

Town of West Hartford Other Post-Employment Benefits Program

Actuarial Valuation as of July 1, 2023
To Determine Funding for Fiscal Year 2024-25

Prepared by

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Certification

As part of our engagement with the Town of West Hartford ("Town"), we have performed an actuarial valuation of the Plan as of July 1, 2023. Our findings are set forth in this actuary's report. The main purposes of this valuation are to determine funding for fiscal year 2024-25, to review the Plan's experience since the prior valuation, and to assess the funded position of the Plan.

Actuarial computations presented in this report are for the purposes of determining the recommended funding amounts for the Plan. The calculations in this report have been made on a basis consistent with our understanding of the Plan's funding policy and on our understanding of the plan provisions as summarized in this report. Determinations for purposes other than meeting these requirements, such as for financial reporting in accordance with GASB standards, may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

We believe that the measures of funded status contained herein are appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligations and for assessing the need for or the amount of future contributions.

Actuarial assumptions, including interest rates, mortality tables, and others identified in this report, and actuarial cost methods are adopted by the Town, who is responsible for selecting the Plan's funding policy, actuarial cost methods, asset valuation methods, and actuarial assumptions. The policies, methods, and assumptions used in this valuation are those that have been so adopted and are described in this report. The Town is solely responsible for communicating to Milliman any changes thereto. All costs, liabilities, rates of interest, and other factors for the Plan have been determined on the basis of actuarial assumptions and methods which, in our professional opinion, are individually reasonable (taking into account the experience of the Plan and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated future experience affecting the Plan and are expected to have no significant bias.

This valuation is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or modifications to contribution calculations based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of the actuarial assignment, we did not perform an analysis of the potential range of future measurements.

Certification (continued)

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the Town. This information includes, but is not limited to, benefit provisions, member census data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different, and our calculations may need to be revised.

Milliman's work is prepared solely for the use and benefit of the Town. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions: (a) the Town may provide a copy of Milliman's work, in its entirety, to the Town's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Town; and (b) the Town may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The valuation results were developed using models intended for valuations that use standard actuarial techniques. Milliman has developed certain models to develop the expected long term rate of return on assets and estimate the claim costs and trend used in this analysis. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice.

The consultants who worked on this assignment are actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct and Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



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i. Summary of Principal Results

Actuarial Valuation for Plan Year Beginning	July 1, 2021	July 1, 2023
Membership		
Active Members	1,531	1,563
Members Receiving Benefits	884	882
Spouses/Dependents Receiving Benefits	<u>458</u>	<u>461</u>
Total Count	2,873	2,906
Payroll	\$118,800,539	\$138,485,109
Assets and Liabilities		
Market Value of Assets	\$13,487,190	\$18,228,545
Accrued Liability for Active Members	46,931,423	55,772,578
Accrued Liability for Members Receiving Benefits	<u>195,596,785</u>	<u>188,697,498</u>
Total Accrued Liability	242,528,208	244,470,076
Unfunded Accrued Liability	229,041,018	226,241,531
Funded Ratio	5.6%	7.5%
Actuarially Determined Contribution		
For Fiscal Year	2022-23	2024-25
Normal Cost	\$2,955,911	\$3,661,348
Past Service Cost	14,045,472	15,060,797
Interest	<u>1,062,587</u>	<u>1,216,940</u>
Actuarially Determined Contribution	18,063,970	19,939,085
Allocated to Police & Fire	10,463,804	12,265,044
Allocated to Town	4,030,721	4,518,028
Allocated to Certified	1,647,736	1,560,791
Allocated to Non-Certified	<u>1,921,709</u>	<u>1,595,222</u>
Total	18,063,970	19,939,085

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ii. Changes Since the Prior Valuation

Demographic Changes and Plan Experience

From July 1, 2021 to July 1, 2023 the overall membership increased from 2,873 to 2,906. The number of active members increased from 1,531 to 1,563, and the total number of members and spouses/dependents receiving benefits increased from 1,342 to 1,343.

The average age of active members decreased slightly from 45.5 to 45.4, and the average age of members receiving benefits decreased slightly from 67.1 to 66.8.

Plan Changes

None.

Changes in Actuarial Methods and Assumptions

We updated the medical trend and inflation assumptions to better reflect anticipated future experience. We also updated the salary scale, retirement rate and termination rate assumptions based on a study of plan experience during 7/1/2017-7/1/2022. Further, we updated the future retiree coverage rate, married rate and mortality assumptions. Lastly, we updated the interest rate assumption from 6.25% to 6.50%. These changes, in combination, increased the Unfunded Accrued Liability by about \$7.3 million and the Actuarially Determined Contribution by about \$0.9 million.

Other Significant Changes

None.

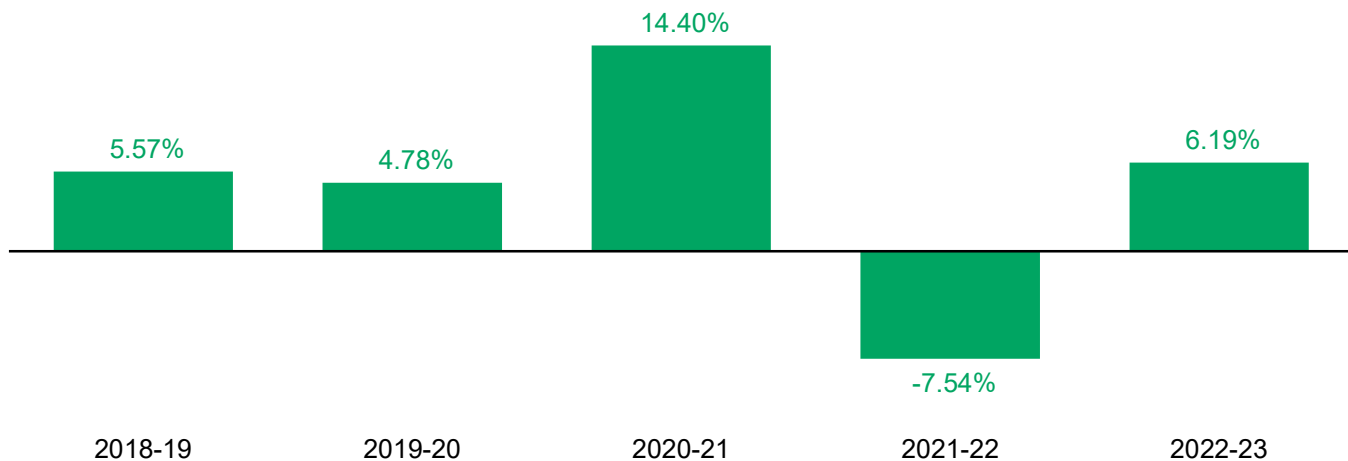
iii. Asset Performance

The Market Value is a snapshot of the plan's investments as of the valuation date.

Value as of July 1, 2021	\$13,487,190
Town Contributions	35,410,150
Member Contributions	231,181
Investment Income	(114,627)
Benefit Payments and Administrative Expenses	<u>(30,785,349)</u>
Value as of July 1, 2023	18,228,545

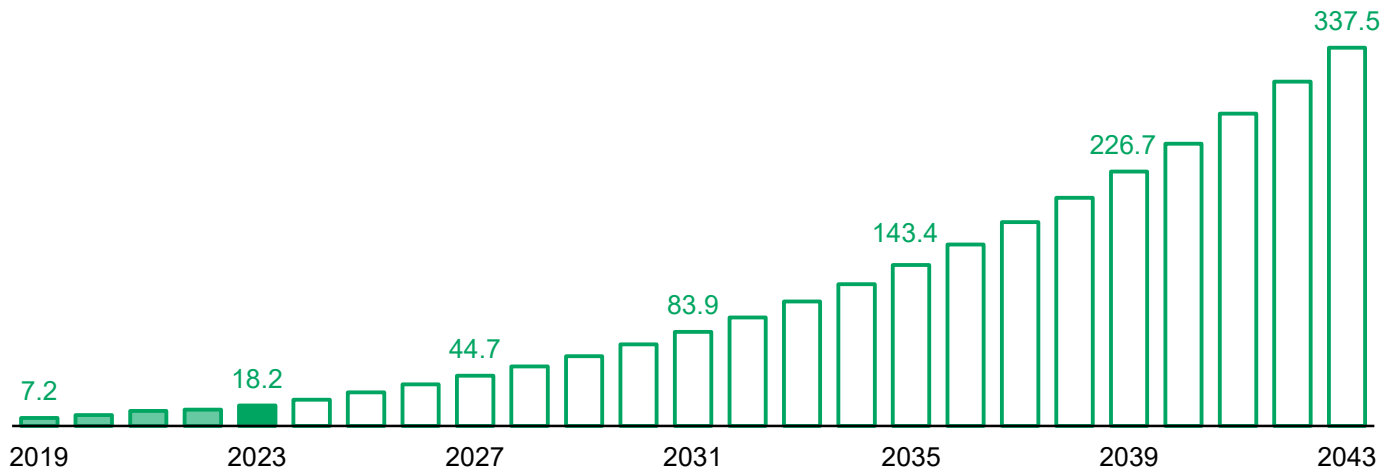
For fiscal year 2021-22, the plan's assets earned -7.54% on a Market Value basis. The interest rate assumption for this period was 6.25%, so the result was a loss of about \$2.0 million. For fiscal year 2022-23, the plan's assets earned 6.19% on a Market Value basis. The interest rate assumption for this period was 6.25%, so the result was a loss of about \$10,000.

Historical rates of return are shown in the graph below:



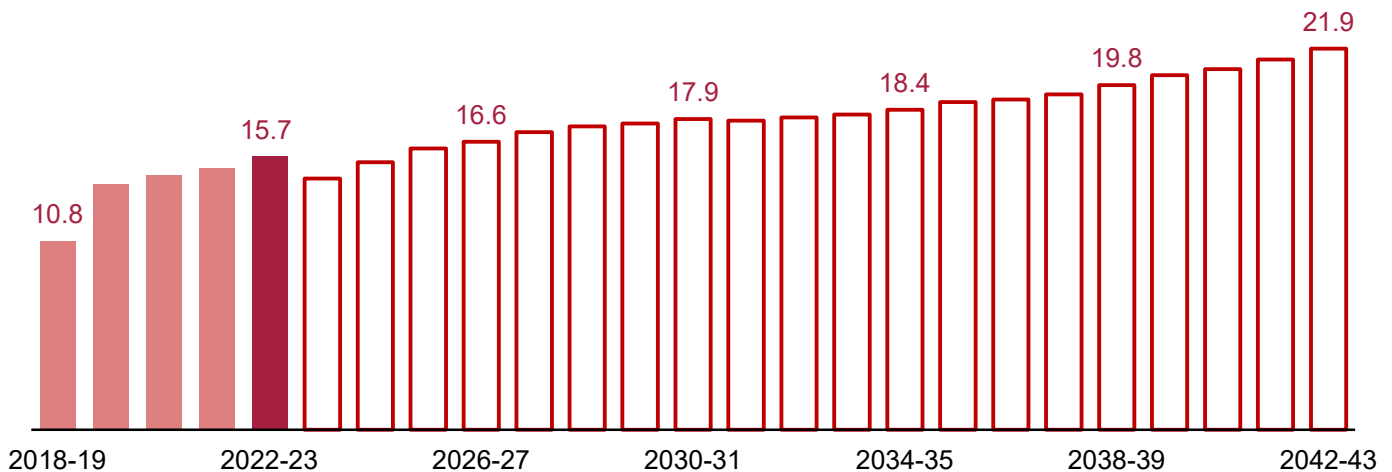
iv. Asset Forecast

The graph below shows how this year's asset values compare to where the plan's assets have been over the past several years and how they are projected to change over the next 20 years. For purposes of this projection, we have assumed that the Town always contributes the Actuarially Determined Contribution and the investments always earn the assumed interest rate each year.



