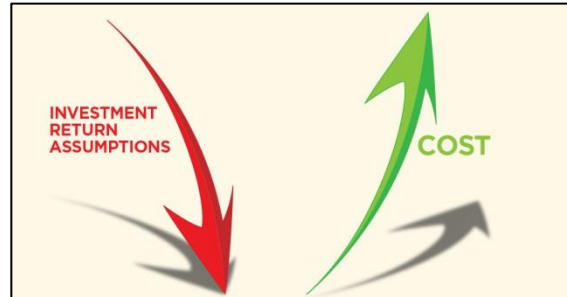


Proposal to increase new employee pension contribution from 3% to 5% to be heard on Nov. 12

Escalating annual pension costs have prompted a proposed retirement ordinance amendment to increase the employee contribution from 3% to 5% for new hires beginning January 1, 2020. An amendment to Chapter 83 of the Kent County Code was introduced on October 8 and is scheduled for public hearing on Tuesday, **November 12, 2019** before Levy Court at 7:15 p.m.



The proposal is the result of FY2020 budget discussions earlier this year and a recommendation from the Pension Review Committee to eliminate annual cost of living adjustments for retirees & pensioners along with the contribution increase for newly hired employees. The total budgeted pension contribution for FY2020 is \$3,408,084, with current employees picking up about \$232,486 of that amount. The total contribution is \$383,502 higher than FY2019 and \$664,924 higher than FY2018.

In addition, the pension fund actuary – The Nyhart Company has advised that the FY2021 contribution will increase at least \$600,000 to cover projected COLA expenses as recommended by the Governmental Accounting Standards Board (GASB). Levy Court had previously approved a pension plan assumption eliminating annual COLA, but has continued to grant it.

A modeling report prepared by Nyhart indicates that the proposed 5% pension contribution for new hires could reduce the County's share of the total contribution over the next 30 years by as much as \$10 million. The report also analyzed other scenarios to lower the contribution but the Pension Review Committee has not yet made a recommendation on those measures. The scenarios and cost savings estimates are shown in the table below.

While some of the increased contribution cost can be associated with higher wages and underperforming investments, much if it is attributed to changes to GASB rules (74&75) and a gradual reduction of the investment return rate assumption from 8% to 7.25% as well as mortality table adjustments approved in 2017

For more information about County Pension benefits contact the Personnel Office at 744-2310.

(Posted 10/24/19)

Nyhart Pension Plan Design Analysis – May 16, 2019

Synopsis of 30-year Kent County contribution cost projections (New Hires only)

Scenario #1 - Baseline – no plan design changes	Scenario #2 – Increase EE contributions from 3% to 5%	Scenario #3 – 2.4% Annual Early Retirement Reduction factor before age 62	Scenario #4 – 6% Annual Early Retirement Reduction factor before age 62	Scenario #5 – 6% Annual Early Retirement Reduction factor before age 65
Total Employer contribution from 2018-2049 = \$94,040,000	Total Employer contribution from 2018-2049 = \$85,960,000	Total Employer contribution from 2018-2049 = \$93,360,000	Total Employer contribution from 2018-2049 = \$92,290,000	Total Employer contribution from 2018-2049 = \$87,900,000
New entrants replace terminating/ retiring participants	New entrants contribute 5% of pay greater than \$6,000	New entrants who retire before Age 62 have 2.4% early retirement reduction per year	New entrants who retire before Age 62 have 6% early retirement reduction per year	New entrants who retire before Age 65 have 6% early retirement reduction per year
Employer contributions are expected to remain steady near \$4 million, then decrease substantially in 2039+ as amortization drops off	Employer contributions decrease substantially as new employees begin to contribute more annually	Minor decrease in employer contributions as new employees do not reach retirement age until later in projection. Savings continue to be realized after the end of the projection period	Employer contributions decrease as new hires reach retirement age. Contributions would be expected to continue to be lower after the end of the projection period	Employer contributions decrease as new hires reach retirement age. Contributions would be expected to continue to trend downward after the end of the projection period

Scenario #6 – Pro-Rata Benefit Multiplier	Scenario #7 – Combination of Scenarios #2, #5 & #6	Scenario #8 – New DC Plan @ 6% of Pay	Scenario #9 – New DC Plan @ 9% of Pay
Total Employer contribution from 2018-2049 = \$84,910,000	Total Employer contribution from 2018-2049 = \$72,930,000	Total Employer contribution from 2018-2049 = \$89,010,000	Total Employer contribution from 2018-2049 = \$101,910,000
New entrants have a prorated benefit multiplier for service less than 20 years	New entrants contribute 5% of pay greater than \$6,000, Normal Retirement age set at Age 65, 6% Annual Early Retirement Reduction factor before age 65 & Pro-Rata Benefit Multiplier	New entrants enter a new Defined Contribution (DC) Plan with Employer Contributions of 6%	New entrants enter a new Defined Contribution (DC) Plan with Employer Contributions of 9%
Employer contributions drop slightly as new employees who leave after 8 years and prior to 20 years earn a lower benefit	Contributions savings are modest initially, but increase to over \$1M per year at the end of the projection period. Cost savings are not additive due to interaction between particular scenarios	Total Employer contributions drop from the baselines run, but Defined Benefit (DB) Plan will continue to require contributions in future years	Employer contributions are increased from the baseline. Under this scenario, participants may earn a benefit more comparable to the DB Plan

INTRODUCED BY: Commissioner Allan F. Angel
DATE INTRODUCED: October 8, 2019
PUBLIC HEARING DATE: November 12, 2019
HEARING TIME: 7:15 P.M.
ADOPTION DATE: _____
EFFECTIVE DATE: January 1, 2020

PROPOSED ORDINANCE _____

**AN ORDINANCE TO AMEND CHAPTER 83 OF THE KENT COUNTY CODE
RELATING TO COUNTY EMPLOYEE RETIREMENT PROGRAM TO ESTABLISH
A FIVE PERCENT CONTRIBUTION FOR NEWLY HIRED EMPLOYEES.**

WHEREAS, the Kent County Levy Court deems it advisable to amend the Kent County Code relating to the Kent County Employee Retirement Program to require newly hired employees to contribute five percent toward their pension benefits;

NOW, THEREFORE, THE LEVY COURT OF KENT COUNTY, DELAWARE, HEREBY ORDAINS:

Section 1. CHAPTER 83 of the Kent County Code, § 83-17 **Funding** is hereby amended by revising Paragraph (H) and adding a new Paragraph (J) as follows:

H. All eligible covered employees in covered employment hired [~~after the adoption of this subsection~~] **between December 21, 2010 and December 31, 2019** shall contribute three (3%) percent of base salary on a pre-tax basis in excess of \$6,000 payable by payroll deduction over the normal pay periods in a fiscal year, or part thereof, toward their pension benefit.

J. All eligible covered employees in covered employment hired after January 1, 2020 shall contribute five (5%) percent of base salary on a pre-tax basis in excess of \$6,000 payable by payroll deduction over the normal pay periods in a fiscal year, or part thereof, toward their pension benefit.

Section 2. The provisions of this Ordinance are severable and if any of its provisions or any sentence, clause, or paragraph shall be held unconstitutional by any court of competent jurisdiction, the decision of such court shall not affect or impair any of the remaining provisions.

Section 3. This Ordinance shall become effective on January 1, 2020.

SYNOPSIS

This ordinance provides for a five (5%) percent employee contribution to the Kent County Employee Retirement Program for employees hired after January 1, 2020.