

# Monitoring Report SD-14: Retirement Plan Funding March 16, 2021

Javier Fernandez, Vice President – Financial Services & CFO

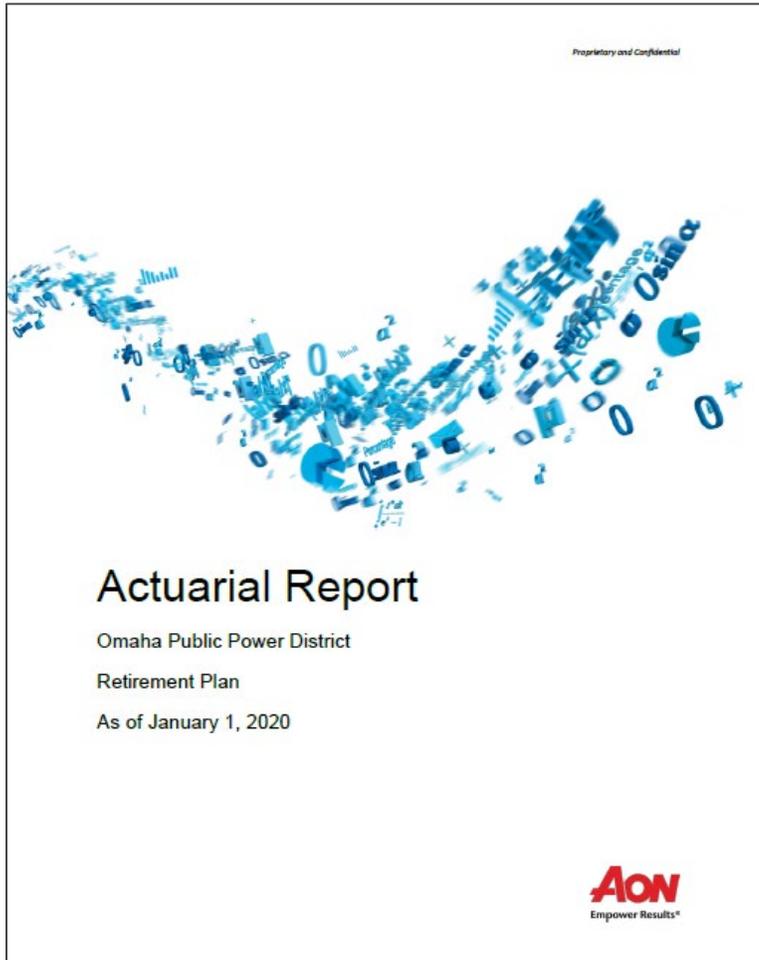
# SD-14: Retirement Plan Funding

The Retirement Plan Funding Policy is intended to provide guidance for funding and budgeting for pension obligations, demonstrate prudent financial management practices, re-assure bond rating agencies, and provide transparency to stakeholders on how the Retirement Plan (“Plan”) is funded. OPPD intends to provide for systematic funding of future benefit payments for Plan participants and their beneficiaries.

Therefore:

- A nationally recognized actuarial firm should be utilized to perform the analysis to determine the annual required contribution to the Plan.
- The discount rate to be used to determine the Plan’s current funded status and required contribution will be established with the assistance of an investment consultant.
- OPPD intends to achieve long-term full funding of the cost of benefits provided by the Plan by funding the actuarially determined annual required contribution each year.

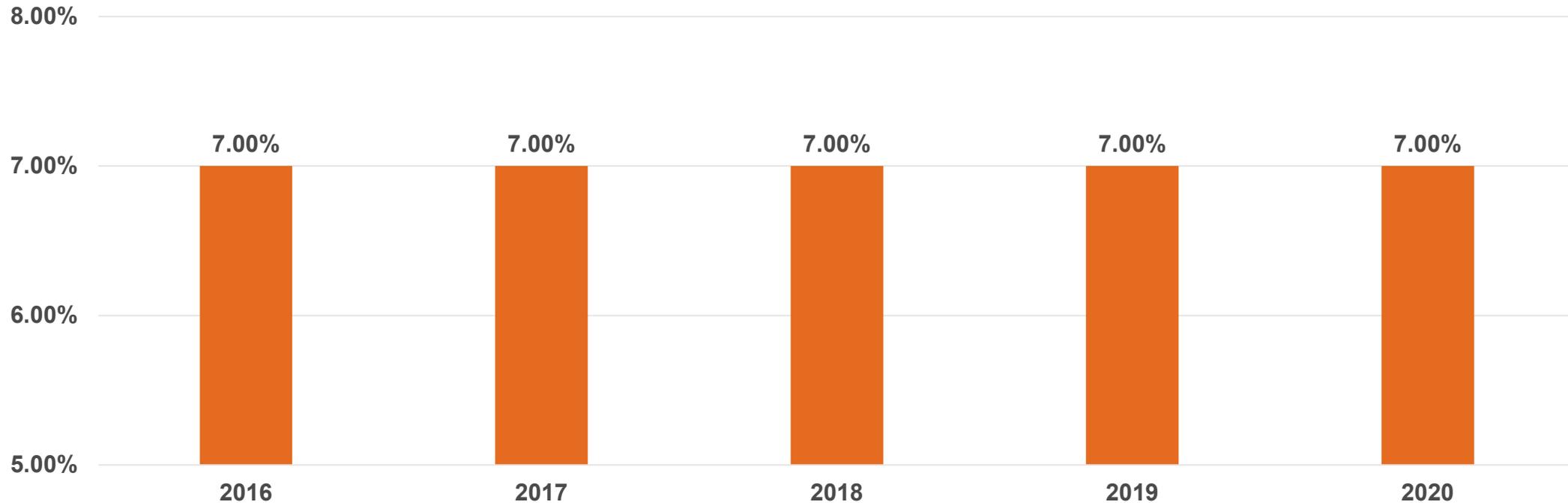
# A nationally recognized actuarial firm should be utilized to perform the analysis to determine the annual required contribution to the Plan



- Established relationship with actuary - Aon
- Annual Actuarial Report documents the actuarial valuations for the Retirement Plan assets and liabilities and determines annual required contribution to achieve a fully funded plan within the actuarial period.
- Valuations are conducted in accordance with generally accepted actuarial principles and practices, including Applicable Standards of Practice as issued by the Actuarial Standards Board.

