

## Divestment Actuarial Valuation Study Results

Based on information received from the investment managers, it is a reasonable assumption that the plan investment returns will be negatively impacted by approximately .25% if divestment occurred all at the same time and reinvested based on investment/asset allocation policy. Running the 2014 valuations using 8% rather than 8.25% for the return assumption, the changes are as follows:

- Present Value of Future Benefits: From \$411,012,149 to \$422,966,870, an increase of \$11,954,721, or 2.9%.
- Accrued Liability: From \$350,854,999 to \$359,009,362, an increase of \$8,154,363, or 2.3%.
- Employer Normal Cost: From \$2,365,753 to \$2,742,754, an increase of \$377,001, or 15.9%.
- Unfunded Accrued Liability: From \$137,727,780 to \$145,882,143, an increase of \$8,154,363, or 5.9%.
- Funded Ratio: From 60.7% to 57.7%, a decrease of 300 basis points.
- FYE16 Appropriation: From \$13,428,768 to \$14,465,619, an increase of \$1,036,851, or 7.7%.

Essentially, this will cost the City approximately \$1m a year until reaching 100% funding in 2034. Then it will cost approximately \$600,000 per year, plus inflation thereafter. On a long term basis, divesting of fossil fuels is expected to cost the City approximately 2.9% more than what is currently anticipated.

As an alternative, if the divestment takes 5 years to accomplish, then the initial costs are as follows:

- Present Value of Future Benefits: From \$411,012,149 to \$420,366,969, an increase of \$9,354,820, or 2.3%.
- Accrued Liability: From \$350,854,999 to \$357,687,638, an increase of \$6,832,639, or 1.9%.
- Employer Normal Cost: From \$2,365,753 to \$2,584,825, an increase of \$219,072, or 9.3%.
- Unfunded Accrued Liability: From \$137,727,780 to \$144,560,419, an increase of \$6,832,639, or 5.0%.
- Funded Ratio: From 60.7% to 59.6%, a decrease of 110 basis points.
- FYE16 Appropriation: From \$13,428,768 to \$14,192,477, an increase of \$763,709, or 5.7%.

Essentially, this will cost the City approximately \$765,000 a year until you reach 100% funding in 2034. Then it will cost about \$600,000 per year, plus inflation thereafter.

Although the total cost was reduced from 2.9% to 2.3% by divesting over 5 years, that is only on a temporary reduction because it is based on today's actives and retirees. In the future, the cost will creep back to 2.9% because all new hires are going to cost 2.9% more than without divesture. In other words, on a long term basis, the cost will still be about 3%.