



The elements of success



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Town of Wilton

Pension Plan

Review of the July 1, 2019 Actuarial Valuation (Preliminary Results)

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- Purpose of the Valuation
- Pension Valuation Summary
- Town Contribution Summary (Funding Policy)
- Asset Information
- H&H CT Municipal Plan Survey Results
- Actuarial Liability/Normal Cost - Details
- Town Contribution - Details

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).

- Liability Breakdown:
 - Police 32%
 - Plan 3 53
 - Fire 15
- Plan is closed to all groups (except Fire) : 56.4% of liability is for inactive members (up from 54.7% for 2018)
- Liability experience was within 0.6% of expected results for 2018-19. Net gains driven mainly by retiree COLAs and salary increases lower than assumed.
- Assumption changes – none for preliminary results of 2019 actuarial valuation. We are providing information regarding an alternative mortality projection assumption for the Board’s consideration.
- Plan continues to have a funded ratio that is well above average at 98.9% (top 11% in CT)

Funding Policy

Contribution **With** Multiplier (\$ thousands)

	2020-2021		2019-2020
	(Current)	(Alternative)	
Funded %	98.9%	99.3%	99.2%
Funding Policy Adjustment	+5%	+5%	+5%
Plan 1 Police	\$ 1,088.3	\$ 1,074.2	\$ 1,060.3
Plan 3 Board of Ed	\$ 582.4	\$ 562.9	\$ 571.7
Library	88.2	85.4	78.7
Town	<u>96.7</u>	<u>87.5</u>	<u>111.9</u>
Subtotal – Plan 3	\$ 767.3	\$ 735.8	\$ 762.3
Plan 4 Fire	199.4	192.6	194.5
Grand Total	\$ 2,055.0	\$ 2,002.6	\$ 2,017.1
Change*	\$ 37.9	\$ (14.5)	\$ (69.9)

* From prior year

Asset Reconciliation (Market Value)



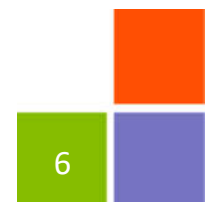
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(in \$millions)

	2018-19
Market Value, July 1, 2018	\$ 117.36
Receipts:	
Contributions – Town	\$ 2.09
Contributions – Employees	<u>1.16</u>
	\$ 3.25
Disbursement:	
Pension Payments	\$ (5.39)
Admin Costs	<u>(0.18)</u>
	\$ (5.47)
Investment Return:	<u>7.19</u>
Market Value, June 30, 2019	\$ 122.33

Return on Assets:

+6.3%



(in \$millions)

Market vs. Actuarial: Why and How Different

Market Value, July 1, 2019 \$ 122.33 (A)

Development of Unrecognized Assets

Year	Excess/ (Shortfall)*	Percent Unrecognized	Amount Unrecognized
2018-19	\$ (0.68)	80%	\$ (0.54)
2017-18	0.49	60%	0.29
2016-17	5.23	40%	2.09
2015-16	(6.32)	20%	(1.27)

Total Unrecognized Market Appreciation 0.57 (B)

Actuarial Value of Assets, July 1, 2019 [(A) – (B)] \$121.76
 As % of Market 99.5%