**The discount rate to be used to determine the Plan's current funded status and required contribution will be established with the assistance of an investment consultant.**

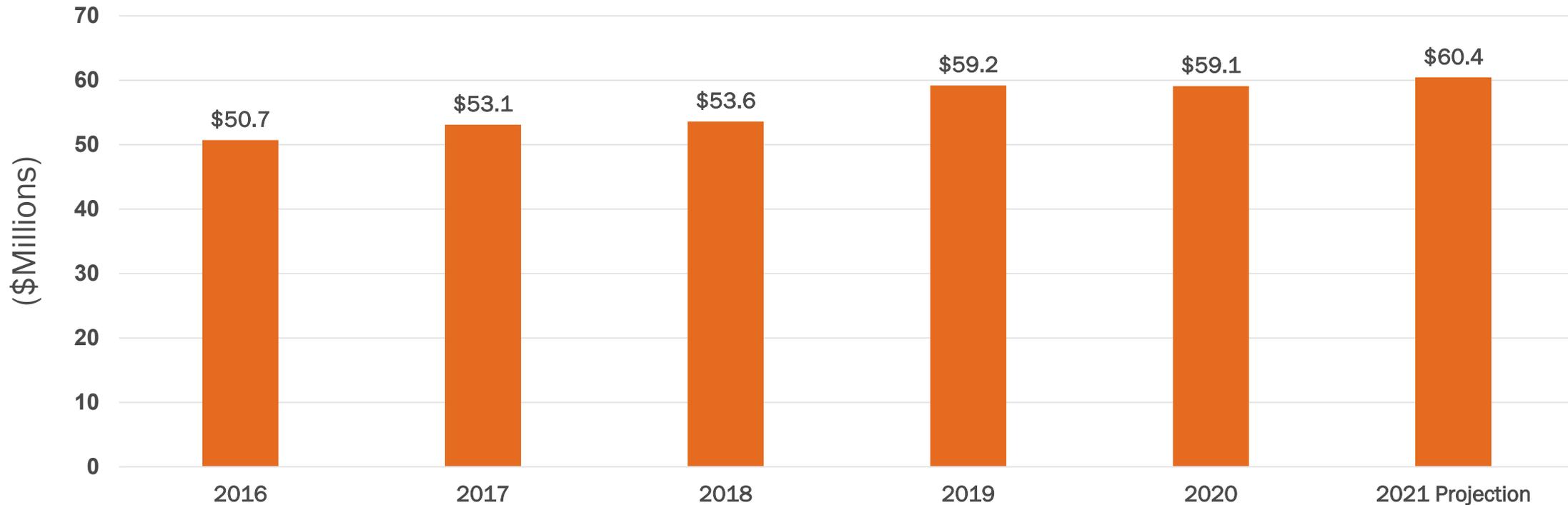
### Discount Rate\*



\* Discount rates are determined by the District's Investment Consultant, Segal Marco, based on the Retirement Plan's asset allocation and active/passive management. The District updated the Plan's discount rate in 2016 as part of an asset/liability study.

**OPPD intends to achieve long-term full funding of the cost of benefits provided by the Plan by funding the actuarially determined annual required contribution each year.**

## Annually Required Contributions (ARC)



Per policy, the District annually funds Aon's determined ARC each year.

# Retirement Plan Funded Ratio

| Year                                     | 2016  | 2017   | 2018  | 2019  | 2020   |
|--|---|--|---|---|--|
| Funded Ratio*                            | 69.2%   | 69.0%  | 70.0%   | 67.8%   | 68.9%  |
| Discount Rate                            | 7.00%   | 7.00%  | 7.00%   | 7.00%   | 7.00%  |
| Retirement Fund Return**                 | -1.0%   | 6.7%   | 16.5%   | -6.3%   | 19.0%  |
| Other Factors Affecting the Funded Ratio | Updated mortality table. The retirement rate, age and spouse age assumptions were changed based on experience. Number of plan participants changed to reflect the FCS shutdown. | Fort Calhoun Station employee retirement rates occurred at a slower rate than projected. | Updated the mortality table. The FCS assumptions were updated to reflect the current head count forecast. | Updated the mortality table. The FCS assumptions were updated to reflect the current decommissioning forecasts. | Updated the mortality tables. The FCS assumptions were updated to reflect the current decommissioning forecasts. |

\* Funded Ratio is determined as of January 1 of each year.

\*\* Retirement Fund return as of January 1 of each year.

The District's objective is to reach a fully funded Retirement Plan over the next 20 years

Source: Aon Annual Actuarial Report – Actuarial Accrued Liability to Actuarial Value of Assets

# Recommendation

- The Finance Committee has reviewed and accepted this Monitoring Report for SD-14 and recommends that the Board find OPPD to be sufficiently in compliance with Board Policy SD-14.