



CITY OF
WICHITA



Retirement Systems Actuarial Report



Finance Department

April 19, 2022



Background



- City operates two retirement plans: Wichita Employees Retirement (WER) system and the Wichita Police and Fire (WPF) retirement system
- Every year, the City's actuary reviews each system and recommends employer (City) contribution rates



Background



- City pension plans are in very good shape (funded ratios over 90%) because of:
 - A diversified, well-managed portfolio
 - Appropriate assumptions on investment returns and participant demographics
 - A prudent City commitment to funding the plans at the recommended actuarial contribution rates



Introduction



- Jake Libauskas, Cheiron
- Actuary for the Wichita Retirement Systems



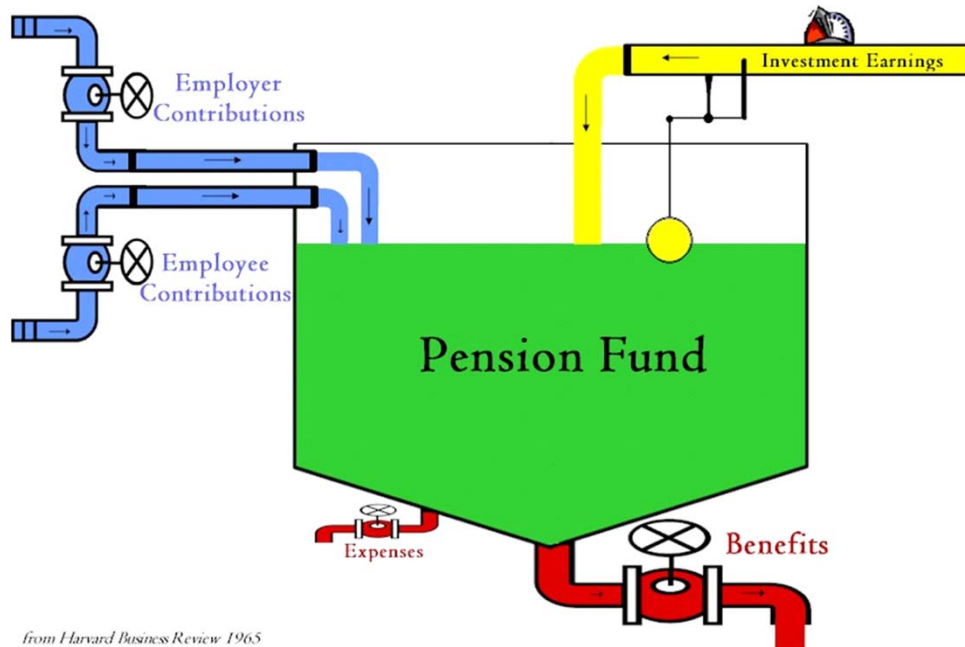
Purpose of Actuarial Valuation



- Calculate assets, liabilities, and funded ratio
- Determine City's contribution rate for next year
- Review demographic and financial experience
- Project future funded ratio and contribution levels
- Identify and assess primary risks



Purpose of Actuarial Valuation



from Harvard Business Review 1965



Overview



- The funded ratio increased for WER from 93% to 94% and remained level for P&F at 94% based on the Actuarial Value of Assets (AVA)
- The Unfunded Actuarial Liability decreased by \$4 million for WER and increased by \$1 million for P&F based on the AVA
- Investment return assumption was lowered from 7.50% to 7.25%



City Contribution Rate



- This valuation sets the City's contribution rates for Fiscal Year 2023

Contribution Rates For Fiscal Year 2023		
	WER	P&F
Total Normal Cost Rate	13.6%	24.5%
Member Contribution Rate	<u>-4.7%</u>	<u>-7.0%</u>
City Normal Cost Rate	8.9%	17.5%
UAL Contribution Rate	<u>4.1%</u>	<u>4.4%</u>
City Contribution Rate	13.0%	21.9%



