

3 PRIMROSE STREET
NEWTOWN, CT 06470
TEL. (203) 270-4221

BOARD OF FINANCE
MINUTES
REGULAR MEETING
Council Chambers
3 Primrose Street
Newtown, CT 06470
Monday, December 9, 2019 at 7:30 p.m.

These minutes are subject to approval by the Board of Finance

Present: Sandy Roussas, Keith Alexander, Ned Simpson, Chris Gardner, John Madzula and Matthew Mihalcik

Absent: None

Also Present: First Selectman Dan Rosenthal and Finance Director, Bob Tait

First Selectman Rosenthal called the meeting to order at 7:30 p.m. Attendees saluted the American Flag.

First Selectman Rosenthal opened the meeting for elections for Chair and Vice Chair. Keith Alexander moved to nominate Sandy Roussas for Chair for the period of one year ending November 30, 2020. Chris Gardner seconded. Ned Simpson moved to close nominations. Matt Mihalcik seconded. All in favor and motion passes.

Matt Mihalcik moved to nominate Keith Alexander for Vice Chair for the period of one year ending November 30, 2020. Chris Gardner seconded. All in favor and motion passes.

Voter Comments

None

Communications

Sandy Roussas noted there will be a joint session with the Legislative Council on Wednesday, December 18, which will be a pre-budget review meeting. Ms. Roussas asked the Board Members to please email Paul Lundquist if he/she will be attending.

Ned Simpson shared an informal document with some with some general information that he learned along the way of being a member of the BOF (see attached).

Keith Alexander spoke with Tom Hennick to coordinate a meeting for newly elected members for an FOI meeting. First Selectman Rosenthal mentioned that a more formal meeting may come to fruition sometime in 2020 for the Town and other elected officials to attend.

Ms. Roussas shared there is a CCM (Connecticut Conference of Municipalities) Workshop on Saturday, January 11 at 9a. This is a free event, but registration is required. The website is ccm-ct.org

Minutes

Keith Alexander moved to approve the minutes of November 12, 2019. Ned Simpson seconded. All in favor and motion passes. Chris Gardner, Matt Mihalcik and John Madzula abstain.

First Selectman's Report

The First Selectman noted the Town is entering into budget season and will begin Department Head meetings soon (as budget books are due by Friday, December 13). The First Selectman intends to present to the BOS during the second week of January and will bring it forward to the BOF mid February.

Finance Director's Report

Finance Director, Bob Tait, shared the budget timetable as referenced by the First Selectman.

Mr. Tait also spoke regarding the annual Actuarial Report (data is analyzed July 1 annually). He reminded the Board that actuarial numbers are all assumptions.

The first report speaks to Town of Newtown Pension Plan for BOS and BOE Personnel as well as Police Union Plans. Both plans' assets are comingled. The second item titled "Elected Officials Pension Plan" called a defined contribution plan/401A only for Town Clerk and First Selectman (two elected officials). Mr. Tait noted it is not a Pension plan rather like a 401K. In this defined contribution, they contribute 2% of salary and the Town contributes 6%. Mr. Tait mentioned we are waiting for the recommended contribution for the Pension Plan. If the Town makes the recommended contribution, we will be fully funded over time. Newtown has always made the recommended contribution. If you note on the attachment, the BOS recommended contribution in 2021 is \$687,277 (which is a decrease of 4.7%). The Police recommended contribution is 1,083,679 (which is an increase of 9.6%) and BOE recommended contribution is \$703,387 (increase of 5.1%). Overall, the Pension contributions are around \$2.4-\$2.5million for both years. Comparing this to the Town's medical benefit, the Town contributes close to \$3million. The BOE contributes \$7million. The debt service is about \$9.5million. Mr. Tait noted our pensions are lower than most towns, which works to the Town's advantage.

Mr. Tait shared with the Board that two years ago we changed an investment assumption interest rate from 7.5% to 7%, which had an affect and increases the contribution for three years (so as not to have such a large affect on the budget). This is the third year. The estimated changes due to change in assumptions, which is the phased in interest rates.

One can find more information on the Actuarial report with the Pension Committee.

Mr. Gardner asked when the town shifted over to defined contributions. Mr. Tait responded that it began about five years ago and one union per year until the last union employees switched over.

Mr. Simpson inquired the trust asset earned 5.22% as opposed to our assumption of 7%. Mr Tait replied that this is a long-term assumption and does have an effect.

Ms. Roussas inquired that if we are in Year 3 of the decrease of interest rate assumption can we assume that the premium will be lower next year. Mr. Tait said there are a lot of factors to this, but if our assets are performing well that it should be a component.

Unfinished Business

Debt Policy

Ms. Roussas shared with the new Board Members that we are on a cycle to review the Debt Policy. Ms. Roussas will email the Debt Policy thus far and ask the Board to review for discussion for the next BOF meeting.

Mr. Simpson noted the idea of possibly reviewing the General Fund Policy.

New Business

Select Additional Meeting Dates for 2020-2021 Budget Review

Ms. Roussas suggested adding additional BOF meetings for Budget Review. Possible dates are as follows: February 18, February 20th, February 24 and/or March 3 in the year 2020.

Public Hearing date is scheduled for Feb 13.

Alter December 2020 Dates

Keith Alexander made a motion to revise the regularly scheduled meeting calendar for 2020 to remove December 14th and add December 8 and December 28 as meeting dates. Matt Mihalcik seconded. All in favor and motion passes.

Voter Comments

None

Announcements

None

Adjournment

Keith Alexander made a motion to adjourn. Chris Gardner seconds. All members were in favor and the meeting was adjourned at 8:10pm.

Respectfully submitted,
Kiley Gottschalk, Clerk

Attachments

Ned Simpson's Document

2020-2021 Budget Time Table

Pension Plan Police Department Personnel

Pension Plan - Selectman, BOE, Elected Officials and Police Union Pension Plan

Debt Policy

Some things I found useful in joining the Newtown Board of Finance

In my experience, coming on the BOF had a steep learning curve. I put together this write-up of things I learned in the past year. Thought it may be useful to others coming on the BOF. The disclaimer: The information has not been fully vetted and may have oversimplifications or other misrepresentations. Welcome to the BOF

Meeting Schedule

Traditionally, the Board of Finance meets on:

- 2nd Monday of each month
- 4th Thursday of each month

Officially the meeting schedule for the coming year is approved by the Board, traditionally in October. (Attachment A) This facilitates meeting Freedom of Information Act (FOIA) notice requirements. When a meeting falls on a holiday observed by the town (e.g. Columbus Day) the meeting date is moved. The schedule also has “special” meetings during our review period of the Capital Improvement Plan (CIP) and budgets.

Inform the chair in advance if you will not be able to attend a meeting

BOF Responsibilities

The Town of Newtown Charter can be found at https://www.newtown-ct.gov/sites/newtownct/files/uploads/newtown_charter_2016_5.5x8.5_12-16.pdf. The Town Clerk’s office also has hard copy booklets.

Major Sections relating to BOF are:

- CHAPTER 2 MEMBERSHIP, RULES, AND DUTIES FOR NEWTOWN OFFICES. 2-125 Board of Finance
- CHAPTER 6 BUDGET PROCESSES.
 - 6-15 Financial Review of the Proposed Budgets by the Board of Finance
 - 6-20 Preparation of the Proposed Town Budget by the Legislative Council
- CHAPTER 7 FINANCIAL PROCESSES
- BOF is also mentioned in:
 - 2.115.d.10 Board of Selectmen (BOS) budget
 - 3.15 Election of Boards
 - 4.05.a Finance Director
 - 4.05.c.1 Books of account of the Town
 - 4.05.c.8 and 5.10.b CIP
 - 5.10.a Regulations
 - 6.01.a.4 Budget
 - 6.05.a and b Budget
 - 6.25.b.1 and 2 Referendum
 - 6.35.a, d and h Special and Emergency Appropriations
 - 6.40.a Grants
 - 8-05.c.1 Acquisition of Real Property

Website for Town ordinances and code is: <https://ecode360.com/NE0077?needHash=truehe>. For BOF, Section 310 – Capital Improvement Plan Policy is important

Newtown Board of Finance

Review of the General Fund and Debt Policy in odd number years starts with the BOF. These policies are found at: <https://www.newtown-ct.gov/board-finance/pages/policies>

BOF has final approval on what goes into the Non-Lapsing account from BOE year-end surplus, if any, and what is spent from the Non-Lapsing account.

After BOS and before LC, BOF reviews and approves/adopts:

- General Fund Appropriation (Budget) Transfers
- Special Appropriations
- Annual audit the Town books and accounts
 - Engage a CPA
 - Audit Report
- Financial impact of Grants
- Financial impact of Property Acquisitions

Other Regulations

A number of places in the Charter there are statements pointing to “General Statutes.” This is saying that there are/may be Connecticut law or regulations that bear on Town bodies such as the BOF. I am not up to speed on any of these.

Freedom of Information Act

We must function in accordance with the Connecticut Freedom Of Information Act. Attachment B has highlights taken from the <https://portal.ct.gov/FOI/Quick-Links/Quick-Links/highlights> I’ve also ordered small pocket-size cards with the highlights.

There is much more to FOIA considerations not covered in Attachment B. One important consideration is that if 3 or more members of the BOF meet it becomes a meeting that must be noticed and reported to the public which can attend. There are exceptions/qualifiers to 3 or more being a in the same place at the same time, but I am not an authority on that. The advice I got from the First Selectman is: “the important question to always ask is whether you are having a private discussion to get on the same page thereby denying the public the transparency that comes with public debate and discussion.” Meetings of members within the same party can be declared a caucus, which is not subject to the meeting requirements. But again, I’m not an authority on this.

