

OFFICE OF THE
FIRST SELECTMAN

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Lynne A. Vanderslice
First Selectwoman

David K. Clune
Second Selectman

Lori A. Bufano
Selectwoman

Joshua S. Cole
Selectman

Deborah McFadden
Selectwoman

TOWN HALL
238 Danbury Road
Wilton, CT 06897

**Special Meeting of the Trustees of the Retirement Plan
for the Employees of the Town of Wilton
Monday, October 21, 2019 at 7:30 PM
Meeting Room B, Town Hall**

Meeting Minutes

Present: David Clune, Lori Bufano, Joshua Cole, Deborah McFadden, Ceci Maher,
Deborah Low (BoE Representative)

Absent: Lynne Vanderslice (Chair) (Excused)

Guests: Steve Lemanski (Hooker & Holcomb), Anne Kelly-Lenz, Sarah Taffel

A. Call to Order

Mr. Clune called the Trustees of the Retirement Plan for the Employees of the Town Committee meeting to order at 7:30PM

B. Approval of Minutes – June 17, 2019

Motion made by Ms. McFadden, seconded by Ms. Maher and carried 5-0 to approve the June 17, 2019 meeting minutes with Mr. Clune abstaining.

C. Pension Valuation – Steve Lemanski (Hooker & Holcomb)

Steve Lemanski of Hooker & Holcomb gave a presentation on the Pension Valuation (see attached). After discussion and review, motion was moved by Ms. McFadden, seconded by Ms. Maher to approve the mortality RP-2014 adjusted to 2006 Total Dataset Mortality Table projected to measurement date with scale MP-2018 new mortality rates as recommended. There being no further discussion, motion carried 5-0 with Mr. Clune abstaining.

D. Future Meeting Dates

Ms. Clune noted the date for the next scheduled meeting.
- December 2, 2019

E. Adjournment

There being no further business, motion to adjourn at 8:00 pm moved by Ms. McFadden, seconded by Ms. Bufano and carried 6-0.

Respectfully submitted by
Jacqueline Rochester

10/21/2019

**Minutes have not been reviewed by this Board and may be subject to revision in future minutes.*



The elements of success



hooker & holcombe

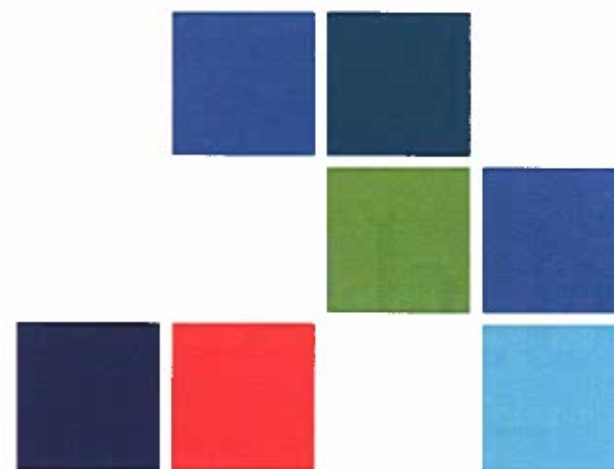
Town of Wilton Pension Plan

Review of the July 1, 2018 Actuarial Valuation (DRAFT)

Steve Lemanski, FSA, FCA, MAAA, Enrolled Actuary

Vice President, Practice Leader, Consulting Actuary

October 21, 2019



- Purpose of the Valuation
- Pension Valuation Summary
- Town Contribution Summary (Funding Policy)
- Asset Information
- 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 33%
 - Plan 3 52
 - Fire 15
- Plan is closed to all groups (except Fire) : 54.7% of liability is for inactive members (up from 53.1% for 2017)
- Liability experience was within 0.3% of expected results for 2017-18
- Assumption changes – none for draft 2018 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 98.8%

Funding Policy

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

	2019-2020		2018-2019
	(Current)	(Alternative)	
Funded %	98.8%	99.2%	98.6%
Funding Policy Adjustment	+5%	+5%	+5%
Plan 1 Police	\$ 1,074.7	\$ 1,060.3	\$ 1,068.0
Plan 3 Board of Ed	\$ 586.3	\$ 571.7	\$ 634.2
Library	80.7	78.7	69.8
Town	<u>119.2</u>	<u>111.9</u>	<u>140.0</u>
Subtotal – Plan 3	\$ 786.2	\$ 762.3	\$ 835.0
Plan 4 Fire	202.2	194.5	183.9
Grand Total	\$ 2,063.1	\$ 2,017.1	\$ 2,087.0
Change*	\$ (23.9)	\$ (69.9)	\$ (374.7)