In 2022-23, the plan paid out \$15.7 million in benefits to members. Over the next 20 years, the plan is projected to pay out a total of \$366 million in benefits to members.

Benefit Payments (\$ millions)

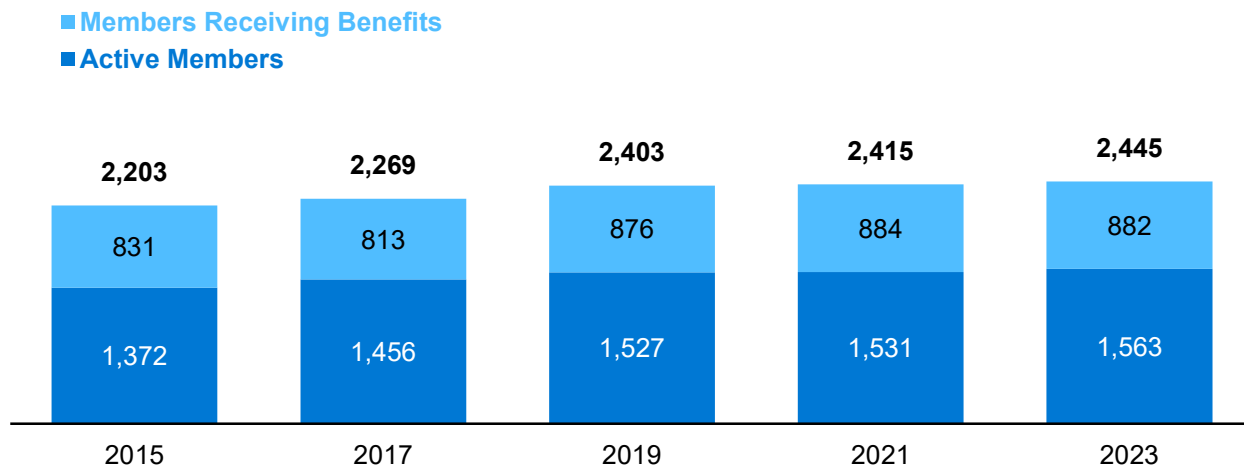


To the extent that there are future investment or liability gains or losses, changes in the actuarial assumptions or methods, or plan changes, the actual valuation results will differ from these forecasts. Please see Appendix A for more details of the long range forecast.

v. Membership

Overview

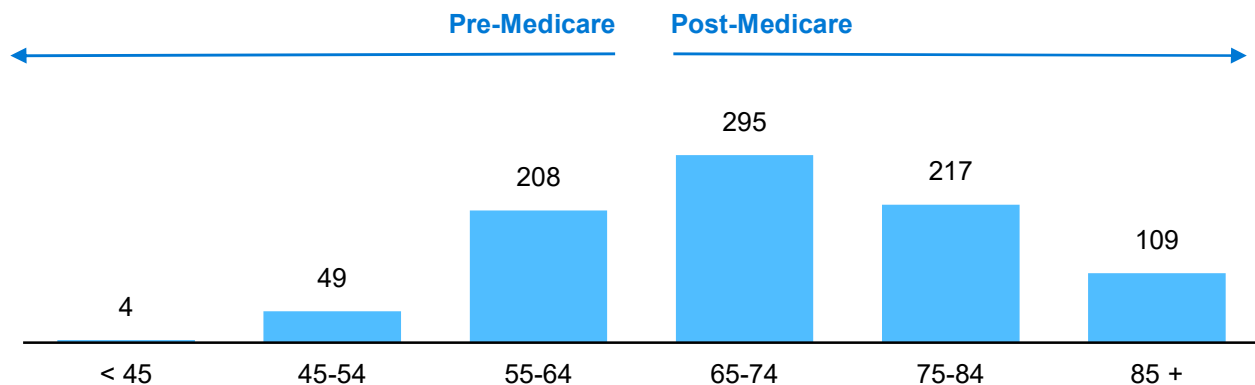
There are two basic categories of plan members included in the valuation: (1) members who are receiving benefits and (2) active employees who have met the eligibility requirements for membership.



Members Receiving Benefits on July 1, 2023

Police & Fire	335	Average Age	70.9
Town	284		
Certified	61		
Non-Certified	<u>202</u>		
Total	882		

The fall across a wide distribution of ages:



v. Membership (continued)

Active Members on July 1, 2023

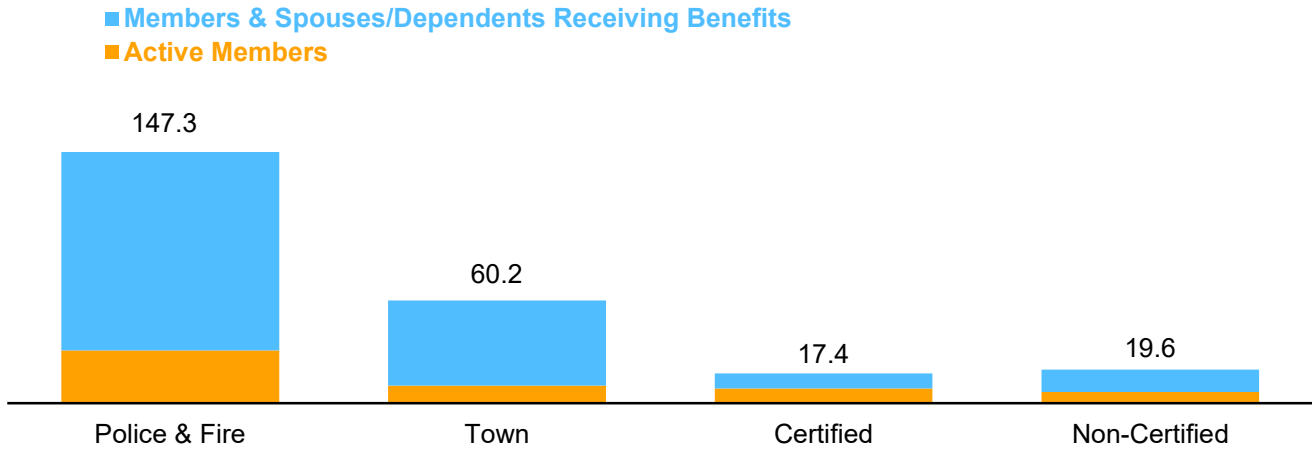
Police & Fire	211	Average Age	45.4
Town	221	Average Service	11.7
Certified	906	Payroll	\$138,485,109
Non-Certified	<u>225</u>	Average Payroll	88,602
Total	1563	Total	1,563

The table below illustrates the age and years of service of the active membership:

Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
< 25	26							26
25-29	99	15						114
30-34	75	66	14					155
35-39	93	43	70	12				218
40-44	65	49	41	78	8			241
45-49	44	37	29	45	56	5		216
50-54	31	28	21	26	53	39	4	202
55-59	41	29	28	32	46	32	12	220
60-64	17	14	16	22	27	10	7	113
65+	10	7	4	13	13	5	6	58
Total	501	288	223	228	203	91	29	1,563

vi. Accrued Liability

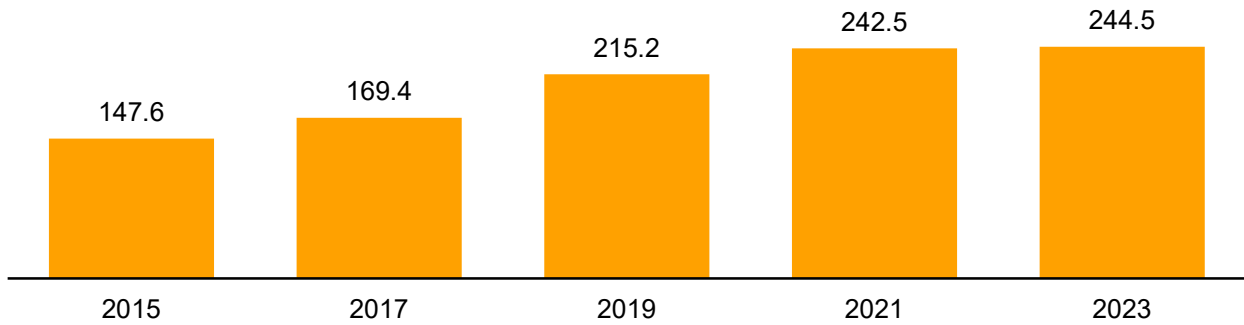
The Accrued Liability as of July 1, 2023 equals \$244,470,076, which consists of the following pieces (in \$ millions):



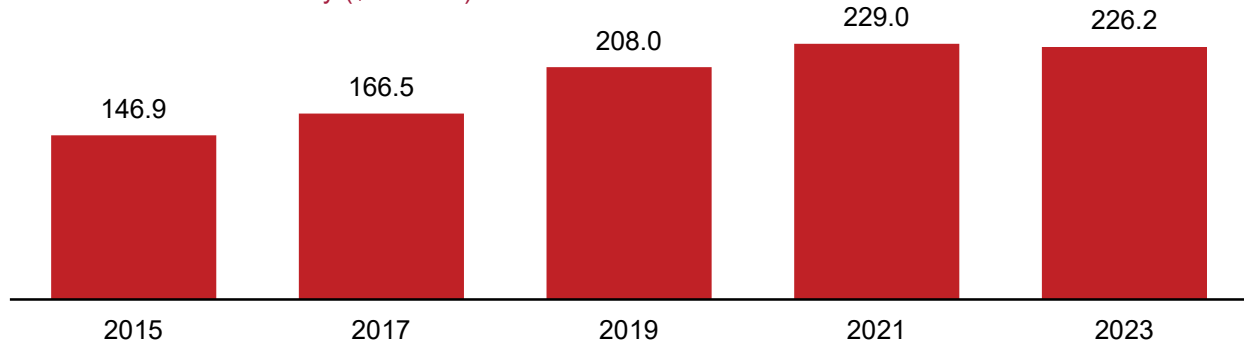
vii. Funded Status

The Accrued Liability grows over time as active members earn additional benefits, and goes down over time as members receiving benefits receive benefits; it may also change when there are changes to the plan provisions or changes in the actuarial assumptions. The Unfunded Accrued Liability is the dollar difference between the Accrued Liability and the Market Value of Assets; the Funded Ratio is the ratio of the two.