Newtown Board of Finance

BOF Month By Month

Month	Subject	Comment
Jan	<ul style="list-style-type: none"> Review LC CIP changes, if any until Jan 29 Receive the Comprehensive Annual Financial Report (CAFR) for the year ending last June Receive Economic and Community Development Report* Odd Years: start review of Debt and General Funds Policy 	CAFRs are the reference documents bonding agencies use. It gives a complete picture of Town finances. Details all funds, not just the General Fund
Feb	<ul style="list-style-type: none"> Before Feb 14 BOS Budget presentation Before Feb 14 BOE Budget presentation Review of BOS & BOE Budgets Receive Municipal Fiscal Indicators Report* 	Department heads may be request to attend BOF meeting to discuss their budget requests
March	<ul style="list-style-type: none"> Before 1st Wednesday in March Public hearing(s) on the budgets Review of BOS & BOE Budgets By March 14 submit budget to LC Receive Debt Service Indicators Report* 	
April	<ul style="list-style-type: none"> Until 2nd Wednesday in April consider budget amendments from BOS, BOE or LC Pension Fund Manager Report* Review budgets that did not passed on Referendum 	
May	<ul style="list-style-type: none"> 	
June	<ul style="list-style-type: none"> General Fund Revenues Budget Year-to-Date 	
July	<ul style="list-style-type: none"> Receive Bond rating agency reports* 	Occurs at times rating agencies review the town
Aug	<ul style="list-style-type: none"> Fiscal Year End General Fund Budget Transfers Request to move BOE surplus (if any) to Non-Lapsing Fund Receive CIP Ten Year Debt Forecast 	
Sept	<ul style="list-style-type: none"> 2nd meeting in Sept. BOE CIP presented 	
Oct	<ul style="list-style-type: none"> 1st meeting in October BOS CIP presented 	
Nov	<ul style="list-style-type: none"> By Nov 30, BOF approved CIP to LC 	
Dec	<ul style="list-style-type: none"> Joint meeting: LC, BOF, BOS, & BOE discussion of budget considerations for the coming year 	

* Meeting at which this is presented is dependent on when data is available from external sources and the meeting agenda load

Attachment A

3 PRIMROSE STREET
NEWTOWN, CONNECTICUT 06470



TOWN OF NEWTOWN

BOARD OF FINANCE

2020 Board of Finance Meetings
Municipal Center — Council
Chambers 3 Primrose Street,
Newtown, CT
All meetings will begin at 7:30 p.m.

January 13 and January 23

February 10 and February 27

March 9 and March 26

April 13 and April 23

May 11 and May 28

June 8 and June 25

July 13 and July 23

August 10 and August 27

September 14 and September 24

October 12 and October 22

November 9 and November 23

December 14

January 11, 2021 and January 28, 2021

Attachment B -Highlights of the Connecticut Freedom of Information Act

PUBLIC AGENCIES

YOU HAVE THE RIGHT TO OBTAIN RECORDS AND ATTEND MEETINGS OF ALL PUBLIC AGENCIES - WITH CERTAIN LIMITED EXCEPTIONS.

This applies to

- State and local government agencies, departments, institutions, boards, commissions and authorities and their committees.
- Executive, administrative or legislative offices, and the judicial branch and the Division of Criminal Justice with respect to their administrative functions.
- Certain other entities based on the following criteria: (1) whether the entity performs a governmental function; (2) the level of government funding; (3) the extent of government involvement or regulation; and (4) whether the entity was created by the government.

PUBLIC MEETINGS

I. MEETINGS, INCLUDING HEARINGS AND OTHER PROCEEDINGS, MUST BE OPEN TO THE PUBLIC - EXCEPT IN LIMITED SITUATIONS.

A public meeting is any hearing or other proceeding of a public agency, or gathering of, or communication by or to a quorum of a multi-member agency, to discuss or act on any matter over which it has authority.

The following are not public meetings: meetings of certain personnel search committees; collective bargaining strategy and negotiating sessions; caucuses; chance or social gatherings not intended to relate to official business; administrative or staff meetings of a single-member agency (e.g., mayor); and communications limited to notice of agency meetings or their agendas.

No registration or other requirements may be imposed on a member of the public seeking attendance at a public meeting.

The public, as well as the news media, may photograph, record or broadcast meetings, subject to prior reasonable rules regarding non-interference with the conduct of the meeting.

II. ONLY THREE KINDS OF MEETINGS ARE RECOGNIZED UNDER THE FREEDOM OF INFORMATION ACT: REGULAR, SPECIAL AND EMERGENCY.

A state agency must file each year a schedule of its regular meetings with the Secretary of the State. A town or city agency must file each year a schedule of its regular meetings with the clerk of the town or city. A multi-town district or agency must file each year a schedule of its regular meetings with the clerk of each municipal member of the district or agency. A special meeting may be called up to 24 hours (excluding weekends, holidays, and days on which the office of the Secretary of the State or municipal clerk, as the case may be, is closed) before the time set for the meeting. A special meeting is called by filing a notice stating the time, place and business to be transacted.

A state agency files this notice with the Secretary of the State; a local agency files this notice with the municipal clerk; a multi-town district or agency files this notice with the clerk of each municipal member of the district or agency.

An emergency meeting may be held without complying with the preceding notice requirements. However, the agency must file its minutes, including the reason for the emergency, within 72 hours (excluding weekends and holidays) of the meeting with the Secretary of the State if a state agency; or with the municipal clerk if a local agency; or with the clerk of each municipal member if a multi-town district or agency.

III. YOU ARE ENTITLED TO RECEIVE A COPY OF THE NOTICE AND AGENDA OF A MEETING.

An agency is required to send a notice of its meetings, where practicable at least 1 week prior to the meeting date, to any person who has made a written request. The agency may establish a reasonable charge for this service.

Newtown Board of Finance

Each agency must make available its agenda for each regular meeting at least 24 hours before the meeting to which it refers. New business not on the agenda may be considered and acted on only on a 2/3 vote of the members of the agency.

IV. AGENCY MINUTES AND RECORD OF VOTES MUST BE AVAILABLE TO THE PUBLIC.

The minutes of each agency meeting must be made available to the public within 7 days of the session to which they refer in the agency's office if it has one; or, if none, in the office of the Secretary of the State for state agencies or in the municipal clerk's office for local agencies. In the case of special meetings, the 7 day period excludes weekends and holidays. The minutes must contain the record of each member's vote on any issue before the agency.

The votes of each member on any issue must be put in writing and made available to the public within 48 hours, excluding weekends and holidays, of the meeting at which the votes were taken.

The minutes of a meeting at which an executive session occurs must indicate all persons who were in attendance at the closed session, except for job applicants who were interviewed.

EXECUTIVE SESSIONS

I. AN AGENCY MAY CLOSE CERTAIN PORTIONS OF ITS MEETINGS BY A VOTE OF 2/3 OF THE MEMBERS PRESENT AND VOTING. THIS VOTE MUST BE CONDUCTED AT A PUBLIC SESSION.

Meetings to discuss the following matters may be closed: specific employees (unless the employee concerned requests that the discussions be open to the public); strategy and negotiations regarding pending claims and litigation; security matters; real estate acquisition (if openness might increase price); or any matter that would result in the disclosure of a public record exempted from the disclosure requirements for public records.

Any business or discussion in a closed session must be limited to the above areas.

The agency may invite persons to present testimony or opinion in the executive session, but their attendance must be limited to only the time necessary for that testimony or opinion.

PUBLIC RECORDS

I. MOST RECORDS OR FILES OF STATE AND LOCAL AGENCIES, INCLUDING MINUTES OF ALL THEIR MEETINGS, ARE AVAILABLE TO THE PUBLIC FOR INSPECTION OR COPYING.

This includes

- Information or data which is typed, handwritten, tape recorded, printed, photographed or computer-stored.
- Most inter-agency and intra-agency memoranda or letters.

II. RECORDS SPECIFICALLY EXEMPTED FROM DISCLOSURE BY FEDERAL LAW OR STATE STATUTE ARE NOT AVAILABLE TO THE PUBLIC.

In addition, the following records may not be available to the public: some preliminary drafts or notes; personnel or medical files; certain law enforcement records, including arrest records of juveniles and some witness and victim identification information; records relating to pending claims and litigation; trade secrets and certain commercial or financial information; test questions used to administer licensing, employment or academic examinations; real estate appraisals and construction contracts until all of the property has been acquired; personal financial data required by a licensing agency; records relating to collective bargaining; tax returns and communications privileged by the attorney-client relationship; names and addresses of public school students; information obtained by illegal means; certain investigation records of reported misconduct in state government or names of state employees who report such misconduct to the state Attorney General or Auditors; certain adoption records; election, primary, referenda and town meeting petition pages, until certified; certain health

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authority complaints and records; certain educational records; certain records, when there are reasonable grounds to believe disclosure may result in a safety risk; and certain records, if disclosure would compromise the security or integrity of an information technology system. Also, records of personnel search committees need not be disclosed if they would identify executive level employment candidates without their consent.

III. YOU MAY INSPECT PUBLIC RECORDS DURING REGULAR OFFICE HOURS, BUT COPIES, PRINT- OUTS OR TRANSCRIPTS SHOULD BE REQUESTED IN WRITING.

The fee for a copy of a public record from a state agency must not exceed 25¢ per page. The fee for a copy of a public record from a non-state agency must not exceed 50¢ per page. The fee for a computer disk, tape, printout or for a transcript, or a copy thereof, must not exceed the actual cost to the agency involved. The agency may also require the prepayment of these fees if their estimated cost is \$10.00 or more. No sales tax may be imposed for copies of the public records requested under this Act.

The agency is required to waive any fee for copies if the person requesting the copies is poor and cannot afford it; or if the agency determines that the request benefits the public welfare.

There is an additional charge for a certified copy of a public record.

You are entitled to prompt access to inspect or copy public records. If an agency fails to respond to a request within four business days, such failure can be treated as a denial of the request.