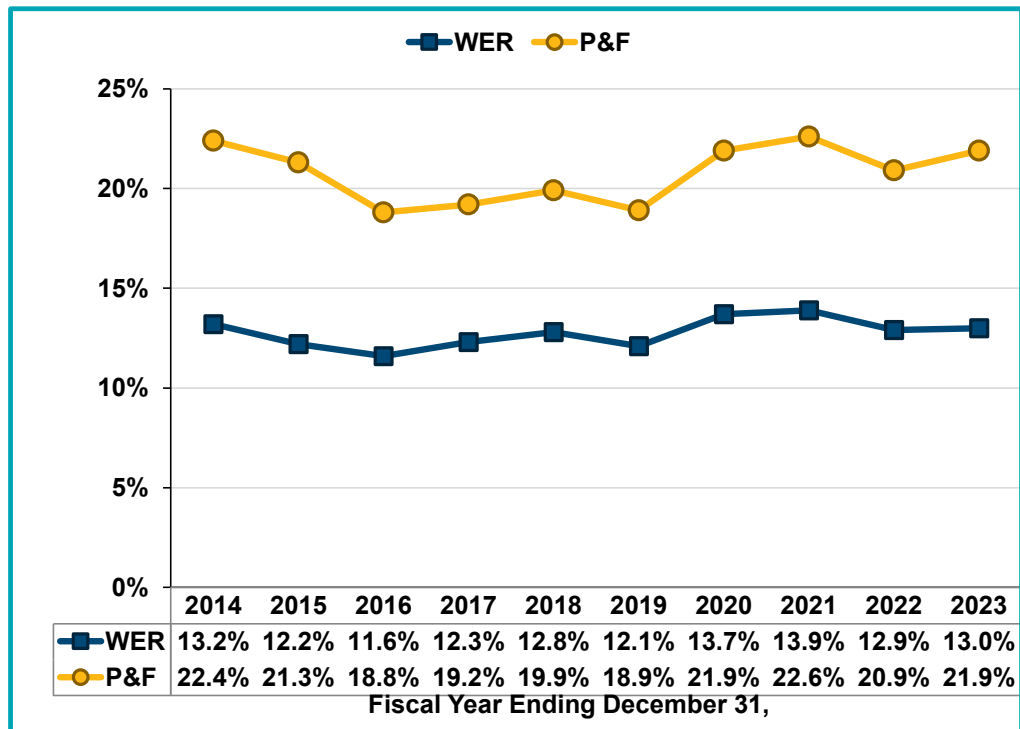
City Contribution Rate



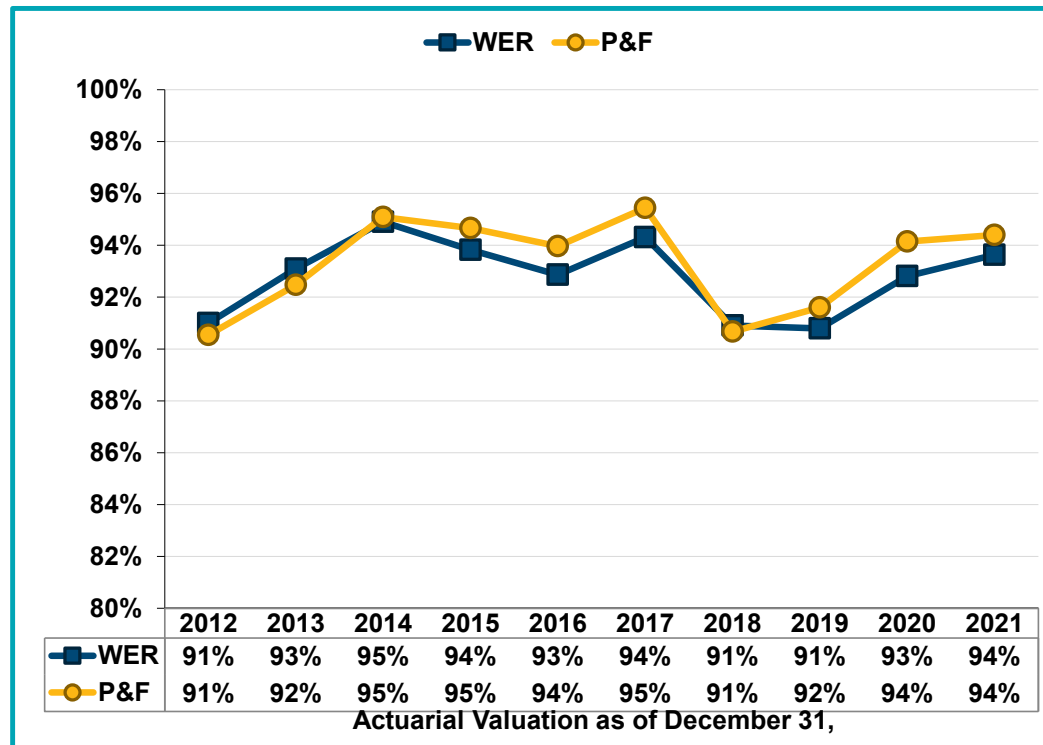
	WER	P&F
City Contribution Rate (12/31/2020)	12.9%	20.9%
Actuarial Asset (Gain)/Loss	(1.8%)	(2.2%)
Liability (Gain)/Loss	0.0%	0.5%
Assumption Change	2.2%	3.4%
Other	<u>(0.3%)</u>	<u>(0.7%)</u>
City Contribution Rate (12/31/2021)	13.0%	21.9%



