



The elements of success



hooker & holcombe

# ***Town of Wilton***

## ***Retirement Plan for Employees of the Town of Wilton***

---

### **Review of the July 1, 2022 Actuarial Valuation *Preliminary Results***

***Steve Lemanski, FSA, FCA, MAAA, Enrolled Actuary***

Vice President, Practice Leader, Consulting Actuary

**December 5, 2022**



- 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).

- Funded ratio is 103.6% (baseline assumptions), vs. 102.6% for 2021
- Actuarially Determined Employer Contribution (ADEC) is \$1.423 M (baseline assumptions) for FY 23-24 vs. \$1.529 M for FY 22-23
- Asset loss (unfavorable experience) – actuarial (smoothed) return was 6.0%, versus the 6.875% assumption (-13.4% on a market basis)
- Liability gain (favorable experience) – driven mainly by retiree COLAs (0% COLA) and salary increases that were lower than assumed
- Baseline ADEC for FY 23-24 has 0% load under the board's funding policy as well as 0% load for FY 22-23, since funded ratio is 100%+
- Plan continues to have a funded ratio that is well above average (top 7% 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. The Board voted to maintain the 6.875% assumption at its November 7<sup>th</sup> meeting.
- **Experience Study** – All assumptions were studied based on plan experience from July 1, 2016 to June 30, 2021. The results of the experience study were presented at the November Board meeting. The proposed assumptions will reduce the ADEC by about \$0.07 M and increase the Plan's funded ratio by 0.9%. The Board voted to adopt all proposed assumption changes, with the exception of the Retiree COLA increase assumption.
- **Retiree COLA assumption** - As requested by the Board, we are showing two scenarios – 2.0%/yr. (as proposed in the Experience Study) and 1.5%/yr. (alternative assumption). The impact of the COLA assumption is summarized in our preliminary results.

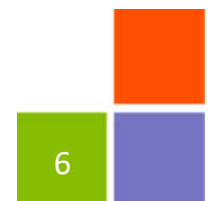
# Town Contribution - Summary



hooker & holcombe

## ADEC – Baseline and Alternative Assumptions

	July 1, 2021 Valuation	July 1, 2022 Valuation		
<b>Discount Rate:</b>	6.875%	6.875%	6.875%	6.875%
<b>Other Assumptions:</b>	Current	Current	<b>Experience Study</b>	Experience Study
<b>Retiree COLA Assumption:</b>	2.5%	2.5%	<b>2.0%</b>	<b>1.5%</b>
Actuarial Accrued Liability	132,004,267	134,838,139	133,702,095	127,548,650
Actuarial Value of Assets	<u>135,382,084</u>	<u>139,757,831</u>	<u>139,757,831</u>	<u>139,757,831</u>
Unfunded Actuarial Accrued Liability	(3,377,817)	(4,919,692)	(6,055,736)	(12,209,181)
<b>Funded Ratio</b>	<b>102.6%</b>	<b>103.6%</b>	<b>104.5%</b>	<b>109.6%</b>
<b>Actuarially Determined Employer Contribution (ADEC) *</b>				
Employer Normal Cost	1,723,596	1,639,821	1,710,035	1,593,480
Amortization of UAAL **	<u>(239,438)</u>	<u>(265,296)</u>	<u>(404,919)</u>	<u>(850,351)</u>
Total ADEC - as of valuation date	1,484,158	1,374,525	1,305,116	743,129
ADEC - for fiscal year (unloaded)	1,528,683	1,422,633	1,347,532	767,281
Funding Policy load	0%	0%	0%	0%
<b>ADEC - for fiscal year (loaded)</b>	<b>1,528,683</b>	<b>1,422,633</b>	<b>1,347,532</b>	<b>767,281</b>
	<i>FY 2022-23</i>	<i>FY 2023-24</i>	<i>FY 2023-24</i>	<i>FY 2023-24</i>
<b>ADEC (loaded) - by group:</b>				
<u>Plan 1</u>				
Police	919,540	905,275	893,789	649,330
<u>Plan 3</u>				
BOE (Includes Cafeteria)	368,611	282,672	284,581	85,259
Library	39,522	11,127	24,313	0
Town	0	0	0	0
Total - Plan 3	408,133	293,799	308,894	85,259
<u>Plan 4</u>				
Fire	201,010	223,559	144,849	32,692
<b>Grand Total</b>	<b>1,528,683</b>	<b>1,422,633</b>	<b>1,347,532</b>	<b>767,281</b>



