

**LEGISLATIVE COUNCIL
FINANCE AND ADMINISTRATION COMMITTEE**

Special Meeting

Meeting Room of the Community Center, 3 Primrose St, Newtown, CT

Thursday, March 30, 2023

Minutes

PRESENT: Jeff Capeci, Ryan Knapp, Michelle Embree Ku, Matthew Mihalcik

ABSENT: Angela Curi, Charles Gardner

CALL TO ORDER: Matthew Mihalcik called the meeting to order at 7:35pm

VOTER COMMENT: None

ACCEPTANCE OF THE MINUTES

Motion: to approve the minutes of April 6th, 2022 February 1st, 2023 March 16th, 2023

Made by Michelle Embree Ku. Matt Mihalcik 2nd. Unanimously approved.

DEBT SERVICE AND CAPITAL NON-RECURRING POLICIES

The discussion on Debt Service and Capital Non-Recurring policies was postponed until the next meeting

2023-24 BOARD OF SELECTMEN BUDGET

Per the Legislative Council's referral to committee (3/15/23), General Government, Health and Welfare, Planning, Contingency, Debt Services and Other Financing Revenue in the BOS budget were reviewed:

- The questions and the answers that were provided to the committee were discussed
(Attachments A and B)

There was discussion about the anticipated yield on investments, the variance on the number of vehicles in each year's budget, savings from staff turnover, the Debt Service Fund balance, and the pension and health insurance committees (there was a request to have the committees come to speak with the LC at a later date).

Motion: to recommend that the Legislative Council consider an increase to the First Selectman's salary (per Charter 2-45c)

Made by Ryan Knapp, Jeff Capeci 2nd. Unanimously approved.

Motion: to recommend that the Legislative Council use savings from recent bond premiums to increase the debt service line item (specifically to reduce debt principle).

Made by Ryan Knapp. Matt Mihalcik 2nd. Unanimously approved.

Motion: to recommend that the Legislative Council reduce the contingency line by 50K

Made by Michelle Embree Ku. Jeff Capeci 2nd. Unanimously approved.

Motion: to recommend that the Legislative Council reduce the "Transfer Out" line of Capital Non-Recurring Reserve by \$200,000 (\$1,500,638 to \$1,300,638)

Made by Ryan Knapp, Matt Mihalcik 2nd. Unanimously approved.

VOTER COMMENT: None

ADJOURNMENT: There being no further business, Mr. Capeci moved to adjourn the meeting at 9:25pm. Seconded by Mr Knapp. All in favor.

Respectfully submitted,

Michelle Embree Ku

Vice Chair

Finance and Administration Committee of the Legislative Council

THESE MINUTES ARE SUBJECT TO APPROVAL BY THE FINANCE AND ADMINISTRATION COMMITTEE. ANY EDITS WILL BE REFLECTED IN THE MINUTES OF THE MEETING AT WHICH THEY ARE APPROVED.

ATTACHMENT A

- Motor vehicle tax offset, will we get it next year given our change in revaluation? Will this be a loss of revenue next year that will need to be offset, (likely be increases in taxation)?

Yes it will be a loss in revenue in 2025-26. Not necessarily an increase in taxation to make up for the loss. Any favorable change in the budget could offset the loss. Grand list is increasing. A \$5,000,000 increase in the grand list = \$130,000 in new revenues.

-p34 There is a comment that intergovernmental revenue has been decreasing, however over the last few years it has actually been increasing. Is this relative and our budget is just increasing faster? Does this include the Motor Vehicle offset?

7.1m—> 7.35m—>7.680m

Motor vehicle offset is not in the 7.680 however it is in 2023-24 (as discussed above). Take the offset out of 7.965 and you have 7.291 (7.10 > 7.35 > 7.68 > 7.29). Yes, intergovernmental revenue has not been keeping up with inflation/budget increases.

-p44 The investment income projection shows a projected increase, and the last sentence is a bit confusing, is this driven by interest rates or market driven? How confident are we in this projection? What could make it under perform?

The estimate for the 2023-24 interest earned is based on the projected 2022-23 amount. Most of our investments are in the State Short Term Investment fund. These are the following rates earned YTD in 2022-23: 7/1/22 1.49%; 10/1/22 3.02%; 1/1/2023 4.40%; 3/23/23 4.78%. So far (2022-23) we have earned \$1,132,000 up to 2/28/23. I am projecting \$1,750,000 at year end. To be conservative I used projected 2022-23 actual for 2023-24. Using 2022-23 actual is reasonable. If interest rates start going down and they go down at the same rate as they increased in 2022-23 we'll end up with the projection. I am not an expert in this but I do not think interest rates are going down soon.

-p52/53 shows a 1.85% tax increase, however due to Revaluation many residential real estate property tax payers will see larger increases. According to the sheet we received in December "Town of Newtown Revaluation Analysis" dated 10/1/22, residential real estate 43.0% while all Real Estate increased 38.8% and the Total Net Assessment increased 34.1%. Comparing ratios of percent of the total before and after, to solve for the change in grand list share:

$$(100\%+43\%) / (100\%+38.8\%) = 1.03$$

$$(100\%+43\%) / (100\%+34.1\%) = 1.066$$

Does the average Residential Real Estate Tax Bill therefore have a 6.6% larger share of the total Grand List due to relative growth?

The math is correct. The 6.6% also includes increases in the grand list (new construction - new taxes). I will get an amount of the increase in new residential real estate. Combined with motor vehicle tax the 6.6% decreases to 4.2% (which still includes new assessments added to the grand list)

The "town of Newtown Revaluation Analysis" also stated an estimated 2023-24 mill rate of 25.86 (this actually turns out to be pretty accurate). This 25.86 mill rate was a good starting point for residents to get a good idea based on their new assessment what their likely taxes would be.

-p55/60 investment income up 250% why? How does this relate to page 44?

Interest rates increased by 250%. The State Short Term Investment Rate on 7/1/2022 was 1.49%. On 3/23/2023 it was 4.78% (that's 221% increase and before 7/1/2022 the interest rates were much lower). Page 44 shows the large increase. The leveling off at the end represents setting the 2023-24 budget amount at the same (estimated) amount as prior year (to be conservative).

-p81 says "the budget has decreased \$6,682" should this actually say increased?

Correct, thank you, I have corrected the budget document so that the typo will be corrected in the LC adopted edition (I hope that by time the document goes thru the whole process all the typos will have been fixed)

-p81 This is listed as being shared 50/50 with BOE, but please confirm if all insurance and retirement contributions are carried on the Town side?

Correct, insurance and retirement contributions are carried on the BOS side for ease of administration.

-p115 What is the FFHA CAM charges balance?

The Fairfield Hills Special revenue fund currently has a \$43,000 fund balance.

-p164 What was the reason for the highway salaries and wages line variations from adopted to amended?

Authorized budget transfers from salaries (due to savings from vacancies) to energy accounts.

-p261 Debt Service in actual dollars is shown just under \$10m, up \$188k, but could you confirm it is decreasing as a percent of budget?

Yes it is: 2021 – 7.8% 2022 – 7.8% 2023 – 7.45% 2024 – 7.35%

-p262 Amount from debt service applied (900,000) please explain this calculation and where that comes from.

It comes from our debt service fund where bond premiums are placed to offset future debt service amounts. The amounts are planned during the CIP process. See the debt forecast schedule on page 303. You can trace the amount to that page (bottom right corner).

-p293 Several departments show increases but are offset by a decrease in retirement contributions, what is the typical volatility here? How often do we have years where we get to decrease retirement contributions compared to years they need to be increased? Why are the police and town pension contributions going in opposite directions? Why such a disparity? What is driving the police pension up 2x over 10 years? Is there any relief from having moved to a defined benefit plan?

If only pension contributions where in the retirement line item you would not see as much volatility. However there are also defined contribution plans in there as well (from new employees). So that's why one department may increase by the amount of the pension increase and the other increase more. I will attach the actuaries report which explains the increases in the plans and the effect of the defined benefit plans.