* From prior year

Asset Reconciliation (Market Value)



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(in \$millions)

	2017-18	2016-17
Market Value, July 1, 2017	\$ 111.05	\$ 100.36
Receipts:		
Contributions – Town	\$ 2.44	\$ 2.39
Contributions – Employees	<u>1.21</u>	<u>0.96</u>
	\$ 3.65	\$ 3.35
Disbursement:		
Pension Payments	\$ (5.30)	\$ (4.68)
Admin Costs	<u>(0.12)</u>	<u>(0.11)</u>
	\$ (5.42)	\$ (4.79)
Investment Return:	<u>8.08</u>	<u>12.13</u>
Market Value, June 30, 2018	\$ 117.36	\$ 111.05

Return on Assets:

+7.3%

+12.1%



Actuarial Value of Assets



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(in \$millions)

Market vs. Actuarial: Why and How Different

Market Value, July 1, 2018 \$ 117.36 (A)

Development of Unrecognized Assets

Year	Excess/ (Shortfall)*	Percent Unrecognized	Amount Unrecognized
2017-18	\$ 0.49	80%	\$ 0.40
2016-17	5.23	60%	3.14
2015-16	(6.32)	40%	(2.53)
2014-15	(4.91)	20%	(0.98)

Total Unrecognized Market Appreciation 0.03 (B)

Actuarial Value of Assets, July 1, 2018 [(A) – (B)] \$117.33

As % of Market 100.0%

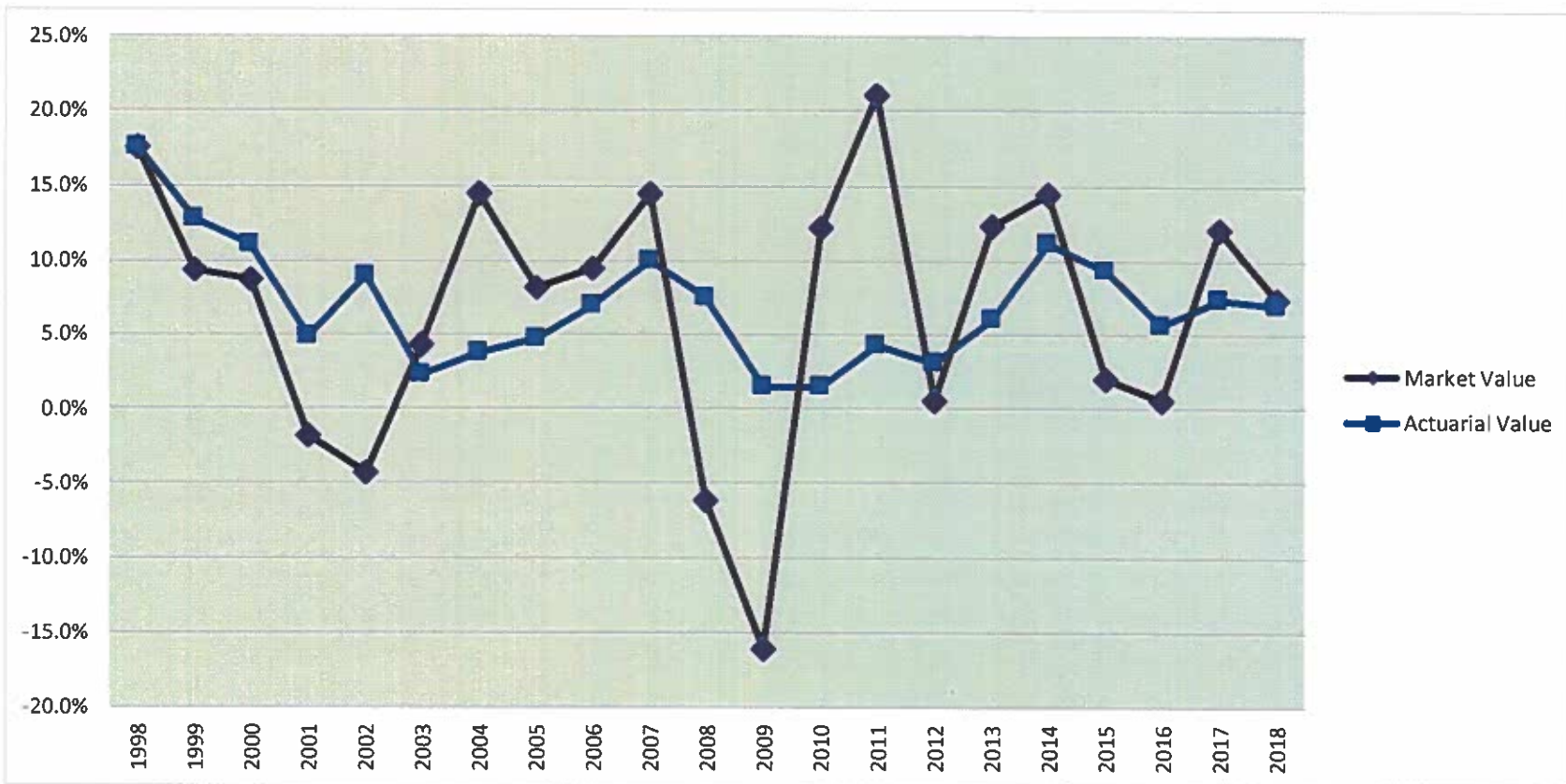
* vs. assumption of 6.875% for FYE 2016 through 2018; 7.125% for FYE 2015.



