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Town of Wilton

Retirement Plan for Employees of the Town of Wilton

Review of the July 1, 2021 Actuarial Valuation ***Preliminary Results***

Steve Lemanski, FSA, FCA, MAAA, Enrolled Actuary

Vice President, Practice Leader, Consulting Actuary

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- Purpose of the Valuation
- Valuation Summary
- Potential Assumption Changes
- Town Contribution Summary
- Asset Information
- Participant Data
- Looking Ahead

The ultimate cost of a pension plan is based primarily on the level of benefits promised by the plan. The pension fund's investment earnings serve to reduce the cost of plan benefits and expenses. Thus,

$$\text{Town's Ultimate cost} = \text{Benefits Paid} + \text{Expenses Incurred} - \text{Investment Return} - \text{Employee Contributions}$$

- Actuarial Valuation utilizes an actuarial cost method to assign a portion of this “ultimate cost” to the budget year. The valuation does not determine the cost of the plan but is a tool used to determine the appropriate level of Town contributions.
- Actuarially Determined Employer Contribution (ADEC) developed from the valuation is comprised of two components: amortization of unfunded liability (*20 years*) & normal cost (assignment of benefits “earned” for the budget year).

Valuation Summary – Overview of Results

- Funded ratio is 102.6%, vs. 99.5% for 2020
- Actuarially Determined Employer Contribution (ADEC) is \$1.529 M for FY 22-23 vs. \$1.997 M for FY 21-22
- Asset gain (favorable experience) – actuarial (smoothed) return was 10.6%, versus the 6.875% assumption (27.3% on a market basis)
- Liability gain (favorable experience) – driven mainly by retiree COLAs (0% COLA)
- Baseline ADEC for FY 22-23 has 0% load under the board's funding policy versus 5% load for FY 21-22, since funded ratio is now 100%+
- Plan continues to have a funded ratio that is well above average (top 12% in CT)

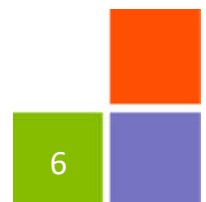
- **Investment return** – Baseline results reflect current 6.875% assumption. Based on the current target asset allocation and our (HHIA) capital market assumptions, we believe that a long-term assumption of 6.875% is reasonable. Trend continues to be towards lowering. Alternative 6.75% assumption scenario provided for board's consideration.
- Median for CT public sector pension plans (preliminary H&H survey based on FYE 2021 CAFRs) is 6.75% (average is 6.53% for all plans). Average 6.90%/median 7.00% for plans with \$100+ million in assets. *45% of plans in the H&H survey lowered the investment return assumption from June 30, 2020 to June 30, 2021.* NASRA Issue Brief (March 2022) survey shows average assumption of 6.99% (median 7.00%) for large public sector pension funds.
- **Mortality/Mortality projection** – The Society of Actuaries published tables (Pub-2010) based solely on public sector pensioner experience. Mortality projection scale (MP-2021) is used to estimate how life expectancies are expected to change in the future. This is used in conjunction with the underlying mortality table, which reflects estimated life expectancies today

Mortality/Mortality Projection Assumption



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- Society of Actuaries (SOA) published the Pub-2010 Public Retirement Plans Mortality Tables Report in January 2019
- First-ever study of public sector pensioner mortality performed by the SOA
- Studied three groups separately : Teachers, Public Safety, and General Employees
- The study shows that on average public sector pensioners are expected to live longer than predicted by the current mortality assumption
- Impact of Pub-2010 table is driven by particular demographics of the group (separate tables published for each of the three groups)
- For Town of Wilton: actuarial accrued liability increases by approximately 1.8%



Town Contribution - Summary



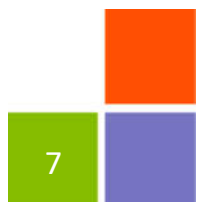
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ADEC – Baseline and Alternative Assumptions

	July 1, 2020 Valuation	July 1, 2021 Valuation			
Discount Rate:	6.875%	6.875%	6.75%	6.875%	6.75%
Mortality:	Current	Current	Current	Alternative	Alternative
Actuarial Accrued Liability	128,396,878	132,004,267	134,151,572	134,439,150	136,633,023
Actuarial Value of Assets	<u>127,711,241</u>	<u>135,382,084</u>	<u>135,382,084</u>	<u>135,382,084</u>	<u>135,382,084</u>
Unfunded Actuarial Accrued Liability	685,637	(3,377,817)	(1,230,512)	(942,934)	1,250,939
Funded Ratio	99.5%	102.6%	100.9%	100.7%	99.1%
Actuarially Determined Employer Contribution (ADEC) *					
Employer Normal Cost	1,786,194	1,723,596	1,782,886	1,787,573	1,848,473
Amortization of UAAL **	<u>59,969</u>	<u>(239,438)</u>	<u>(84,985)</u>	<u>(78,336)</u>	<u>108,473</u>
Total ADEC - as of valuation date	1,846,163	1,484,158	1,697,901	1,709,237	1,956,946
ADEC - for fiscal year (unloaded)	1,901,548	1,528,683	1,748,838	1,760,514	2,015,654
Funding Policy load	5%	0%	0%	0%	5%
ADEC - for fiscal year (loaded)	1,996,625	1,528,683	1,748,838	1,760,514	2,116,437
	<i>FY 2021-22</i>	<i>FY 2022-23</i>	<i>FY 2022-23</i>	<i>FY 2022-23</i>	<i>FY 2022-23</i>
ADEC (loaded) - by group:					
<u>Plan 1</u>					
Police	1,124,050	919,540	1,002,669	980,028	1,117,210
<u>Plan 3</u>					
BOE (Includes Cafeteria)	553,228	368,611	450,667	501,756	615,085
Library	83,984	39,522	49,340	56,018	69,376
Town	<u>54,340</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>33,331</u>
Total - Plan 3	691,552	408,133	500,007	557,774	717,792
<u>Plan 4</u>					
Fire	181,023	201,010	246,162	222,712	281,435
Grand Total	1,996,625	1,528,683	1,748,838	1,760,514	2,116,437