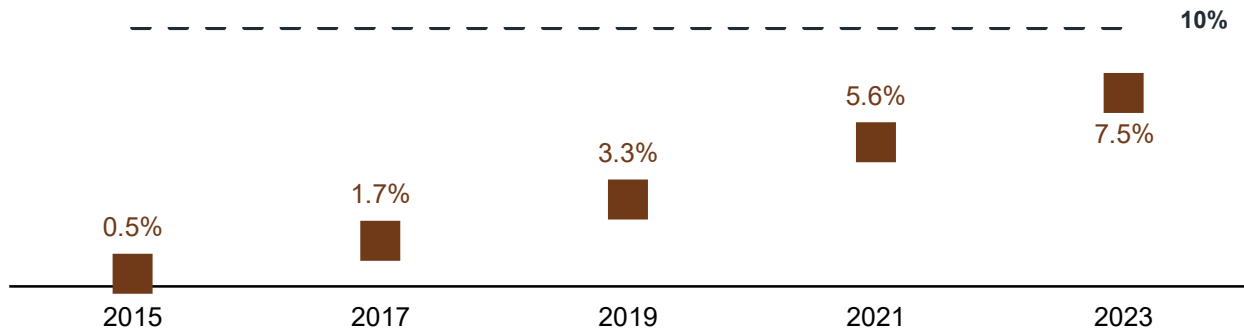
Accrued Liability (\$ millions)



Unfunded Accrued Liability (\$ millions)



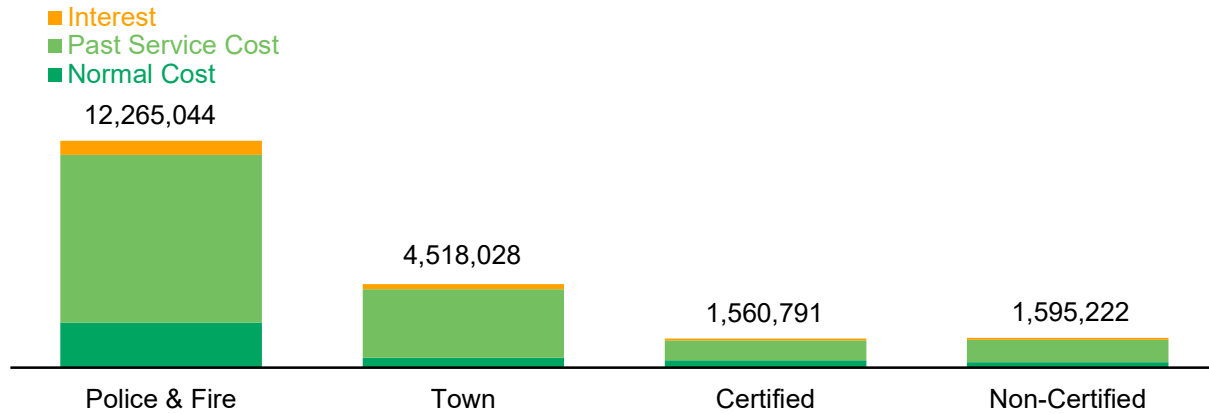
Funded Ratio



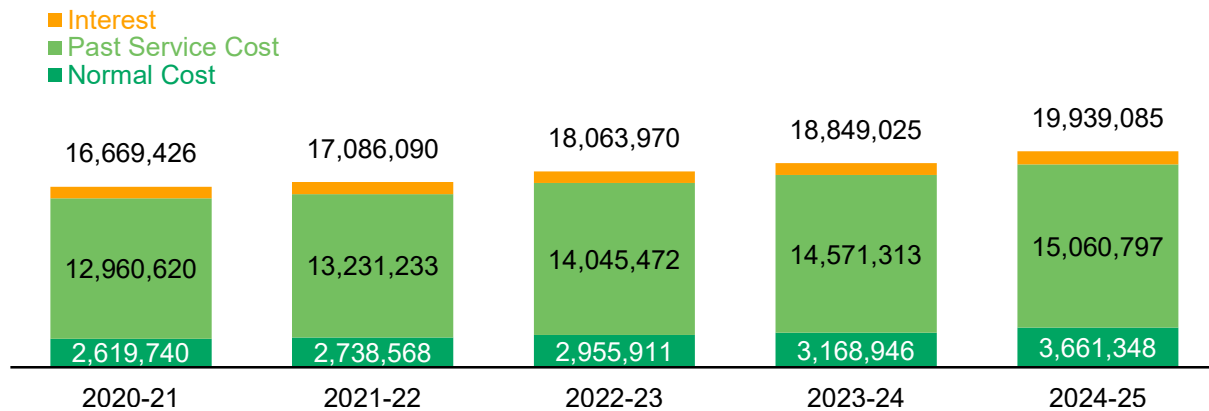
viii. Actuarially Determined Contribution (ADC)

The ADC consists of three pieces: a Normal Cost payment to fund the benefits earned each year, a Past Service Cost to gradually reduce any unfunded or surplus liability, and Interest to reflect the timing of the contribution relative to the valuation date. The ADC for fiscal year 2024-25 is \$19,939,085:

The ADC by group is shown below:

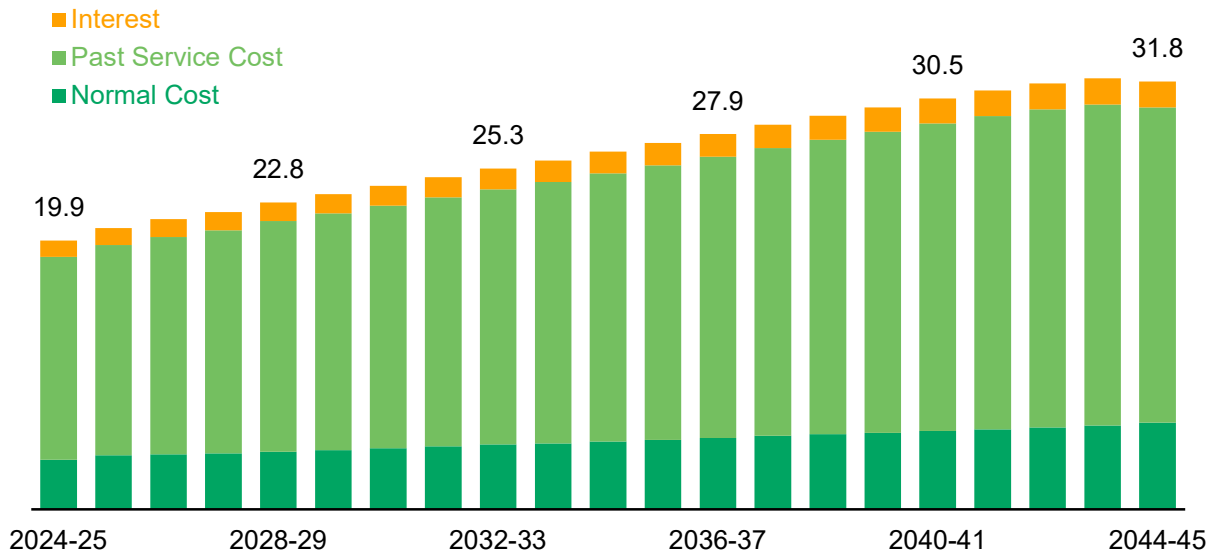


The ADC for the past five years is shown below:



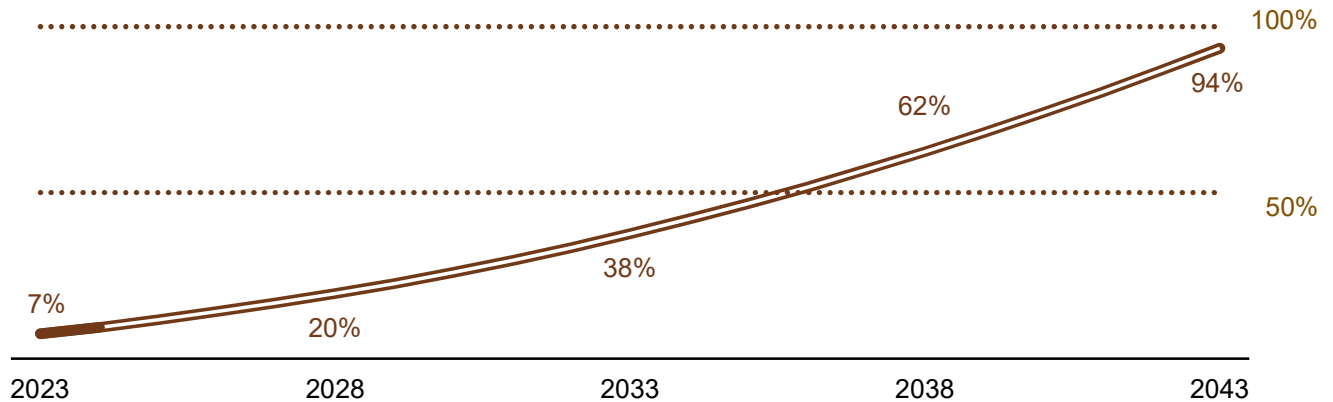
ix. Long-Range Forecast

If the Town pays the Actuarially Determined Contribution each year, the investments earn exactly the assumed interest rate each year, and there are no changes in the plan provisions or in the actuarial methods and assumptions, then we project the following long-range Actuarially Determined Contributions (in \$ millions):



On the basis of this forecast, the Actuarially Determined Contribution currently exceeds the sum of the Normal Cost plus one year's interest on the Unfunded Accrued Liability and the Unfunded Accrued Liability is not expected to be fully amortized until beyond the end of the projection period. Over time, the funded ratio is expected to change as follows:

