Venicegov.com>]
Sent: Monday, November 30, 2015 9:21 AM
To: Jim Linn <jlinn@llw-law.com>; Edward Lavallee <ELavallee@Venicegov.com>
Cc: Alan Bullock <ABullock@Venicegov.com>; 'Pete.Strong@gabrielroeder.com' <Pete.Strong@gabrielroeder.com>; Jennifer Cowan <jcowan@llw-law.com>; Joanne Benjamin <JBenjamin@Venicegov.com>
Subject: RE: Venice Police and Fire Pension - Assumption and Method Changes

I just have a few comments/questions...see attached excel worksheet.

1. How did you arrive at pension liability of \$4.3 million for police?

The \$4.3 million comes from page 3 of the 8/17/15 revised actuarial impact statement – the difference in total liabilities between \$44.789 million (based on the 7.0% earnings assumption) and \$40.406 million (based on the 7.9% earnings assumption).

2. I think the \$280K in paragraph numbered #2 should be \$380K – **You are correct, that was an error.**

From: Jim Linn [<mailto:jlinn@llw-law.com>]
Sent: Wednesday, November 25, 2015 2:52 PM
To: Edward Lavallee <ELavallee@Venicegov.com>
Cc: Alan Bullock <ABullock@Venicegov.com>; Linda Senne <LSenne@Venicegov.com>; 'Pete.Strong@gabrielroeder.com' <Pete.Strong@gabrielroeder.com>; Jennifer Cowan <jcowan@llw-law.com>
Subject: Venice Police and Fire Pension - Assumption and Method Changes

A summary of the pension assumption/method change issue is attached. I am thinking a few powerpoint slides would also be good for the December 8 meeting – but wanted to get this to you and Pete to get your feedback on the concepts.

Here's wishing everyone a happy and safe Thanksgiving!

Jim

James W. Linn

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