1. At the end of the 2022-23 fiscal year, there were \$819,856 in savings transferred to the "Transfer out to Capital and Non-Recurring" line. Of the total \$819,856 year-end surplus, \$630,687 (or 77%) was related to salaries and benefits.

At the end of the 2021-22 fiscal year, there were \$927,000 in savings transferred to the "Transfer Out to Capital and Non-Recurring" line. Of the total \$927,000 year-end surplus, \$651,600 (or 70%) was related to salaries and benefits.

Would it be reasonable to include a line in the budget for "savings from turnover" given that there will inevitably be some savings from turnover?

No, it wouldn't be reasonable to include a line in the Board of Selectmen budget for savings from turnover. The rating agencies have recognized Newtown's budget flexibility which has had a direct effect on reaching and maintaining its AAA rating with S & P.

30% of the Town budget (Board of Selectmen budget less debt service) and the revenue side of the budget (mainly grand list growth) is responsible for maintaining the Town's financial position. Reducing this flexibility would hamper the Town's ability to steer it in the right direction as far as its financial health is concerned.

The Board of Education "savings from turnover" line item is a bit different. For the most part it is a known savings from turnover. Teachers give advance notice to retiring. Most are on the top salary step. New hires are typically hired at a lower step (step 2). The BOE still budgets these positions in their respective salary line items at the top step. The difference between the top step (and say) step 2 is budgeted for in the "savings from turnover" line item as a negative budget amount. This is a state wide BOE budgetary practice (as far as I know). One could easily budget a step 2 position in the salary line item and have no "savings from turnover" line item.

The Town has 165 full time employees (BOE 806) with some years no turn overs.

2. Did the Pension Committee make a specific recommendation regarding the contribution to OPEB and pension accounts for the 2023-24 budget? What is the current valuation of the OPEB and the town and police pension accounts? Where can I find this information?

It's the Town's actuary that makes the recommendation for the pension contribution. Actuary report is attached.

The Town has never fully funded OPEB. The exposure to OPEB is small compared to other Towns who offer retiree medical benefits to all town retirees. Newtown provides OPEB benefits to retired police officers and to teachers (who with the help of the state pay 100%).

December 28, 2022

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, 2022. 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 (to be completed).

For the 2023-2024 Fiscal Year of the Town, our recommended contributions are as follows:

	<u>Recommended (2023-24)</u>	<u>Prior Year (2022-23)</u>
Selectmen	\$ 505,865	\$ 551,024
Police (see separate rpt.)	<u>1,232,645</u>	<u>1,099,390</u>
Total Town of Newtown	\$1,738,510	\$1,650,414
Board of Education:	\$ 622,111	\$ 601,197
Total all Plans:	\$2,360,621	\$2,251,611

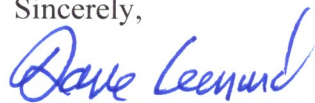
The above amounts are based on the July 1, 2022 valuation results projected forward to be applicable to the following fiscal year, and have been calculated using a blend of 7.0% and 6.5% assumed discount rate valuations.

If the deposits are to be made substantially later than July 1, 2023, interest at 6.5% 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 the Pub-10 Public Safety" tables, with projection scale MP-2021. This represents a change from 2021 only in that the projection scale has been updated, which is an immaterial change.

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 #20-03604

12/28/22
Date

ANNUAL VALUATION REPORT
FOR
TOWN OF NEWTOWN PENSION PLAN
BOARDS OF SELECTMEN AND EDUCATION
AS OF JULY 1, 2022

Prepared by:

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

December 28, 2022

TOWN OF NEWTOWN PENSION PLAN

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ANNUAL VALUATION REPORT
FOR
TOWN OF NEWTOWN PENSION PLAN
POLICE DEPARTMENT PERSONNEL
AS OF JULY 1, 2022

Prepared by:

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

December 28, 2022

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, 2022 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, 2022 <u>Valuation</u>	July 1, 2021 <u>Valuation</u>
1. Recommended Annual Contributions:*	\$1,232,645 (36.5%)	\$1,099,390 (30.4%)
2. Covered Payroll of Participants (covered earnings for the fiscal year preceding the valuation date)	\$3,378,737	\$3,614,450
3. Net Normal Cost (EAN)	\$432,748 (12.8%)	\$460,652 (12.7%)
4. Accrued Actuarial Liability (EAN)	\$29,824,915	\$28,961,203
5. Assets - Market Value (MV)	\$19,877,108	\$22,680,086
- Valuation Assets (VA)	\$21,525,245	\$20,317,504
6. Unfunded Accrued Liability (VA)	\$8,299,670	\$8,643,699
7. Actuarial Value of Benefits (total plan):		
a. Value of Vested Accrued Benefits	\$26,276,740	\$25,992,665
b. Value of Non-Vested Accrued Bens.	\$262,652	\$230,529
c. MV Assets in excess of Vested Benefits (5 minus 7a)	(\$6,399,632)	(\$3,312,579)
8. Number of Participants:		
a. Active Participants	33	36
b. Retirees, DROPs, Benef., & Alt Payees	36	34
c. Terminated Vested Participants (includes refunds only due)	3	36
d. Total	<u>72</u>	<u>73</u>

* 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, 2022 valuation increased \$133,225, to a recommended level of \$1,232,645 for the 2023-24 fiscal year.

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

2021-22 Recommendation:	\$1,099,390
Chg in Active Norm. Cost (N.C):	\$ 27,139
Valuation Asset (Gains)/Losses:	85,730
Retiring/Term Members N.C.:	(52,102)
Retiree Deaths	(13,091)
Change in Assumptions (phased in interest rates)	55,676
Misc. Actuarial Factors:	29,903
Total Changes:	\$ 133,255
2023-24 Recommendation:	\$1,232,645

It should be noted that the breakdown of the different factors above are estimates. The Miscellaneous Actuarial Factors represents what is left over when all the other items have been taken into account. At about 2.4% of the total recommendation, this item is relatively immaterial and is not directly traceable.

There were three retirees/DROP additions during the year, plus one retiree death. The normal cost for the remaining members was quite stable thanks mainly to participants who are at or past their Normal Retirement Dates. These members tend to have decreasing normal costs, especially if they have completed 30 years of service.

The trust lost 12.4% in 2021-22, calculated using the GASB weighted method. Added to the expected 6.5% return, the actuarial loss (plan wide) before asset smoothing would have been almost 19%, or more than \$11,000,000. Amortizing that loss over 10 years would have increased the recommended contribution by almost \$1.5 million. As a comparison, the 2021 gains would have produced an actuarial gain of more than \$9,000,000.

With trust asset smoothing, the valuation yield was (positive) 5.97%, producing manageable losses. The Police Department plan felt the losses more than the other departments because they have the largest asset base, and thus the most to gain in good years, or to lose in bad.

It should be noted that without the trust losses and the continuing phase in to a 6.5% interest rate assumption, the recommended contribution for 2023-24 would have decreased by several thousand dollars.

The next two years could bring slightly smaller increases as we finish the interest rate phasing and the recognition of the trust losses continue. The 2026-27 recommendation could present a larger jump unless the trust produces some gains compared to 6.5% from 2022-2025 (see table on page 5).