Historical Investment Returns



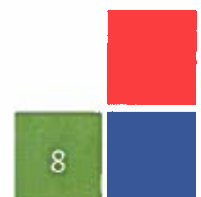
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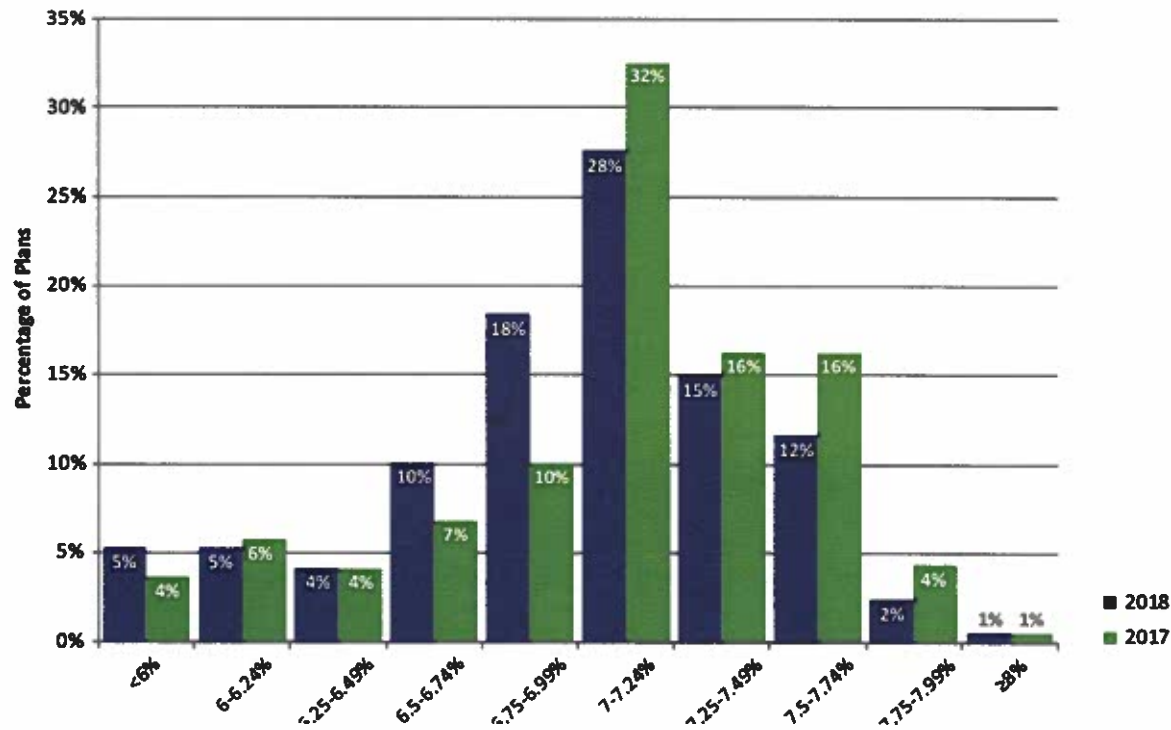
Investment Return
1-year
5-year
10-year
20-year

