

Response to Questions on the Retirement System Review

Request By: Supervisor McKay

Question: Provide a history of the ratio of active employees to retirees, including a projection of the ratio for future years.

Response: The actuary for the retirement systems has provided the table below showing the historical ratio of active to inactive employees, as well as projections of the ratio for future years, as of the valuation on July 1 of the year listed. Inactive employees include retirees currently receiving benefit payments, separated former employees who are not currently receiving a benefit but qualify for a deferred vested benefit, and employees who have entered DROP and therefore are no longer contributing to the retirement systems based on their continued employment. This projection assumes that the number of active employees remains steady, and that the rate at which employees will retire or terminate employment with the County will be consistent with the actuary's current assumptions.

While the ratio of active employees to retirees, or support ratio, would be very important in a retirement system operated on a pay-as-you-go basis, like Social Security, it is less important in the case of the County's retirement systems because the County has been prefunding its plans. Contributions to the systems are based on actuarial calculations that take into account the liability associated with future retirement payments, and assets have been building up to make those payments when they come due.

It is important to continue to monitor the support ratio, however, as the ratio can play a role in the ability of the retirement systems to recover after economic downturns. During periods of market decline, investment losses impact assets set aside for both retirees and active employees. However, the contributions needed to address losses are only generated from County and active employee contribution rates, which are based on the active covered payroll. Therefore, it can be more difficult for a plan with a low support ratio to recover from market downturns, and investment policies may be adjusted to take less risk in recognition of the declining support ratio. In addition, if the support ratio were to decline to the point where retiree benefit payments exceed contributions to the system, it would be necessary to maintain greater liquidity of plan assets in order to accommodate benefit payments, which in turn could result in lower investment returns.

Year	Employees' Retirement System			Police Officers' Retirement System			Uniformed Retirement System		
	Actives	Inactive	Ratio	Actives	Inactive	Ratio	Actives	Inactive	Ratio
2002	14,185	4,577	3.1	1,192	666	1.8	1,625	687	2.4
2003	14,065	4,784	2.9	1,216	696	1.7	1,625	756	2.1
2004	14,330	5,017	2.9	1,298	734	1.8	1,646	840	2.0
2005	14,378	5,262	2.7	1,282	761	1.7	1,641	889	1.8
2006	14,300	5,656	2.5	1,291	781	1.7	1,799	957	1.9
2007	14,295	7,314	2.0	1,319	810	1.6	1,828	1,023	1.8
2008	14,705	7,192	2.0	1,357	828	1.6	1,885	1,055	1.8
2009	14,616	7,691	1.9	1,347	872	1.5	1,945	1,113	1.7
2010	14,169	8,074	1.8	1,312	905	1.4	1,887	1,163	1.6
2011	14,256	8,526	1.7	1,293	943	1.4	1,865	1,224	1.5
2012	14,107	9,059	1.6	1,276	982	1.3	1,870	1,272	1.5
2013	14,011	9,509	1.5	1,237	1,029	1.2	1,862	1,328	1.4
2014	13,862	10,008	1.4	1,226	1,082	1.1	1,817	1,369	1.3
2015	13,669	10,475	1.3	1,246	1,140	1.1	1,889	1,414	1.3
2016	14,171	10,738	1.3	1,319	1,161	1.1	1,948	1,440	1.4
PROJECTIONS									
2017	14,171	10,893	1.3	1,319	1,173	1.1	1,948	1,455	1.3
2018	14,171	11,325	1.3	1,319	1,198	1.1	1,948	1,495	1.3
2019	14,171	11,763	1.2	1,319	1,229	1.1	1,948	1,534	1.3
2020	14,171	12,208	1.2	1,319	1,264	1.0	1,948	1,575	1.2
2021	14,171	12,650	1.1	1,319	1,301	1.0	1,948	1,616	1.2
2022	14,171	13,081	1.1	1,319	1,333	1.0	1,948	1,657	1.2
2023	14,171	13,488	1.1	1,319	1,363	1.0	1,948	1,696	1.1
2024	14,171	13,870	1.0	1,319	1,395	0.9	1,948	1,737	1.1
2025	14,171	14,225	1.0	1,319	1,435	0.9	1,948	1,776	1.1
2026	14,171	14,559	1.0	1,319	1,481	0.9	1,948	1,812	1.1
2027	14,171	14,869	1.0	1,319	1,526	0.9	1,948	1,850	1.1
2028	14,171	15,154	0.9	1,319	1,570	0.8	1,948	1,885	1.0
2029	14,171	15,410	0.9	1,319	1,618	0.8	1,948	1,919	1.0
2030	14,171	15,630	0.9	1,319	1,654	0.8	1,948	1,952	1.0