The plan's market value funding ratios decreased due to the poor trust asset performance, with the present value of accrued benefits measure back down to 74.9% (+11.5%) and the accrued liability level decreasing by 14.9% to 63.4%. These measures are close to the 2020 valuation ratios.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL
III. PLAN ASSETS

A. Summary

Investment	07/01/2021 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income	Trust Expenses	Distributions	06/30/2022 Ending Balance
ER Contrib. Receivable/(Payable)	0	0	0	0	0	0	0
EE Contrib. Receivable	0	0	0	0	0	0	0
Distribution Due PARS	0	0	0	0	0	0	0
Prepaid Benefits	224,864	0	0	0	0	16,658	241,522
<u>Wells Fargo / Westport Resources</u>							0
Cash*	408,195	2,488,986	395,579	1,229,565	(82,207)	(2,857,708)	19,366
Investments*	59,697,204	0	0	(8,829,872)	0	0	52,430,377
Accrued Interest	0	0	0	21,079	0	0	21,079
<u>PLAN TOTALS</u>	60,330,263	2,488,986	395,579	(7,579,227)	(82,207)	(2,841,049)	52,712,344

** Cash and investments do not balance across due to transfers, which wash.*

Distribution of Assets by Department

Plan Category	07/01/2021 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income**	Distributions	06/30/2022 Ending Balance	06/30/2022 Valuation Asset Balance
Town Plan	37,453,543	1,312,894	219,205	(4,748,100)	(1,587,893)	32,649,649	35,356,839
Elected officials	196,633	11,897	3,912	(26,855)	0	185,587	N/A
Police Plan	22,680,086	1,164,195	172,462	(2,886,479)	(1,253,156)	19,877,108	21,525,245
Grand Total	60,330,263	2,488,986	395,579	(7,661,434)	(2,841,049)	52,712,344	56,882,084

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

TOWN OF NEWTOWN PENSION PLAN POLICE PERSONNEL

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 current 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.

This method was installed in 2015 and 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, 2022:

1. Assumed market value yield at valuation rate*	\$3,908,252
2. Actual MV Yield for June 30, 2021 **	(7,568,458)
3. Current Year (Gain)/Loss on Market value yield* (1) - (2)	11,476,710
4. Portion of Curr. Yr. Loss to be Recognized in 2021 (3) x 20%	2,295,342
5. Portion of Current Years (Gain)/Loss Not Recognized in 2021	9,181,368
6. Prior Unrec. (Gains)/ losses - June 30, 2022 - see next page	(4,826,041)
7. Total Unrecognized (Gains)/Losses (5) + (6)	4,355,327
8. Market Value of Trust Assets as of June 30, 2022	52,526,757
9. Preliminary Actuarial Value of Assets - June 30, 2022 (7) + (8)	\$56,882,084
10. (a) 80% corridor of Market Value	42,021,406
(b) 120% corridor of Market Value	63,032,108
11. Final Actuarial Value of Assets - June 30, 2022***	\$56,882,084

The Preliminary Actuarial Value of Assets is 108.3% of the Market Value, and thus falls within the 80% to 120% corridor of actual June 30, 2022 Market Value.

The yield on Valuation Assets for the 2021-2022 Plan Year was 5.97%.

* 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 POLICE PERSONNEL

III. PLAN ASSETS (Continued)

B. History of Valuation Assets Gains & Loss Recognition

The Valuation Asset calculation spreads out gains and losses over a five year period. As such, in any given year gains or losses from five different years are in the process of being recognized, while amounts remain unrecognized waiting for future years' calculations

The table below displays the bases in use this year, as well as reporting on the current unrecognized status of prior gains and losses, with their scheduled recognition dates.

<i>Amounts shown for total plan, not just Police Dept.</i>		Recognition	Amts. recog. in	Deferred Recognition	
Initial Year	(Gain) or Loss	for 2022	Val. Asset Calc.	as of	Remaining
of Base	(a)	Valuation	thru 6/30/2022	June 30, 2022	Years
		(b)	(c)	.	
2018	(\$128,560)	(\$25,712)	(\$128,560)	\$0	0
2019	769,239	153,848	615,391	153,848	1
2020	1,406,323	281,265	843,794	562,529	2
2021	(9,237,363)	(1,847,473)	(3,694,945)	(5,542,418)	3
2022	<u>11,476,710</u>	<u>2,295,342</u>	<u>2,295,342</u>	<u>9,181,368</u>	4
Totals		\$857,270		\$4,355,328	

Recognition for 2021 Valuation - a positive number indicates losses that impacted the valuation calculation this year. See below for the expected impact in future years.

Deferred recognition as of June 30, 2021 - this number is added to / (Subtracted from) the market value of the assets to determine the valuation basis.

Scheduled recognition dates for current bases in future actuarial value of assets calculations and expected unrecognized balances:

	<u>Recog. in Year</u>	<u>Exp. Unrecognized</u>
2023	\$882,982	3,472,345
2024	729,134	2,743,211
2025	447,869	2,295,342
2026	2,295,342	0

Note that future years' gains and losses will be added, as they are recognized, to the amounts shown in the above schedule.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

IV. ANNUAL VALUATION - JULY 1, 2022

a. Calculation of Recommended Contributions

	7.0%	6.5%
Gross Normal Cost as of 7/1/2022	\$517,438	\$586,655
Expenses	10,000	10,000
Expected Employee Contributions	163,906	163,906
Net Normal Cost (1 + 2 - 3) as of 7/1/2022	363,532	432,748
Accrued Liability:		
i. Active Employees	12,562,651	13,516,630
ii. Inactive Employees	669,686	726,142
iii. Retired Participants (includes DROP)	14,898,056	15,582,143
Total Accrued Liability	\$28,130,393	\$29,824,915
Valuation Assets - Smoothed Value	21,525,245	21,525,245
Unfunded (overfunded) Accrued Liability (6 - 7)	6,605,147	8,299,670
Amortization of Unfunded (Overfunded) Accd. Liability*	642,058	850,014
Normal Cost plus Amortization as of 7/1/2022 (4 + 9)	1,005,590	1,282,762
Recommended Contribution for 2023-2024 to be paid 7/01/2023 (10 adjusted for time passage**)	\$1,065,586	\$1,344,017
Blended Contribution for 2023-2024 (40% at 7.0%, 60% at 6.5%)		\$1,232,645

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

** 2023 adjustment takes into account the expected changes from unrec. trust asset (gains)/losses for 2022, plus normal cost changes assumed in the funding method.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

IV. ANNUAL VALUATION - JULY 1, 2022

b. Summary of Funding Bases

Summary of Funding Bases	Initial Base	Rem. Bal. -22	Minimum Amort. - 7%	Minimum Amort. - 6.5%
Initial Base - 7/1/17	\$ 8,643,699	\$ 6,979,231	\$ 637,905	\$ 662,980
(Gain)/Loss/Amend/Changes - 2018	\$ (121,706)	\$ (110,642)	\$ (17,328)	\$ (16,564)
(Gain)/Loss/Amend/Changes - 2019	\$ 570,618	\$ 530,578	\$ 81,243	\$ 79,376
(Gain)/Loss/Amend/Changes - 2020	\$ 315,588	\$ 303,733	\$ 41,993	\$ 41,220
Assumption Changes - 2020	\$ 1,635,186	\$ 1,573,760	\$ -	\$ 213,579
(Gain)/Loss Changes - 2021	\$ (836,809)	\$ (814,087)	\$ (95,875)	\$ (109,300)
(Gain)/Loss Changes - 2022	\$ (162,902)	\$ (162,902)	\$ (5,880)	\$ (21,277)
Totals	\$ 10,043,673	\$ 8,299,670	\$ 642,058	\$ 850,014

Remaining Balances shown at 6.5%, amortizations shown at 6.5% and 7.0%.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

IV. ANNUAL VALUATION - JULY 1, 2022

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

I. ACCRUED ACTUARIAL LIABILITY (7.0%)

a. Retirees/Benefic./Terminated	\$16,308,285
b. Current Employees	
I. EE Contr. & Intr.	3,257,528
II. ER Financed Vested	11,062,779
III. ER Financed Non-Vested	732,328
c. TOTALS	31,360,920
d. ASSETS - Market Value	19,877,108
e. FUNDED RATIO (7/1/2022)	63.38% - at 6.50%
f. FUNDED RATIO (7/1/2022)	78.31% - at 6.50%
<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	\$16,308,285
b. Current Employees	
I. EE Contr. & Intr.	3,257,528
II. ER Financed Vested	6,710,927
III. ER Financed Non-Vested	262,652
c. TOTALS	26,539,391
d. ASSETS - Market Value	19,877,108
e. FUNDED RATIO (7/1/2022)	74.90% - at 6.50%
f. FUNDED RATIO (7/1/2022)	86.49% - at 6.50%

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
7/1/2000	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
7/1/2015	43	30	3,793,179	18,056,413	14,059,437	3,996,976	586,601	(15.46%)	586,601
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	7,951,384	988,509	(26.46%)	988,509
7/1/2020	37	36	3,727,706	27,914,498	17,923,372	9,991,126	1,083,679	(31.23%)	1,083,679
7/1/2021	36	37	3,614,450	28,961,203	22,680,086	6,281,117	1,164,195	(32.21%)	1,164,195
7/1/2022	33	39	3,378,737	29,824,915	19,877,108	9,947,807	1,099,390	(32.54%)	

* 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 2022 valuation produced a Recommended Contribution of \$1,232,645 for the 2023-2024 plan year.