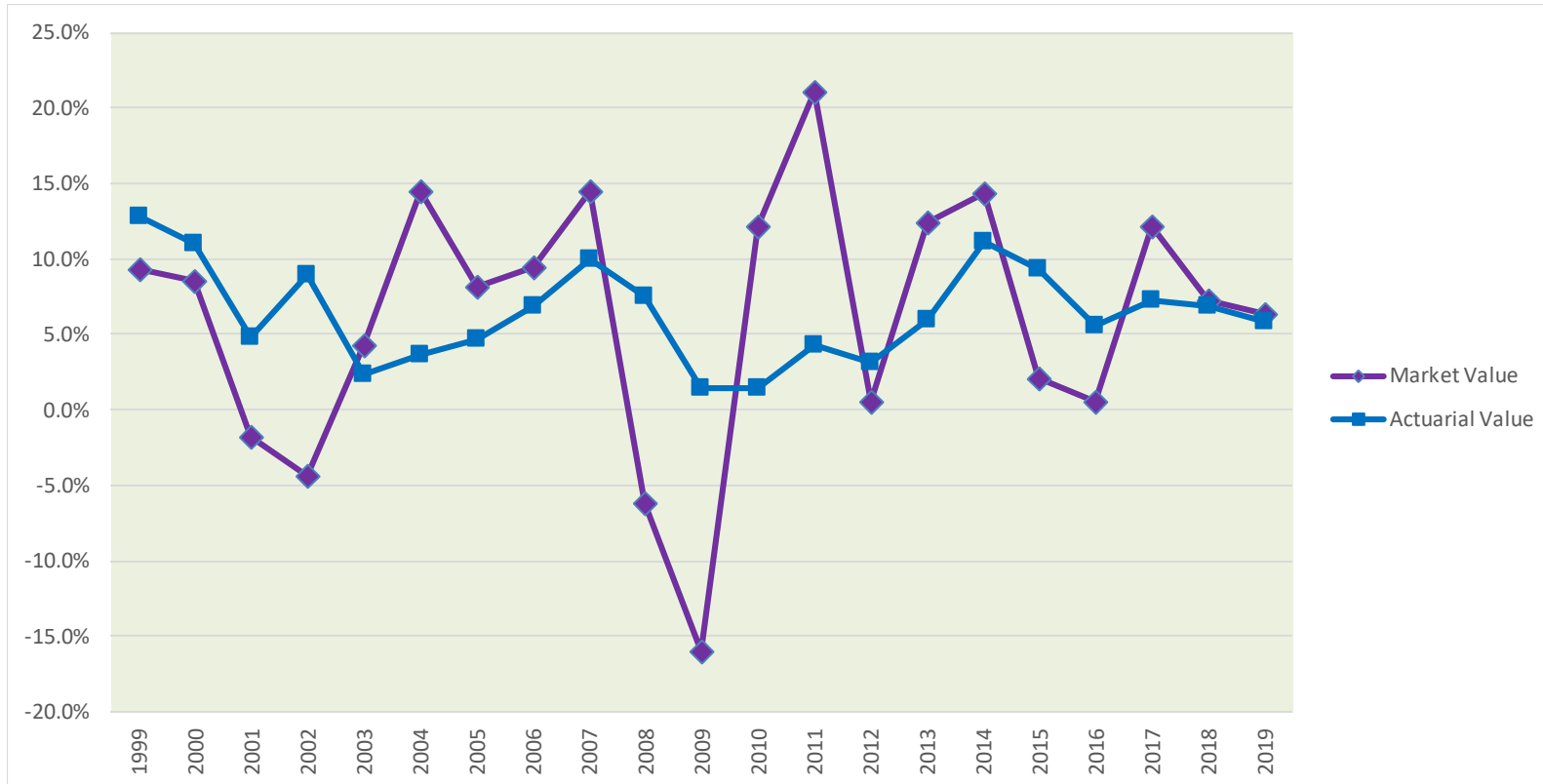
* vs. assumption of 6.875%



Historical Investment Returns



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Investment Return

1-year

5-year

10-year

20-year