Market
7.3%
7.2%
6.2%
5.8%

Actuarial
6.9%
8.0%
6.2%
6.4%

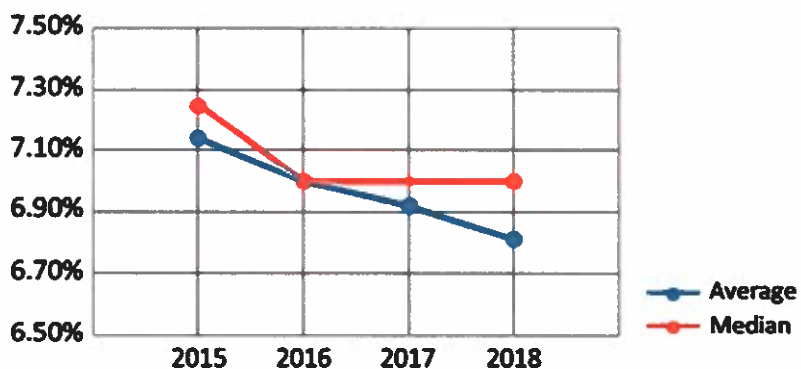


Long-Term Investment Return Assumption (FYE 2018 vs. FYE 2017)



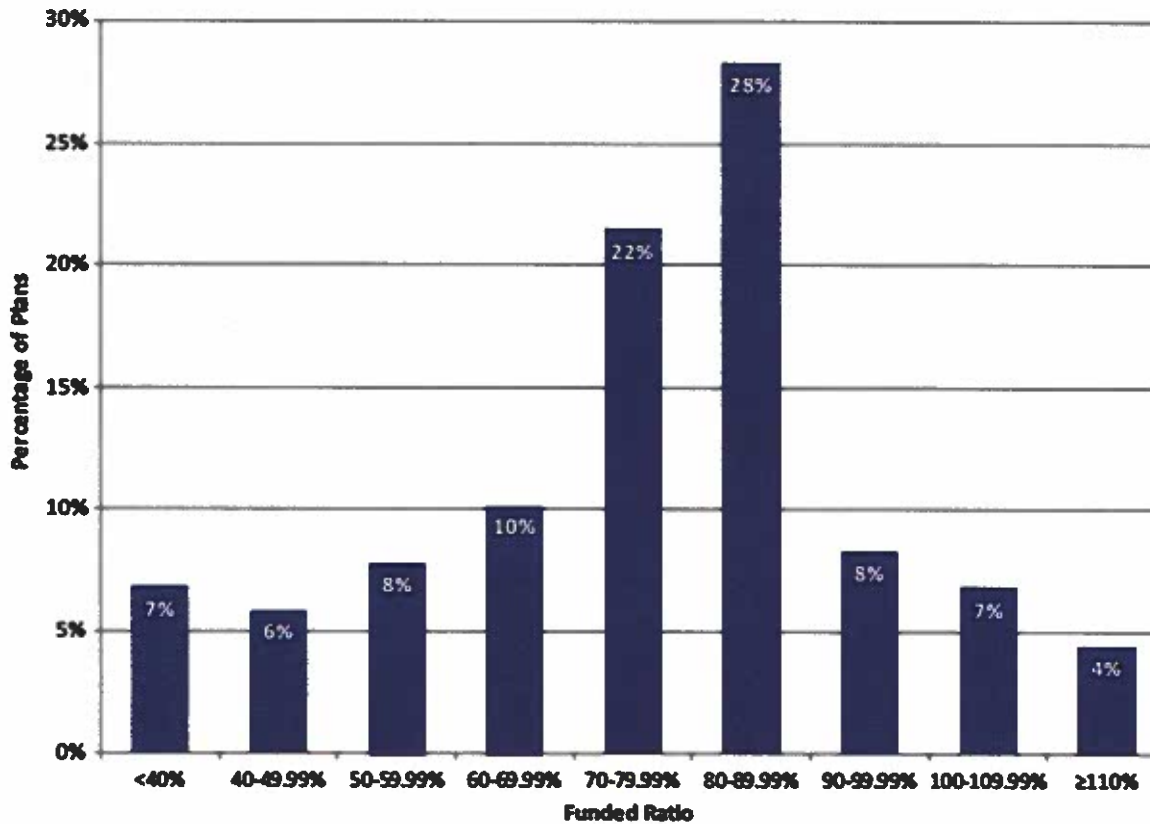
The average investment return assumption is 6.81% (median is 7.00%). This represents a decline of 11 basis points (bps) from the 6.92% average (7.00% median) in the 2017 study. This assumption is generally tied to either the July 1, 2017 or July 1, 2016 actuarial valuation used in determining the employer’s 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 exceed 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.

