



Town of Wilton

Retirement Plan for Employees of the Town of Wilton

Review of the July 1, 2023 Actuarial Valuation

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Agenda

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Purpose of the Valuation

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).

Overview of Results

- Funded ratio is 107.5% , vs. 109.6% for 2022
- Actuarially Determined Employer Contribution (ADEC) is \$ 860,000 for FY 24-25 vs. \$ 767,000 for FY 23-24
- Asset loss (unfavorable experience) – actuarial (smoothed) return was 5.0%, versus the 6.875% assumption (9.4% on a market basis)
- Liability loss (unfavorable experience) – driven mainly by salary increases that were higher than assumed
- Plan continues to have a funded ratio that is well above average (top 4% in CT)

Assumption Review

- **Investment return** – Current assumption is 6.875%. Based on the current target asset allocation and our (USI Advisors) capital market assumptions, we believe that a long-term assumption of 6.875% is reasonable. Most of our clients have “paused” changing this assumption for 2022 and 2023 actuarial valuations.
- *Median* for CT public sector pension plans (USI/H&H survey based on FYE 2022 ACFRs) is 6.50% (average is 6.46% for all plans; 6.74% for plans with \$50+ million in assets). NASRA issue brief (March 2024) shows average assumption of 6.91% (median 7.00%) for very large public sector funds.
- **Mortality projection scale** – There was *not* an annual update published in either 2022 or 2023 by the Society of Actuaries. Mortality projection scale is used to estimate how life expectancies are expected to change in the future. This is used on conjunction with the underlying mortality table, which reflects estimated life expectancies today.

Executive Summary

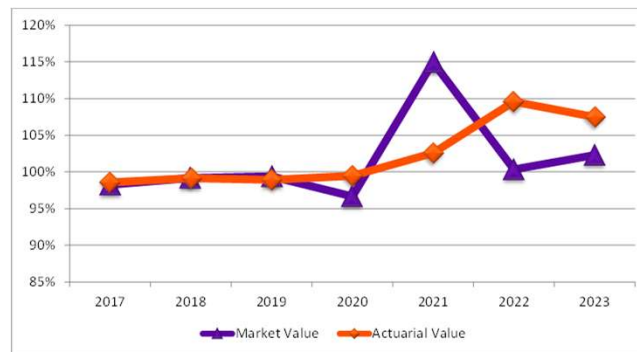
	July 1, 2023	July 1, 2022
Number of members		
Active employees	153	173
Terminated vested members	27	25
Vested in employee contributions only	31	29
Retired, disabled and beneficiaries	301	287
Total	512	514
Covered employee payroll	11,966,243	12,734,854
Average plan salary	78,211	73,612
Actuarial present value of future benefits	148,480,249	144,858,923
Actuarial accrued liability	132,121,621	127,548,650
Plan assets		
Market value of assets	135,160,250	127,991,430
Actuarial value of assets	142,016,038	139,757,831
Unfunded accrued liability	(9,894,417)	(12,209,181)
Funded ratio	107.5%	109.6%
Actuarially determined employer contribution (ADEC)		
Fiscal year ending	2025	2024
ADEC	859,629	767,281
Underfunding "load"	0%	0%
Total Contribution with "load"	859,629	767,281

