



SUBJECT

Actuarial Valuation of Retirement Plans for Contract and Salaried Employees as of July 1, 2017

RECOMMENDED ACTION – N/A

This is an Information Item.

BACKGROUND

The purpose of actuarial valuations are to determine the amount of actuarially determined contributions (i.e., an amount that, if contributed consistently and combined with investment earnings, would be sufficient to pay promised benefits in full over the long term) and to measure the plans funding progress.

Key items to consider in reviewing the valuation report include:

- **Actuarially Determined Contribution.** The actuarially determined contribution represents the amount needed to fund benefits over time. Long Beach Transit (LBT) has consistently funded the full amount of the actuarially determined contribution for the plans each year.
- **Actuarial Assumptions.** Since the future is unknown, actuarial valuations are based on assumptions.
- **Historical Information.** Certain historical information is especially useful for understanding funding:
 - multi-year information on the plans funding progress; and
 - multi-year information on both actuarially determined contributions and actual amounts contributed (by definition, if actuarially determined annual required contributions are paid faithfully each year to the plan, the plan should accumulate sufficient resources over time to pay benefits)
- **Actuarial Comments.** Actuarial Standards of Practice (ASOPs) require actuaries to make certain disclosures in their reports. These disclosures are presented as comments intended to help users understand the report and include:
 - the reports intended purpose;
 - cautions regarding risk and uncertainty; and
 - if a prescribed assumption or method is used that the actuary believes is unreasonable, the actuary has a duty to disclose that fact in the report

- **Information Needed to Prepare Financial Reports.** The actuarial report provides information used to prepare the pension plan financial statements.



Kenneth A. McDonald
President and Chief Executive Officer

Attachments