**** Beginning 7/1/2017 the Act. Liab. is calculated at 7.0%, starting 7/1/2020 it was 6.5%.

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, 2021:*	36
Decreases:	
Non-Vested Terminations:	0
Vested Terminations:	0
Retirements (incl. DROP Actives):	(3)
Deaths, Withdrawals:	<u>0</u>
Total Increases/(Decreases):	(3)
New Entrants during 2021-2022:	<u>0</u>
Net Change:	(3)
Number of Active Participants as of July 1, 2022:*	33
Also as of July 1, 2022:	
Total Vested Terminated (incl. refunds due):	3
Total Retired:**	<u>36</u>
TOTAL PARTICIPANTS:	72

* 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, 2022

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, 2022 Valuation was prepared using a 40%/60% weighting basis on calculations run at 7% and 6.5% interest, respectively. The percentages will be altered by 20% each of the next three years until the July 1, 2024 Valuation will be run at 6.5% only.

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%/6.5% Compounded Annually
	Post-Retirement:	7.0%/6.5% Compounded Annually

Results at 6.5% are being phased in as described above.

MORTALITY ASSUMPTION Pub-10 "Public Safety" Mortality, with future generational increases projected with the MP-2021 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.

December 28, 2022

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, 2022. 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 (to be completed).

For the 2023-2024 Fiscal Year of the Town, our recommended contributions are as follows:

	<u>Recommended (2023-24)</u>	<u>Prior Year (2022-23)</u>
Selectmen	\$ 505,865	\$ 551,024
Police (see separate rpt.)	<u>1,232,645</u>	<u>1,099,390</u>
Total Town of Newtown	\$1,738,510	\$1,650,414
Board of Education:	\$ 622,111	\$ 601,197
Total all Plans:	\$2,360,621	\$2,251,611

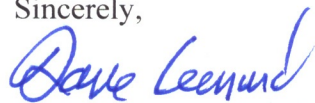
The above amounts are based on the July 1, 2022 valuation results projected forward to be applicable to the following fiscal year, and have been calculated using a blend of 7.0% and 6.5% assumed discount rate valuations.

If the deposits are to be made substantially later than July 1, 2023, interest at 6.5% 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 Pub-10 "General" with projection scale MP-2020. This represents a change from 2021 only in that the projection scale has been updated, which is an immaterial change.

To the best of our knowledge, the information supplied in this report is complete and accurate. There was an error in which an immaterial liability was left out of the calculations, which has been disclosed and will be corrected in next year's valuation.

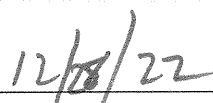
Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as the following: plan experience differing from that anticipated; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation 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 #20-03604



Date

ANNUAL VALUATION REPORT
FOR
TOWN OF NEWTOWN PENSION PLAN
BOARDS OF SELECTMEN AND EDUCATION
AS OF JULY 1, 2022

Prepared by:

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

December 28, 2022

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, 2022 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:

	<u>July 1, 2022</u> <u>Valuation</u>		<u>July 1, 2021</u> <u>Valuation</u>	
1. Recommended Annual Contributions:*	<i>for 2023-24</i>		<i>for 2022-23</i>	
a. Board of Selectmen	\$505,865	(9.7%)	\$551,024	(9.3%)
b. Board of Education	\$622,111	(10.4%)	\$601,197	(9.4%)
c. Total Town Plan	\$1,127,975	(10.1%)	\$1,152,221	(9.4%)
2. Covered Payroll of Participants (pension earnings projected for the fiscal year following the valuation date)				
a. Board of Selectmen	\$5,233,804		\$5,905,617	
b. Board of Education	\$5,968,004		\$6,407,744	
c. Total Town Plan	\$11,201,808		\$12,313,361	
3. Net Normal Cost (EAN)	\$772,188	(6.9%)	\$874,100	(7.1%)
4. Accrued Actuarial Liability (EAN)	\$40,004,963		\$39,361,925	
5. Assets - Market Value (MV)	\$32,649,649		\$37,453,543	
- Valuation Assets (VA)	\$35,356,839		\$33,552,012	
6. Unfunded Accrued Liability (VA)	\$4,648,124		\$5,809,913	
7. Actuarial Value of Benefits (total plan):	<i>at 6.5%</i>		<i>at 6.5%</i>	
a. Value of Vested Accrued Benefits	\$33,753,631		\$33,013,103	
b. Value of Non-Vested Accrued Bens.	\$885,478		\$798,477	
c. MV Assets in excess of Vested Benefits (5 minus 7a)	(\$1,103,982)		\$4,440,440	
8. Number of Participants:	<u>Sel.</u>	<u>Bd. of Ed.</u>	<u>Sel.</u>	<u>Bd. of Ed.</u>
a. Active Participants	80	118	93	135
b. Retired and Beneficiaries	80	87	79	81
c. Terminated Vested Participants (includes refunds only due)	35	37	31	29
d. Total	195	242	203	245

* 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, 2022 valuation report was prepared on a group of 80 active members in the Selectmen's accounts, and 118 actives from the Board of Education. This represents a decrease of thirty (30) active members from 2021, with 13 of the thirty coming from the Selectmen's group and a decrease of 17 in the Board of Education.

The recommended contribution produced by the July 1, 2022 valuation increased by \$17,989, to a recommended level of \$1,170,210 for the 2023-24 fiscal year. The Selectman group's recommended contribution decreased by about \$45,000, and the Board of Education increased by approximately \$63,000.

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>
2022-23 Recommendation:	\$551,024	\$601,197
Actives Chg. in Normal Cost:	\$ 249	\$ 11,757
Retired/Term Gains	(102,385)	(82,668)
Valuation Asset (Gains)/Losses:	74,475	67,098
Retiree Deaths:	(28,314)	(587)
*Change in Assumptions	28,234	40,374
Misc. Actuarial Factors:	(17,419)	(15,060)
Total Changes:	\$(45,160)	\$ 20,914
2023-24 Recommendation:	\$505,864	\$622,111

* Phased in interest rates.

It should be noted that the breakdown of the different factors above are estimates. The Miscellaneous Actuarial Factors represents what is left over when all the other items have been taken into account and are not directly traceable.

The discrepancy in the change from last year to this year between the Selectman's group and the Board of Education was due to three major causes – larger normal cost reductions from terminations and retirements, more “aging out” of active members at or past their Normal Retirement Dates, and the number and magnitude of the deaths among the retired members.

While two of those causes are relatively self-explanatory, gains from “aging out” occur when participants have passed their Normal Retirement Dates, especially those with more than 30 years of service. While there are fairly equal numbers of these members in both groups, those in the Selectman's group are generally longer serviced and higher paid, and thus their impact for this factor is more prevalent. The percent of retirement eligible members is also higher in the Selectman's group simply because the active participant base is smaller, and their salaries are 43% higher than those at the Board of Education.

