

PensionBenefits, Inc.

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

**Actuarial Valuation Report as of January 1, 2015 for  
the Plan Year Ending December 31, 2015**

April 2015

*Prepared by:*

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April 17, 2015

Ms. Cindy O'Brien  
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, 2015**

Dear Cindy:

We are pleased to present our Report of the actuarial valuation of the *RTA Employees' Defined Benefit Plan & Trust* as of January 1, 2015.

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, 2015, 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. The assumptions and methods used in the actuarial valuation are reasonable and appropriate.

GASB Statement Nos. 25 and 27 are being replaced by Statement Nos. 67 and 68, respectively. GASB Statement No. 67 will become effective for the Plan at the current valuation. The new reporting format is under development and will be sent when completed. GASB Statement No. 68 will become effective for RTA's financial statements for the fiscal year ending in 2015.

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  
Senior 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. 2015 Normal Cost increased to 9.9% of payroll (v. 9.6% for 2014). 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 2015 annual contribution increased to 11.2% of payroll (v. 9.6% for 2014). The annual contribution is the sum of the Normal Cost plus the Amortization Payment of the unfunded liability. The increase in the contribution is mainly due to the investment losses and higher than expected pay increases during 2014.
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.

While short-term volatility of investment return and other actuarial gains or losses is expected, we will continue to monitor the actuarial assumptions used and recommend appropriate adjustment when necessary.

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, 2015, may be summarized as follows:

	<b>2015</b>	<b>2014</b>
1. Participants		
a. Actives	232	207
b. Deferred Vested	164	160
c. Retirees & Beneficiaries	<u>129</u>	<u>113</u>
d. Total	525	480
2. Covered Payroll	\$8,818,232	\$7,274,172
3. Normal Cost (NC)	\$876,806	\$695,517
Percent of covered payroll	9.9%	9.6%
4. Present Value of Future Benefits	\$37,913,504	\$33,755,395
5. Actuarial Accrued Liability	\$31,895,409	\$29,016,953
6. Actuarial Asset Value	\$31,162,434	\$29,617,120
7. Unfunded Actuarial Accrued Liability (UAAL)	\$732,975	\$0
8. Actuarial Assets as percent of Accrued Liability	97.7%	102.1%
9. Actuarial Gains/(Losses)		
a. Due to actual experience	(\$1,502,296)	\$2,689,047
b. Due to assumption/method change	N/A	N/A
c. Due to plan amendment	(\$391,915)	N/A
d. Total	(\$1,894,211)	\$2,689,047
10. Annual Contribution Amount (assumed contribution on January 1):		
Percent of covered payroll	\$983,696 11.2%	\$695,517 9.6%
11. GASB NO. 25 Disclosure		
a. Actuarial Accrued Liability (AAL)	\$31,895,409	\$29,016,953
b. Unfunded Actuarial Accrued Liability (UAAL)	\$732,975	\$0
c. GASB funded ratio (assets as % of AAL)	97.7%	102.1%
d. UAAL as percent of payroll	8.3%	0.0%
12. Investment return assumption	7.5%	7.5%
13. Salary increase assumption	3.5%	3.5%

**Section 2. INTRODUCTION**

This January 1, 2015 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, 2015, determine the RTA's contribution, and to provide certain disclosure information.

Section 1 provides a summary of the valuation results. Section 3 shows the effect of the early retirement window. Section 4 shows the development of the annual contribution amount. Assets are discussed in Section 5. Section 6 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 7. Section 8 summarizes our findings.

Section 9 summarizes the plan provisions and actuarial assumptions used in the valuation. Sections 10 and 11 list census data and benefits.

### Section 3. EFFECT OF PLAN AMENDMENT

This year's valuation reflects the early retirement window program which has the following provisions:

- Employees must be between the ages of 55 and 62 with 10 years of service on December 31, 2014.
- Eligible employees must elect the early retirement window program prior to January 31, 2015.
- The benefit is the accrued benefit (i.e., unreduced for early retirement) beginning February 1, 2015.

The effect of these changes on key results is summarized below:

	After Plan Amendment	Prior to Plan Amendment	Increase / (Decrease)
Covered Payroll	\$8,818,232	\$8,818,232	\$0
Normal Cost	876,806	876,806	0
Actuarial Accrued Liability	31,895,409	31,503,494	391,915
Actuarial Asset Value	31,162,434	31,162,434	0
Unfunded Actuarial Accrued Liability	732,975	341,060	391,915
Annual Contribution Amount (assumed contribution at January 1)	983,696	926,543	57,153
Percent of Covered Payroll	11.2%	10.5%	0.7%

Valuation procedure:

Since the five affected employees are active as of the valuation date of January 1, 2015, they are valued as active in the valuation. The effect of the Plan Amendment is the value of the enhancement to the benefit that they would otherwise receive.