THE FREEDOM OF INFORMATION COMMISSION

I. YOU MAY APPEAL THE DENIAL OF ANY RIGHT CONFERRED BY THIS ACT TO THE FREEDOM OF INFORMATION COMMISSION.

You do not have to hire a lawyer to appeal to the Commission.

You must, however, appeal to the Commission within 30 days of the denial of any right conferred by this Act.

II. IF YOU HAVE ANY QUESTIONS CONCERNING YOUR RIGHTS UNDER THE FREEDOM OF INFORMATION ACT, INCLUDING HOW TO APPEAL, CONTACT:

Freedom of Information Commission
18-20 Trinity Street
Hartford, CT 06106
Telephone: (860) 566-5682
Toll-Free(CT Only): (866) 374-3617
FAX: (860) 566-6474
EMAIL: FOI@PO.STATE.CT.US
On the Web: <https://www.CT.gov/foi>



TOWN OF NEWTOWN

OFFICE OF THE FINANCE DIRECTOR

2020 - 2021 BUDGET TIME TABLE

October 28, 2019	Departments Receive Budget Instructions.
December 13, 2019	Completed Budget Forms to the Finance Director.
December 13 – January 10, 2020	First Selectman/Finance Director budget review with departments
January 13 – February 08, 2020	Departments meet with Board of Selectmen.
February 10, 2019	Board of Selectmen submit Budget to the Board of Finance (no later than the 14 th)
February 13, 2020 (Thursday)	Board of Finance holds a public hearing on the Board of Selectmen and Board of Education proposed Budgets (no later than March 7 th). (Publish 5 days prior to hearing: 2/07/20)
March 04, 2020	Board of Finance submits Budget to the Legislative Council (no later than March 14 th).
March 18, 2020 (Wednesday)	Legislative Council holds a Public Hearing on the Proposed Board of Finance Recommended Budget (no later than March 28 th). (Publish 5 days prior to hearing: 3/13/20)
April 08, 2020	Legislative Council Adopts Budget (no later than second Wednesday in April)
April 28, 2020 (Tuesday)	The Annual Budget Referendum (4 th Tuesday of April) (Publish 4/17/20)

ANNUAL VALUATION REPORT
FOR
TOWN OF NEWTOWN PENSION PLAN
POLICE DEPARTMENT PERSONNEL
AS OF JULY 1, 2019

Prepared by:

David G. Leonard, ASA
T R PAUL, INC.

December 4, 2019

TOWN OF NEWTOWN PENSION PLAN – POLICE PERSONNEL

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TOWN OF NEWTOWN PENSION PLAN POLICE PERSONNEL

I. HIGHLIGHTS

This section of the report summarizes the results of the July 1, 2019 actuarial valuation and provides a comparison with the results of the prior valuation. The development of these items for the current valuation is shown in the remaining sections of the report. The percentage in parenthesis express each amount as a percentage of covered payroll:

	July 1, 2019 <u>Valuation</u>	July 1, 2018 <u>Valuation</u>
1. Recommended Annual Contributions:*	\$1,083,679 (29.0%)	\$988,509 (27.1%)
2. Covered Payroll of Participants (covered earnings for the fiscal year preceding the valuation date)	\$3,736,280	\$3,651,597
3. Net Normal Cost (EAN)	\$341,402 (9.1%)	\$343,564 (9.4%)
4. Accrued Actuarial Liability (EAN)	\$25,190,605	\$24,010,717
5. Assets - Market Value (MV)	\$17,239,221	\$16,313,268
- Valuation Assets (VA)	\$17,434,015	\$16,666,070
6. Unfunded Accrued Liability (VA)	\$7,756,590	\$7,344,647
7. Actuarial Value of Benefits (total plan):		
a. Value of Vested Accrued Benefits	\$22,232,922	\$20,778,570
b. Value of Non-Vested Accrued Bens.	\$193,470	\$107,780
c. MV Assets in excess of Vested Benefits (5 minus 7a)	(\$4,993,702)	(\$4,465,302)
8. Number of Participants:		
a. Active Participants	38	39
b. Retirees, DROPs, Benef., & Alt Payees	32	31
c. Terminated Vested Participants (includes refunds only due)	<u>3</u>	<u>4</u>
d. Total	73	74

* Calculated assuming beginning of the next fiscal year payment, for that fiscal year.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

II. GENERAL COMMENTS

The recommended contribution produced by the July 1, 2019 valuation increased \$95,170, to a recommended level of \$1,083,679 for the 2020-21 fiscal year.

A summary of the factors in the change for the year reveals the following:

Chg in Active Norm. Cost (N.C):	\$ 14,523
Valuation Asset Losses:	39,955
Retiring Members N.C.:	(9,791)
Change in Assumptions (phased in interest rates)	51,690
Misc. Actuarial Factors:	(1,207)
 Total Changes:	 \$ 95,170

There was one more member who took advantage of the DROP program for July 1, 2019, but other than that the workforce was remarkably stable during the year. Salaries among continuing active members increased by of 4.8%, which drove the normal costs up slightly but not significantly.

The increase in the plan costs came from two primary factors, both of which were predictable going in to the calculation process. The first was the change in assumptions that was scheduled to kick in as the third part of the phased reduction in interest rate from 7.5% to 7.0%.

The second was the trust performance, both the recognition of prior year's losses and the impact of this year's 5.22% return.

The smoothed valuation asset yield was 4.58%, as past losses (and gains) continue to be worked off. We anticipate that next year's valuation will include recognized losses that will increase the recommended contribution by \$24,741 and this has been built into the 2020-21 recommendation. The valuation asset cost factor shown above includes this bump, but also nets out last year's projected recognition losses.

The plan's funding ratios for actuarial liability increased by a half percent, while the present values of accrued benefits funded level decreased a little more than 1% to 77%.

Note that the trust assets in this report differ from the GASB statement in that prepaid benefits are not included in the GASB disclosures. Additionally, the GASB liabilities represent a projection from the prior year's base results. The July 1, 2019 liabilities in this report are substantially less than the projections from last year, due to the number of retirees and terminations. This will result in an actuarial gain in next year's GASB beginning balances. Note that all town plans are combined for GASB purposes.

Finally, there is a new disclosure which we have prepared called the ASOP-51. This is a required discussion regarding risk factors and their impact on the valuation results, both now and in the future. We have attached this new item as an appendix to this report. Its purpose and results are described in greater detail in the document itself.

TOWN OF NEWTOWN PENSION PLAN POLICE PERSONNEL
III. PLAN ASSETS

A. Summary

Investment	07/01/2018 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income	Trust Expenses	Transfer EE's Distributions	Transfers out	06/30/2019 Ending Balance
ER Contrib. Receivable/(Payable)	0	0	0	0	0	0	0	0
EE Contrib. Receivable	2,439	0	11,950	0	0	0	0	14,389
Distribution Due PARS	(3,095)	0	0	0	0	1,401	0	(1,693)
Prepaid Benefits	166,777	0	0	0	0	27,656	0	194,433
<u>Wells Fargo / Westport Resources</u>								0
Cash	346,923	2,254,873	449,022	1,103,164	(110,548)	(2,325,891)	(1,625,076)	92,467
Investments	42,450,530	0	0	1,260,798	0	0	1,625,076	45,336,404
Accrued Interest	2,604	0	0	(2,277)	0	0	0	328
<u>PLAN TOTALS</u>	42,966,178	2,254,873	460,972	2,361,685	(110,548)	(2,296,834)	0	45,636,327

Distribution of Assets by Department

Plan Category	07/01/2018 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income	Distributions*	06/30/2019 Ending Balance	06/30/2019 Valuation Asset Balance
Town Plan	26,552,508	1,268,930	266,781	1,403,319	(1,215,537)	28,276,001	28,595,505
Elected officials	100,404	10,972	3,685	6,045	0	121,106	N/A
Police Plan	16,313,268	974,971	190,278	842,000	(1,081,296)	17,239,221	17,434,015
Grand Total	42,966,179	2,254,873	460,744	2,251,364	(2,296,834)	45,636,327	46,029,520

* Income reduced for trust expenses; allocated on a weighted basis. Distributions adjusted for internal employee transfers.

TOWN OF NEWTOWN PENSION PLAN POLICE PERSONNEL

III. PLAN ASSETS (Continued)

C. SMOOTHED VALUATION ASSET AND UNRECONGNIZED (G)/L DETAIL- INCLUDES TOWN AND POLICE PLAN

Smoothed Valuation Asset Calculation

	Transition Year <u>07/01/2014</u>	<u>06/30/2015</u>	<u>06/30/2016</u>	<u>06/30/2017</u>	<u>06/30/2018</u>	<u>06/30/2019</u>	<u>06/30/2020</u>
Actuarial Value of Assets	\$36,445,798						
Market Value of Assets	34,676,083	35,698,524	34,740,866	39,623,234	42,865,776	45,515,221	
Unrecognized (G)/L	1,769,715						
Recognized in Year (for 6/30/15)	(442,429)						
Expected Earnings at Market Value (7.50%/7.00%)*		2,662,813	2,730,057	2,680,400	2,792,502	3,086,159	
Actual Earnings MV		977,145	(1,017,424)	4,614,032	2,921,062	2,316,920	
Actuarial (Gain)/Loss on MV		1,685,668	3,747,481	(1,933,631)	(128,559)	769,239	
Recognition of current years (Gain)/Loss		(337,134)	(749,496)	386,726	25,712	(153,848)	

Anticipated Unrecognized (Gain)/Loss for Future Years

Remaining Unrecognized (G)/L - 7/1/14 Trans.	1,327,286	1,061,829	707,886	353,943	0	0
Remaining Unrecognized (G)/L - 6/30/15 (G)/L	1,348,534	1,011,401	674,267	337,134	0	0
Remaining Unrecognized (G)/L - 6/30/16 (G)/L		2,997,985	2,248,489	1,498,992	749,496	0
Remaining Unrecognized (G)/L - 6/30/17 (G)/L			(1,546,905)	(1,160,179)	(773,453)	(386,726)
Remaining Unrecognized (G)/L - 6/30/18 (G)/L				(102,848)	(77,136)	(51,424)
Remaining Unrecognized (G)/L - 6/30/19 (G)/L					615,391	461,543
Total Unrecognized (Gains)/Losses	2,675,820	5,071,214	2,083,737	927,043	514,299	23,393
Market Value of Assets - EOY	35,698,524	34,740,866	39,623,234	42,865,776	45,515,221	
Total Unrecognized (Gain)/Loss	2,675,820	5,071,214	2,083,737	927,043	514,299	
Actuarial Value of Assets - EOY	\$38,374,344	\$39,812,081	\$41,706,971	43,792,819	46,029,520	

* Calculated using weighted contributions - ER by date, EE at 50%, Distrib at 50%. 7.00% interest assumption effective July 1, 2017 forward.