TOWN OF NEWTOWN PENSION PLAN

II. GENERAL COMMENTS

The trust lost 12.4% in 2021-22, calculated using the GASB weighted method. Added to the expected 6.5% return, the actuarial loss before asset smoothing would have been almost 19%, or more than \$11,000,000 (plan wide, including the Police plan). Amortizing that loss over 10 years would have increased the recommended contribution by almost \$1.5 million. As a comparison, the 2021 gains would have produced an actuarial gain of more than \$9,000,000.

Because we recognize asset gains and losses over 5 years, the valuation asset progress for 2022 produced only a modest actuarial loss, with a recognized yield of +5.97%.

Looking down the road a bit, the next three years have scheduled recognition of net asset losses of fairly modest proportions – similar to this year’s \$857,279 loss for 2023 and smaller losses in 2024 and 2025. However in 2026, the last phase-in of last year’s gains will be gone and, barring new gains over the next three years, a large loss of more than \$2,000,000 will be recognized with a \$300,000 ten year amortization base added to the recommended contribution calculation. Please see the table on page 5 for the schedule of future gain and loss recognition.

For July 1, 2022, the plan experienced the third year of the phase-in to 6.5% interest rates. 40% of the valuation contribution was based on 7.0% valuation results, and 60% is from the 6.5% calculations. You will continue to see increases for the next two years as the phase in continues, however the amount of each year’s rise from the phase-in should lessen, as more and more actives retire.

There were five deaths among the 160 retirees as of the beginning of the year, with four of those in the Selectman’s group. Overall the retiree roster grew to 167 despite the deaths, with the biggest net rise coming in the Board of Education.

As could be expected from the trust asset losses, the funding ratios based on market value on page 10 fell significantly this year. Interestingly though, if we look back at the July 1, 2020 ratios we see over the two year period the funded level in both participants groups increased by a few percent – so in effect the plan has weathered the storm and remains funded at 94% on an accrued basis. The GASB level has slipped to 81.6%, which is in the “acceptable but needs improvement” category. In 2020 this level was just less than 80%.

TOWN OF NEWTOWN PENSION PLAN
III. PLAN ASSETS

A. Summary

Investment	07/01/2021 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income	Trust Expenses	Distributions	06/30/2022 Ending Balance
ER Contrib. Receivable/(Payable)	0	0	0	0	0	0	0
EE Contrib. Receivable	0	0	0	0	0	0	0
Distribution Due PARS	0	0	0	0	0	0	0
Prepaid Benefits	224,864	0	0	0	0	16,658	241,522
<u>Wells Fargo / Westport Resources</u>							0
Cash*	408,195	2,488,986	395,579	1,229,565	(82,207)	(2,857,708)	19,366
Investments*	59,697,204	0	0	(8,829,872)	0	0	52,430,377
Accrued Interest	0	0	0	21,079	0	0	21,079
<u>PLAN TOTALS</u>	60,330,263	2,488,986	395,579	(7,579,227)	(82,207)	(2,841,049)	52,712,344

** Cash and investments do not balance across due to transfers, which wash.*

Distribution of Assets by Department

Plan Category	07/01/2021 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income**	Distributions	06/30/2022 Ending Balance	06/30/2022 Valuation Asset Balance
Town Plan	37,453,543	1,312,894	219,205	(4,748,100)	(1,587,893)	32,649,649	35,356,839
Elected officials	196,633	11,897	3,912	(26,855)	0	185,587	N/A
Police Plan	22,680,086	1,164,195	172,462	(2,886,479)	(1,253,156)	19,877,108	21,525,245
Grand Total	60,330,263	2,488,986	395,579	(7,661,434)	(2,841,049)	52,712,344	56,882,084

** 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 current 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.

This method was installed in 2015 and 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, 2022:

1. Assumed market value yield at valuation rate*	\$3,908,252
2. Actual MV Yield for June 30, 2021 **	(7,568,458)
3. Current Year (Gain)/Loss on Market value yield* (1) - (2)	11,476,710
4. Portion of Curr. Yr. Loss to be Recognized in 2021 (3) x 20%	2,295,342
5. Portion of Current Years (Gain)/Loss Not Recognized in 2021	9,181,368
6. Prior Unrec. (Gains)/ losses - June 30, 2022 - see next page	(4,826,041)
7. Total Unrecognized (Gains)/Losses (5) + (6)	4,355,327
8. Market Value of Trust Assets as of June 30, 2022	52,526,757
9. Preliminary Actuarial Value of Assets - June 30, 2022 (7) + (8)	\$56,882,084
10. (a) 80% corridor of Market Value	42,021,406
(b) 120% corridor of Market Value	63,032,108
11. Final Actuarial Value of Assets - June 30, 2022***	\$56,882,084

The Preliminary Actuarial Value of Assets is 108.3% of the Market Value, and thus falls within the 80% to 120% corridor of actual June 30, 2022 Market Value.

The yield on Valuation Assets for the 2021-2022 Plan Year was 5.97%.

* 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)

B. History of Valuation Assets Gains & Loss Recognition

The Valuation Asset calculation spreads out gains and losses over a five year period. As such, in any given year gains or losses from five different years are in the process of being recognized, while amounts remain unrecognized waiting for future years' calculations

The table below displays the bases in use this year, as well as reporting on the current unrecognized status of prior gains and losses, with their scheduled recognition dates.

<i>Amounts shown for total plan, not just Town/Bd. Depts.</i>		Recognition	Amts. recog. in	Deferred Recognition	
Initial Year	(Gain) or Loss	for 2022	Val. Asset Calc.	as of	Remaining
of Base	(a)	Valuation	thru 6/30/2022	June 30, 2022	Years
		(b)	(c)	.	
2018	(\$128,560)	(\$25,712)	(\$128,560)	\$0	0
2019	769,239	153,848	615,391	153,848	1
2020	1,406,323	281,265	843,794	562,529	2
2021	(9,237,363)	(1,847,473)	(3,694,945)	(5,542,418)	3
2022	<u>11,476,710</u>	<u>2,295,342</u>	<u>2,295,342</u>	<u>9,181,368</u>	4
Totals		\$857,270		\$4,355,328	

Recognition for 2021 Valuation - a positive number indicates losses that impacted the valuation calculation this year. See below for the expected impact in future years.

Deferred recognition as of June 30, 2021 - this number is added to / (Subtracted from) the market value of the assets to determine the valuation basis.

Scheduled recognition dates for current bases in future actuarial value of assets calculations and expected unrecognized balances:

	<u>Recog. in Year</u>	<u>Exp. Unrecognized</u>
2023	\$882,982	3,472,345
2024	729,134	2,743,211
2025	447,869	2,295,342
2026	2,295,342	0

Note that future years' gains and losses will be added, as they are recognized, to the amounts shown in the above schedule.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2022

a. Calculation of Recommended Contributions Assumes 7.00%

	SELECTMEN	BOARD OF ED.	TOTALS
1. Gross Normal Cost as of 7/1/2022	\$399,938	\$452,343	\$852,281
2. Expenses	10,000	10,000	20,000
3. Expected Employee Contributions	94,776	113,692	208,467
4. Net Normal Cost (1 + 2 - 3) as of 7/1/2022	315,163	348,651	663,814
5. Accrued Liability:			
i. Active Employees	9,780,728	10,789,719	20,570,447
ii. Inactive Employees	1,144,884	1,471,695	2,616,579
iii. Retired Participants	8,659,274	6,331,047	14,990,320
6. Total Accrued Liability	\$19,584,885	\$18,592,461	\$38,177,347
7. Plan Assets - Blended Value	18,467,270	16,889,569	35,356,839
8. Unfunded (overfunded) Accrued Liability (6 - 7)	1,117,615	1,702,892	2,820,508
9. Amortization of Unfunded (Overfunded) Accd. Liability*	91,529	178,352	269,881
10. Normal Cost plus Amortization 7/1/2022 (4 + 9)	406,692	527,003	933,695
11. Recommended Contrib.- 2023-2024 to be paid 7/01/2023 (10 adjusted for time passage**)	\$421,163	\$543,224	\$964,387

