

PensionBenefits, Inc.

**RTA Employees'
Defined Benefit Plan & Trust**

**Actuarial Valuation Report as of January 1, 2012 for
the Plan Year Ending December 31, 2012**

May 2012

Prepared by:

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May 22, 2012

Ms. Susan Vinson
Finance Director
Regional Transportation Authority
5658 Bear Lane
Corpus Christi, TX 78405

Re: Actuarial Valuation of the *RTA Employees' Defined Benefit Plan & Trust* as of January 1, 2012

Dear Susan:

We are pleased to present our Report of the actuarial valuation of the *RTA Employees' Defined Benefit Plan & Trust* as of January 1, 2012.

In addition to the actuarial valuation results, various accounting and employee listings are also included which should help you compare this plan year with prior years.

Based upon the actuarial valuation as of January 1, 2012, it is our opinion that the *RTA Employees' Defined Benefits Plan & Trust* is actuarially sound and that these results reasonably reflect the funding status and requirements of the plan.

We would like to thank you for your assistance in providing all necessary data to complete this valuation. Please do not hesitate to let us know if you have any questions or need additional information.

Sincerely,



Kien Liew, EA, FCA, MAAA
Consulting Actuary



Mark A. Cavazos, ASA
Manager, Pension Services

EXECUTIVE HIGHLIGHTS

1. The target long-term sustainability goal is 9.4% of compensation as discussed in Section 2.2 of the 2011 Report on Retirement Benefits.
2. 2012 Normal Cost remains stable at 9.2% of payroll (v. 9.1% for 2011). Normal cost represents the annual cost of providing an additional year of pension benefits (2% of average compensation) for the active participants. This is the only cost each year if the plan does not have any unfunded liability.
3. The 2012 annual contribution increased to 15.5% of payroll (v. 12.5% for 2011). The annual contribution is the sum of the Normal Cost plus the Amortization Payment of the unfunded liability. The increase in the amortization payment is mainly due to the investment losses during 2011.
4. The key to reduce contribution volatility is to identify the volatility risks and proactively manage these risks. These were discussed in the 2011 Report on Retirement Benefits. Long term sustainability of the pension plan relies on how the risks are managed.

RTA Employees' Defined Benefit Plan & Trust

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Section 1. EXECUTIVE SUMMARY

The key results from the actuarial valuation of the RTA Employees' Defined Benefit Plan as of January 1, 2012, may be summarized as follows:

	2012	2011
1. Participants		
a. Actives	195	188
b. Deferred Vested	151	142
c. Retirees & Beneficiaries	<u>80</u>	<u>75</u>
d. Total	426	405
2. Covered Payroll	\$7,221,526	\$7,073,120
3. Normal Cost (NC)	\$667,083	\$641,269
Percent of covered payroll	9.2%	9.1%
4. Present Value of Future Benefits	\$29,977,005	\$28,119,419
5. Actuarial Accrued Liability	\$25,576,425	\$23,682,639
6. Actuarial Asset Value	\$21,791,159	\$21,547,899
7. Unfunded Actuarial Accrued Liability (UAAL)	\$3,785,266	\$2,134,740
8. Actuarial Assets as percent of Accrued Liability	85.2%	91.0%
9. Actuarial Gains/(Losses)		
a. Due to experience	(\$1,905,255)	\$2,174,551
b. Due to assumption/method change	N/A	N/A
c. Due to plan amendment	N/A	N/A
d. Total	(\$1,905,255)	\$2,174,551
10. Annual Contribution Amount (assumed contribution on January 1):		
Percent of covered payroll	\$1,122,295 15.5%	\$885,650 12.5%
11. GASB NO. 25 Disclosure		
a. Actuarial Accrued Liability (AAL)	\$25,576,425	\$23,682,639
b. Unfunded Actuarial Accrued Liability (UAAL)	\$3,785,266	\$2,134,740
c. GASB funded ratio (assets as % of AAL)	85.2%	91.0%
d. UAAL as percent of payroll	52.4%	30.2%
12. Investment return assumption	7.5%	7.5%
13. Salary increase assumption	3.5%	3.5%

Section 2. INTRODUCTION

This January 1, 2012 actuarial valuation of the RTA Employees' Defined Benefit Plan has been prepared by PensionBenefits, Inc. The primary purpose of the valuation is to value the liabilities of the plan as of January 1, 2012, determine the RTA's contribution, and to provide certain disclosure information

Section 1 provides a summary of the valuation results. Section 3 shows the development of the annual contribution amount. Assets are discussed in Section 4. Section 5 contains an analysis of the actuarial gains and losses during the past year.