Market

6.3%

5.6%

8.7%

6.1%

Actuarial

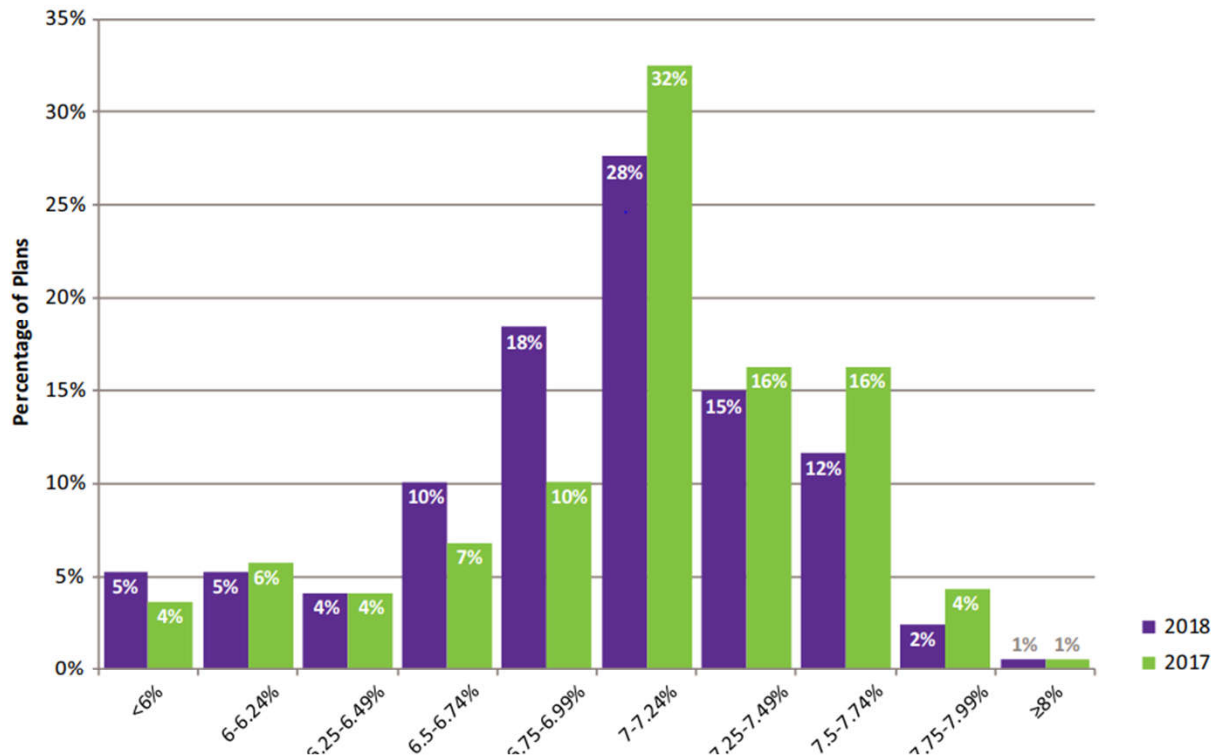
5.8%

7.0%

6.1%

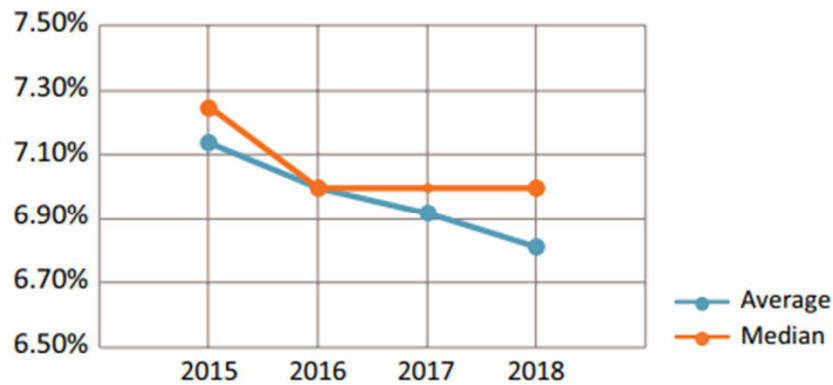
6.7%

Long-Term Investment Return Assumption (FYE 2018 vs. FYE 2017)