Funded Ratio

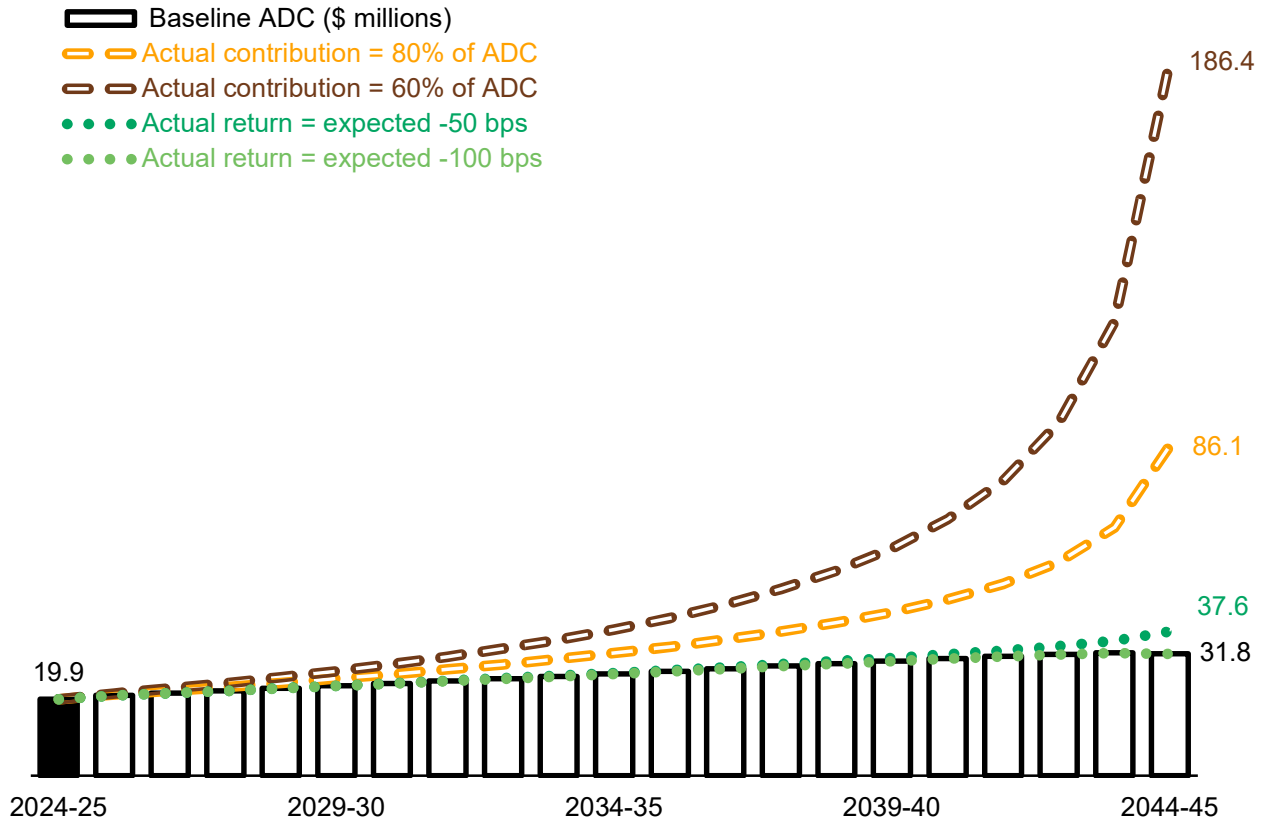


To the extent that there are future investment or liability gains or losses, changes in the actuarial assumptions or methods, or plan changes, the actual valuation results will differ from these forecasts. Please see Appendix A for more details of the long range forecast.

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ix. Long-Range Forecast (continued)

OPEB benefits are paid for through a combination of contributions from the Town and investment income. If the Town pays less than the Actuarially Determined Contribution each year, or if the investments persistently earn less than the assumed interest rate, then the plan's funded status would suffer, and to compensate, the Town's contribution levels would be pushed higher. The risks of underfunding and underearning are illustrated in the hypothetical scenarios below:



The scenarios illustrated above are based on deterministic projections that assume emerging plan experience always exactly matches the actuarial assumptions; in particular that actual asset returns will be constant in every year of the projection period. Variation in asset returns, contribution amounts, and many other factors may have a significant impact on the long-term financial health of the plan, the liquidity constraints on plan assets, and the Town's future contribution levels. Stochastic projections could be prepared that would enable the Town to understand the potential range of future results based on the expected variability in asset returns and other factors. Such analysis was beyond the scope of this engagement.

1. Summary of Fund Transactions

	Total
Market Value as of July 1, 2021	\$13,487,190
Town Contributions	17,178,178
Member Contributions	112,377
Net Investment Income	(1,100,561)
Benefit Payments	(15,060,178)
Administrative Expenses	0
Market Value as of June 30, 2022	14,617,006
Expected Return on Market Value of Assets	912,269
Market Value (Gain)/Loss	2,012,830
Approximate Rate of Return *	-7.54%
Market Value as of July 1, 2022	\$14,617,006
Town Contributions	18,231,972
Member Contributions	118,804
Net Investment Income	985,934
Benefit Payments	(15,720,721)
Administrative Expenses	(4,450)
Market Value as of June 30, 2023	18,228,545
Expected Return on Market Value of Assets	995,491
Market Value (Gain)/Loss	9,557
Approximate Rate of Return *	6.19%

* The rate shown here is not the dollar or time weighted investment yield rate which measures investment performance. It is an approximate net return assuming all activity occurred on average midway through the year.

2. Accrued Liability

We have broken the Accrued Liability into several pieces: benefits that are expected to be paid prior to age 65 (i.e., prior to Medicare) and after age 65 (i.e., after Medicare) that current active members and their covered dependents will receive once the member retires, and the same figures for members who have already retired and are currently receiving benefits. In all cases, the Accrued Liability only reflects benefits that are paid for by the Town, taking into account any implicit rate subsidies.

	Police & Fire	Town	Certified	Non-Certified	Total
Current Active Members					
Members Under Age 65	\$10,455,030	\$1,223,143	\$7,026,853	\$1,225,206	\$19,930,232
Members Over Age 65	5,974,454	5,115,844	69,249	3,756,230	14,915,777
Spouses/Dependents Under Age 65	10,844,677	880,690	1,288,654	487,757	13,501,778
Spouses/Dependents Over Age 65	<u>3,627,425</u>	<u>2,889,731</u>	<u>27,396</u>	<u>880,239</u>	<u>7,424,791</u>
Total	30,901,586	10,109,408	8,412,152	6,349,432	55,772,578
Current Members Receiving Benefits					
Members Under Age 65	\$27,492,916	\$3,591,672	\$1,160,318	\$1,955,044	\$34,199,950
Members Over Age 65	37,916,527	28,564,644	6,370,324	8,898,975	81,750,470
Spouses/Dependents Under Age 65	27,418,909	3,180,304	238,657	705,704	31,543,574
Spouses/Dependents Over Age 65	<u>23,598,663</u>	<u>14,725,978</u>	<u>1,220,943</u>	<u>1,657,920</u>	<u>41,203,504</u>
Total	116,427,015	50,062,598	8,990,242	13,217,643	188,697,498
Total Accrued Liability	147,328,601	60,172,006	17,402,394	19,567,075	244,470,076
Accrued Liability Sensitivity					
			1% Decrease	Baseline	1% Increase
Discount Rate			275,245,474	244,470,076	219,141,568
Trend Rate			218,746,500	244,470,076	275,886,725

3. Actuarially Determined Contribution

The Past Service Cost is calculated by amortizing the Unfunded Accrued Liability over a closed period of 30 years starting in 2014 using an amortization growth rate of 2.75%. On this basis, the Actuarially Determined Contribution (ADC) is determined as follows:

	Police & Fire	Town	Certified	Non-Certified	Total
Accrued Liability	\$147,328,601	\$60,172,006	\$17,402,394	\$19,567,075	\$244,470,076
Market Value of Assets*	10,985,337	4,486,635	1,297,583	1,458,990	18,228,545
Unfunded Accrued Liability	136,343,264	55,685,371	16,104,811	18,108,085	226,241,531
Funded Ratio	7.5%	7.5%	7.5%	7.5%	7.5%
Amortization Period	21	21	21	21	21
Amortization Growth Rate	2.75%	2.75%	2.75%	2.75%	2.75%
Past Service Cost	9,076,310	3,706,950	1,072,090	1,205,447	15,060,797
Total Normal Cost	2,676,509	534,198	393,114	292,046	3,895,867
Employee Contributions	239,119	0	0	0	239,119
Expenses*	2,773	1,132	327	368	4,600
Net Normal Cost	2,440,163	535,330	393,441	292,414	3,661,348
Interest	748,571	275,748	95,260	97,361	1,216,940
ADC for FY 2024-25	12,265,044	4,518,028	1,560,791	1,595,222	19,939,085
Expected Benefit Payments	(8,811,264)	(4,247,604)	(1,032,666)	(1,289,727)	(15,381,261)
Net Budget Impact	3,453,780	270,424	528,125	305,495	4,557,824

The ADC is assumed to be paid at the beginning of the Fiscal Year.

* The Market Value of Assets and Expenses are allocated in proportion to the Accrued Liability.

4. Long Range Funded Status Forecast

This forecast is based on the results of the July 1, 2023 actuarial valuation and assumes that the Town will pay the Actuarially Determined Contribution each year, the assets will return the assumed interest rate on a market value basis each year, and there are no future changes in the actuarial methods or assumptions or in the plan provisions. For purposes of this forecast the amortization period declines to 1 year to illustrate the progress of the plan towards becoming fully funded; in actual practice the amortization period will not be less than 1 year in order to shield the Town from contribution volatility. Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets.

Valuation Date	Accrued Liability	Market Value of Assets	Unfunded Accrued Liability	Funded Ratio
7/1/2023	\$244,470,076	\$18,228,545	\$226,241,531	7.5%
7/1/2024	250,011,000	23,400,000	226,611,000	9.4%
7/1/2025	256,083,000	29,876,000	226,207,000	11.7%
7/1/2026	260,375,000	36,926,000	223,449,000	14.2%
7/1/2027	266,589,000	44,710,000	221,879,000	16.8%
7/1/2028	270,798,000	52,988,000	217,810,000	19.6%
7/1/2029	275,060,000	62,215,000	212,845,000	22.6%
7/1/2030	279,575,000	72,514,000	207,061,000	25.9%
7/1/2031	284,277,000	83,867,000	200,410,000	29.5%
7/1/2032	289,511,000	96,718,000	192,793,000	33.4%
7/1/2033	294,988,000	110,886,000	184,102,000	37.6%
7/1/2034	300,798,000	126,420,000	174,378,000	42.0%
7/1/2035	306,833,000	143,386,000	163,447,000	46.7%
7/1/2036	312,957,000	161,662,000	151,295,000	51.7%
7/1/2037	319,494,000	181,689,000	137,805,000	56.9%
7/1/2038	326,281,000	203,444,000	122,837,000	62.4%
7/1/2039	333,048,000	226,733,000	106,315,000	68.1%
7/1/2040	339,845,000	251,613,000	88,232,000	74.0%
7/1/2041	346,834,000	278,443,000	68,391,000	80.3%
7/1/2042	353,860,000	307,064,000	46,796,000	86.8%

5. Long Range Cash Flow Forecast

This forecast is based on the results of the July 1, 2023 actuarial valuation and assumes that the Town will pay the Actuarially Determined Contribution each year, the assets will return the assumed interest rate on a market value basis each year, and there are no future changes in the actuarial methods or assumptions or in the plan provisions. For purposes of this forecast the amortization period declines to 1 year to illustrate the progress of the plan towards becoming fully funded; in actual practice the amortization period will not be less than 1 year in order to shield the Town from contribution volatility. Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets.