Summary of Fund Activity		
	Market Value	Actuarial Value
<b>1. Beginning value of assets July 1, 2021</b>		
Trust assets	\$151,736,569	\$135,382,084
<b>2. Contributions</b>		
Town contributions during year	1,996,625	1,996,625
Employee contributions during year	955,680	955,680
Total for plan year	2,952,305	2,952,305
<b>3. Disbursements</b>		
Benefit payments during year	6,470,363	6,470,363
Administrative expenses during year	156,402	156,402
Total for plan year	6,626,765	6,626,765
<b>4. Net investment return</b>		
Interest and dividends	2,540,175	N/A
Realized and unrealized gain / (loss)	(22,506,266)	N/A
Expected return	N/A	10,308,717
Recognized gain / (loss)	N/A	(2,258,510)
Required adjustment due to corridor	N/A	0
Reversal of prior year required adjustment	N/A	0
Investment-related expenses	(104,588)	N/A
Total for plan year	(20,070,679)	8,050,207
<b>5. Ending value of assets July 1, 2022</b>		
Trust assets: (1) + (2) - (3) + (4)	127,991,430	139,757,831
<b>6. Approximate rate of return</b>	-13.4%	6.0%

Relationship of Actuarial Value to Market Value	
1. Market value 7/1/2022	\$127,991,430
2. Gain / (loss) not recognized in actuarial value 7/1/2022	(11,766,401)
3. Preliminary actuarial value 7/1/2022: (1) - (2)	139,757,831
4. Preliminary actuarial value as a percentage of market value: (3) ÷ (1)	109.2%
5. Gain / (loss) recognized for corridor minimum / maximum	N/A
6. Actuarial value 7/1/2022 after corridor minimum / maximum: (3) + (5)	139,757,831
7. Actuarial value as a percentage of market value: (6) ÷ (1)	109.2%

Development of Market Value Gain / Loss for 2021-2022 Plan Year	
1. Market value 7/1/2021	\$151,736,569
2. Town contributions	1,996,625
3. Employee contributions	955,680
4. Benefit payments	6,470,363
5. Administrative expenses	156,402
6. Expected return at 6.875%	10,308,717
7. Expected value 7/1/2022: (1) + (2) + (3) - (4) - (5) + (6)	158,370,826
8. Market value 7/1/2022	127,991,430
9. Market value gain / (loss) for 2021-2022 plan year: (8) - (7)	(30,379,396)

Recognition of Gain / Loss in Actuarial Value					
Year	(a) Gain / (loss)	(b) Total recognized as of 7/1/2021	(c) Recognized in current year: 20% of (a)	(d) Total recognized as of 7/1/2022: (b) + (c)	(e) Not recognized as of 7/1/2022: (a) - (d)
2017-2018	\$494,035	\$395,228	\$98,807	\$494,035	\$0
2018-2019	(683,630)	(410,178)	(136,726)	(546,904)	(136,726)
2019-2020	(5,539,874)	(2,215,950)	(1,107,975)	(3,323,925)	(2,215,949)
2020-2021	24,816,317	4,963,263	4,963,263	9,926,526	14,889,791
2021-2022	(30,379,396)	0	(6,075,879)	(6,075,879)	(24,303,517)
Total			(2,258,510)		(11,766,401)



## Participant Counts

	Plan 1	Plan 3				Plan 4	Grand Total
	Police	Board of Education	Library	Town	Plan 3 Total	Fire	
<b>Active Participants</b>							
7/1/2022	28	90	6	22	118	27	173
7/1/2021	32	102	7	24	133	28	193
<b>Terminated Vested Participants</b>							
7/1/2022	1	47	2	3	52	1	54
7/1/2021	2	48	1	3	52	1	55
<b>Retired Participants</b>							
7/1/2022	44	162	18	42	222	21	287
7/1/2021	41	151	19	42	212	20	273
<b>Total Participants</b>							
7/1/2022	73	299	26	67	392	49	514
7/1/2021	75	301	27	69	397	49	521

*All but Fire closed to participation for new employees.*

## Recommendations for 2023 Valuation

- Continue to monitor investment return assumption, based on emerging capital market assumptions, long-term inflation expectations, and plan's liquidity needs