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

** 2022 adjustment takes into account the expected changes from unrec. trust asset (gains)/losses for 2023, plus normal cost changes assumed in the funding method.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2022

b. Calculation of Recommended Contributions Assumes 6.50%

	SELECTMEN	BOARD OF ED.	TOTALS
1. Gross Normal Cost as of 7/1/2022	\$450,986	\$509,670	\$960,656
2. Expenses	10,000	10,000	20,000
3. Expected Employee Contributions	94,776	113,692	208,467
4. Net Normal Cost (1 + 2 - 3) as of 7/1/2022	366,210	405,978	772,188
5. Accrued Liability:			
i. Active Employees	10,277,454	11,378,091	21,655,545
ii. Inactive Employees	1,251,030	1,564,511	2,815,540
iii. Retired Participants	8,975,946	6,557,931	15,533,878
6. Total Accrued Liability	\$20,504,430	\$19,500,534	\$40,004,963
7. Plan Assets - Blended Value	18,467,270	16,889,569	35,356,839
8. Unfunded (overfunded) Accrued Liability (6 - 7)	2,037,159	2,610,965	4,648,124
9. Amortization of Unfunded (Overfunded) Accd. Liability*	180,821	251,093	431,914
10. Normal Cost plus Amortization 7/1/2022 (4 + 9)	547,032	657,071	1,204,102
11. Recommended Contrib.- 2023-2024 to be paid 7/01/2023 (10 adjusted for time passage**)	\$562,332	\$674,702	\$1,237,034

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

** 2022 adjustment takes into account the expected changes from unrec. trust asset (gains)/losses for 2023, plus normal cost changes assumed in the funding method.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2022

c. Calculation of Blended Contributions

	SELECTMEN	BOARD OF ED.	TOTALS
1. Recommended Contrib. - 7.0%	\$421,163	\$543,224	\$964,387
2. Recommended Contrib. - 6.5%	\$562,332	\$674,702	\$1,237,034
3. Recommended Contrib.- 2023-2024 Blended: 2/5 (7.0%) + 3/5 (6.5%)	\$505,865	\$622,111	\$1,127,975

d. Comparison of Results

	SELECTMEN	BOARD OF ED.	TOTALS
4. Gross Normal Cost			
a. Normal Cost at 7.0%	\$399,938	\$452,343	\$852,281
b. Normal Cost at 6.5%	450,986	509,670	960,656
c. Difference	51,048	57,327	108,375
5. Accrued Liability:			
a. Liability at 7.0%	\$19,584,885	\$18,592,461	\$38,177,347
b. Liability at 6.5%	20,504,430	19,500,534	40,004,963
c. Difference	919,544	908,072	1,827,617
6. Plan Assets - Blended Value	18,467,270	16,889,569	35,356,839
7. Unfunded (overfunded)			
Accrued Liability (5 - 6)			
a. Unfunded at 7.0%	1,117,615	1,702,892	2,820,508
b. Unfunded at 6.5%	2,037,159	2,610,965	4,648,124
c. Difference	919,544	908,072	1,827,617

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

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2022

e. Summary of Funding Bases

SELECTMEN

Summary of Funding Bases	Initial Base	Rem. Bal. -22	Minimum Amort. - 7%	Minimum Amort. - 6.5%
Initial Base - 7/1/17	\$ 2,447,983	\$ 2,356,813	\$ 215,955	\$ 216,205
(Gain)/Loss/Amend/Changes - 2018	277,987	231,621	39,579	34,371
(Gain)/Loss/Amend/Changes - 2019	(24,042)	(21,389)	(3,199)	(3,140)
(Gain)/Loss/Amend/Changes - 2020	(307,215)	(295,645)	(40,879)	(40,127)
Assumption Changes - 2020	961,981	925,751	-	125,649
(Gain)/Loss/Amend/Changes - 2021	(377,925)	(373,144)	(46,112)	(49,363)
(Gain)/Loss/Amend/Changes - 2022	(786,848)	(786,848)	(73,815)	(102,774)
Totals -	\$ 2,191,921	\$ 2,037,159	\$ 91,529	\$ 180,821

Remaining Balances shown at 6.5%, amortizations shown at 6.5% and 7.0%.

BOARD OF EDUCATION

Summary of Funding Bases	Initial Base	Rem. Bal. -21	Minimum Amort. - 7%	Minimum Amort. - 6.5%
Initial Base - 7/1/17	\$ 2,365,758	\$ 2,209,436	\$ 208,702	192,758
(Gain)/Loss/Amend/Changes - 2018	107,537	89,269	15,311	12,787
(Gain)/Loss/Amend/Changes - 2019	186,134	171,183	24,768	24,312
(Gain)/Loss/Amend/Changes - 2020	56,880	54,856	7,569	7,429
Assumption Changes - 2020	893,855	862,045		116,751
(Gain)/Loss/Amend/Changes - 2021	(495,775)	(483,443)	(57,865)	(64,755)
(Gain)/Loss/Amend/Changes - 2022	(292,382)	(292,382)	(20,133)	(38,189)
Totals -	\$ 3,114,389	\$ 2,610,965	\$ 178,352	\$ 251,093

Remaining Balances shown at 6.5%, amortizations shown at 6.5% and 7.0%.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2022

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

	SELECTMEN	BOARD OF ED.	TOTALS
I. ACTUARIAL ACCRUED LIABILITY - 6.50%			
a. Retirees/Benefic./Terminated	\$10,226,976	\$8,122,442	\$18,349,418
b. Current Employees			
I. EE Contr. & Intr.	1,931,270	2,060,334	3,991,603
II. ER Financed Vested	7,512,692	8,263,155	15,775,848
III. ER Financed Non-Vested	833,492	1,054,603	1,888,095
c. TOTALS	\$20,504,430	\$19,500,534	\$40,004,963
d. ASSETS - Market Value	\$17,053,275	\$15,596,374	\$32,649,649
e. FUNDED RATIO (7/1/2022)	83.17%	79.98%	81.61%
f. FUNDED RATIO (7/1/2021)	96.10%	94.12%	95.15%
<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 - 6.50%			
a. Retirees/Benefic./Terminated	\$10,226,976	\$8,122,442	\$18,349,418
b. Current Employees			
I. EE Contr. & Intr.	1,931,270	2,060,334	3,991,603
II. ER Financed Vested	5,529,491	5,883,119	11,412,610
III. ER Financed Non-Vested	394,980	490,498	885,478
c. TOTALS	\$18,082,717	\$16,556,392	\$34,639,109
d. ASSETS - Market Value	\$17,053,275	\$15,596,374	\$32,649,649
e. FUNDED RATIO (7/1/2022) at 6.5%	94.31%	94.20%	94.26%
f. FUNDED RATIO (7/1/2021) at 6.5%	110.76%	110.78%	110.77%

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
7/1/2000	161	58	5,400,600	6,647,849	8,409,663	(1,761,814)	79,486	(1.47%)	80,297
7/1/2010	341	111	13,109,110	17,709,414	14,861,965	2,847,449	663,805	(5.06%)	651,581
7/1/2017	323	155	14,981,541	30,630,006	24,245,131	6,384,875	1,070,329	(7.14%)	1,070,328
7/1/2018	305	168	14,745,073	32,456,485	26,552,509	5,903,978	1,268,930	(8.61%)	1,268,930
7/1/2019	273	188	13,554,803	33,987,873	28,276,000	5,711,873	1,390,006	(10.25%)	1,389,297
7/1/2020	253	204	12,924,752	37,168,197	29,675,787	7,492,410	1,390,664	(10.16%)	1,390,665
2021 Select.	93	110	5,905,617	20,501,663	19,702,605	799,058	632,672	(9.33%)	632,372
2021 Board	135	110	<u>6,407,744</u>	<u>18,860,262</u>	<u>17,750,938</u>	<u>1,109,324</u>	<u>680,222</u>	(9.38%)	<u>680,222</u>
2021 Total	228	220	12,313,361	39,361,925	37,453,543	1,908,382	1,312,894	(9.36%)	1,312,594
2022 Select.	80	115	5,233,804	20,504,430	17,053,275	3,451,155	551,024	(10.53%)	
2022 Board	118	124	<u>5,968,004</u>	<u>19,500,534</u>	<u>15,596,374</u>	<u>3,904,159</u>	<u>601,197</u>	(10.07%)	
2022 Total	198	239	11,201,808	40,004,963	32,649,649	7,355,314	1,152,221	(10.29%)	