Fiscal Year	Town Contributions	Member Contributions	Benefit Payments	Administrative Expenses	Net Cash Flows
2024-25	\$19,939,085	\$246,293	\$15,381,261	\$4,722	\$4,799,395
2025-26	20,871,000	254,000	16,173,000	5,000	4,947,000
2026-27	21,517,000	261,000	16,559,000	5,000	5,214,000
2027-28	22,043,000	269,000	17,104,000	5,000	5,203,000
2028-29	22,771,000	277,000	17,442,000	5,000	5,601,000
2029-30	23,379,000	286,000	17,602,000	5,000	6,058,000
2030-31	23,998,000	294,000	17,855,000	6,000	6,431,000
2031-32	24,642,000	303,000	17,772,000	6,000	7,167,000
2032-33	25,280,000	312,000	17,953,000	6,000	7,633,000
2033-34	25,874,000	321,000	18,125,000	6,000	8,064,000
2034-35	26,536,000	331,000	18,388,000	6,000	8,473,000
2035-36	27,174,000	341,000	18,835,000	7,000	8,673,000
2036-37	27,855,000	351,000	18,980,000	7,000	9,219,000
2037-38	28,548,000	362,000	19,270,000	7,000	9,633,000
2038-39	29,203,000	373,000	19,820,000	7,000	9,749,000
2039-40	29,826,000	384,000	20,378,000	7,000	9,825,000
2040-41	30,486,000	395,000	20,729,000	8,000	10,144,000
2041-42	31,069,000	407,000	21,277,000	8,000	10,191,000
2042-43	31,604,000	419,000	21,909,000	8,000	10,106,000
2043-44	31,980,000	432,000	22,800,000	8,000	9,604,000

6. History of Funded Status

Valuation Date	Market Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio
July 1, 2013	\$183,000	\$118,864,906	\$118,681,906	0.2%
July 1, 2015	702,000	147,594,000	146,892,000	0.5%
July 1, 2017	2,960,380	169,415,000	166,454,620	1.7%
July 1, 2019	7,204,521	215,240,118	208,035,597	3.3%
July 1, 2021	13,487,190	242,528,208	229,041,018	5.6%
July 1, 2023	18,228,545	244,470,076	226,241,531	7.5%

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7. History of Town Contributions

Fiscal Year	Actuarially Determined Contribution	Actual Town Contribution	Contribution Deficiency (Excess)
2011-12	\$7,318,000	\$6,450,000	\$868,000
2012-13	8,506,100	7,381,000	1,125,100
2013-14	8,999,000	7,690,000	1,309,000
2014-15	9,779,951	8,473,000	1,306,951
2015-16	11,251,000	10,813,000	438,000
2016-17	11,981,000	12,018,884	(37,884)
2017-18	12,689,000	12,208,089	480,911
2018-19	14,255,000	12,551,065	1,703,935
2019-20	14,836,000	16,098,730	(1,262,730)
2020-21	16,669,426	16,741,414	(71,988)
2021-22	17,086,090	17,178,178	(92,088)
2022-23	18,063,970	18,231,972	(168,002)
2023-24	18,849,025	17,437,017	1,412,008
2024-25	19,939,085	TBD	TBD

8. Summary of Active Membership Data

	July 1, 2021	July 1, 2023
Number of Active Members		
Police & Fire	184	211
Town	201	221
Certified	916	906
Non-Certified	<u>230</u>	<u>225</u>
Total	1,531	1,563
Average Age		
Police & Fire	37.1	36.1
Town	48.8	48.2
Certified	44.9	45.2
Non-Certified	51.9	51.8
Total	45.5	45.4
Average Service		
Police & Fire	9.2	8.2
Town	10.6	9.2
Certified	13.0	13.1
Non-Certified	11.8	11.9
Total	12.1	11.7
Payroll		
Police & Fire	\$15,607,255	\$26,102,525
Town	14,711,423	19,728,282
Certified	75,255,004	78,577,023
Non-Certified	<u>13,226,857</u>	<u>14,077,279</u>
Total	118,800,539	138,485,109
Average Payroll		
Police & Fire	\$84,822	\$123,709
Town	73,191	89,268
Certified	82,156	86,730
Non-Certified	57,508	62,566
Total	77,597	88,602

9. Summary of Inactive Membership Data

	July 1, 2021	July 1, 2023
Number of Members Receiving Benefits		
Police & Fire	323	335
Town	289	284
Certified	62	61
Non-Certified	<u>210</u>	<u>202</u>
Total	884	882
Average Age of Members Receiving Benefits		
Police & Fire	66.5	66.5
Town	74.2	74.3
Certified	74.5	70.2
Non-Certified	73.2	73.5
Total	71.1	70.9
Number of Spouses/Dependents Receiving Benefits		
Police & Fire	224	227
Town	141	146
Certified	21	21
Non-Certified	<u>72</u>	<u>67</u>
Total	458	461
Average Age of Spouses/Dependents Receiving Benefits		
Police & Fire	62.5	62.4
Town	72.1	72.0
Certified	65.7	62.3
Non-Certified	71.2	71.9
Total	67.1	66.8

Appendix A - Actuarial Funding Method

Cost Method

The actuarial cost method used in the valuation of this Plan is known as the Entry Age Normal Method. The Actuarially Determined Contribution consists of three pieces: Normal Cost plus a Past Service Cost payment to gradually eliminate the Unfunded Accrued Liability plus Interest to reflect the timing of the contribution relative to the valuation date.

The Normal Cost is determined by calculating the present value of future benefits for present Active Members that will become payable as the result of death, disability, retirement or termination. This cost is then spread as a level percentage of earnings from entry age to termination for each individual. If Normal Costs had been paid at this level for all prior years, a fund would have accumulated. Because this fund represents the portion of benefits that would have been funded to date, it is termed the Accrued Liability. In fact, it is calculated by adding the present value of benefits for Members Receiving Benefits and Terminated Members to the present value of benefits for Active Members and subtracting the present value of future Normal Cost contributions.

The funding cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

Amortization Method

The Unfunded Accrued Liability is the excess of the Accrued Liability less the Market Value of Assets. This Unfunded Accrued Liability is amortized as a level percent over a closed 30 year period starting on July 1, 2014.

Long-Range Forecast

The long-range forecasts included in this report have been developed by assuming that members will terminate, retire, become disabled, and die according to the actuarial assumptions with respect to these causes of decrement, and that pay increases, cost of living adjustments, and so forth will likewise occur according to the actuarial assumptions. For those unions whose new employees are eligible to participate in this plan, members who are projected to leave active employment are assumed to be replaced by new active members with the same age, service, gender, and pay characteristics as those hired in the past few years.

Appendix B - Actuarial Assumptions

Each of the assumptions used in this valuation was set based on a formal study of the plan's experience for the period of July 1, 2017 - June 30, 2022 supplemented by industry standard published tables and data, the particular characteristics of the plan, relevant information from the plan sponsor or other sources about future expectations, and our professional judgment regarding future plan experience. We believe the assumptions are reasonable for the contingencies they are measuring, and are not anticipated to produce significant cumulative actuarial gains or losses over the measurement period. Several assumptions were changed with this valuation. See pages 31-34 of this report for the assumptions that were used for the prior valuation.

Interest Rate 6.50%

Inflation 2.50%

**Amortization
Growth Rate** 2.75%

Medical Trend The medical trend assumption used in this valuation is based on long-term healthcare trend rates generated by the Society of Actuaries' Getzen Trend Model. Inputs to the model are consistent with other assumptions used in the valuation.

The 2023-24 and 2024-25 rates below for the Post-65 State Partnership Plan reflect the actual increase in premium from 2023 to 2025. The 2023-24 rates for All Others also reflect the actual increase in premium.

Year	State Partnership Plan		All Others	
	Pre-65	Post-65	Pre-65	Post-65
2023 to 2024	6.40%	53.90%	7.50%	9.00%
2024 to 2025	6.80%	35.80%	6.30%	7.90%
2025 to 2026	6.70%	6.60%	5.70%	6.20%
2026 to 2027	6.10%	6.10%	5.30%	5.30%
2027 to 2028	5.50%	5.50%	5.20%	5.20%
2028 to 2029	5.10%	5.10%	5.00%	5.00%
2029 to 2030	5.00%	5.00%	4.90%	4.90%
2030 to 2031	4.80%	4.80%	4.70%	4.70%
2031 to 2032	4.70%	4.70%	4.60%	4.60%
2032 to 2033	4.50%	4.50%	4.30%	4.30%
2033 to 2034	4.50%	4.50%	4.20%	4.20%
2034 to 2049	4.40%	4.40%	4.20%	4.20%
2049 to 2050	4.50%	4.50%	4.20%	4.30%
2050 to 2065	4.50%	4.50%	4.30%	4.30%
2065 to 2067	4.40%	4.40%	4.20%	4.20%
2067 to 2068	4.40%	4.40%	4.10%	4.10%
2068 to 2070	4.30%	4.30%	4.10%	4.10%
2070 to 2072	4.20%	4.20%	4.00%	4.00%
2072 to 2073	4.10%	4.10%	4.00%	4.00%
2073 to 2074	4.10%	4.10%	3.90%	3.90%
2074 +	4.00%	4.00%	3.90%	3.90%

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Appendix B - Actuarial Assumptions (continued)

Salary Scale Rates are based on years of service:

Service	Police	Fire	Certified BOE [#]	All Others
0	7.10%	7.20%	6.50%	6.00%
1	7.50%	7.40%	6.25%	6.00%
2	5.70%	5.70%	6.00%	6.00%
3	6.50%	6.50%	6.00%	6.00%
4	9.40%	8.50%	6.00%	6.00%
5	3.00%	2.75%	6.00%	5.00%
6	3.00%	2.75%	6.00%	4.50%
7	3.00%	2.75%	6.00%	4.50%
8	3.00%	2.75%	6.00%	4.50%
9	3.00%	2.75%	6.00%	3.50%
10	3.00%	2.75%	5.50%	3.50%
11	3.00%	2.75%	5.50%	3.50%
12	3.00%	2.75%	5.25%	3.50%
13	3.00%	2.75%	5.00%	3.50%
14	3.00%	2.75%	4.75%	3.50%
15	3.00%	2.75%	4.50%	2.75%
16	3.00%	2.75%	4.00%	2.75%
17	3.00%	2.75%	3.75%	2.75%
18	3.00%	2.75%	3.50%	2.75%
19	3.00%	2.75%	3.25%	2.75%
20	7.00%	2.75%	3.00%	2.75%
21+	2.75%	2.75%	3.00%	2.75%

Plus an additional 1% increase in the first year for all groups except Certified BOE.

Healthy Mortality

Certified BOE[#]: PubT-2010 Mortality Table for Employees and Healthy Annuitants (adjusted 105% for males and 103% for females at ages 82 and above) with generational projection of future improvements per the MP-2021 Ultimate scale. The PubT-2010 Contingent Survivor Table projected generationally per the MP-2021 Ultimate scale and set forward 1 year for both males and females is used for survivors and beneficiaries. This assumption includes a margin for improvements in longevity beyond the valuation date.