Note: 6/30/2015 Valuation Assets shown above based on the "new" method and do not equal the Valuation Assets used for the July 1, 2015 valuation Report.
Outstanding balance of 2018 & 2019 unrecognized gains for 2021-22 Valuations not shown.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

IV. ANNUAL VALUATION - JULY 1, 2019

a. Calculation of Recommended Contributions

	7.0%
1. Gross Normal Cost as of 7/1/2019	\$523,876
2. Expenses	10,000
3. Expected Employee Contributions	192,475
4. Net Normal Cost (1 + 2 - 3) as of 7/1/2019	341,402
5. Accrued Liability:	
i. Active Employees	11,997,118
ii. Inactive Employees	593,219
iii. Retired Participants (includes DROP)	12,600,268
6. Total Accrued Liability	\$25,190,605
7. Valuation Assets - Smoothed Value	17,434,015
8. Unfunded (overfunded) Accrued Liability (6 - 7)	7,756,590
9. Amortization of Unfunded (Overfunded) Accd. Liability*	701,820
10. Normal Cost plus Amortization as of 7/1/2019 (4 + 9)	1,043,222
11. Recommended Contribution for 2020-2021 to be paid 7/01/2020 (10 adjusted for time passage**)	\$1,083,679

* Initial EAN Base amortized over 20 years. Future (gains)/losses will be amortized over 10 years

** 2020 adjustment takes into account the expected increases from unrecognized trust asset losses for 2020, plus normal cost increases assumed in the funding method.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

IV. ANNUAL VALUATION - JULY 1, 2020

b. Summary of Funding Bases

Summary of Funding Bases	Initial Base	Rem. Bal. -19	Min. Amort.	Rem. Yrs (at min)
Initial Base - 7/1/17	\$ 7,231,035	\$ 7,305,048	\$ 637,905	18
(Gain)/Loss/Amend/Changes - 2018	\$ (121,706)	\$ (119,077)	\$ (17,328)	9
(Gain)/Loss/Amend/Changes - 2019	\$ 570,618	\$ 570,618	\$ 81,243	10
Totals	\$ 7,679,947	\$ 7,756,590	\$ 701,820	

Funding Bases shown at 7.0%.

If remaining balance is greater than the initial base, then negative amortization has occurred.

- this is an expected result based on the phasing in of the 7.0% discount assumption.
- all payment amounts will be revised the next time the discount assumption is changed.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

IV. ANNUAL VALUATION - JULY 1, 2020

c. GASB Statement 67 and FASB
Statement 35/36 Information

I. ACCRUED ACTUARIAL LIABILITY (7.0%)

a. Retirees/Benefic./Terminated	\$13,193,487
b. Current Employees	
I. EE Contr. & Intr.	2,907,952
II. ER Financed Vested	8,080,053
III. ER Financed Non-Vested	1,009,113
c. TOTALS	25,190,605
d. ASSETS - Market Value	17,239,221
e. FUNDED RATIO (7/1/2019)	68.44% - at 7.00%
f. FUNDED RATIO (7/1/2018)	67.94% - at 7.00%
<i>- These results will differ from the actual GASB disclosures, which are based on projected liabilities in order to ensure timely delivery.</i>	

II. PRESENT VALUE OF ACCRUED BENEFITS (PVAB)

a. Retirees/Benefic./Terminated	\$13,193,487
b. Current Employees	
I. EE Contr. & Intr.	2,907,952
II. ER Financed Vested	6,131,483
III. ER Financed Non-Vested	193,470
c. TOTALS	22,426,392
d. ASSETS - Market Value	17,239,221
e. FUNDED RATIO (7/1/2019)	76.87% - at 7.00%
f. FUNDED RATIO (7/1/2018)	78.10% - at 7.00%

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

V. HISTORY OF PLAN CONTRIBUTIONS AND LIABILITIES

Plan Year Beginning	Participants Act. - Other		Compensation	Accrued Liability	Market Value Assets	Unfunded Accrued Liability**	Recommended Contribution	(***)	Actual Town Contribution
1/1/1990	28	3	\$1,028,594	\$1,897,742	\$1,570,259	\$327,483	\$105,873	(10.29%)	\$120,889
7/1/1995	34	6	1,603,088	4,116,224	3,468,628	647,596	209,628	(13.08%)	209,628
7/1/2000	36	13	1,768,798	6,912,642	7,444,398	(531,756)	102,234	(5.78%)	150,000
7/1/2005	42	16	2,637,458	9,515,132	8,763,251	751,881	214,000	(8.11%)	213,647
7/1/2010	46	23	3,579,566	12,755,035	9,897,841	2,857,194	460,540	(12.87%)	472,764
7/1/2014	40	28	3,393,213	16,582,292	13,696,532	2,885,760	615,427	(18.14%)	615,427
7/1/2015	43	30	3,793,179	18,056,413	14,059,437	3,996,976	586,601	(15.46%)	586,601
7/1/2016	43	32	3,809,065	19,153,240	13,586,528	5,566,712	685,944	(18.01%)	685,944
7/1/2017	42	32	3,888,389	23,082,423	15,078,119	8,004,304	814,974	(20.96%)	814,974
7/1/2018	39	35	3,658,639	24,010,717	16,313,268	7,697,449	974,971	(26.65%)	974,971
7/1/2019	38	35	3,736,280	25,190,605	17,239,221	7,951,385	988,509	(26.46%)	

* Compensation shown is expected for the twelve months following the valuation date for active members only.

**Based on Market Value, not Valuation Assets.

*** Figures in parenthesis are Recommended Contribution as a percentage of compensation. Recommended Contribution is based on prior year's valuation rolled forward, not on current valuation. The 2019 valuation produced a Recommended Contribution of \$1,083,679 for the 2020-2021 plan year.

**** Beginning 7/1/2017 the actuarial liability is calculated at a 7.0% interest rate.

TOWN OF NEWTOWN PENSION PLAN POLICE PERSONNEL

VI. PARTICIPANT DATA RECONCILIATION

The total number of active plan participants as of the current valuation date is reconciled with the total number as of the prior valuation date as follows:

	<u>Police Personnel</u>
Number of Active Participants as of July 1, 2018:*	39
Decreases:	
Non-Vested Terminations:	0
Vested Terminations:	0
Retirements (DROP Actives):	(1)
Deaths, Withdrawals:	<u>0</u>
Total Increases/(Decreases):	(1)
New Entrants during 2018-2019:	<u>0</u>
Net Change:	(1)
Number of Active Participants as of July 1, 2019:*	38
Also as of July 1, 2019:	
Total Vested Terminated (incl. refunds due):	3
Total Retired:**	<u>32</u>
TOTAL PARTICIPANTS:	73

* Active participants include members beyond their
Normal Retirement Dates.

** Includes Alternate Payee, Beneficiaries and DROP participants.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

APPENDIX APENSION TRUST SUMMARY

PLAN SPONSOR: Town of Newtown
 EFFECTIVE DATE: July 1, 1965
 ANNIVERSARY DATE: July 1 of each year.
 VALUATION DATE: July 1, 2019

DEFINITIONS

Compensation: Total compensation limited each year to 125% of base compensation.
 Final Average Compensation includes the participants highest 36 consecutive months.

Participation: Eligibility - Service: 6 Months
 Maximum Age: 60

The Plan was closed to new entrants as of May 5, 2015.

Entry Date: On the first day of the month following satisfaction of eligibility.

Service: Continuous employment with the Town.

Credited Service: Service used in the determination of plan benefits. Includes all service except:

- (1) Service in excess of 30 years.
- (2) Service after July 1, 1965 during which an employee could have made employee contributions but did not.
- (3) Service prior to July 1, 1965 if an employee did not elect to be covered on that date.

Normal Retirement Date: First of the month coinciding with or following the earlier of:

- (1) Age 60 with at least 10 years of continuous Credited Service.
- (2) 25 years of Service at any age.

Early Retirement Date: Anytime after completing 20 years of Service.

Normal Retirement Benefit: 2.25% of Final Average Compensation times years of Credited Service.