* 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 2022 valuation produced a Recommended Contribution of \$1,127,975 for the 2023-2024 plan

**** Beginning 2017 the actuarial liability is calculated at a 7.0% interest rate, as of 2020 - 6.5%.

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:

	<u>Selectmen's Accounts</u>	<u>Board of Education</u>	<u>Plan Totals</u>
Number of Active Participants as of July 1, 2021:	93	135	228
Decreases:			
Non-Vested Terminations:	(7)	(2)	(9)
Vested Terminations:	(2)	(9)	(11)
Retirements:	(4)	(6)	(10)
Deaths, Transfers:	<u>0</u>	<u>0</u>	<u>0</u>
Total Increases/(Decreases):	(13)	(17)	(30)
New Entrants during 2021-2022: - includes rehires/reinstatements	<u>0</u>	<u>0</u>	<u>0</u>
Net Change:	<u>(13)</u>	<u>(17)</u>	<u>(30)</u>
Number of Active Participants as of July 1, 2022:	80	118	198
Also as of July 1, 2022:			
**Total Vested Terminated:	35	37	72
Total Retired:	<u>80</u>	<u>87</u>	<u>167</u>
TOTAL PARTICIPANTS:	195	242	437

* Active participants include Late Retirees and exclude Inactives.

** Includes 13 participants due refunds of contributions and interest,
and other inactive participants who may not have terminated.

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, 2022

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
 The plan is currently closed to new participants.

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, 2022 Valuation was the prepared prepared using a weighting of 40% at 7% and 60% at 6.5%. assumed interest, with 6.5% phased in over the next two years until the July 1, 2024 valuation is based fully on 6.5%.

INTEREST ASSUMPTION

(See above)

Pre-Retirement: 6.5%/7.0% Compounded Annually
Post-Retirement: 6.5%/7.0% Compounded Annually

MORTALITY ASSUMPTION

Pub-10 General Mortality with future generational increase projected using the MP-2021 scale. This represents a change from 2021 only in that the projection scale has been updated, which is an immaterial change.

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

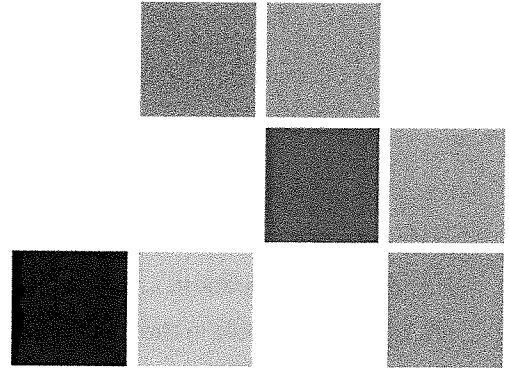
Direct expenses of the trust are assumed to be \$20,000.

TOWN OF NEWTOWN ELECTED OFFICIALS PENSION PLAN

ALLOCATION REPORT for the Period
July 1, 2021 to June 30, 2022

	7/1/2021 BEGINNING BALANCE	PAYMENTS	CONTRI- BUTIONS	-13.13% INVESTMENT EARNINGS	06/30/2022 ENDING BALANCE
<u>DEBBIE HALSTEAD</u>					
EMPLOYER ACCOUNT	117,948.81	0.00	5,076.92	-15,819.54	107,206.19
EMPLOYEE ACCOUNT	39,197.87	0.00	1,669.20	-5,256.12	35,610.95
	-----	-----	-----	-----	-----
Participant Total	157,146.67	0.00	6,746.12	-21,075.66	142,817.14
<u>DANIEL ROSENTHAL</u>					
EMPLOYER ACCOUNT	29,722.60	0.00	6,820.08	-4,350.20	32,192.48
EMPLOYEE ACCOUNT	9,764.11	0.00	2,242.32	-1,429.20	10,577.23
	-----	-----	-----	-----	-----
Participant Total	39,486.71	0.00	9,062.40	-5,779.39	42,769.72
Plan Totals	196,633.38	0.00	15,808.52	-26,855.05	185,586.85

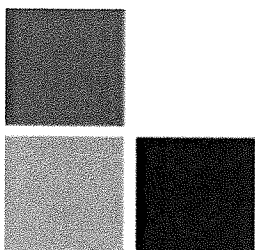
Note: Allocation basis includes a 50% weight for current year contributions.



TOWN OF NEWTOWN OPEB REPORT

ACTUARIAL VALUATION REPORT

JULY 1, 2020



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hooker & holcombe

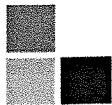


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Report Prepared By:

Stephen Chykirda
Consulting Actuary
860.856.2047
SChykirda@hhconsultants.com

Dan McCarthy
Team Leader, Actuarial Specialist
860.856.2140
DMccarthy@hhconsultants.com

Executive Summary

	July 1, 2020	July 1, 2018
Number of members		
Active members	465	450
Retired members and dependents	29	30
Total	494	480
Covered employee payroll	40,824,458	36,468,847
Average plan salary	87,795	81,042
Actuarial present value of future benefits	10,846,136	10,237,543
Actuarial accrued liability	7,906,194	7,485,048
Plan assets		
Market value of assets	3,109,880	2,465,606
Actuarial value of assets	3,109,880	2,465,606
Unfunded accrued liability	4,796,314	5,019,442
Funded ratio	39.3%	32.9%
Actuarially determined employer contribution (ADEC)		
Fiscal year ending	2022	2020
ADEC	756,377	768,072
Fiscal year ending	2023	2021
ADEC	771,090	782,270

Valuation Results and Highlights

Purpose of the Valuation

The purpose of the valuation is to develop the Actuarially Determined Employer Contribution (ADEC).

The ultimate cost of an OPEB plan is based primarily on the level of benefits promised by the plan. The OPEB fund's investment earnings serve to reduce the cost of plan benefits and expenses. Thus,

$$\text{Ultimate cost} = \text{Benefits Paid} + \text{Expenses Incurred} - \text{Investment Return} - \text{Employee Contributions}$$

The actuarial cost method distributes this ultimate cost over the working lifetime of current plan participants. By means of this budgeting process, costs are allocated to both past and future years, and a cost is assigned to the current year. The current year's allocated cost, or normal cost, is the building block upon which the actuarially determined employer contribution is developed. The July 1, 2020 valuation produces the contributions for the fiscal years ending 2022 and 2023.

Information Available in the Valuation Report

The Executive Summary is intended to emphasize the notable results of the valuation from the perspective of the Plan Sponsor. Supporting technical detail is documented in Results of the Valuation, Supporting Exhibits and Description of Actuarial Methods and Assumptions. A concise summary of the principal provisions of the Plan is outlined in Summary of Plan Provisions.

Changes Reflected in the Valuation

Several assumption changes were reflected in this valuation. Please see the Description of Actuarial Assumptions section for more details. The net impact of the assumption changes was to increase the actuarial accrued liability by about 7.2%.

In addition to the above assumption changes, the December 2019 repeal of the "Cadillac Tax" was reflected in this valuation and reduced the actuarial accrued liability by about 1.2%.

Cash Contribution for Fiscal Years Ending 2022 and 2023

The Town cost is:	2022 Fiscal Year	2023 Fiscal Year
BOE	\$359,728	\$366,860
Town	<u>396,649</u>	<u>404,230</u>
Total	\$756,377	\$771,090

Liability Experience During Period Under Review

The plan experienced a net actuarial gain on liabilities of about 11.2%. The gain was driven primarily by favorable census experience and favorable experience with respect to premiums and per capita claims costs.