All Others: Pub-2010 Mortality Table with generational projection per the MP-2021 Ultimate scale, with employee rates before commencement and healthy annuitant rates after benefit commencement. The Public Safety variant is used for Custodial (05), Maintenance (06), Grounds (70), Building Maintenance (71), Streets (62), Fire (61), and Police (60), and the General variant is used for all other groups. This assumption includes a margin for future improvements in longevity.

Appendix B - Actuarial Assumptions (continued)

Disabled Mortality **Certified BOE#:** PubT-2010 Disabled Mortality Table for males and females with generational projection of future improvements per the MP-2021 Ultimate scale. This assumption includes a margin for mortality improvement beyond the valuation date.

All Others: Pub-2010 Mortality Table for disabled retirees with generational projection per the MP-2021 Ultimate scale. The Public Safety variant is used for Custodial (05), Maintenance (06), Grounds (70), Building Maintenance (71), Streets (62), Fire (61), and Police (60), and the General variant is used for all other groups. This assumption includes a margin for future improvements in longevity.

Retirement **Certified BOE#:** rates based on age, eligibility for pension benefits, and gender:

Age	Unreduced			
	< 35 years of service		35+ years of service	
	Male	Female	Male	Female
50-59			35.00%	30.00%
60	20.00%	20.00%	30.00%	30.00%
61	20.00%	20.00%	30.00%	30.00%
62	22.50%	20.00%	30.00%	30.00%
63	22.50%	20.00%	30.00%	30.00%
64	25.00%	25.00%	30.00%	30.00%
65	27.50%	32.50%	35.00%	37.50%
66	27.50%	30.00%	35.00%	37.50%
67-74	27.50%	30.00%	30.00%	32.50%
75	100.00%	100.00%	100.00%	100.00%

Age	Proratable		Reduced	
	Male	Female	Male	Female
50-52			1.50%	1.25%
53			1.50%	1.75%
54			2.00%	2.25%
55			3.00%	3.00%
56			4.00%	3.75%
57			5.00%	4.50%
58			6.50%	5.50%
59			8.00%	7.00%
60	6.00%	5.00%		
61	6.00%	6.00%		
62	6.00%	7.00%		
63	9.00%	8.00%		
64	12.00%	9.00%		
65	15.00%	12.00%		
66-68	18.00%	15.00%		
69-79	28.50%	15.00%		
80	100.00%	100.00%		

Appendix B - Actuarial Assumptions (continued)

Retirement

Parts B & B1 & E:

Age	Rate
45-54	3%
55	10%
56-57	5%
58	8%
59-61	12%
62	20%
63	11%
64-66	25%
67	40%
68	25%
69-73	20%
74	50%
75	100%

Part C:

Age	Rate
40-42	0%
43-54	20%
55	30%
56-64	40%
65	100%

In the year in which the member becomes eligible for both an unreduced pension and retiree medical benefits, the greater of the rate from the table and 20% for ages 40-49 and 25% for ages 50+

Part D:

Age	Rate
30-39	0%
40-44	1%
45-54	50%
55-59	60%
60	100%

In the year in which the member becomes eligible for both an unreduced pension and retiree medical benefits, the greater of the rate from the table and 60% for ages 40-45 and 50% for ages 46+

Appendix B - Actuarial Assumptions (continued)

Turnover

Certified BOE#: rates based on gender and length of service for the first ten years and gender and age thereafter:

Service	Male	Female
0-1	15.00%	12.00%
1-2	11.00%	11.00%
2-3	8.50%	9.50%
3-4	7.00%	8.00%
4-5	5.50%	7.50%
5-6	4.50%	7.00%
6-7	4.00%	6.50%
7-8	3.50%	6.00%
8-9	3.50%	5.50%
9-10	3.50%	5.00%
10+	1.80%	6.00%

Age	Male	Female
25	1.80%	6.00%
35	1.80%	4.25%
45	1.80%	2.00%
55	4.00%	3.90%

Parts B & B1 & E:

Town employees: 5% per year

BOE Non-Certified:

Service	Custodian & Maintenance	Others
0-4	3.00%	13.00%
5-9	1.00%	8.00%
10+	0.00%	7.00%

Parts C & D:

Service	Rate
0	18.00%
1-3	5.00%
4-9	1.50%
10+	0.00%

Appendix B - Actuarial Assumptions (continued)

Disability

Certified BOE#:

Service	Male	Female
0-1	15.00%	12.00%
1-2	11.00%	11.00%
2-3	8.50%	9.50%
3-4	7.00%	8.00%
4-5	5.50%	7.50%
5-6	4.50%	7.00%
6-7	4.00%	6.50%
7-8	3.50%	6.00%
8-9	3.50%	5.50%
9-10	3.50%	5.00%
10+	1.80%	6.00%

All Others:

Age	Rate
25	0.12%
30	0.15%
35	0.21%
40	0.30%
45	0.54%
50	1.08%
55	2.70%
60+	0.00%

20% of Town and Non-Certified BOE and 50% of Police and Fire disabilities are assumed to be service connected.

Appendix B - Actuarial Assumptions (continued)

Future Retiree Coverage The following percentages of current active members and their spouses will elect medical coverage at retirement.

	Police	Fire	Town	Certified BOE	Non-Certified BOE
Member	90%	90%	80%	80%	85%
Spouse	85%	80%	70%	50%	50%

Married Assumption 80% active members are assumed to be married with wives 3 years younger than husbands.

Future Post-65 Coverage 80% of current active and pre-65 retired Certified BOE members hired prior to April 1, 1986 and 100% of All Others are assumed to be Medicare-eligible.

Valuation of Dental Benefits We did not value any implicit rate subsidy for dental, as the liability is de minimis (less than 1% of the Town's Accrued Liability).

Certain actuarial demographic assumptions for Teachers and Administrators are based on the assumptions used in the June 30, 2023 valuation of the Connecticut State Teachers' Retirement System.

Appendix B - Actuarial Assumptions (continued)

Changes in Assumptions from Prior Valuation

Interest Rate 6.25%

Inflation 2.75%

Medical Trend State Partnership Plan:

Year Beginning				Rate	Year Beginning				Rate
2020	to	2021		5.30%	2061	to	2065	4.80%	
2021	to	2023		5.10%	2065	to	2066	4.70%	
2023	to	2034		5.00%	2066	to	2067	4.60%	
2034	to	2043		5.10%	2067	to	2069	4.50%	
2043	to	2044		5.20%	2069	to	2070	4.40%	
2044	to	2046		5.10%	2070	to	2072	4.30%	
2046	to	2049		5.00%	2072	to	2074	4.20%	
2049	to	2061		4.90%	2074	+		4.10%	

All Others:

Year Beginning				Pre-65	Year Beginning				Post-65
2020	to	2021		5.80%	2020	to	2021	5.60%	
2021	to	2022		5.30%	2021	to	2022	5.20%	
2022	to	2024		5.00%	2022	to	2024	5.00%	
2024	to	2027		4.90%	2024	to	2027	4.90%	
2027	to	2030		4.80%	2027	to	2030	4.80%	
2030	to	2039		4.90%	2030	to	2039	4.90%	
2039	to	2048		5.00%	2039	to	2048	5.00%	
2048	to	2049		5.10%	2048	to	2049	5.10%	
2049	to	2051		5.00%	2049	to	2051	5.00%	
2051	to	2059		4.90%	2051	to	2058	4.90%	
2059	to	2065		4.80%	2058	to	2065	4.80%	
2065	to	2066		4.70%	2065	to	2066	4.70%	
2066	to	2067		4.60%	2066	to	2067	4.60%	
2067	to	2069		4.50%	2067	to	2069	4.50%	
2069	to	2070		4.40%	2069	to	2070	4.40%	
2070	to	2072		4.30%	2070	to	2072	4.30%	
2072	to	2073		4.20%	2072	to	2073	4.20%	
2073	+			4.10%	2073	+		4.10%	

Appendix B - Actuarial Assumptions (continued)

Changes in Assumptions from Prior Valuation

Salary Scale

All except for BOE Certified:

Age	Rate
<25	6.00%
25-29	5.85%
30-34	4.65%
35-39	4.35%
40-49	3.65%
50-59	3.50%
60+	2.80%

Healthy Mortality

Certified BOE#: PubT-2010 Mortality Table for Employees and Healthy Annuitants (adjusted 105% for males and 103% for females at ages 82 and above) with generational projection of future improvements per the MP-2019 Ultimate scale. The PubT-2010 Contingent Survivor Table projected generationally per the MP-2019 Ultimate scale and set forward 1 year for both males and females is used for survivors and beneficiaries. This assumption includes a margin for improvements in longevity beyond the valuation date.

All Others: Pub-2010 Mortality Table with generational projection per the MP-2019 ultimate scale, with employee rates before commencement and healthy annuitant rates after benefit commencement. The Public Safety variant is used for Custodial (05), Maintenance (06), Grounds (70), Building Maintenance (71), Streets (62), Fire (61), and Police (60), and the General variant is used for all other groups. This assumption includes a margin for future improvements in longevity.

Disabled Mortality

Certified BOE#: PubT-2010 Disabled Mortality Table for males and females with generational projection of future improvements per the MP-2019 Ultimate scale. This assumption includes a margin for mortality improvement beyond the valuation date.

All Others: Pub-2010 Mortality Table for disabled retirees with generational projection per the MP-2019 ultimate scale. The Public Safety variant is used for Custodial (05), Maintenance (06), Grounds (70), Building Maintenance (71), Streets (62), Fire (61), and Police (60), and the General variant is used for all other groups. This assumption includes a margin for future improvements in longevity.

Appendix B - Actuarial Assumptions (continued)

Changes in Assumptions from Prior Valuation

Retirement

Town and Non-Certified BOE:

Age	Rate
45-49	1%
50-54	3%
55-59	5%
60	15%
61-64	10%
65-69	40%
70+	100%

Police and Fire:

Age	Police	Fire
40-44	1%	1%
45-49	5%	2%
50-55	10%	10%
56-64	25%	20%
65+	100%	100%

In the year the participant is first eligible for retirement, the assumed rate is the greater of the rate in the chart above and 25%.

Turnover

Town and Non-Certified BOE:

Age	Years of Service			
	0-2	3-5	6-9	10+
20	30%	12%	8%	6%
25	25%	11%	7%	5%
30	20%	10%	6%	4%
35	15%	9%	5%	3%
40+	10%	8%	4%	2%

Fire: None.

Police: Crocker-Sarason T-1.

Appendix B - Actuarial Assumptions (continued)

Changes in Assumptions from Prior Valuation

Future Retiree Coverage

Certified BOE: 95% of current active members and 80% of their spouses will elect medical coverage at retirement.

Town and Non-Certified BOE: 95% of current active members and 65% of their spouses will elect medical coverage at retirement.

Fire and Police: 100% of current active members and 65% of their spouses will elect medical coverage at retirement.

Married Assumption

Certified BOE: 85% of male and 75% of female active members are assumed to be married with wives 3 years younger than husbands.