PENSION TRUST SUMMARY - Continued

Early Retirement Benefit:	Accrued Benefit reduced 6% for each year prior to Normal Retirement Date.
Normal Form of Benefit:	Modified Cash Refund Annuity.
Disability:	
Eligibility:	At least one year of service and unable to work in any occupation.
Benefit:	2.25% of base salary times years of Credited Service subject to a minimum of 25% of base salary and one of the following maximums: <ul style="list-style-type: none"> (1) Job related disability - 85% of base salary less any other Town funded disability benefits (Social Security, Worker's Compensation, etc.). (2) Non-job related disability - 50% of base salary.
Pre-Retirement Spouse's Benefit:	The following benefits are available to the spouse of an actively employed policeman who dies: <ul style="list-style-type: none"> (1) Death incurred in the line of duty - 50% of a Policeman's Normal Retirement Benefit, assuming salary and service would have continued to Normal Retirement Date. There is no age or service requirement for this benefit. The benefit stops when the spouse remarries or dies. (2) Death not incurred in the line of duty - Benefit is equal to the 50% Joint and Survivor Benefit that would have been available if the policeman had retired on his date of death. Participant must have been eligible for Early or Normal Retirement to qualify for this death benefit. The benefit stops when the spouse remarries or dies.
Death Benefits:	Return of Employee Contributions plus interest (active and terminated only).
Vesting:	100% vesting in Employer portion of Normal Retirement Benefit at the completion of 10 years of Credited Service.
Cost of Living Adjustment:	
Eligibility:	There are three (3) retired members of the plan who are eligible for and receive Cost of Living Adjustments. There is no Cost of Living Adjustment for any other currently active or currently retired member.
Benefits:	Annual cost of living increased will be provided to eligible retired policemen in an amount equal to the smaller of: <ul style="list-style-type: none"> (1) 50% of the rate of salary increase for new policemen (2) 3%

PENSION TRUST SUMMARY - Continued

Special Buy Back:	Special provision which allowed L. Carlson, M. Fekete, J. Mooney and H. Stormer to resume employee contributions and buy back past contributions plus 5½% interest.
Military Buy Back:	MERF B type of military service buyback which allowed for the buyback of military service during the Korean and Vietnam hostilities by contributing 2% of earnings for each such year of service. In addition, another MERF B type of military service buyback which allowed for the buyback of 75% of military service which took place outside of the Korean and Vietnam hostilities by contributing 2% of earnings for each such year of credited military service.
Employee Contributions:	5% of Compensation for all members. Maximum contribution period is 30 years.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

APPENDIX BACTUARIAL ASSUMPTIONSFUNDING METHOD

Entry Age Normal Method – This method calculates an annual normal cost for each active employee, and adds an amortization of the unfunded accrued actuarial liability for all participants. The initial funding base was re-established as of July 1, 2017 (when the funding method was changed from Projected Unit Credit), and will be amortized over 20 years. Future changes in accrued liability due to experience gains or losses, changes in assumptions, and/or plan provisions will be amortized over 10 years.

The July 1, 2019 Valuation was the first prepared fully based on 7% interest.

TRUST ASSET VALUATION METHOD

Valuation assets are calculated using a smoothing formula which recognizes variances from the assumed rate of return 20% per year. For 2015 and forward, each year's loss will be separately accounted for and recognized over five years.

<u>INTEREST ASSUMPTION</u>	Pre-Retirement:	7.0% Compounded Annually
	Post-Retirement:	7.0% Compounded Annually

MORTALITY ASSUMPTION RP-2014 Society of Actuaries Blue Collar Mortality Table, with future generational increases projected with the RP-2018 scale.

TURNOVER - Based on the closure of the plan to new entrants, and the historically low termination rates of veteran police officers, no turnover has been assumed starting with the July 1, 2017 valuation.

SALARY SCALE Salaries are assumed to increase at 3% per year starting one year after the Valuation Date. For the year following the Valuation Date we use the current base compensation increased by a factor that is based on the overtime percentage earned in the prior fiscal year.

RETIREMENT AGE Participants are assumed to retire at the later of their Normal Retirement Date, or age 50. If a participant is past the date as determined above, he is assumed to retire one year after the valuation date.

COLA -Assumed to be 1.5% annually when in force.

ESTIMATED EXPENSES - Direct expenses of the trust are assumed to be \$10,000.
(This is an increase over the prior level, which was \$7,000)

**TOWN OF NEWTOWN PENSION PLAN -
POLICE UNION EMPLOYEES**

ASOP 51 - ASSESSMENT AND DISCLOSURE OF RISK

Introduction to ASOP 51 Disclosures for Funding Valuations

The Actuarial Standards Board adopted Actuarial Standard of Practice (ASOP) No. 51, “Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions”, effective with measurement dates on and after November 1, 2018.

ASOP 51 defines risk as “The potential of actual future measurements deviating from expected future measurements resulting from actual future experience deviating from actuarially assumed experience. For purposes of this ASOP, risk includes contribution risk.” Please note that ASOP 51 Risks are only a subset of the risks that may affect your Plan. This is because ASOP 51 Risks only include risks due to actual experience deviating from assumed experience.

Additional Information Regarding Assessment and Disclosure of Risks

The valuation of pension liabilities requires the use of certain assumptions to estimate events that are expected to occur in the future. These events can be economic, non-economic or demographic in nature. When actual experience in the future differs from the expected experience there is a direct effect on future pension liabilities. This in turn can impact both the funded position of the pension plan as well as the actuarially determined contribution (“ADC”).

Certain variables carry more risk than others. Included below is a brief explanation of those variables that can potentially have a significant effect on the plan’s future financial condition.

Actuarially Determined Contribution Compared to Actual Contribution

The ADC is calculated using an actuarial funding method. The ADC can vary from year to year as actual experience differs from that expected. The funding method’s intent is that if the ADC is deposited by the plan sponsor each year, then the plan would be sufficiently funded over the life of the plan so that promised benefits could be paid to all participants. An historical comparison of the ADC vs. contribution deposited by the plan sponsor for each plan year is shown in the GAS-67 report. The Sponsor currently and historically has contributed at least 100% of the ADC.

Risk Assessments

Investment volatility risk. There is an expectation that the assets of the pension plan will return an average long-term rate each year. If the actual annual net return on plan assets is consistently below the expected return then both the funded ratio and ADC would be negatively impacted – the funded ratio would be lower than expected and the ADC would be higher. For example, an asset “loss” (where loss is the value relative to expected growth) of 10% (about \$1.724M based on current values) in a given year would hypothetically cause the amortization portion of the ADC to increase on average by about \$229,000 for each of the next 10 years. Also, the funded ratio would decrease by about 8 percentage points. (Note: On a year-to-year basis, trust asset gains and losses are smoothed out but eventually, all losses and gains will impact the ADC.)

December 4, 2019

The Honorable Dan Rosenthal
TOWN OF NEWTOWN
Edmond Town Hall
3 Primrose St.
Newtown, CT 06470

Re: Town of Newtown Pension Plan - Selectmen and
Board of Education Personnel & Elected Officials Pension Plan
& Police Union Pension Plan
Our File No. 2823

Dear First Selectman Rosenthal:

We are pleased to present your Annual Valuation Report as of July 1, 2019. Again this year we have separated the report into two sections, with Part I containing the general calculations and disclosures, and Part II covering the individual participants benefit data.

For the 2020-2021 Fiscal Year of the Town, our recommended contributions are as follows:

	<u>Recommended (2020-21)</u>	<u>Prior Year (2019-20)</u>
Selectmen	\$ 687,277	\$ 720,920
Police (see separate rpt.)	<u>1,083,679</u>	<u>988,509</u>
Total Town of Newtown	\$1,770,956	\$1,709,429
Board of Education:	\$ 703,387	\$ 669,083

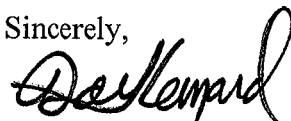
The above amounts are based on the July 1, 2019 valuation results projected forward to be applicable to the following fiscal year, and have been calculated using a 7.0% assumed discount rate.

If the deposits are to be made substantially later than July 1, 2019, interest at 7.0% per annum should be added.

Please see the General Comments section of the valuation report for information regarding changes in the plan's contribution requirements. At the end of the report is the information on the Elected Officials Pension Plan.

Please let me know if you have any questions or comments concerning this report.

Sincerely,



David G. Leonard, A.S.A.
Account Executive

cc: Ellen Whelan
Robert Tait

ACTUARIAL CERTIFICATION

This report has been prepared in accordance with generally accepted actuarial standards and procedures and conforms to the Guidelines for Professional Conduct of the American Academy of Actuaries.

The valuation is based on employee and plan financial data which were provided by the Plan Administrator, Plan Trustee, and various financial institutions. All information submitted to us has been reviewed for reasonableness and consistency, but has otherwise been accepted and relied upon without audit. The plan provisions and other material assumptions are disclosed in report in their respective sections.

Projected mortality improvements have been recognized through the use of SOA tables RP-2014 with projection scale MP-2018. This represents a change from 2018 when the prior year's projection scale, MP-2017 was employed.

To the best of our knowledge, the information supplied in this report is complete and accurate.

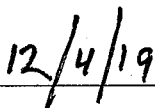
Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as the following: plan experience differing from that anticipated; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

I, David G. Leonard, A.S.A., E.A., am a member of the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained here



David G. Leonard, A.S.A.

Enrollment #17-03604



Date

ANNUAL VALUATION REPORT
FOR
TOWN OF NEWTOWN PENSION PLAN
BOARDS OF SELECTMEN AND EDUCATION
AS OF JULY 1, 2019

Prepared by:

David G. Leonard, ASA
T R PAUL, INC.