**Section 4. 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 (9 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 4.1** Development of Annual Contribution Amount



**Section 4.1 DEVELOPMENT OF ANNUAL CONTRIBUTION AMOUNT**

1.	Normal Cost (NC)		\$	876,806
2.	Amortization Amount			106,890
	a. Unfunded Accrued Liability (UAAL)	\$	732,975	
	b. Number of years remaining on 15-year amortization starting 1/1/2009			9
	c. Amortization factor			6.8573
	d. Amortization amount (a / c)			106,890
3.	Annual Contribution Amount at 1/1/2015: (1 + 2)		\$	983,696*

\* Contribution payable on January 1, 2015. All amounts outstanding shall accrue interest at a rate of 7.5% per annum until paid.

**Section 5. 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 5.1.

**Section 5.1** Change in Assets

**Section 5.2** Description of Assets

**Section 5.1: CHANGE IN ASSETS**

	<b>Market Value</b>
1. Plan assets as of January 1, 2014	\$ 29,626,567
2. Employer contributions	1,178,498
3. Benefit payments made	1,248,266
4. Expenses paid from trust	91,465
5. Investment return	<u>1,697,100</u>
6. Plan assets as of December 31, 2014 (1+2-3-4+5)	\$ 31,162,434
7. Dollar-weighted rate of return <sup>1</sup>	
a. Average invested assets:	\$ 29,547,352
b. Actual rate of return: $[(5 - 4) / 7a]$	5.07%
8. Actuarial asset gain (loss)	
a. Expected rate of return	7.50%
b. Actual rate of return over expected: $[7b - 8a]$	(2.43%)
c. Actuarial asset gain (loss): $[7a \times 8b]$	(\$ 718,001)

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<sup>1</sup> This may differ from the time-weighted rate of return. Development of investment return follows Pension Review Board procedure.

**Section 5.2: DESCRIPTION OF ASSETS**

	<b>Market Value</b>
1. Cash and Cash Equivalents	\$ 627,043
2. Equities	19,425,055
3. Fixed Income	
a. Corporate Obligations	11,110,251
b. Government Obligations	<u>0</u>
4. Trust Asset Balance at 12/31/2014	\$ 31,162,349
5. Accrued Income	85
6. Contribution Receivable	<u>0</u>
7. Total Assets at 12/31/2014	\$ 31,162,434

**Section 6: 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 6.1:** Unfunded Actuarial Accrued Liability

**Section 6.2:** Actuarial Gain or Loss as of December 31, 2014

**Section 6.2:** Projection of Estimated Benefit Payments

**Section 6.1: UNFUNDED ACTUARIAL ACCRUED LIABILITY**

	January 1, 2015	January 1, 2014
<b>Actuarial Accrued Liability</b>		
1. Active participants	\$ 13,530,275	\$ 12,300,341
2. Deferred vested participants	4,834,996	4,571,657
3. Retirees & Beneficiaries	<u>13,530,138</u>	<u>12,144,955</u>
4. Total	\$ 31,895,409	\$ 29,016,953
<b>Actuarial Asset Value</b>		
5. AAV	\$ 31,162,434	\$ 29,617,120
<b>Unfunded Actuarial Accrued Liability</b>		
6. UAAL (4 – 5)	\$ 732,975	\$ 0

**Section 6.2: ACTUARIAL GAIN / (LOSS) AS OF DECEMBER 31, 2014****Calculation of Total Actuarial Gain / (Loss)**

1.	Unfunded actuarial accrued liability (UAAL) as of 1/1/2014	\$	0
2.	Normal cost as of January 1, 2014		695,517
3.	Actual contributions for 2014		(1,178,498)
4.	Interest at rate of 7.5% for year ending 12/31/2014		
	a. On UAAL		0
	b. On normal cost		52,164
	c. On contributions		(85,239)
	d. Total		<u>(33,075)</u>
5.	Increase due to plan amendment		391,915
5.	Expected UAAL (1 + 2 + 3 + 4d + 5)		(124,141)
6.	Actual UAAL		732,975
7.	Actuarial gain/(loss) for the year (5 – 6)	(\$	857,116)

**Source of Gains / (Losses)**

8.	Due to experience during the year		
	a. Asset experience		(718,001)
	b. Liability experience		(784,295)
9.	Due to actuarial assumption change		N/A
10.	Due to plan amendment		(391,915)
11.	Adjustment due to overfunding		1,037,095
12.	Total gain/(loss) for the year (8a + 8b + 9 + 10 + 11)	(\$	857,116)

**Section 6.3: PROJECTION OF ESTIMATED BENEFIT PAYMENTS**

Year	Estimated Benefit Payments
2015	\$1,607,000
2016	1,652,000
2017	1,810,000
2018	1,889,000
2019	2,012,000
2020	2,096,000
2021	2,295,000
2022	2,394,000
2023	2,589,000
2024	2,785,000
2025	2,932,000
2026	3,173,000
2027	3,286,000
2028	3,366,000
2029	3,490,000
2030	3,631,000
2031	3,667,000
2032	3,736,000
2033	3,786,000
2034	3,909,000
2035	3,894,000
2036	4,169,000
2037	4,187,000
2038	4,123,000
2039	4,107,000
2040	4,138,000
2041	4,217,000
2042	4,240,000
2043	4,139,000
2044	4,056,000