* 2021 / 2022 Fiscal Year for July 1, 2020 valuation; 2022 / 2023 Fiscal Year for July 1, 2021 valuation

** (20 year amortization)



Summary of Fund Activity		
	Market Value	Actuarial Value
1. Beginning value of assets July 1, 2020		
Trust assets	\$124,112,921	\$127,711,241
2. Contributions		
Town contributions during year	3,434	3,434
Employee contributions during year	1,017,518	1,017,518
Total for plan year	1,020,952	1,020,952
3. Disbursements		
Benefit payments during year	6,383,472	6,383,472
Administrative expenses during year	177,214	177,214
Total for plan year	6,560,686	6,560,686
4. Net investment return		
Interest and dividends	2,071,353	N/A
Realized and unrealized gain / (loss)	31,127,239	N/A
Expected return	N/A	8,347,065
Recognized gain / (loss)	N/A	4,863,512
Required adjustment due to corridor	N/A	0
Reversal of prior year required adjustment	N/A	0
Investment-related expenses	(35,210)	N/A
Total for plan year	33,163,382	13,210,577
5. Ending value of assets July 1, 2021		
Trust assets: (1) + (2) - (3) + (4)	151,736,569	135,382,084
6. Approximate rate of return	27.3%	10.6%

Relationship of Actuarial Value to Market Value	
1. Market value 7/1/2021	\$151,736,569
2. Gain / (loss) not recognized in actuarial value 7/1/2021	16,354,485
3. Preliminary actuarial value 7/1/2021: (1) - (2)	135,382,084
4. Preliminary actuarial value as a percentage of market value: (3) ÷ (1)	89.2%
5. Gain / (loss) recognized for corridor minimum / maximum	N/A
6. Actuarial value 7/1/2021 after corridor minimum / maximum: (3) + (5)	135,382,084
7. Actuarial value as a percentage of market value: (6) ÷ (1)	89.2%

Development of Market Value Gain / Loss for 2020-2021 Plan Year	
1. Market value 7/1/2020	\$124,112,921
2. Town contributions	3,434
3. Employee contributions	1,017,518
4. Benefit payments	6,383,472
5. Administrative expenses	177,214
6. Expected return at 6.875%	8,347,065
7. Expected value 7/1/2021: (1) + (2) + (3) - (4) - (5) + (6)	126,920,252
8. Market value 7/1/2021	151,736,569
9. Market value gain / (loss) for 2020-2021 plan year: (8) - (7)	24,816,317

Recognition of Gain / Loss in Actuarial Value					
Year	(a) Gain / (loss)	(b) Total recognized as of 7/1/2020	(c) Recognized in current year: 20% of (a)	(d) Total recognized as of 7/1/2021: (b) + (c)	(e) Not recognized as of 7/1/2021: (a) - (d)
2016-2017	\$5,230,723	\$4,184,580	\$1,046,143	\$5,230,723	\$0
2017-2018	494,035	296,421	98,807	395,228	98,807
2018-2019	(683,630)	(273,452)	(136,726)	(410,178)	(273,452)
2019-2020	(5,539,874)	(1,107,975)	(1,107,975)	(2,215,950)	(3,323,924)
2020-2021	24,816,317	0	4,963,263	4,963,263	19,853,054
Total			4,863,512		16,354,485

Participant Counts

	Plan 1	Plan 3				Plan 4	Grand Total
	Police	Board of Education	Library	Town	Plan 3 Total	Fire	
Active Participants							
7/1/2021	32	102	7	24	133	28	193
7/1/2020	32	108	12	29	149	26	207
Terminated Vested Participants							
7/1/2021	2	48	1	3	52	1	55
7/1/2020	2	48	2	3	53	1	56
Retired Participants							
7/1/2021	41	151	19	42	212	20	273
7/1/2020	45	148	14	38	200	20	265
Total Participants							
7/1/2021	75	301	27	69	397	49	521
7/1/2020	79	304	28	70	402	47	528

All but Fire closed to participation for new employees.

Recommendations for 2022 Valuation

- Continue to monitor investment return assumption, based on emerging capital market assumptions, long-term inflation expectations, and plan's liquidity needs
- Perform an Experience Study prior to the 2022 valuation, to analyze actual plan experience over past several years vs. current assumptions (most recent study analyzed plan experience through FYE 2015)