

## Consideration of COLA for Pension Retirees-Update as of September 7, 2022

- **As requested, we surveyed area towns. Results below.**
  - Other than Westport police and fire, Wilton has been more generous than the other three communities that responded. Weston is on the State Pension Plan.
- **CPI for July for the Northeast was 7.3% YTD, versus 7.6% as of June. Year end forecasts are also lower than previous month's forecast.**

	2022 Award	Basis of Award	Date of Last Award	Notes
New Canaan	No		More than 10 years	
Ridgefield	No		None	No COLA language in contracts
Darien	No		20 years ago	Police only contract requires annual review
Westport Police and Fire	No, for employees hired after July 2017. Yes, for employees before.	Required by contract	annual	Police or Fire retiree with 20 years of service or more prior to or on July 1, 2017 or had 20 or more years of service have varied rates. Those with less than 20 years of service, at CPI capped at 2.75%
Westport Other	No		None	not eligible

## Consideration of COLA for Pension Retirees

- The increase in the Consumer Price Index (CPI) for the Northeast for calendar year 2022 is expected to be in the range of 7 to 8%.
- The increase CPI for the Northeast for calendar year 2021 was 3.9%.
- The last increase in retiree pensions was 1% in FY2020 as of 1/1/2020.
- The following language applies to fire, ASFCME, BOE non-certified, Library and non-union retirees:
  - It shall be the policy of the Board of Selectmen *to review, at least once every four years, the effect of any increases in the Consumer Price Index, or similar indices of inflation, on the adequacy of a retiree's allowances*. Such review shall consist of, at the minimum, obtaining data on the magnitude of inflation since the most recent adjustment and cost estimates from the Plan actuary on appropriate and reasonable adjustments.
- The following additional language applies to police retirees:
  - The Board of Selectmen shall have the authority after considering the above factors, to adopt an adjustment and set the duration and extent of such adjustment, if any. No adjustment shall be adopted if the direct or indirect result of such adjustment would impair the actuarial soundness of the Plan.

# Slides from Prior Discussion

July 2022

## Consideration of COLA for Pension Retirees

### Increases in the Consumer Price Index for all Consumers (CPI-U) for the Northeast for the last 25 years versus retiree pension increases

#### Previous 10 years

Fiscal year	Northeast CPI*	Benefit Increase**
2023	7% to 8%E	
2022	3.90%	-
2021	1.30%	-
2020	1.60%	1.00%
2019	2.20%	-
2018	1.80%	-
2017	1.10%	-
2016	-0.01%	0.50%
2015	1.40%	1.50%
2014	1.40%	1.25%
2013	2.00%	2.50%
	16.69%	6.75%

#### 11 to 25 years

Fiscal year	Northeast CPI*	Benefit Increase**
2012	3.00%	-
2011	2.00%	-
2010	0%	-
2009	4.00%	2.50%
2008	2.60%	1.98%
2007	3.60%	-
2006	3.60%	3.00%
2005	3.50%	-
2004	2.80%	2.30%
2003	2.10%	1.30%
2002	2.80%	2.86%
2001	3.40%	3.19%
2000	2.10%	1.45%
1999	1.40%	4.22%
1998	2.40%	4.00%
	39.30%	26.80%

\*calendar year ended 12/31 of the fiscal year

\*\* July 1, except for 1/2020 in FY2020

## Consideration of COLA for Pension Retirees

- The July 1, 2021 Pension Valuation assumes a 2.5% increase in benefits.
- The purpose of the July 1, 2021 valuation was to develop the FY2023 budgeted Actuarially Determined Employer Contribution (ADEC). Meaning the budgeted ADEC assumes a 2.5% increase in benefits.
- Current monthly benefits are \$465, 961 or \$5,591,532 for 12 months.
- Impact of a September 1, 2022 COLA increase for retirees as of July 1, 2021:

Possible FY23 COLA Rate	July-Aug	Sept-June	12 months benefits	FY23 Effective Rate	Additional Benefits
0.00%	\$ 931,922	\$ 4,659,610	\$ 5,591,532		
0.50%	\$ 931,922	\$ 4,682,908	\$ 5,614,830	0.42%	\$ 23,298
1.00%	\$ 931,922	\$ 4,706,206	\$ 5,638,128	0.83%	\$ 46,596
1.50%	\$ 931,922	\$ 4,729,504	\$ 5,661,426	1.25%	\$ 69,894
2.00%	\$ 931,922	\$ 4,752,802	\$ 5,684,724	1.67%	\$ 93,192
2.50%	\$ 931,922	\$ 4,776,100	\$ 5,708,022	2.08%	\$ 116,490

## Consideration of COLA for Pension Retirees

### Other Information

- As of July 1, 2021 Plan's funded ratio was 102.6%
- As of July 1, 2021 actuarial value was \$135,382,084 with \$16,354,485 of net market gains not included.
- COLA can be permanent, just for the one year or a combination of both.
- Normal retirement benefits:

	Benefit	Max
Police	2.5% of salary for each year	76.5% of Salary
Fire	2% to 2.5% of salary for each year	71.25% of salary
All other	2% to 2.25% of salary for each year	60% to 67% of salary

- Retirees in the Defined Contribution Plan receive no adjustments post retirement.

## Consideration of COLA for Pension Retirees

### Other Information, cont.

- **Social Security COLA, last 10 years.** Note Social Security uses CPI-W, which only includes wage earners and clerical consumers. Among others, it excludes retirees.

Fiscal year	Soc Sec COLA
2022	5.90%
2021	1.30%
2020	1.60%
2019	2.80%
2018	2.00%
2017	0.30%
2016	-
2015	1.70%
2014	1.50%
2013	1.70%
	18.80%