Trends – Funded Ratio

Actuarial Accrued Liability vs. Actuarial Value of Assets

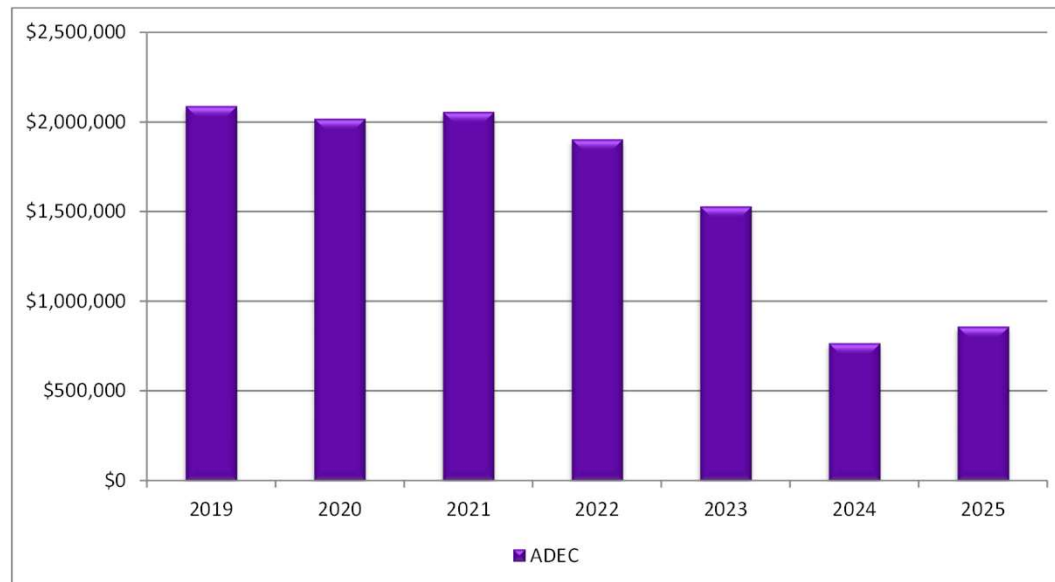


Funded Ratio



Trends – ADEC

Actuarially Determined Employer Contribution



Asset Information

Summary of Fund Activity		
	Market Value	Actuarial Value
1. Beginning value of assets July 1, 2022		
Trust assets	\$127,991,430	\$139,757,831
2. Contributions		
Town contributions during year	1,540,412	1,540,412
Employee contributions during year	946,038	946,038
Total for plan year	2,486,450	2,486,450
3. Disbursements		
Benefit payments during year	7,118,304	7,118,304
Administrative expenses during year	33,953	33,953
Total for plan year	7,152,257	7,152,257
4. Net investment return		
Interest and dividends	4,027,565	N/A
Realized and unrealized gain / (loss)	8,280,192	N/A
Expected return	N/A	8,643,007
Recognized gain / (loss)	N/A	(1,718,993)
Required adjustment due to corridor	N/A	0
Reversal of prior year required adjustment	N/A	0
Investment-related expenses	(473,130)	N/A
Total for plan year	11,834,627	6,924,014
5. Ending value of assets July 1, 2023		
Trust assets: (1) + (2) - (3) + (4)	135,160,250	142,016,038
6. Approximate rate of return	9.4%	5.0%

Asset Information

Relationship of Actuarial Value to Market Value	
1. Market value 7/1/2023	\$135,160,250
2. Gain / (loss) not recognized in actuarial value 7/1/2023	(6,855,788)
3. Preliminary actuarial value 7/1/2023: (1) - (2)	142,016,038
4. Preliminary actuarial value as a percentage of market value: (3) ÷ (1)	105.1%
5. Gain / (loss) recognized for corridor minimum / maximum	N/A
6. Actuarial value 7/1/2023 after corridor minimum / maximum: (3) + (5)	142,016,038
7. Actuarial value as a percentage of market value: (6) ÷ (1)	105.1%

Development of Market Value Gain / Loss for 2022-2023 Plan Year	
1. Market value 7/1/2022	\$127,991,430
2. Town contributions	1,540,412
3. Employee contributions	946,038
4. Benefit payments	7,118,304
5. Administrative expenses	33,953
6. Expected return at 6.875%	8,643,007
7. Expected value 7/1/2023: (1) + (2) + (3) - (4) - (5) + (6)	131,968,630
8. Market value 7/1/2023	135,160,250
9. Market value gain / (loss) for 2022-2023 plan year: (8) - (7)	3,191,620

Recognition of Gain / Loss in Actuarial Value					
Year	(a) Gain / (loss)	(b) Total recognized as of 7/1/2022	(c) Recognized in current year: 20% of (a)	(d) Total recognized as of 7/1/2023: (b) + (c)	(e) Not recognized as of 7/1/2023: (a) - (d)
2018-2019	(\$683,630)	(\$546,904)	(\$136,726)	(\$683,630)	\$0
2019-2020	(5,539,874)	(3,323,925)	(1,107,975)	(4,431,900)	(1,107,974)
2020-2021	24,816,317	9,926,526	4,963,263	14,889,789	9,926,528
2021-2022	(30,379,396)	(6,075,879)	(6,075,879)	(12,151,758)	(18,227,638)
2022-2023	3,191,620	0	638,324	638,324	2,553,296
Total			(1,718,993)		(6,855,788)

Participant Data

	Plan 1	Plan 3			Plan 4	Grand Total	
	Police	Board of Education	Library	Town	Plan 3 Total	Fire	Grand Total
Active Participants							
7/1/2023	27	76	5	17	98	28	153
7/1/2022	28	90	6	22	118	27	173
Terminated Vested Participants							
7/1/2023	1	47	2	5	54	3	58
7/1/2022	1	47	2	3	52	1	54
Retired Participants							
7/1/2023	45	170	17	45	232	24	301
7/1/2022	44	162	18	42	222	21	287
Total Participants							
7/1/2023	73	293	24	67	384	55	512
7/1/2022	73	299	26	67	392	49	514

All but Fire closed to participation for new employees.

Looking Ahead to 2025

Recommendations for 2025 Valuation

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



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