December 4, 2019

TOWN OF NEWTOWN PENSION PLAN

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TOWN OF NEWTOWN PENSION PLAN

I. HIGHLIGHTS

This section of the report summarizes the results of the July 1, 2019 actuarial valuation and provides a comparison with the results of the prior valuation. The development of these items for the current valuation is shown in the remaining sections of the report. The percentage in parenthesis express each amount as a percentage of covered payroll:

	July 1, 2019 <u>Valuation</u>		July 1, 2018 <u>Valuation</u>	
1. Recommended Annual Contributions:*				
a. Board of Selectmen	\$687,277	(10.7%)	\$720,920	(8.6%)
b. Board of Education	\$703,387	(9.8%)	\$669,083	(8.3%)
c. Total Town Plan	\$1,390,664	(10.3%)	\$1,390,003	(8.5%)
2. Covered Payroll of Participants (pension earnings projected for the fiscal year following the valuation date)				
a. Board of Selectmen	\$6,411,843		\$7,409,789	
b. Board of Education	\$7,142,960		\$7,335,284	
c. Total Town Plan	\$13,554,803		\$14,745,073	
3. Net Normal Cost (EAN)	\$817,292	(6.0%)	\$823,892	(5.8%)
4. Accrued Actuarial Liability (EAN)	\$33,987,873		\$32,456,485	
5. Assets - Market Value (MV)	\$28,275,000		\$26,552,507	
- Valuation Assets (VA)	\$28,595,505		\$27,126,749	
6. Unfunded Accrued Liability (VA)	\$5,392,368		\$5,329,736	
7. Actuarial Value of Benefits (total plan):				
a. Value of Vested Accrued Benefits	\$28,959,527		\$26,886,395	
b. Value of Non-Vested Accrued Bens.	\$703,815		\$685,300	
c. MV Assets in excess of Vested Benefits (5 minus 7a)	(\$684,527)		(\$333,888)	
8. Number of Participants:	<u>Sel.</u>	<u>Bd. of Ed.</u>	<u>Sel.</u>	<u>Bd. of Ed.</u>
a. Active Participants	110	163	130	175
b. Retired and Beneficiaries	70	70	66	61
c. Terminated Vested Participants (includes refunds only due)	28	20	19	22
d. Total	208	253	215	258

* Calculated assuming end of the fiscal year payment, for use in following fiscal year as of July 1.

TOWN OF NEWTOWN PENSION PLAN

II. GENERAL COMMENTS

The July 1, 2019 valuation report was prepared on a group of 110 active members in the Selectmen's accounts, and 163 actives from the Board of Education. This represents a decrease of thirty-two (32) active members from 2018, with about two-thirds of that in the Selectmen's group and the rest in the Board of Education.

The recommended contribution produced by the July 1, 2019 valuation increased \$601, to a recommended level of \$1,390,664 for the 2020-21 fiscal year. The Selectman group's recommended contribution decreased by about \$33,000, while the Board of Education increased by a similar amount.

A summary of the factors in the change for the year reveals the following:

Estimated Changes Due to:	<u>Selectmen</u>	<u>Bd. of Education</u>
Actives Chg. in Normal Cost:	\$ 32,481	\$ 42,875
Retired/Term Gains	(141,095)	(53,644)
Valuation Asset Losses:	32,660	28,296
New Members:	5,882	0
Change in Assumptions (phased in interest rates)	37,956	35,055
Misc. Actuarial Factors:	(1,527)	(18,278)
Total Changes:	\$ (33,643)	\$ 34,304

The July 1, 2019 Valuation was run using a 7% interest rate – the final step in a three year phase-in from the prior 7.5% assumed rate.

It is interesting to note that last year's full 7% calculations produced a recommended contribution for the 2019-20 plan year of \$1,458,238, which is about \$68,000 more than our 2020-21 recommendation.

The trust assets earned 5.22% using the GASB weighted method of calculating the yield. This created another actuarial loss that will be partially deferred for four more years by the valuation asset smoothing calculation.

The valuation yield was 4.58%, as past losses (and gains) continue to be worked off. We anticipate that next year's valuation will include recognized losses that will increase the recommended contribution by about \$40,000, and this has been built into the 2020-21 recommendation. The valuation asset cost factor shown above includes this bump, but also nets out last year's projected recognition losses.

After the valuation asset losses and the final phase in of the 7.00% interest assumption, the next most important factor in the cost calculations for the year was the participant experience.

TOWN OF NEWTOWN PENSION PLAN

II. GENERAL COMMENTS

The large decrease in active members in the Selectman's group resulted in both a large reduction in the normal cost, but also actuarial gains as terminated members' liabilities were much less than their projected benefit levels as active members. As shown above, the overall recommendation was decreased by \$141,095 thanks to six (6) retirees and sixteen (16) terminated members, both vested and non-vested. There were two new members in the Selectman's group, who added back almost \$6,000 of normal cost.

The Board of Education also experienced a decrease in active members, but their's was not as severe as the Selectmen, and it also was primarily retirees rather than terminations. Retirees will decrease the normal cost but generally do not create additional actuarial gains.

Both groups continuing active members experienced salary increases modestly above the assumed 3% rate (but still below 4%). As part of the new ASOP-51 disclosure (see below), we will be recommending a review of the salary history to see if a change in this assumption is in order.

The plan's market value funding ratios gave back some of last year's gains, due to the trust returns that were slightly below the assumed rate. The funding of accrued actuarial liabilities at 7% interest decreased 3.5% points to 83.2%, while the accrued benefit measure decreased 1.0% points to 95.3%.

Note that the trust assets in this report differ from the GASB statement in that prepaid benefits are not included in the GASB disclosures. Additionally, the GASB liabilities represent a projection from the prior year's base results. The July 1, 2019 liabilities in this report are substantially less than the projections from last year, due to the number of retirees and terminations. This will result in an actuarial gain in next year's GASB beginning balances.

Finally, there is a new disclosure which we have prepared called the ASOP-51. This is a required discussion regarding risk factors and their impact on the valuation results, both now and in the future. We have attached this new item as an appendix to this report. Its purpose and results are described in greater detail in the document itself.

TOWN OF NEWTOWN PENSION PLAN
III. PLAN ASSETS

A. Summary

Investment	07/01/2018 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income	Trust Expenses	Transfer EEs Distributions	Transfers out	06/30/2019 Ending Balance
ER Contrib. Receivable/(Payable)	0	0	0	0	0	0	0	0
EE Contrib. Receivable	2,439	0	11,950	0	0	0	0	14,389
Distribution Due PARS	(3,095)	0	0	0	0	1,401	0	(1,693)
Prepaid Benefits	166,777	0	0	0	0	27,656	0	194,433
<u>Wells Fargo / Westport Resources</u>								0
Cash	346,923	2,254,873	449,022	1,103,164	(110,548)	(2,325,891)	(1,625,076)	92,467
Investments	42,450,530	0	0	1,260,798	0	0	1,625,076	45,336,404
Accrued Interest	2,604	0	0	(2,277)	0	0	0	328
<u>PLAN TOTALS</u>	42,966,178	2,254,873	460,972	2,361,685	(110,548)	(2,296,834)	0	45,636,327

Distribution of Assets by Department

Plan Category	07/01/2018 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income*	Distributions	06/30/2019 Ending Balance	06/30/2019 Valuation Asset Balance
Town Plan	26,552,508	1,268,930	266,781	1,403,319	(1,215,537)	28,276,001	28,595,505
Elected officials	100,404	10,972	3,685	6,045	0	121,106	N/A
Police Plan	16,313,268	974,971	190,278	842,000	(1,081,296)	17,239,221	17,434,015
Grand Total	42,966,179	2,254,873	460,744	2,251,364	(2,296,834)	45,636,327	46,029,520

* Income reduced for trust expenses; allocated on a weighted basis by Wells Fargo.

TOWN OF NEWTOWN PENSION PLAN

III. PLAN ASSETS (Continued)

B. Development of Valuation Assets (Actuarial Value of Assets)

The Actuarial Valuation of Assets is calculated by recognizing 20% of the current year's actuarial gain or loss (to the 7.0% assumed rate of return), along with recognition of prior year's gains or losses that are also being recognized 20% per year. The final Valuation Asset level is subject to a corridor of 80% to 120% of the Market Value.

The prior smoothed actuarial asset valuation method was changed for the July 1, 2015 valuation, using the initial unrecognized gains from July 1, 2015 as the only prior base in place.

This method was then modified slightly for 2016 to anticipate Market Value yield at the assumed rate, rather than Expected Valuation Asset Value yield. Please see following page for additional detail.

The following illustrates the calculation of the Actuarial Value of Assets for June 30, 2019:

1. Assumed market value yield at valuation rate*	\$3,086,159
2. Actual MV Yield for June 30, 2019 **	2,316,920
3. Current Year (Gain)/Loss on Market value yield* (1) - (2)	769,239
4. Portion of Curr. Yr. Loss to be Recognized in 2019 (3) x 20%	153,848
5. Portion of Current Years (Gain)/Loss Not Recognized in 2019	615,391
6. Prior Unrec. (Gains)/ losses - June 30, 2019 - see next page	(101,092)
7. Total Unrecognized (Gains)/Losses (5) + (6)	514,299
8. Market Value of Trust Assets as of June 30, 2019	45,515,221
9. Preliminary Actuarial Value of Assets - June 30, 2019 (7)+(8)	\$46,029,520
10. (a) 80% corridor of Market Value	36,412,177
(b) 120% corridor of Market Value	54,618,266
11. Final Actuarial Value of Assets - June 30, 2019***	\$46,029,520

The Preliminary Actuarial Value of Assets is 101.1% of the Market Value, and thus falls within the 80% to 120% corridor of actual June 30, 2019 Market Value.

The yield on Valuation Assets for the 2018-2019 Plan Year was 4.58%.

* Assumed income is calculated based on a weighted balance which takes into account the date that the contributions and distributions are made to the fund.

** All items shown exclude the Money Purchase Plan assets. There was an immaterial receivable contribution as of the end of the fiscal year which has been included in the totals.