**Section 7: GASB Nos. 25 AND 27 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.

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 7.1** Schedule of funding progress

**Section 7.2** Schedule of annual required contributions

**Section 7.3** Required supplementary information

**Section 7.4** Reconciliation of net pension obligation ("NPO")

**Section 7.1: 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%
2013	25,566,845	27,944,142	2,377,297	91.5%	7,474,445	31.8%
2014	29,617,120	29,016,953	0	102.1%	7,274,172	0.0%
2015	31,162,434	31,895,409	732,975	97.7%	8,818,232	8.3%

**Section 7.2 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	15.5%	100.3%
2013	988,534	13.2%	129.5%
2014	695,517	9.6%	169.44%
2015	983,696	11.2%	TBD

\*As a percent of covered payroll.

**Section 7.3: 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, 2015
Actuarial cost method	Entry Age Normal
Amortization method	Level dollar amount over 15 years from January 1, 2009 (9 years remaining)
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	3.5%

**Section 7.4: RECONCILIATION OF NET PENSION OBLIGATION (“NPO”)  
(as required by GASB No. 27)**

	1/1/2014 – 12/31/2014	1/1/2013 – 12/31/2013	1/1/2012 – 12/31/2012
1. Annual Required Contribution (“ARC”)	\$ 695,517	\$ 988,534	\$1,125,651
2. Interest on NPO	(33,935)	(12,713)	(13,316)
3. Adjustment to ARC	<u>(61,319)</u>	<u>(21,555)</u>	<u>(21,351)</u>
4. Annual Pension Cost (1 + 2 – 3)	\$ 772,901	\$ 997,376	\$1,133,686
5. Actual Contribution Paid	\$1,178,498	\$1,280,330	\$1,125,651
6. Increase in NPO (4 – 5)	(455,597)	(282,954)	8,035
7. NPO at beginning of year	\$ (452,465)	\$ (169,511)	\$ (177,546)
8. NPO at end of year (7 + 6)	\$ (908,062)	\$ (452,465)	\$ (169,511)

**Section 8. 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 9. 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.

**Special Early Retirement:**

**Eligibility:** As of December 31, 2014, between ages 55 and 62, and completion of 10 years of service. Employee must elect Special Early Retirement by January 31, 2015.

**Benefit:** Accrued Benefit payable beginning February 1, 2015.

**Special Early Retirement:**

**Eligibility:** As of December 31, 2012, between ages 55 and 62, and completion of 10 years of service. Employee must elect Special Early Retirement by February 28, 2013.

**Benefit:** Accrued Benefit payable beginning March 1, 2013.

**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 10. DEMOGRAPHIC DATA**

Section 10.1 provides a demographic summary of the census data. Section 10.2 provides a reconciliation of the demographic information from the prior year to the current year. Section 10.3 provides the detailed census data used in the valuation.

**Section 10.1** Summary of Census data

**Section 10.2** Data reconciliation

**Section 10.3** Census data

**Section 10.1: SUMMARY OF CENSUS DATA**

## 1. Summary of Inactive Participants

January 1, 2015

	<u>Number</u>	<u>Average</u>	
		<u>Age</u>	<u>Annual Benefit</u>
Receiving Benefits	129	67.3	\$9,878
Deferred Benefits	<u>164</u>	50.3	\$5,040
Total	293	57.8	\$7,170

January 1, 2014

	<u>Number</u>	<u>Average</u>	
		<u>Age</u>	<u>Annual Benefit</u>
Receiving Benefits	113	65.9	\$10,264
Deferred Benefits	<u>160</u>	49.3	\$5,577
Total	273	56.2	\$7,517

## 2. Summary of Active Participants

January 1, 2015

	<u>Number</u>	<u>Age</u>	<u>Average</u>	
			<u>Service</u>	<u>Salary</u>
Continuing	168	49.0	9.7	\$46,355
New	<u>64</u>	43.3	0.7	\$16,103
Total	232	47.5	7.2	\$38,010

January 1, 2014

	<u>Number</u>	<u>Age</u>	<u>Average</u>	
			<u>Service</u>	<u>Salary</u>
Continuing	155	48.7	10.0	\$41,916
New	<u>52</u>	43.7	0.5	\$14,946
Total	207	47.4	7.6	\$35,141

**Section 10.2: 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 1/1/2014	207	160	113	480
Retirements	(6)	(10)	16	0
Disability Retirements	0	0	0	0
Deaths	0	0	(1)	(1)
Nonvested Terminations	(19)	0	0	(19)
Vested Terminations	(14)	14	0	0
Rehires	2	0	0	2
Cashouts	0	0	0	0
Survivors	0	0	1	1
Expiration of Benefits	0	0	0	0
Data Adjustments	0	0	0	0
New Entrants	<u>62</u>	<u>0</u>	<u>0</u>	<u>62</u>
Count as of 1/1/2015	232	164	129	525