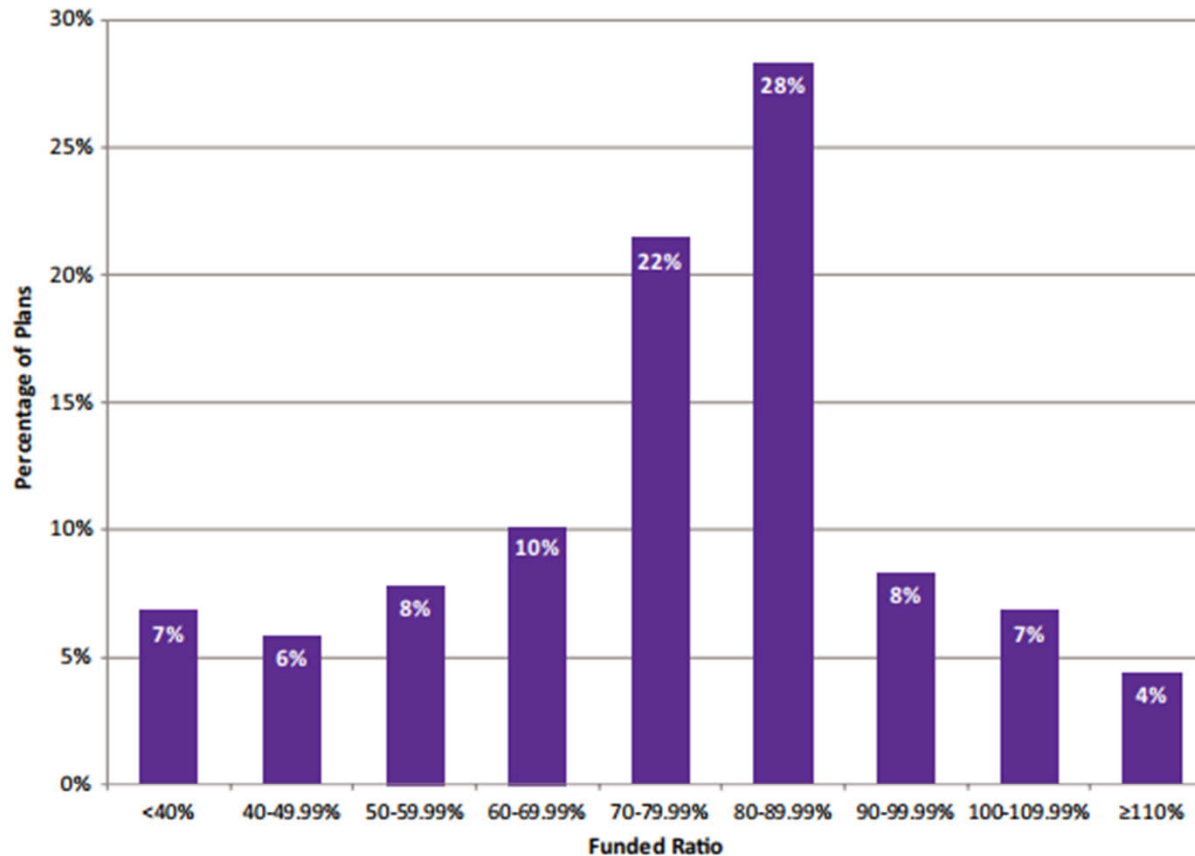
The average investment return assumption is 6.81% (median is 7.00%). This represents a decline of 11 basis points (bps) from the 6.92% average (7.00% median) in the 2017 study. This assumption is generally tied to either the July 1, 2017 or July 1, 2016 actuarial valuation used in determining the employer’s cash contribution amount (also known as the Actuarially Determined Employer Contribution, or ADEC).

Average and Median Investment Return Assumption Trends



When looking at trends, the average long-term rate of return assumption has declined by 33 basis points (from 7.14% to 6.81%) from FYE 2015 to 2018. The median assumption has declined 25 basis points (from 7.25% to 7.00%) during that same period. All else being equal, a lower investment return assumption results in higher actuarial liability and ADEC, and a lower funded ratio.

Funded Ratio



We analyzed the funded ratio (Market Value of Assets divided by Accrued Liability) for each plan. As of June 30, 2018, the average funded ratio was 74.9% (median of 78.9%), a slight increase versus an average of 74.5% (77.2% median) in the 2017 CAFRs.

Nearly half (47%) of the pension plans analyzed exceeded the 80% funded mark, with 13% falling below 50%. Notably, more than 1 in 10 (11%) of plans can boast pensions that are funded at 100% or higher, up slightly from 10% last year.

- FYE 2019 survey results are being compiled, but not yet finalized
- Preliminary results indicate a continued decrease in the average investment return assumption, and likely below 6.75%. Median likely to remain at 7.00%.
- Funded ratio – likely slight decline in both the average and median. Lower investment return assumption and actual investment returns for FYE 2019 contributed to this decline.

Breakdown of Actuarial Liability



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(in \$millions)

	July 1, 2019 (Current)		July 1, 2019 (Alternative)		July 1, 2018	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Active Participants	\$ 53.7	43.6%	\$ 53.5	43.6%	\$ 53.5	45.3%
Terminated Vesteds	2.3	1.9%	2.3	1.9%	2.4	2.0%
Retirees	<u>67.1</u>	<u>54.5%</u>	<u>66.8</u>	<u>54.5%</u>	<u>62.4</u>	<u>52.7%</u>
Total	\$123.1	100.0%	\$122.6	100.0%	\$118.3	100.0%
<u>By Plan</u>						
Police	\$ 39.7	32.3%	\$ 39.6	32.3%	\$ 38.7	32.7%
Plan 3	64.8	52.6%	64.4	52.5%	61.5	52.0%
Fire	<u>18.6</u>	<u>15.1%</u>	<u>18.6</u>	<u>15.2%</u>	<u>18.1</u>	<u>15.3%</u>
Total	\$123.1	100.0%	\$122.6	100.0%	\$118.3	100.0%

