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## PRESS RELEASE

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# City Council adopts changes to pension plan

The City of Shreveport is increasing the contributions made toward its retirement system in order to ensure there will be sufficient funds to pay benefits far into the future.

The City Council this week adopted changes to the system following several months of strategic discussions by the Board of Directors of the Employee Retirement System. During those months, the Board presented several proposals at employee meetings and received valuable feedback on ways to revamp the system.

Starting January 1, 2015, the multiplier for all employees will be reduced from 3.33% to 2.75% for all service earned after that date. The employee contributions will increase from 9% to 10% next year and then 1% each year for the next two years.

The contribution to the plan made by the City for all employees will be 16.5% in 2015; 20% in 2016; 25% in 2017; and 29% in 2018.

“This is the culmination of a lot of hard work by the retirement board and this is not something that is fun or something that we wanted to do, but we all know that something had to be done,” said Tom Dark, former Chief Administrative Officer for the City and current ERS board member. “In effect, what we have done is made the system a little less generous but considerably more solvent.”

In addition to the reduced multiplier and increased contribution, employees hired after January 1, 2015, will become vested after 15 years, or five years longer than it currently takes.

The Government Accounting Standards Board, which sets standards of accounting for state and local governments, has stated that all government entities providing pension must list their unfunded liabilities on their balance sheet, thereby affecting the fiscal credibility of the City. Unfunded liability is the amount of money that would be required to cover every public employee's pension if everyone was to retire immediately and receive their entire pension over their lifetime.

The City of Shreveport's retirement system is 54% funded. With the adopted change, the plan is now on track to reach 90% funded over the next 30 years.



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It's important for the City to act now to improve its pension fund because it's one of several factors that bond-rating companies evaluate during the rating process. The grade a municipality receives dictates how cheap it is to borrow money.

Shreveport is preparing to issue approximately \$75 million in water and sewer revenue bonds as well as some \$90 million in general obligation bonds, so a strong rating will enable the City to spend less and receive more.

“This is an issue that is challenging local and state governments all across the country, so I have to applaud our ERS Board and this Council for stepping up to the plate to make these tough decisions now, rather than simply kicking this can on down the road,” Mayor Cedric Glover said.

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