Breakdown of Actuarial Liability



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(in \$millions)

	July 1, 2018 (Current)		July 1, 2018 (Alternative)		July 1, 2017	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Active Participants	\$ 53.7	45.3%	\$ 53.5	45.3%	\$ 53.0	46.9%
Terminated Vesteds	2.4	2.0%	2.4	2.0%	2.3	2.0%
Retirees	<u>62.6</u>	<u>52.7%</u>	<u>62.4</u>	<u>52.7%</u>	<u>57.7</u>	<u>51.1%</u>
Total	\$118.7	100.0%	\$118.3	100.0%	\$113.0	100.0%
<u>By Plan</u>						
Police	\$ 38.9	32.8%	\$ 38.7	32.7%	\$ 37.1	32.8%
Plan 3	61.7	52.0%	61.5	52.0%	58.5	51.8%
Fire	<u>18.1</u>	<u>15.2%</u>	<u>18.1</u>	<u>15.3%</u>	<u>17.4</u>	<u>15.4%</u>
Total	\$118.7	100.0%	\$118.3	100.0%	\$113.0	100.0%

(in \$millions)

	July 1, 2018 Valuation (Current)	July 1, 2018 Valuation (Alternative)	July 1, 2017 Valuation
Assets, Actuarial Value	\$ 117.3	\$ 117.3	\$ 111.4
Actuarial Liabilities	<u>(118.7)</u>	<u>(118.3)</u>	<u>(113.0)</u>
Overfunding/(Underfunding)	\$ (1.4)	\$ (1.0)	\$ (1.6)
Funded Percent	98.8%	99.2%	98.6%
20-Year Payment	\$120,000	\$87,000	\$140,000

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, 2018 (Current)	Police	Plan 3	Fire	Total
Town's Normal Cost	\$ 430,000	\$ 1,147,000	\$ 202,000	\$ 1,779,000
Covered Payroll	3,467,000	10,010,000	2,592,000	16,069,000
Normal Cost as % of Covered Payroll	12.4%	11.5%	7.8%	11.1%

July 1, 2018 (Alternative)	Police	Plan 3	Fire	Total
Town's Normal Cost	\$ 427,000	\$ 1,141,000	\$ 201,000	\$ 1,769,000
Covered Payroll	3,467,000	10,010,000	2,592,000	16,069,000
Normal Cost as % of Covered Payroll	12.3%	11.4%	7.8%	11.0%

Breakdown of Town's Contribution*



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Fiscal Year 2019-2020 (Current)	Police	Plan 3	Fire	Total
Normal Cost	\$ 430,000	\$ 1,147,000	\$ 202,000	\$1,779,000
20-year payment on Unfunded	559,000	(423,000)	(16,000)	120,000
Adjustment for FYE 2019/2020	<u>34,000</u>	<u>25,000</u>	<u>7,000</u>	<u>66,000</u>
2019-2020 Contribution	\$1,023,000	\$ 749,000	\$ 193,000	\$1,965,000

Fiscal Year 2019-2020 (Alternative)	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>34,000</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

Fiscal Year 2018-2019	Police	Plan 3	Fire	Total
Normal Cost	\$ 416,000	\$1,183,000	\$ 175,000	\$1,774,000
20-year payment on Unfunded	561,000	(414,000)	(7,000)	140,000
Adjustment for FYE 2018/2019	<u>40,000</u>	<u>26,000</u>	<u>7,000</u>	<u>73,000</u>
2018-2019 Contribution	\$1,017,000	\$ 795,000	\$ 175,000	\$1,987,000

* 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						
7/1/2017	38	146	15	37	198	28
7/1/2018	36	131	15	34	180	28
Terminated Vested Participants						
7/1/2017	3	46	1	3	50	1
7/1/2018	1	45	1	4	50	1
Retired Participants						
7/1/2017	38	122	13	31	166	19
7/1/2018	41	132	13	33	178	19
Total Participants						
7/1/2017	79	314	29	71	414	48
7/1/2018	78	308	29	71	408	48

All but Fire closed to participation for new employees.