BURLINGTON EMPLOYEES' RETIREMENT SYSTEM (BERS)
2018 EXPERIENCE STUDY

CURRENT AND PROPOSED ACTUARIAL ASSUMPTIONS

The current actuarial assumptions used in the 2017 BERS actuarial valuation plus the proposed changes in actuarial assumptions are compared as follows:

	Current Assumption	Proposed Assumption	Comments
Mortality (Non-Disabled)			
Class A	105% of the RP-2000 Mortality Table, combined table for non-annuitants and annuitants.	RP-2014 Mortality Table, separate tables for non-annuitants and annuitants.	The proposed table is consistent with the latest study published by the Society of Actuaries (SOA) for non-disabled lives.
Class B	Same as Class A.	RP-2014 Mortality Table, set forward 2 years, separate tables for non-annuitants and annuitants.	An age set forward is proposed for Class B, since mortality was greater than expected.
Mortality (Disabled)	105% of the RP-2000 Mortality Table, combined table for non-annuitants.	RP-2014 Disabled Mortality Table.	The proposed table is consistent with the latest study published by the SOA for disabled lives.
Mortality Improvement	Generational projection per Scale BB.	Generational projection per Scale MP-2018.	The proposed improvement scale is consistent with the latest study published by the SOA.
Retirement			
Class A	Age-based rates from age 45 to age 60.	Service-based rates from 15 years of service to 35 years of service. In addition, compulsory retirement is assumed at age 60.	Class A retirement suggests a change to a table based on years of service, rather than age.
Class B	Age-based rates from age 55 to age 70.	Age-based rates from age 55 to age 75.	Class B experience indicates that members are retiring later than expected, on average.
Turnover			
Class A	Age-based rates to age 54. 0% assumed at age 55+.	Service-based rates to 9 years of service. 0% assumed at 10+ years of service.	Class A retirement suggests a change to a table based on years of service, rather than age.
Class B	Select and ultimate age-based rates to age 69.	Select and ultimate age-based rates to age 54. (100% of the Vaughn table prior to 2 years of service; 100% of the Vaughn Table for 3+ years of service).	A select-and-ultimate table remains appropriate for Class B; however, the current rates should be updated.

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		Current Assumption	Proposed Assumption	Comments
Disability				
	Class A	Age-based rates to age 54.	1985 Pension Disability Study (Class 2) Table.	Experience for both Class A and Class B indicates that there were fewer disabilities than expected, and the proposed tables contain lower assumed rates of disability.
	Class B	Age-based rates to age 64.	1985 Pension Disability Study (Class 1) Table.	See comment for Class A.
Inflation		3.00%.	2.60%.	The proposed assumption is consistent with Social Security's best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2018 OASDI Trustees Report.
Cost of Living Adjustment		3.00% for members retiring on or prior to July 1, 2017, and 2.75% for members retiring after July 1, 2017.	2.60% for all members.	The proposed assumption is consistent with the recommended inflation assumption.
Rate of Compensation Increase				
	Class A	Age-based rates, grading down from 8.8% at age 25 to 3.8% at age 69+.	Service-based rates, grading down from 10.0% for <1 year of service to 3.5% for 20+ years of service.	Plan experience for both Class A and Class B suggests a change to rates based on years of service, rather than age. The proposed tables also include an updated long-term inflation assumption of 2.60%.
	Class B	Same as Class A.	Service-based rates, grading down from 6.6% for <1 year of service to 3.5% for 20+ years of service.	See comment for Class A.

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	Current Assumption	Proposed Assumption	Comments
Payroll Growth	3.50%.	3.00%.	We recommend a reduction in this assumption, consistent with our recommendation to lower the inflation assumption.
COLA (Benefit Accrual Rate) Election			
Class A	85% of retiring members are assumed to elect the no COLA benefit accrual rate, and 15% of retiring members are assumed to elect the full COLA benefit accrual rate.	No change.	Applies to Police members hired prior to July 1, 2006, and Fire members hired prior to January 1, 2007.
Class B	Same as Class A.	75% of retiring members are assumed to elect the no COLA benefit accrual rate, and 25% of retiring members are assumed to elect the full COLA benefit accrual rate.	Applies to members hired prior to July 1, 2006 (for IBEW, hired prior to May 5, 2008).
Investment Return	8.00%, net of investment expenses.	7.10% or lower, net of investment expenses.	The proposed assumption is based on our updated capital market assumptions (H&H Investment Advisors, 2018). However, the final assumed long-term rate of return should be selected in consultation with the plan's investment advisor.

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