City of Winston-Salem City Council
Council Agenda Item Summary

Title	Update on the Funding Status of the City's Defined Benefit Pension Plans: Winston-Salem Police Officers' Retirement System (WSPORS) and the Winston-Salem Police Officers' Separation Allowance.
City Council Committee	Finance Committee
Staff Lead (Presenter)	Kelly Latham, CFO
Department Head	Kelly Latham, CFO
City Manager/ACM	Ben Rowe, ACM

Agenda Item Summary

Recommended Council Action	No Action Needed
Suggested Motion Options	NA
Strategic Focus Area	Good Government
Strategic Plan Objective	GG2: Strengthening the Organization's Financial Practices and Position
Anticipated Fiscal Impact	Fiscal Impact Anticipated: See Analysis in Summary

Summary of Information

The City's January 2025 actuarial reports were presented to the WSPORS Commission at the August 2025 meeting, and a summary is being provided to City Council for information and awareness.

WSPORS is the City's defined benefit pension plan for sworn officers hired on or before December 31, 2013. The plan was created in 1977, and the City elected with the IRS to exempt sworn officers from FICA, with a commitment to fund a pension plan to take the place of Social Security (note that officers are still eligible for Medicare). The plan functions in the same way as the Local Government Employees Retirement Plan administered by the State of NC (sworn officers are also part of this plan). The WSPORS plan was closed to new hires effective January 1, 2014, and the City created a defined contribution plan (401a plan, which is similar to a 401k) to replace WSPORS for these officers (both the City and the employee contributes 4% to the plan).

The Special Separation Allowance is statutorily required (GS 143-166.42) pension plan. The City is required to make payments to sworn officers who meet certain service requirements upon retirement. The benefit is .85% of base salary and the benefit time limited based upon a statutory formula.

Funding these plans with the yearly actuarial calculated contribution strengthens the City’s overall financial position and ensures that the long-term outlook for both plans is favorable. The City is responsible to provide adequate funding for the plans to ensure we have sufficient funds to pay for future benefits.

Analysis of Fiscal Impact

The actuarial reports illustrate the City’s strong funding position in these retirement plans. The WSPORS plan is 84% funded and the national average for state and local pension plans was 77.7%, according to the Center for Retirement Research. The actuary estimates that the plan will be 100% funded by 2037; however, this is subject to change based upon several factors such as investment returns, salary increases, and early retirements.

The Separation Allowance Plan is 45% funded. It is important to note that most governments handle the separation allowance payments yearly (pay as they go) and do not set aside funds. Although 45% may seem low, this is actually a much higher number than average as the City of Winston-Salem has proactively taken steps to fund the plan.
The actuary estimates that the plan will be 100% funded by 2038; however, this is subject to change based upon several factors such as investment returns, salary increases, early retirements, and state law changes.

Exhibit A is an excerpt from the actuarial reports that illustrates the above information. The Exhibit displays the projected funding ratio and the projected unfunded actuarial liability. The funding ratio is the amount of assets we have set aside to cover our future payments (liabilities) as a percentage of the total required (100%). The unfunded actuarial liability is the amount of funds we still need to set aside to fully fund the future expected payments (liability). Each year, the City funds each plan with the actuarially recommended contribution. This is a sound financial practice that ensures we will be able to meet our future financial commitments. The actuarial reports for both plans are available upon request.

Attachments

- Exhibit A