*** Includes both Town Plan and Police Plan

TOWN OF NEWTOWN PENSION PLAN

III. PLAN ASSETS (Continued)

C. SMOOTHED VALUATION ASSET AND UNRECONGNIZED (G)/L DETAIL- INCLUDES TOWN AND POLICE PLAN

Smoothed Valuation Asset Calculation

	Transition Year <u>07/01/2014</u>	<u>06/30/2015</u>	<u>06/30/2016</u>	<u>06/30/2017</u>	<u>06/30/2018</u>	<u>06/30/2019</u>	<u>06/30/2020</u>
Actuarial Value of Assets	\$36,445,798						
Market Value of Assets	34,676,083	35,698,524	34,740,866	39,623,234	42,865,776	45,515,221	
Unrecognized (G)/L	1,769,715						
Recognized in Year (for 6/30/15)	(442,429)						
Expected Earnings at Market Value (7.50%/7.00%)*		2,662,813	2,730,057	2,680,400	2,792,502	3,086,159	
Actual Earnings MV		977,145	(1,017,424)	4,614,032	2,921,062	2,316,920	
Actuarial (Gain)/Loss on MV		1,685,668	3,747,481	(1,933,632)	(128,560)	769,239	
Recognition of current years Gain/(Loss)		(337,134)	(749,496)	386,726	25,712	(153,848)	

Anticipated Unrecognized (Gain)/Loss for Future Years

Remaining Unrecognized (G)/L - 7/1/14 Trans.		1,327,286	1,061,829	707,886	353,943	0	0
Remaining Unrecognized (G)/L - 6/30/15 (G)/L		1,348,534	1,011,401	674,267	337,134	0	0
Remaining Unrecognized (G)/L - 6/30/16 (G)/L			2,997,985	2,248,489	1,498,992	749,496	0
Remaining Unrecognized (G)/L - 6/30/17 (G)/L				(1,546,905)	(1,160,179)	(773,453)	(386,726)
Remaining Unrecognized (G)/L - 6/30/18 (G)/L					(102,848)	(77,136)	(51,424)
Remaining Unrecognized (G)/L - 6/30/19 (G)/L						615,391	461,543
Total Unrecognized (Gains)/Losses		2,675,820	5,071,214	2,083,736	927,042	514,299	23,393
Market Value of Assets - EOY		35,698,524	34,740,866	39,623,234	42,865,776	45,515,221	
Total Unrecognized (Gain)/Loss		2,675,820	5,071,214	2,083,736	927,042	514,299	
Actuarial Value of Assets - EOY		\$38,374,344	\$39,812,081	\$41,706,970	\$43,792,818	\$46,029,520	

* Calculated using weighted contributions - ER by date, EE at 50%, Distrib at 50%. 7.00% interest assumption effective July 1, 2017 forward.

Note: 6/30/2015 Valuation Assets shown above based on the "new" method and do not equal the Valuation Assets used for the July 1, 2015 valuation Report.
Outstanding balance of 2018 & 2019 unrecognized gains for 2021-22 Valuations not shown.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2019

b. Calculation of Recommended Contributions Assumes 7.00%

	SELECTMEN	BOARD OF ED.	TOTALS
1. Gross Normal Cost as of 7/1/2019	\$508,252	\$547,598	\$1,055,850
2. Expenses	7,396	7,604	15,000
3. Expected Employee Contributions	117,638	135,920	253,558
4. Net Normal Cost (1 + 2 - 3) as of 7/1/2019	398,011	419,282	817,292
5. Accrued Liability:			
i. Active Employees	9,840,547	10,768,141	20,608,688
ii. Inactive Employees	1,222,431	682,216	1,904,646
iii. Retired Participants	6,992,891	4,481,648	11,474,539
6. Total Accrued Liability	\$18,055,869	\$15,932,004	\$33,987,873
7. Plan Assets - Blended Value	15,279,658	13,315,847	28,595,505
8. Unfunded (overfunded) Accrued Liability (6 - 7)	2,776,211	2,616,157	5,392,368
9. Amortization of Unfunded (Overfunded) Accd. Liability*	252,335	248,781	501,115
10. Normal Cost plus Amortization 7/1/2019 (4 + 9)	650,346	668,062	1,318,408
11. Recommended Contrib.- 2020-2021 to be paid 7/01/2020 (10 adjusted for time passage**)	\$687,277	\$703,387	\$1,390,664

* Initial EAN Base amortized over 20 years. (Gains)/losses starting with July 1, 2018 will be amortized over 10 years.

** 2019 adjustment takes into account the expected increases from unrecognized trust asset losses for 2019, plus normal cost increases assumed in the funding method.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2019

b. Summary of Funding Bases

SELECTMEN

Summary of Funding Bases	Initial Base	Rem. Bal. -19	Min. Amort.	Rem. Yrs (at min)
Initial Base - 7/1/17	\$ 2,447,983	\$ 2,537,103	\$ 215,955	18
(Gain)/Loss/Amend/Changes - 2018	277,987	263,149	39,579	9
(Gain)/Loss/Amend/Changes - 2019	(24,042)	(24,042)	(3,199)	10
Totals	\$ 2,701,928	\$ 2,776,211	\$ 252,335	

BOARD OF EDUCATION

Summary of Funding Bases	Initial Base	Rem. Bal. -19	Min. Amort.	Rem. Yrs (at min)
Initial Base - 7/1/17	\$ 2,365,758	\$ 2,332,122	\$ 208,702	18
(Gain)/Loss/Amend/Changes - 2018	107,537	97,901	15,311	9
(Gain)/Loss/Amend/Changes - 2019	186,134	186,134	24,768	10
Totals	\$ 2,659,429	\$ 2,616,157	\$ 248,781	

Funding Bases shown at 7.0% only.

If remaining balance is greater than the initial base, then negative amortization has occurred.

- this is an expected result based on the phasing in of the 7.0% discount assumption.
- all payment amounts will be revised the next time the discount assumption is changed.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2019

e. GASB Statement 67 and FASB Statement 35/36 Information

	SELECTMEN	BOARD OF ED.	TOTALS
I. ACTUARIAL ACCRUED LIABILITY - 7.00%			
a. Retirees/Benefic./Terminated	\$8,215,322	\$5,163,864	\$13,379,185
b. Current Employees			
I. EE Contr. & Intr.	1,977,848	2,102,101	4,079,949
II. ER Financed Vested	7,327,205	7,604,044	14,931,249
III. ER Financed Non-Vested	535,495	1,061,995	1,597,490
c. TOTALS	\$18,055,869	\$15,932,004	\$33,987,873
d. ASSETS - Market Value	\$15,108,934	\$13,167,066	\$28,276,000
e. FUNDED RATIO (7/1/2019)	83.68%	82.65%	83.19%
f. FUNDED RATIO (7/1/2018)	86.95%	86.33%	86.67%
<i>- These results will differ from the actual GASB disclosures, which are based on projected liabilities in order to ensure timely delivery.</i>			
II. PRESENT VALUE OF ACCRUED BENEFITS - 7.00%			
a. Retirees/Benefic./Terminated	\$8,215,322	\$5,163,864	\$13,379,185
b. Current Employees			
I. EE Contr. & Intr.	1,977,848	2,102,101	4,079,949
II. ER Financed Vested	5,468,966	6,031,426	11,500,393
III. ER Financed Non-Vested	240,637	463,178	703,815
c. TOTALS	\$15,902,773	\$13,760,569	\$29,663,342
d. ASSETS - Market Value	\$15,108,934	\$13,167,066	\$28,276,000
e. FUNDED RATIO (7/1/2019)	95.01%	95.69%	95.32%
f. FUNDED RATIO (7/1/2018)	96.48%	96.10%	96.30%

TOWN OF NEWTOWN PENSION PLAN

VI. PARTICIPANT DATA RECONCILIATION

The total number of active plan participants as of the current valuation date is reconciled with the total number as of the prior valuation date as follows:

	Selectmen's <u>Accounts</u>	Board of <u>Education</u>	Plan <u>Totals</u>
Number of Active Participants as of July 1, 2018:	130	175	305
Decreases:			
Non-Vested Terminations:	(7)	(2)	(9)
Vested Terminations:	(9)	(3)	(12)
Retirements:	(6)	(7)	(13)
Deaths, Transfers:	<u>0</u>	<u>0</u>	<u>0</u>
Total Increases/(Decreases):	(22)	(12)	(34)
New Entrants during 2018-2019: - includes rehires/reinstatements	<u>2</u>	<u>0</u>	<u>2</u>
Net Change:	<u>(20)</u>	<u>(12)</u>	<u>(32)</u>
Number of Active Participants as of July 1, 2019:	110	163	273
Also as of July 1, 2019:			
**Total Vested Terminated:	28	20	48
Total Retired:	<u>70</u>	<u>70</u>	<u>140</u>
TOTAL PARTICIPANTS:	208	253	461

* Active participants include Late Retirees and exclude Inactives.

** Includes 9 participants due refunds of contributions and interest,
and other inactive participants who may not have terminated.

TOWN OF NEWTOWN PENSION PLAN

V. HISTORY OF PLAN CONTRIBUTIONS AND LIABILITIES

Plan Year Beginning	Participants Act. - Other		Compensation*	Accrued Liability***	Market Value Assets	Unfunded Accrued Liability**	Recommended Contribution	(***)	Actual Town Contribution
1/1/1990	91	37	\$2,050,023	\$1,902,884	\$2,141,739	(\$238,855)	\$102,982	(5.02%)	\$114,531
7/1/1995	130	35	3,708,414	3,751,830	3,840,917	(89,087)	208,274	(5.62%)	208,274
7/1/2000	161	58	5,400,600	6,647,849	8,409,663	(1,761,814)	79,486	(1.47%)	80,297
7/1/2005	274	86	9,809,015	11,515,670	11,857,942	(342,272)	416,365	(4.24%)	420,381
7/1/2010	341	111	13,109,110	17,709,414	14,861,965	2,847,449	663,805	(5.06%)	651,581
7/1/2014	338	129	14,332,155	22,250,733	20,979,551	1,271,182	757,780	(5.29%)	731,579
7/1/2015	340	130	14,648,086	24,619,393	21,638,928	2,980,465	836,136	(5.71%)	836,137
7/1/2016	321	147	14,390,882	26,188,592	21,154,338	5,034,254	1,001,871	(6.96%)	1,001,870
7/1/2017	323	155	14,981,541	30,630,006	24,245,131	6,384,875	1,070,329	(7.14%)	1,070,328
2018 Select.	130	85	7,409,789	17,471,305	14,337,237	3,134,070	626,219	(8.45%)	626,219
2018 Board	175	83	7,335,284	14,985,180	12,215,272	2,769,908	642,711	(8.76%)	642,711
07/01/2018 (tot)	305	168	14,745,073	32,456,485	26,552,509	5,903,978	1,268,930	(8.61%)	1,268,930
2019 Select.	110	98	6,411,843	18,055,869	15,108,934	2,946,935	720,920	(11.24%)	
2019 Board	163	90	<u>7,142,960</u>	<u>15,932,004</u>	<u>13,167,066</u>	<u>2,764,939</u>	<u>669,086</u>	(9.37%)	
2019 Total	273	188	13,554,803	33,987,873	28,276,000	5,711,873	1,390,006	(10.25%)	

* Compensation shown is expected for the twelve months following the valuation date for active members only.