Funded Status



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(in \$millions)

	July 1, 2019 Valuation (Current)	July 1, 2019 Valuation (Alternative)	July 1, 2018 Valuation
Assets, Actuarial Value	\$ 121.8	\$ 121.8	\$ 117.3
Actuarial Liabilities	<u>(123.1)</u>	<u>(122.6)</u>	<u>(118.3)</u>
Overfunding/(Underfunding)	\$ (1.3)	\$ (0.8)	\$ (1.0)
Funded Percent	98.9%	99.3%	99.2%
20-Year Payment	\$115,000	\$76,000	\$87,000

Town's Normal Cost



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Normal Cost: Portion of total future liability allocated to the current year.
 Contribution if assets = actuarial accrued liability

July 1, 2019 (Current)	Police	Plan 3	Fire	Total
Town's Normal Cost	\$ 485,000	\$ 1,078,000	\$ 222,000	\$ 1,785,000
Covered Payroll	3,510,000	9,319,000	2,379,000	15,208,000
Normal Cost as % of Covered Payroll	13.8%	11.6%	9.3%	11.7%

July 1, 2019 (Alternative)	Police	Plan 3	Fire	Total
Town's Normal Cost	\$ 483,000	\$ 1,071,000	\$ 221,000	\$ 1,775,000
Covered Payroll	3,510,000	9,319,000	2,379,000	15,208,000
Normal Cost as % of Covered Payroll	13.8%	11.5%	9.3%	11.7%

Breakdown of Town's Contribution*



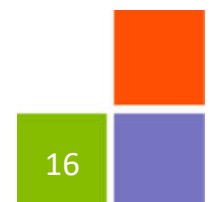
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Fiscal Year 2020-2021 (Current)	Police	Plan 3	Fire	Total
Normal Cost	\$ 485,000	\$ 1,078,000	\$ 222,000	\$1,785,000
20-year payment on Unfunded	521,000	(368,000)	(38,000)	115,000
Adjustment for FYE 2020/2021	<u>30,000</u>	<u>21,000</u>	<u>6,000</u>	<u>57,000</u>
2020-2021 Contribution	\$1,036,000	\$ 731,000	\$ 190,000	\$1,957,000

Fiscal Year 2020-2021 (Alternative)	Police	Plan 3	Fire	Total
Normal Cost	\$ 483,000	\$1,071,000	\$ 221,000	\$1,775,000
20-year payment on Unfunded	510,000	(391,000)	(43,000)	76,000
Adjustment for FYE 2020/2021	<u>30,000</u>	<u>21,000</u>	<u>5,000</u>	<u>56,000</u>
2020-2021 Contribution	\$1,023,000	\$ 701,000	\$ 183,000	\$1,907,000

Fiscal Year 2019-2020	Police	Plan 3	Fire	Total
Normal Cost	\$ 427,000	\$1,141,000	\$ 201,000	\$1,769,000
20-year payment on Unfunded	549,000	(440,000)	(22,000)	87,000
Adjustment for FYE 2019/2020	<u>340,000</u>	<u>25,000</u>	<u>6,000</u>	<u>65,000</u>
2019-2020 Contribution	\$1,010,000	\$ 726,000	\$ 185,000	\$1,921,000

* Prior to underfunding load



Participant Counts

	Plan 1	Plan 3			Plan 4	Grand Total
	Police	Board of Education	Library	Town	Plan 3 Total	Fire
Active Participants						
7/1/2019	35	119	13	31	163	26
7/1/2018	36	131	15	34	180	28
Terminated Vested Participants						
7/1/2019	1	44	1	3	48	2
7/1/2018	1	45	1	4	50	1
Retired Participants						
7/1/2019	42	143	15	36	194	20
7/1/2018	41	132	13	33	178	19
Total Participants						
7/1/2019	78	306	29	70	405	48
7/1/2018	78	308	29	71	408	48

All but Fire closed to participation for new employees.