Government Accounting Standards Board Statement No. 25 (GASB No. 25) information in the report is discussed in Section 6. Section 7 summarizes our findings.

Section 8 summarizes the plan provisions and actuarial assumptions used in the valuation. Sections 9 and 10 list census data and benefits.

Section 3. ANNUAL CONTRIBUTION AMOUNT

The annual contribution amount is the normal cost plus the amortization of the unfunded actuarial liability as a level dollar amount over 15 years from January 1, 2009 (12 years remain). This is the same approach as used in the prior year.

The normal cost and actuarial accrued liability are developed based on the entry-age-normal (EAN) actuarial cost method.

Section 3.1 Development of Annual Contribution Amount

Section 3.1 DEVELOPMENT OF ANNUAL CONTRIBUTION AMOUNT

1.	Normal Cost (NC)	\$	667,083
2.	Amortization Amount		455,212
	a. Unfunded Accrued Liability (UAAL)	\$	3,785,266
	b. Number of years remaining on 15-year amortization starting 1/1/2009		12
	c. Amortization factor		8.3154
	d. Amortization amount (a / c)		455,212
3.	Annual Contribution Amount at 1/1/2012: (1 + 2)	\$	1,122,295*

* Contribution payable on January 1, 2012. All amounts outstanding shall accrue an interest at a rate of 7.5% per annum until paid.

Section 4. PLAN ASSETS

An analysis of the change in the Plan assets since the prior valuation and an estimate of the yield on assets for the Plan are included in section 4.1

Section 4.1 Change in Assets

Section 4.2 Description of Assets

Section 4.1: CHANGE IN ASSETS

	Market Value
1. Plan assets as of January 1, 2011	\$ 21,547,899
2. Employer contributions	1,064,288
3. Benefit payments made	591,274
4. Expenses paid from trust	63,773
5. Investment return	<u>(165,981)</u>
6. Plan assets as of December 31, 2011 (1+2-3-4+5)	\$ 21,791,159
7. Rate of return on average invested assets	
a. Average invested assets: $[1 + 0.5 \times (2-3)]$	\$ 21,784,406
b. Actual rate of return: $[(5-4) / 7a]$	(1.1%)
8. Actuarial asset gain (loss)	
a. Expected rate of return	7.5%
b. Actual rate of return over expected: $[7b - 8a]$	(8.6%)
c. Actuarial asset gain (loss): $[7a \times 8b]$	(\$ 1,873,459)

Section 4.2: DESCRIPTION OF ASSETS

	Market Value
1. Cash and Cash Equivalents	\$ 632,399
2. Equities	15,328,127
3. Fixed Income	
a. Corporate Obligations	5,830,424
b. Government Obligations	<u>0</u>
4. Trust Asset Balance at 12/31/2011	\$ 21,790,950
5. Accrued Income	209
6. Contribution Receivable	<u>0</u>
7. Total Assets at 12/31/2011	\$ 21,791,159

Section 5: ACTUARIAL GAINS AND LOSSES

An important part of the changes in unfunded actuarial accrued liability from year to year is due to the impact of actuarial gains and losses of the Plan.

Section 5.1: Unfunded Actuarial Accrued Liability

Section 5.2: Actuarial Gain or Loss as of December 31, 2011

Section 5.2: Projection of Estimated Benefit Payments

Section 5.1: Unfunded actuarial accrued liability

	January 1, 2012	January 1, 2011
Actuarial Accrued Liability		
1. Active participants	\$ 14,313,490	\$ 13,595,569
2. Deferred vested participants	4,653,467	4,361,392
3. Retirees & Beneficiaries	<u>6,609,468</u>	<u>5,725,678</u>
4. Total	\$ 25,576,425	\$ 23,682,639
Actuarial Asset Value		
5. AAV	\$ 21,791,159	\$ 21,547,899
Unfunded Actuarial Accrued Liability		
6. UAAL (4 – 5)	\$ 3,785,266	\$ 2,134,740

Section 5.2: ACTUARIAL GAIN / (LOSS) AS OF DECEMBER 31, 2011**Calculation of Total Actuarial Gain / (Loss)**

1.	Unfunded actuarial accrued liability (UAAL) as of 1/1/2011	\$	2,134,740
2.	Normal cost as of January 1, 2011		641,269
3.	Actual contributions for 2011		(1,064,288)
4.	Interest at rate of 7.5% for year ending 12/31/2011		
	a. On UAAL		160,106
	b. On normal cost		48,095
	c. On contributions		<u>(39,911)</u>
	d. Total		168,290
5.	Increase in UAAL due to actuarial assumption change		N/A
6.	Expected UAAL (1 + 2 + 3 + 4d + 5)		1,880,011
7.	Actual UAAL		3,785,266
8.	Actuarial gain/(loss) for the year (6 – 7)	(\$	1,905,255)

