

**SUMMARY ACTUARIAL REPORT  
ON  
METRO EMPLOYEE RETIREMENT SYSTEM,  
FORMER DAVIDSON COUNTY PENSION SYSTEM,  
AND  
FORMER CITY OF NASHVILLE PENSION SYSTEM**

**BASED ON ACTUARIAL VALUATIONS  
PERFORMED AS OF  
JUNE 30, 2008**

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## **INTRODUCTION**

This portion of the report summarizes and consolidates the results of the valuations pertaining to the three separate major pension systems under consideration --- the current Metro Pension Plan and the closed City and County Pension Systems.

Taken as a whole, the three systems now cover 12,987 active employees and 6,874 retired employees. Detailed tables concerning the composition of these groups are included in the sections devoted to each plan; Table 1 of this section summarizes that information.

The table shows the gradual decline in active lives among the closed systems. In 1978, the Metro plan covered 86.6% of the total Metro payroll; this year, it covers the entire active payroll since there are no remaining active employees in the closed City and County plans. Division B of the Metro Plan covers 98.7% of the total Metro payroll.

Among retired lives, the table shows that the closed plans have begun to decrease, while the number of retirees under the open plan is gradually increasing. In fact, the decrease in the number of retirees drawing benefits under the closed plans will accelerate, since there will be no new retirees in those plans to offset deaths among existing retirees.

The liability of Metro with respect to these systems is substantial: If the value of existing assets is deducted from the present value of all benefits expected to be paid by the systems in the future, the remainder is \$628,000,000. This is the amount which Metro would have to set aside as of the valuation date (in addition to existing assets) in order to fund in one lump sum all the benefits expected to be paid in the future. From another viewpoint, this figure is the discounted amount of all future contributions to the plans by Metro for the current group of employees (active and retired), no matter what the timing of those actual payments turns out to be.

Beginning on July 1, 2000, the closed County and City plans became a portion of the Guaranteed Payment Program, an umbrella plan created by the Metro Council to ensure actuarially sound funding for a group of five plans supervised by the Metro Benefit Board and the Board of Education. Under the GPP, unfunded liabilities of the aggregate plan are amortized over a period of no more than thirty years. Payments for the County and City plans move to a payment account from which distributions are paid to the constituent plans of the GPP as necessary to satisfy current benefit needs. Contributions for these plans not required to meet current benefit payments are allocated to reserve accounts for future benefit payments. Funding issues that are specific to the GPP are addressed in a separate report.

**TABLE 1**

COMBINED PLANS

SUMMARY OF PARTICIPANT DATA

**Active**

	Number													Current Payroll
	1986	1988	1990	1992	1994	1996	1998	2000	2002	2004	2006	2007	2008	
Metro	9,214	10,294	9,992	10,401	11,106	11,447	11,894	11,733	12,210	12,619	12,592	12,740	12,987	\$555,972,878
County	76	56	34	17	12	3	0	0	0	0	0	0	0	0
City	454	360	222	161	122	1	0	0	0	0	0	0	0	0
Total	9,744	10,710	10,248	10,579	11,240	11,451	11,894	11,733	12,210	12,619	12,592	12,740	12,987	\$555,972,878

**Retired Lives**

	Number													Current Annual Benefit
	1986	1988	1990	1992	1994	1996	1998	2000	2002	2004	2006	2007	2008	
Metro	1,462	1,722	2,107	2,550	2,818	3,265	3,783	4,276	4,809	5,186	6,044	6,172	6,111	\$86,451,708
County	386	376	372	356	336	314	288	247	216	176	168	149	135	1,929,180
City	1,305	1,293	1,344	1,286	1,247	1,168	1,068	988	861	780	715	681	628	9,254,820
Total	3,153	3,391	3,823	4,192	4,401	4,747	5,139	5,511	5,886	6,142	6,927	7,002	6,874	\$97,635,708

**TABLE 2**

COMBINED PLANS

PRESENT VALUE OF FUTURE METRO CONTRIBUTIONS

	<u>Metro</u>	<u>County</u>	<u>City</u>	<u>Total</u>
Present Value of Benefits	\$2,672,928,033	\$14,299,429	\$68,552,808	\$2,755,780,270
Existing Assets	2,119,228,659	1,455,077	6,816,106	2,127,499,842
Present Value of Future Member Contributions	---	---	---	---
Present Value of Future Metro Contributions	\$553,699,374	\$12,844,352	\$61,736,702	\$628,280,428

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**Metropolitan Government of Nashville and Davidson County Tennessee Pension Plan**

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Given that the closed plans now operate within the Guaranteed Payment Plan, the need for comparisons to overall funding commitments for the closed County and City plans in combination with the open plan are less meaningful than in prior valuations. In order to develop a theoretical contribution level for the combined group of three plans, the following table was developed showing the current cost to Metro if all of the plans were being funded on a fifteen-year amortization basis, starting with Fiscal Year 2008-2009. Costs are shown as a percentage of the payroll of all members covered by open plan.

	<b>Dollar Contribution (in thousands)</b>	<b>Percent of Payroll</b>
Metro	\$61,635	11.09%
County	1,445	0.26%
City	6,945	1.25%
Total	\$70,025	12.60%

While the closed plans are declining in importance, it is reasonable to consider some representation of their costs in the total cost to Metro of funding liabilities of pension obligations for past and current employees. Under the hypothetical calculation determined above, total system costs now amount to 12.60% of covered compensation. This contribution level represents a 10% decrease in total system costs (dollar basis) over the level of the 2007-2008 fiscal year.