Town, Non-Certified BOE, Fire and Police: 80% of male and 65% of female active members are assumed to be married with wives 3 years younger than husbands.

Appendix C - Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan. It is not intended to be, nor should it be interpreted as a complete statement of all plan provisions. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

Many plan provisions vary by union. We have shown the applicable union codes in parentheses where appropriate to indicate which union(s) are covered by which plan provisions.

Eligibility

Police (60)

Hired before 8/1/2006	20 years of Credited Service
Hired after 8/1/2006	25 years of Credited Service

Fire (61)

Hired on or before 7/1/2005	Age 55 with 10 years of Credited Service 20 years of Credited Service Age 65
Hired after 7/1/2005	Age 50 with 25 years of Credited Service Age 65

An employee retiring at age 65 but without meeting the service requirement is not eligible for retiree health insurance.

Streets Union (62)

Hired before 7/1/2003	Age 55 with 25 years of Credited Service Age 60 with 10 years of Credited Service 30 years of Credited Service Age 70
Hired on or after 7/1/2003	Age 65 with 15 years of Credited Service 35 years of Credited Service Age 70

Appendix C - Summary of Plan Provisions (continued)

Eligibility

Dispatchers Union (64)

Hired before 7/1/2007	Age 55 with 25 years of Credited Service Age 60 with 10 years of Credited Service 20 years of Credited Service Age 70
Hired on or after 7/1/2007	Age 60 with 10 years of Credited Service 25 years of Credited Service Age 70

Grounds (70), Building Maintenance (71) and Supervisor (74) Unions

Hired before 7/1/2003	Age 55 with 25 years of Credited Service Age 60 with 10 years of Credited Service 30 years of Credited Service Age 70
Hired on or after 7/1/2003	Age 65 with 15 years of Credited Service Age 62 with 35 years of Credited Service Age 70

Nurses Union (58), Directors (59), Clerical Union (65), Non-Bargaining Clerical (66), Non-Bargaining Unit (68), Professional/Management Union (73), Seasonal Part Time (79), Parking Monitors Union (81), Non-Bargaining Corporate Counsel Management (87) and Town Manager

Hired before 7/1/2003	Age 55 with 25 years of Credited Service Age 60 with 10 years of Credited Service Age 70
Hired on or after 7/1/2003	Age 65 with 15 years of Credited Service Age 62 with 35 years of Credited Service Age 70

Teachers and Administrators

Teachers or Administrators retiring under the Connecticut State Teachers' Retirement System shall be eligible to receive health benefits for self and spouse.

Appendix C - Summary of Plan Provisions (continued)

Eligibility

Secretarial/Clerical Union (02)

Hired before 5/1/2006
Age 55 with 25 years of Credited Service
Age 60 with 10 years of Credited Service
Age 70

Hired on or after 5/1/2006
Age 65 with 15 years of Credited Service
Age 62 with 35 years of Credited Service
Age 70

Custodial Union (05)

Hired before 1/1/2006
Age 55 with 25 years of Credited Service
Age 60 with 10 years of Credited Service
30 years of Credited Service
Age 70

Hired on or after 1/1/2006
Age 65 with 15 years of Credited Service
35 years of Credited Service
Age 70

Maintenance Union (06)

Hired before 7/1/2004
Age 55 with 25 years of Credited Service
Age 60 with 10 years of Credited Service
Age 70

Hired on or after 7/1/2004
Age 65 with 15 years of Credited Service
Age 62 with 35 years of Credited Service
Age 70

Nurses Union (07)

Hired before 7/1/2004
Age 55 with 25 years of Credited Service
Age 60 with 10 years of Credited Service
Age 70

Hired on or after 7/1/2004
Age 65 with 15 years of Credited Service
Age 62 with 35 years of Credited Service
Age 70

Appendix C - Summary of Plan Provisions (continued)

Eligibility

Non-Bargaining Union (09)

Hired before 7/1/2006
Age 55 with 25 years of Credited Service
Age 60 with 10 years of Credited Service
Age 70

Hired on or after 7/1/2006
Age 65 with 15 years of Credited Service
Age 62 with 35 years of Credited Service
Age 70

Custodial III Union (10)

Hired before 7/1/2005
Age 55 with 25 years of Credited Service
Age 60 with 10 years of Credited Service
Age 70

Hired on or after 7/1/2005
Age 65 with 15 years of Credited Service
Age 62 with 35 years of Credited Service
Age 70

Security (12)

Hired before 7/1/2013
Age 55 with 25 years of Credited Service
Age 60 with 10 years of Credited Service

Hired on or after 7/1/2013
Not eligible for OPEB.

Professional and Technical Union (14)

Hired before 7/1/2004
Age 55 with 25 years of Credited Service
Age 60 with 10 years of Credited Service
Age 70

Hired on or after 7/1/2004
Age 65 with 15 years of Credited Service
Age 62 with 35 years of Credited Service
Age 70

Cafeteria Managers (15)

No current or future employees are eligible for OPEB. There are a few current retirees that are receiving benefits.

Paraprofessional (03), Printers Union (04), and Cafeteria Union (08)

Not eligible for OPEB.

Appendix C - Summary of Plan Provisions (continued)

Cost Sharing

Police (60)

Hired before 6/26/2018	Town pays 100% of the premium.
Hired after 6/26/2018	Town pays 50% of the premium.
Service connected disability	Town pays 100% of the premium.

Fire (61)

Hired before 4/1/1986	10-15 years of service: Town pays greater of rate in effect on July 1st after retirement or 50% of the premium. 10-15 years of service: Town pays greater of rate in effect on July 1st after retirement or 75% of the premium. 20+ years of service: Town pays 100% of the premium.
Hired between 4/1/1986 and 1/1/2001	Town pays 100% of the premium if age 65, 20 years of Credited Service or age 55 with 10 years of Credited Service. Town pays as secondary if retiree has primary insurance if 10-15 years of Credited Service.
Hired between 1/1/2001 and 4/1/2014	Town pays 100% of the premium if service requirement is met.
Hired after 4/1/2014	Town pays 75% of the self-insured equivalent rate.
Service connected disability	Town pays 100% of the premium.

Appendix C - Summary of Plan Provisions (continued)

Cost Sharing

Streets Union (62)

Hired before 10/27/1998	Town pays 93% of the premium until Medicare eligibility, at which point the Town pays 100%.
Hired between 10/27/1998 and 6/30/2003	Town pays 85% of the premium until Medicare eligibility if age 55 with 25 years of Credited Service or 30 years of Credited Service (70% otherwise), at which point the Town pays 100%.
Hired between 6/30/2003 and 8/1/2016	Town pays 75% of the premium for the retiree and 50% of the premium for dependents until Medicare eligibility, at which point the Town pays 100%.
Hired on or after 8/1/2016	Town pays 50% of the premium.

Dispatchers Union (64)

Hired before 7/1/1986	Town pays 100% of the premium.
Hired between 7/1/1986 and 1/1/1999	Town pays 93% of the premium until Medicare eligibility if age 55 with 25 years of Credited Service (70% otherwise), at which point the Town pays 100%.
Hired between 1/1/1999 and 7/1/2007	Town pays 82.5% of the premium until Medicare eligibility if 25 years of Credited Service and under age 55 and 85% if age 55 or older. Town pays 80% if 20-25 years of Credited Service and 70% if less than 20 years of Credited Service. Upon reaching Medicare eligibility, the Town pays 100%.
Hired between 7/1/2007 and 12/16/2016	Town pays 82.5% of the premium until Medicare eligibility if 25 years of Credited Service and under age 55, 85% if age 55 or older and 70% if less than 25 years of Credited Service. Upon reaching Medicare eligibility, the Town pays 100%.
Hired on or after 12/16/2016	Town pays 50% of the premium.

Parking Monitors Union (81)

Retiree pays 100% of the premium.

Appendix C - Summary of Plan Provisions (continued)

Cost Sharing	Nurses (58), Non-Bargaining Clerical (66), Non-Bargaining (68), Professional/Management (73) and Non-Bargaining Corporate Counsel Management (87) Unions	
	Hired before 7/1/1986	Town pays 100% of the premium.
	Hired between 7/1/1986 and 1/1/1998	Town pays 93% of the premium until Medicare eligibility, at which point the Town pays 100%.
	Hired between 1/1/1998 (11/10/1997 for Prof./Management) and 7/1/2003	Town pays 85% of the premium until Medicare eligibility if age 55 with 25 years of Credited Service (70% otherwise), at which point the Town pays 100%.
	Hired between 7/1/2003 and 11/10/2015	Town pays 75% of the premium for the retiree and 50% of the premium for dependents until Medicare eligibility, at which point the Town pays 100%.
	Hired on or after 11/10/2015	Town pays 50% of the premium.
	Directors (59), Clerical Union (65), Grounds Union (70), Building Maintenance Union (71), Supervisor Union (74), Seasonal Part Time (79), and Town Manager	
	Hired before 7/1/1986	Town pays 100% of the premium.
	Hired between 7/1/1986 and 11/10/1997	Town pays 93% of the premium until Medicare eligibility, at which point the Town pays 100%.
	Hired between 11/10/1997 and 7/1/2003	Town pays 85% of the premium until Medicare eligibility if age 55 with 25 years of Credited Service (70% otherwise), at which point the Town pays 100%.
	Hired between 7/1/2003 and 5/24/2016 (11/10/2015 for Grounds Union)	Town pays 75% of the premium for the retiree and 50% of the premium for dependents until Medicare eligibility, at which point the Town pays 100%.
	Hired on or after 5/24/2016 (11/10/2015 for Grounds Union)	Town pays 50% of the premium.
	Teachers and Administrators	Retiree pays 100% of the premium.
	Secretarial/Clerical (02) and Non-Bargaining (09) Unions	Board pays 100% of the premium for the retiree and 50% of the premium for dependents.

Appendix C - Summary of Plan Provisions (continued)

Cost Sharing	Custodial (05), Custodial III (10) and Maintenance (06) Unions	Pre-65, Board pays 100% of the premium for employee and 50% of the premium for dependent. Post-65, the employee pays 100% of the Major Medical premium for both the employee and dependent. The Board pays 100% of the premium for the employee and 50% of the Medicare premium.
	Nurses Union (07)	Board pays 50% of the premium for the retiree and dependents.
	Security (12)	Pre-65, Board pays 75% of the premium for employee and dependent. Post-65, the employee pays 100% of the Major Medical premium for both the employee and dependent. The Board pays 100% of the premium for the employee and 50% of the Medicare premium for the dependent.
	Professional and Technical (14)	
	Hired before 7/1/2007	Board pays 100% of the premium for the retiree and 50% of the premium for dependents.
	Hired on or after 7/1/2007	Board pays 75% of the premium for the retiree and 50% of the premium for dependents.
	Cafeteria Managers (15)	Board pays 100% of the premium until Medicare eligibility.
Life Insurance	Police (60)	25% of the amount of life insurance in force immediately prior to retirement (not to exceed \$7,500).
	Fire (61)	50% of the amount of life insurance in force immediately prior to retirement (not to exceed \$25,000).
	Streets Union (62)	50% of the amount of life insurance in force immediately prior to retirement (effective 10/27/1998, not to exceed \$25,000).