Source of Gains / (Losses)

9.	Due to experience during the year		
	a. Asset experience		(1,873,459)
	b. Liability experience		(31,796)
10.	Due to actuarial assumption change		N/A
11.	Due to plan amendment		N/A
12.	Adjustment due to overfunding		N/A
13.	Total gain/(loss) for the year (9a + 9b + 10 + 11 + 12)	(\$	1,905,255)

Section 5.3: PROJECTION OF ESTIMATED BENEFIT PAYMENTS

Year	Estimated Benefit Payments
2012	\$775,000
2013	849,000
2014	886,000
2015	1,080,000
2016	1,221,000
2017	1,497,000
2018	1,707,000
2019	1,904,000
2020	2,112,000
2021	2,363,000
2022	2,502,000
2023	2,711,000
2024	2,910,000
2025	2,986,000
2026	3,171,000
2027	3,297,000
2028	3,334,000
2029	3,395,000
2030	3,477,000
2031	3,533,000

Section 6: GASB NO. 25 DISCLOSURE

The Governmental Accounting Standards Board (GASB) has issued statement No. 25 which provides the manner in which the actuarial condition of a public sector retirement plan is to be disclosed. GASB Statement No. 27 governs retirement plan reporting for public sector employers. RTA maintains the information required for GASB No. 27.

Assets used for GASB No. 25 disclosure are based on the actuarial value which is also equal to market value for the RTA Employees' Defined Benefit Trust. Plan liabilities are based on the funding method used for determining plan liabilities for valuation purposes (EAN method), as required by GASB No. 25. The current level percent of pay funding cost method meets GASB 25 requirements for funding the plan.

Section 6.1 Schedule of funding progress

Section 6.2 Schedule of annual required contributions

Section 6.3 Required supplementary information

Section 6.1: SCHEDULE OF FUNDING PROGRESS
(as required by GASB No. 25)

Plan Year Beginning January 1	Net Assets Available for Benefits	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Percent Funded	Annual Covered Payroll	UAAL as a percentage of Covered Payroll
1999	\$8,909,522	\$10,368,700	\$1,459,178	85.9%	\$4,801,748	30.4%
2000	10,886,734	13,579,715	2,692,981	80.2%	5,042,726	53.4%
2001	10,665,029	12,095,483	1,430,454	88.2%	5,167,098	27.7%
2002	10,176,468	10,448,503	272,035	97.4%	5,702,517	4.7%
2003	9,495,065	11,978,973	2,483,908	79.3%	6,020,540	41.3%
2004	11,453,426	12,488,748	1,035,322	91.7%	6,223,960	16.4%
2005	12,996,121	14,027,843	1,031,722	92.6%	6,566,065	15.7%
2006	15,047,251	15,076,504	29,253	99.8%	6,758,209	0.4%
2007	17,064,846	16,686,030	0	102.3%	6,338,961	0.0%
2008	18,514,359	18,587,028	72,669	99.6%	6,394,664	1.1%
2009	13,297,998	20,416,886	7,118,888	65.1%	6,634,041	107.3%
2010	17,913,932	22,390,777	4,476,845	80.0%	7,246,596	61.8%
2011	21,547,889	23,682,639	2,134,740	91.0%	7,073,120	30.2%
2012	21,791,159	25,576,425	3,785,266	85.2%	7,221,526	52.4%

**Section 6.2 SCHEDULE OF ANNUAL REQUIRED CONTRIBUTIONS
(as required by GASB No. 25)**

Plan Year Beginning January 1	Annual Required Contribution Amount	Annual Required Contribution Percent*	Percentage Contributed
1999	\$302,977	6.0%	100.0%
2000	273,023	5.2%	44.0%
2001	424,802	7.9%	0.0%
2002	619,393	10.4%	36.3%
2003	854,944	13.6%	58.5%
2004	677,500	10.8%	100.0%
2005	692,096	10.5%	214.9%
2006	553,797	8.2%	100.0%
2007	529,681	8.2%	100.0%
2008	576,140	9.0%	100.0%
2009	1,335,977	21.8%	100.0%
2010	1,150,032	15.9%	100.0%
2011	885,650	12.3%	120.2%
2012	1,122,295†	TBD	TBD

*As a percent of covered payroll.

†Contribution payable on January 1, 2012. All amounts outstanding shall accrue an interest at a rate of 7.5% per annum until paid.