**Based on Market Value, not Valuation Assets.

*** Figures in parenthesis are Recommended Contribution as a percentage of compensation. Recommended Contribution is based on prior year's valuation rolled forward, not on current valuation. The 2019 valuation produced a Recommended Contribution of \$1,390,664 for the 2020-2021 plan

**** Beginning 7/1/2017 the actuarial liability is calculated at a 7.0% interest rate.

TOWN OF NEWTOWN PENSION PLAN

APPENDIX APENSION TRUST SUMMARY

PLAN SPONSOR: Town of Newtown
 EFFECTIVE DATE: July 1, 1965
 ANNIVERSARY DATE: July 1 of each year.
 VALUATION DATE: JULY 1, 2019

DEFINITIONS

Compensation: Base Salary as of July 1 each year. For departments that do not report base salary, actual earnings from prior plan year are used. Final Average Compensation includes the participants five (5) highest consecutive years.

Participation: Eligibility - Service: 6 Months
 Maximum Age: 60

Entry Date: On the first day of the month following satisfaction of eligibility, with the participant's election to make employee contributions (2% of base salary).

Service: Continuous employment with the Town.

Credited Service: Service used in the determination of plan benefits. Includes all service except:

- (1) Service in excess of 30 years.
- (2) Service after July 1, 1965 during which an employee could have made employee contributions but did not.
- (3) Service prior to July 1, 1965 if an employee did not elect to be covered on that date.

Normal Retirement Benefit: Greater of:

- (1) 2% of Final Average Compensation times years of Credited Service, less 50% of Social Security (at SSNRA),
- or
- (2) 1.15% of Final Average Compensation times years of Credited Service.

If a participant retires on or after his Normal Retirement Age (earlier of 30 years of Service or age 65), he will receive an additional temporary benefit equal to 50% of Social Security from his retirement date to his 65th birthday.

Normal Form of Benefit: Modified Cash Refund Annuity.

Death Benefits: Greater of Qualified Survivor Annuity or return of Employee Contributions plus interest (active and terminated only).

Vesting: 100% vesting in Employer portion of Normal Retirement Benefit at the completion of 10 years of Credited Service. Town Hall contract employees and department heads are eligible for 100% vesting after 5 years of Credited Service.

TOWN OF NEWTOWN PENSION PLAN

APPENDIX BACTUARIAL ASSUMPTIONSFUNDING METHOD

Entry Age Normal Method – This method calculates an annual normal cost for each active employee, and adds an amortization of the unfunded accrued actuarial liability for all participants. The initial funding base was re-established as of July 1, 2017 (when the funding method was changed from Projected Unit Credit), and will be amortized over 20 years. Future changes in accrued liability due to experience gains or losses, changes in assumptions, and/or plan provisions will be amortized over 10 years.

The July 1, 2019 Valuation was the first prepared fully based on 7% interest.

INTEREST ASSUMPTION

Pre-Retirement: 7.0% Compounded Annually
Post-Retirement: 7.0% Compounded Annually

MORTALITY ASSUMPTION

RP-2014 Society of Actuaries Mortality Table, with future generational increases projected with the MP-2018 scale.

TURNOVER

Participants are assumed to terminate at the following rates:

<u>Age</u>	<u>Males</u>	<u>Females</u>
25	10 %	15 %
30	7½	10
35	5	7½
40	3	5
45	1½	2½
50	0	0

SALARY SCALE & SOCIAL SECURITY BENEFITS

Salaries are assumed to increase at 3% per year. Since prospective salaries are reported, the increase applies after the end of the valuation year. Social Security laws projected using 3% COLA, with increases of 3% for the TWB and the NAMW.

RETIREMENT AGE

Participants are assumed to retire 50% of the time at their Normal Retirement Age and the remainder of the time at age 65. Participants past age 65 are assumed to retire one year after the valuation date.

ESTIMATED EXPENSES

Direct expenses of the trust are assumed to be \$15,000.
(This is an increase from \$13,000.)

TOWN OF NEWTOWN, CT DEBT MANAGEMENT POLICY

I. PURPOSE

The purpose of this policy is to establish parameters and provide guidance governing the issuance, management, continuing evaluation of and reporting on all debt obligations issued by the Town of Newtown.

Debt obligations, which include general obligation bonds, special assessment bonds, revenue bonds, bond anticipation notes, lease/purchase agreements and any other debt obligations permitted to be issued under Connecticut law shall only be issued to purchase capital assets that cannot be acquired with current revenues.

II. POLICY STATEMENT

Under the requirements of Federal and state laws and Town Charter provisions, ordinances and resolutions, the Town may periodically issue debt obligations to finance the construction or acquisition of infrastructure and other assets or to refinance existing debt. It is the Town's goal to assure that such debt obligations are issued and managed in such a manner as to obtain the best long-term financial advantage to the Town and its residents, while making every effort to maintain and improve the Town's bond ratings and reputation in the investment community.

III. RESPONSIBILITY FOR POLICY

The Director of Finance shall be responsible for issuing and managing the Town's debt program. In carrying out this policy, the Director shall periodically:

1. Consider the need for debt financing based upon the approved Capital Improvement Plan.
2. Review the Town's adherence to this policy statement and compare the debt ratios established in this policy with where the Town actually is.
3. Review the Town's authorized but unissued debt to determine if any authorizations are no longer needed.
4. Determine if there are any opportunities for refinancing current debt.
5. Review every three years the services provided by the Town's financial advisor, bond counsel, paying agents and other debt financing service providers.

The Director of Finance shall report his/her findings to the Board of Selectmen, Board of Finance and Legislative Council in the September/October time period of each year, during the Town's review and formulation of the Capital Improvement Plan.

IV. GENERAL DEBT GOVERNING POLICIES

The Town hereby establishes the following policies concerning the issuance and management of debt:

- A. The Town shall not issue debt obligations or use debt proceeds to finance current operations of the Town.

- B. The Town will utilize debt obligations only for acquisition, construction or remodeling of capital improvement projects that cannot be funded from current revenue sources or in such cases wherein it is more equitable to the users of the project to finance the project over its useful life.
- C. The Town will measure the impact of debt service requirements of outstanding and proposed debt obligations on single year, five, ten, and twenty-year periods.

V. DEBT POLICIES, RATIOS AND MEASUREMENT

- A. Purposes of Issuance – the Town shall only issue debt obligations for acquiring, constructing or renovating Town owned fixed assets; capital equipment as defined within 3.10-5 of the Capital Improvement Plan (“CIP”); or for refinancing existing debt obligations.
- B. Maximum Maturity – All debt obligations shall have a maximum maturity of twenty years. The estimated useful life of the Capital Improvement being financed should be considered when determining the maturity of debt. In the event debt obligations are being issued to refinance outstanding debt obligations the final maturity of the debt obligations being refinanced shall remain the same maturity.
- C. Direct Debt Per Capita – An analysis of this debt ratio should be made each year. It should be looked at in context with other related ratios (mentioned). A comparison should be made with other similar rated Connecticut towns. The Direct Debt Per Capita shall be calculated by dividing the Town’s direct debt by the most current population figure.

Ratio of General Fund Total Bonded Debt to Taxable Net Grand List – An analysis of this debt ratio should be made each year. It should not go beyond 3%. An increasing ratio of debt to net grand list (over several years) is not desirable.

- D. Average Maturity of General Obligation Bonds – the Town shall have at least 50% of outstanding general obligation bonds mature in less than ten (10) years.
- E. Debt Service Levels – The Town will adhere to a debt management cap that limits annual General Fund debt service to no more than 9.0% of the total General Fund budget. In addition, the Town will set a goal of limiting annual General Fund debt service to no more than 8.5% of the total General Fund budget by July 1, 2023.
- F. Net Present Value Savings – The Town must achieve a Net Present Value Savings of at least 2 percent over the life of an existing bond issue in order for it to be considered for refunding.
- G. Bond Covenants and Laws – The Town shall comply with all covenants and requirements of the bond resolutions, and state and Federal laws authorizing and governing the issuance and administration of debt obligations.
- H. If the debt management indicators fall below the recommended levels the finance director shall recommend and submit to the Board of Finance for approval a plan to bring the debt management indicators to their appropriate levels within a specific time frame.

This policy shall be reviewed, at minimum, on a biennial basis during the month of January in each odd numbered year.

VI. DEBT SERVICE INDICATORS

- A. The Town's debt burden will be compared to Towns:
 - i. in the immediate vicinity of the Town, including Bethel; Brookfield; Danbury; Monroe; New Fairfield; New Milford; Oxford; and Southbury;
 - ii. with the same bond rating; and
 - iii. to Towns with the same District Reference Group ("DRG").
- B. The Town recognizes that the below ratios are useful guides but not the exclusive means by which it should measure debt burden:
 - i. Ratio of debt to equalized net Grand List;
 - ii. debt per capita;
 - iii. per capita income;
 - iv. median household income
 - v. debt per capita as a percentage of per capita income;
 - vi. debt per capita as a percentage of median household income

The Town will employ data taken from the latest State of Connecticut Municipal Fiscal Indicators Report to compile the above ratios and develop trend lines from same.

- VII. This policy shall be reviewed, at minimum, on a biennial basis during the month of January in each odd numbered year.

Approved by the Legislative Council: October 4, 2017