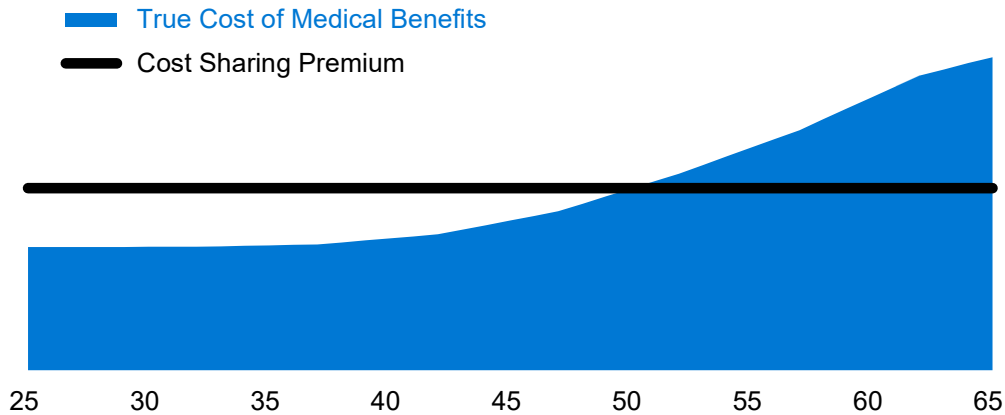
Appendix C - Summary of Plan Provisions (continued)

Life Insurance	Dispatchers (64), Grounds (70), Building Maintenance (71) and Supervisor (74) Unions	\$25,000, effective 5/24/2016 (effective 11/10/2015 for Grounds Union).
	Non-Bargaining Clerical (66) and Professional/Management (73) Unions	\$25,000, effective 11/10/2015 (effective 1/1/1998 for Non-Bargaining Clerical Union).
	Non-Bargaining Unit (68) and Non-Bargaining Corporate Counsel Management (87) Unions	\$25,000 if they receive a normal, unreduced pension benefit immediately upon termination.
	Directors Union (59)	\$50,000 if they receive a normal, unreduced pension benefit immediately upon termination.
	Town Managers	\$100,000. If hired on or after 7/1/2017, \$50,000 if they receive a normal, unreduced pension benefit immediately upon termination.
	Professional and Technical (14)	\$15,000.
	Secretarial/Clerical (02)	\$10,000.
Active Contributions towards Retiree Healthcare	Police (60)	
	Hired before 6/26/2018	1.65% of bi-weekly base wage.
	Hired after 6/26/2018	No active contributions.
	Fire (61)	
	Hired before 7/1/2005	1.00% of bi-weekly base wage.
	Hired between 7/1/2005 and 4/1/2014	1.00% of bi-weekly base wage plus an additional 0.65% for dependent health benefits.
Hired after 4/1/2014	No active contributions.	

Appendix D - Healthcare Information - Introduction

In many cases, the cost sharing premium is lower than the true cost of providing the medical benefits, for two reasons:

- The cost sharing premium is usually a fixed amount such as a COBRA premium that does not take into account the age of the retiree and his/her dependents. Since medical costs generally increase with age, the cost sharing premium is often lower than the true cost of the medical benefits:



- The cost sharing premium is usually a blended rate that takes into account the cost of medical benefits for active employees as well as retirees. Medical costs are generally higher for retirees than for active employees of the same age. This means that, again, the cost sharing premium is often lower than the true cost of the medical benefits.

Because of these two factors, a retiree who is paying 100% of the cost sharing premium is most likely not paying 100% of the true cost of the medical benefits. This situation is known as an **implicit rate subsidy**. GASB 74 and 75 require the plan sponsor to measure the liability for this subsidy; that is, the difference between the true cost of the medical benefits and the cost sharing premiums paid by the retiree. To do this, our valuation consists of several steps:

First, we calculate the liability for the true cost of medical benefits expected to be received by retirees and their dependents. This liability is based on factors developed by Milliman's health actuaries that reflect how the cost of medical benefits varies by age and gender, as well as the other assumptions discussed in this report. We term this amount the **gross liability**.

Next, we calculate the liability for the future premiums expected to be paid by the retiree for their own and their dependents' coverage. This liability is based on the current premium rates without adjustment for age or gender. It also is based on the terms of the Other Post Employment Benefits Program – different retirees pay different percentages based on their union or department, date of retirement, age at retirement, and other factors. We term this amount the **offset liability**.

Finally, the net Accrued Liability for the Town is calculated as the difference between the gross liability and the offset liability.

Appendix D - Healthcare Information - Current Premiums

The annual medical premiums for cost sharing purposes as of July 1, 2023 are shown below.

	Employee	Spouse
Pre-65 Medical Plan		
Police and Town - State Partnership Plan	\$15,344.76	\$22,400.71 *
Police, Town and Fire - Grandfathered PPO	18,412.20	27,448.20 *
Fire - HDHP	9,093.00	14,730.72 *
BOE - State Partnership Plan	13,113.24	14,934.36
Post-65 Medical Plan		
Police, Town and Fire	7,491.60	7,866.24
BOE Certified State Partnership Plan	13,113.24	14,934.36
BOE Non-Certified State Partnership Plan**	2,010.72	2,010.72

* Includes child dependent costs.

** Average of 1/1/2023 and 1/1/2024 premiums.

Appendix D - Healthcare Information - Expected Healthcare Costs

Milliman's Health Cost Guidelines were used to develop the expected true cost of healthcare benefits by age and gender, separately for employees and spouses/dependents. Representative healthcare cost factors are shown in the tables below. These factors were then applied to the plan's healthcare rates for the year beginning July 1, 2023 to arrive at the expected annual per capita claims costs for a 65-year-old, which are also shown below.

Age	Employee		Spouse	
	Male	Female	Male	Female
Fire HDHP				
45	0.53792	0.90146	0.57250	0.72854
50	0.61006	0.85615	0.64482	0.79197
55	0.69198	0.82607	0.72485	0.84645
60	0.79307	0.88516	0.82601	0.90768
64	0.94501	0.97297	0.95709	0.97924

Age 65 per capita claims cost

Pre-65	\$22,558.67	\$20,370.87	\$22,931.53	\$21,672.06
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Police, Town and Fire - Grandfathered PPO

45	0.53792	0.90146	0.52790	0.69827
50	0.61006	0.85615	0.60769	0.76872
55	0.69198	0.82607	0.69630	0.82941
60	0.79307	0.88516	0.80799	0.89741
64	0.94501	0.97297	0.95257	0.97692

Age 65 per capita claims cost

Pre-65	\$30,444.77	\$27,492.16	\$27,990.72	\$26,305.72
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Police and Town - State Partnership Plan

45	0.44139	0.66616	0.52375	0.64784
50	0.54350	0.70591	0.60631	0.71350
55	0.66367	0.75411	0.70279	0.78171
60	0.80601	0.84807	0.82051	0.85967
64	0.95662	0.96373	0.95744	0.96427

Age 65 per capita claims cost

Pre-65	\$25,177.87	\$24,298.44	\$29,615.84	\$29,034.97
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Appendix D - Healthcare Information - Expected Healthcare Costs (continued)

Age	Employee		Spouse	
	Male	Female	Male	Female
Police, Town and Fire - Medicare Supplement				
65	1.00000	1.00000	1.00000	1.00000
70	1.10117	1.07708	1.10117	1.07708
75	1.21533	1.14139	1.21533	1.14139
80	1.28160	1.15446	1.28160	1.15446
85	1.22247	1.06695	1.22247	1.06695
90	1.13462	0.96691	1.13462	0.96691
Age 65 per capita claims cost				
Post-65	\$7,092.84	\$6,287.02	\$7,092.84	\$6,287.02
Board of Education - Not eligible for Medicare				
45	0.44139	0.66616	0.39122	0.54778
50	0.54350	0.70591	0.49625	0.63205
55	0.66367	0.75411	0.62045	0.72015
60	0.80601	0.84807	0.77083	0.82031
65	1.00000	1.00000	1.00000	1.00000
70	1.24827	1.20288	1.32310	1.26524
75	1.51640	1.40104	1.64519	1.50378
80	1.75065	1.57468	1.89933	1.69015
85	1.95006	1.74843	2.11567	1.87664
90	2.11012	1.89838	2.28932	2.03759
Age 65 per capita claims cost				
All ages	\$25,177.87	\$24,298.44	\$23,118.67	\$22,552.16

Appendix D - Healthcare Information - Expected Healthcare Costs (continued)

Age	Employee		Spouse	
	Male	Female	Male	Female
Board of Education - Eligible for Medicare				
45	0.44139	0.66616	0.39122	0.54778
50	0.54350	0.70591	0.49625	0.63205
55	0.66367	0.75411	0.62045	0.72015
60	0.80601	0.84807	0.77083	0.82031
65	1.00000	1.00000	1.00000	1.00000
70	1.02734	1.02373	1.02734	1.02373
75	1.06544	1.04531	1.06544	1.04531
80	1.10095	1.06934	1.10095	1.06934
85	1.13002	1.09173	1.13002	1.09173
90	1.15376	1.10738	1.15376	1.10738
Age 65 per capita claims cost				
Pre-65	\$25,177.87	\$24,298.44	\$23,118.67	\$22,552.16
Post-65	1,933.49	1,873.75	1,933.49	1,873.75

Appendix E - Glossary

Actuarial Cost Method	This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Accrued Liability and the Normal Cost.
Accrued Liability	This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).
Actuarial Assumptions	With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. Some examples of key assumptions include the interest rate, salary scale, and rates of mortality, turnover and retirement.
Actuarial Present Value of Benefits	This is the present value, as of the valuation date, of future payments for benefits and expenses under the Plan, where each payment is: a) multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and b) discounted at the assumed interest rate.
Market Value of Assets	This is the value of cash, investments and other property belonging to the plan, typically adjusted to recognize investment gains or losses over a period of years to dampen the impact of market volatility on the Actuarially Determined Contribution.
Attribution Period	The period of an active member's service to which the expected benefit obligation for that member is assigned. The beginning of the attribution period is the member's date of hire and costs are spread across all service.
Interest Rate	This is the long-term expected rate of return on any investments set aside to pay for the benefits. In a financial reporting context (e.g., GASB 75) this is termed the Discount Rate.
Normal Cost	This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.
Past Service Cost	This is a catch-up payment to fund the Unfunded Accrued Liability over time (generally 10 to 30 years). A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each valuation date. Also known as the Amortization Payment.
Return on Plan Assets	This is the actual investment return on plan assets during the fiscal year.
Unfunded Accrued Liability	This is the excess of the Accrued Liability over the Market Value of Assets.