Section 6.3: NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	January 1, 2012
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar amount over 15 years from January 1, 2009 (12 years remaining)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.5%

Section 7. SUMMARY AND CLOSING COMMENTS

It is our opinion that the results of this valuation provide a reasonable reflection of the funding status of the Plan and that the RTA Employees' Defined Benefit Plan & Trust is actuarially sound provided RTA contribute the annual contribution amount to the trust.

A contribution of this amount will meet the GASB 25 funding requirements.

Section 8. PLAN SPECIFICATIONS

Type of Entity: Local Government

Plan Provisions

Effective Date: July 21, 1986

Employee: Any person, excluding independent contractors, receiving remuneration for personal services rendered to the Employer.

Employer: Corpus Christi Regional Transportation Authority

Plan Year: January 1 to December 31.

Participation: Commencement of full-time employment or reemployment.

Employee Contributions: None required or permitted.

Compensation: W-2 wages paid during a calendar year and any employee salary reduction under Code §125, §457 or §414(h).

Average Compensation: Three year average of Compensation.

Accrued Benefit: 2% of average monthly compensation multiplied by total years of service. Service prior to 7/21/1986 is excluded.

Normal Form: Joint and 50% survivor annuity for married participants.
Single life annuity for single participants.

Actuarial Equivalence:

Interest: 7.0%

Mortality: 1984 Unisex Mortality Table

Lump Sum Payments:

Interest: 7.0%

Mortality: 1984 Unisex Mortality Table

Normal Retirement:

Eligibility: First of month after attaining age 62.

Benefit: Accrued Benefit.

Early Retirement:

Eligibility: First of the month after attaining age 55 and completion of 10 years of service.

Benefit: Accrued Benefit reduced 5% per each year commencement precedes Normal Retirement Date.

Death Benefits:

Eligibility: Death after completion of three years of service.

Benefit: Qualified Pre-retirement Survivors Annuity.

Termination benefit:

Vesting percent: According to the following schedule:

Years of service	Vested percent
Under 3	0%
3	20%
4	40%
5	60%
6	80%
7+	100%

Benefit: Accrued benefit multiplied by the Vested Percent.

Actuarial Funding Method

Valuation Date: First day of the Plan Year.

Actuarial Cost Method: The Individual Entry Age Normal Method based on a level percent of compensation.

Actuarial Value of Assets: Market value.

Actuarial Assumptions

Mortality: RP 2000 Mortality Table

Expected Retirement Age: All participants were assumed to retire at age 62.

Withdrawal Rate: Turnover Table 5.

Disability Rate: None assumed.

Investment Rate of Return: 7.5% annually.

Salary Increase Rate: 3.5% per year.

Section 9. DEMOGRAPHIC DATA

Section 9.1 provides a demographic summary of the census data. Section 9.2 provides a reconciliation of the demographic information from the prior year to the current year. Section 9.3 provides the detailed census data used in the valuation.

Section 9.1 Summary of Census data

Section 9.2 Data reconciliation

Section 9.3 Census data

Section 9.1: SUMMARY OF CENSUS DATA

1. Summary of Inactive Participants

January 1, 2012

	<u>Number</u>	<u>Average</u>	
		<u>Age</u>	<u>Annual Benefit</u>
Receiving Benefits	80	67.3	\$8,087
Deferred Benefits	<u>151</u>	50.3	\$5,848
Total	<u>231</u>	56.2	\$6,624

2. Summary of Active Participants

January 1, 2012

	<u>Number</u>	<u>Average</u>		
		<u>Age</u>	<u>Service</u>	<u>Salary</u>
Continuing	159	49.4	11.8	\$41,560
New	<u>36</u>	42.0	1.5	\$17,041
Total	<u>195</u>	48.1	9.9	\$37,033

Section 9.2: DATA RECONCILIATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Active Participants</u>	<u>Inactive Participants</u>		<u>Total</u>
		<u>Deferred Benefits</u>	<u>Receiving Benefits</u>	
Count as of 1/1/2011	188	142	75	405
Retirements	(3)	(2)	5	0
Disability Retirements	0	0	0	0
Deaths	0	0	(1)	(1)
Nonvested Terminations	(10)	0	0	(10)
Vested Terminations	(15)	15	0	0
Rehires	4	(4)	0	0
Cashouts	0	0	0	0
Survivors	0	0	1	1
Expiration of Benefits	0	0	0	0
Data Adjustments	(1)	0	0	(1)
New Entrants	<u>32</u>	<u>0</u>	<u>0</u>	<u>32</u>
Count as of 1/1/2012	195	151	80	426