Historical Contribution Rates



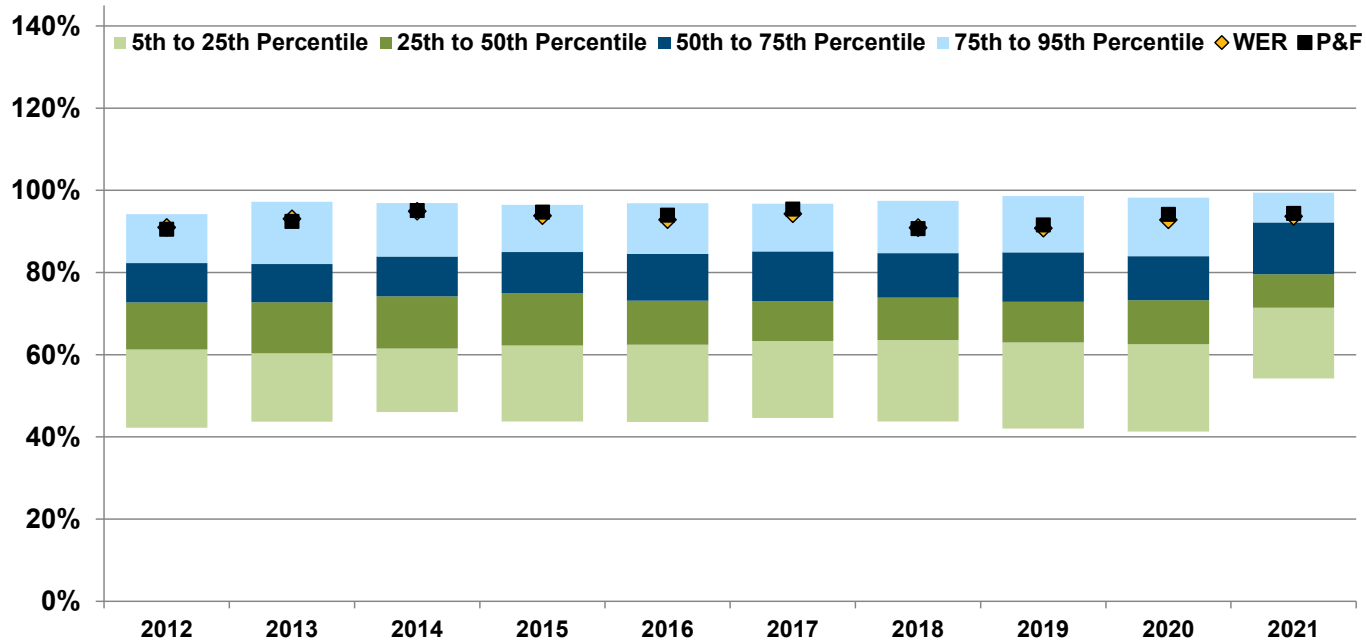
Historical Funded Ratios



Comparison to Peer Systems



AVA Funded Ratio



Survey Data from Public Plans Data as of 2/14/2022



Risks



- Actuarial valuations are based on one set of assumptions for future experience
- Future experience will be different, possibly significantly different



Risks



- The primary sources of risk for Wichita's Retirement Systems are identified below. See Section II of the December 31, 2021 actuarial valuation reports for more information.
 - Investment risk
 - Interest rate risk
 - Longevity and other demographic risk
 - Assumption change risk



Recommendation



Receive and file the WER and WPF actuarial reports as of December 31, 2021 and approve the 2023 employer contribution rates



Disclosure



The purpose of this presentation is to present the December 31, 2021 actuarial valuation results for the Wichita Employees' Retirement System and the Police and Fire Retirement System of Wichita, Kansas. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to such other users.

In preparing this presentation, we relied on information, some oral and some written, supplied by the Systems' staff. This information includes, but is not limited to, the plan provisions, member data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future valuation results may differ significantly from the current valuation results presented in this presentation due to such factors as the following: plan experience differing from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law. For details on the current plan provisions, data, assumptions, and methods, refer to the December 31, 2021 actuarial valuation reports.

Cheiron utilizes and relies upon ProVal, an actuarial valuation software leased from Winklevoss Technologies for the intended purpose of calculating liabilities and projected benefit payments. Projected expected results of future valuations in this presentation were developed using P-scan, our proprietary tool for the intended purpose of developing projections. As part of the review process for this presentation, we have performed a number of tests to verify that the results are reasonable and appropriate. We are not aware of any material inconsistencies, unreasonable output resulting from the aggregation of assumptions, material limitations or known weaknesses that would affect this presentation.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

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