Asset Experience During Period Under Review

The plan's assets provided the following rates of return during the past two fiscal years:

	2019 Fiscal Year	2020 Fiscal Year
Market Value Basis	5.3%	3.4%

The Market Value of assets is used to determine plan contributions.

Certification

This report presents the results of the July 1, 2020 Actuarial Valuation for Town of Newtown OPEB Report (the Plan) for the purpose of estimating the funded status of the Plan and determining the Actuarially Determined Employer Contribution (ADEC) for the fiscal years ending June 30, 2022 and June 30, 2023. This report is intended to satisfy the requirements of Connecticut General Statute 7-450a. This report may not be appropriate for any other purpose.

The valuation has been performed in accordance with generally accepted actuarial principles and practices. It is intended to comply with all applicable Actuarial Standards of Practice.

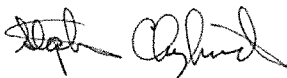
I certify that the actuarial assumptions and methods that were selected by me and represent my best estimate of anticipated actuarial experience under the Plan.

In preparing this valuation, I have relied on employee data provided by the Plan Sponsor, and on asset and contribution information provided by the Trustee. I have audited neither the employee data nor the financial information, although I have reviewed them for reasonableness.

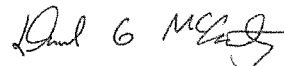
The results in this valuation report are based on the Plan as summarized in the *Summary of Plan Provisions* section of this report and the actuarial assumptions and methods detailed in the *Description of Actuarial Methods and Assumptions* section of this report.

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 additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

I have no relationship with the employer or the Plan that would impair, or appear to impair, my objectivity in performing the work presented in this report. I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.



Stephen Chykirda, ASA, FCA, MAAA
Enrolled Actuary 20-07517



Dan McCarthy, ASA, MAAA
Enrolled Actuary 20-08718

December 29, 2020

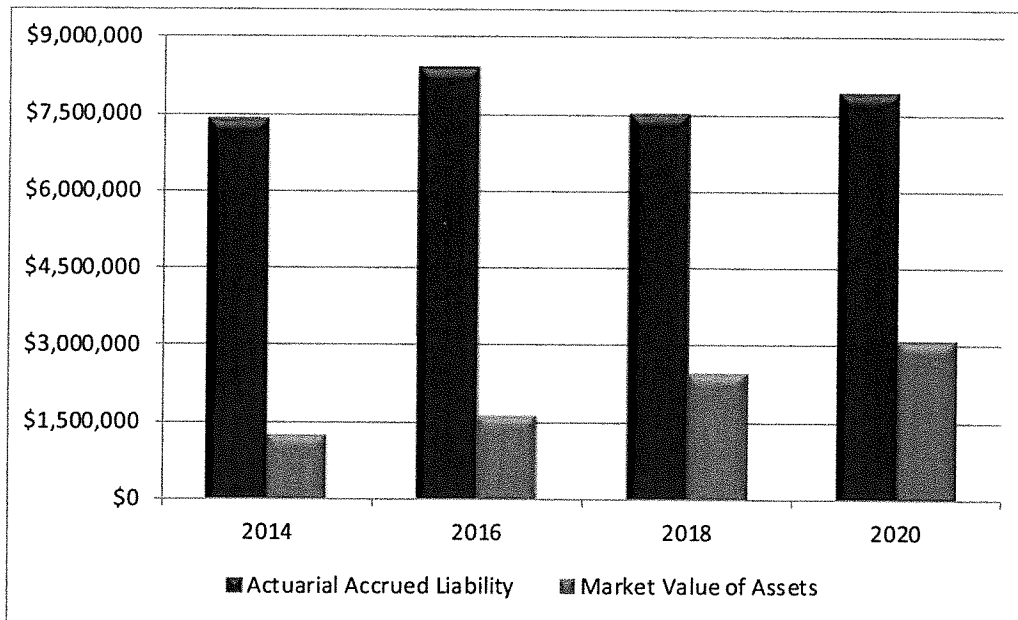
Development of Unfunded Accrued Liability and Funded Ratio

	July 1, 2020	July 1, 2018
Actuarial accrued liability for active members		
Members under age 65	\$4,690,350	\$3,944,620
Members over age 65	75,639	100,760
Dependents under age 65	1,466,144	1,244,908
Dependents over age 65	33,542	44,548
Total	6,265,675	5,334,836
Actuarial accrued liability for inactive members		
Members under age 65	865,206	945,056
Members over age 65	372,248	476,086
Dependents under age 65	246,533	280,949
Dependents over age 65	156,532	448,121
Total	1,640,519	2,150,212
Total actuarial accrued liability	7,906,194	7,485,048
Actuarial value of assets	3,109,880	2,465,606
Unfunded accrued liability	4,796,314	5,019,442
Funded ratio	39.3%	32.9%

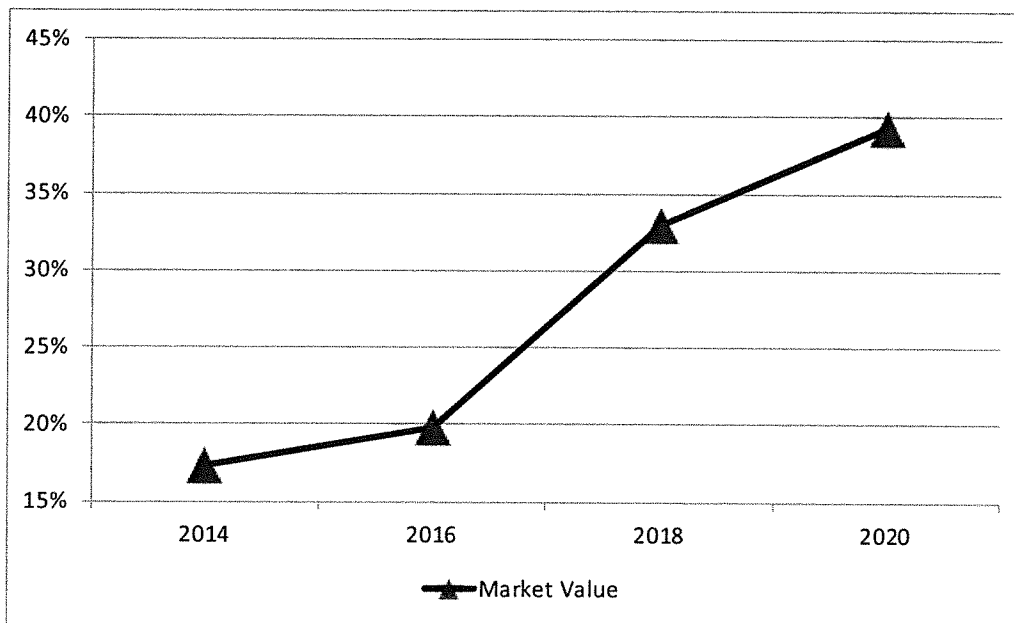
	Discount Rate (6.50%)	1% Decrease (5.50%)	1% Increase (7.50%)
Actuarial accrued liability for active members	6,265,675	6,976,563	5,632,263
Actuarial accrued liability for inactive members	1,640,519	1,722,004	1,566,062
Total actuarial accrued liability	7,906,194	8,698,567	7,198,325

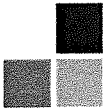
	Healthcare Cost Trend Rates (6.50% decreasing to 4.40%)	1% Decrease (5.50% decreasing to 3.40%)	1% Increase (7.50% decreasing to 5.40%)
Actuarial accrued liability for active members	6,265,675	5,465,193	7,211,536
Actuarial accrued liability for inactive members	1,640,519	1,572,369	1,713,700
Total actuarial accrued liability	7,906,194	7,037,562	8,925,236

Actuarial Accrued Liability vs. Market Value of Assets



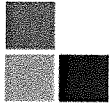
Funded Ratio





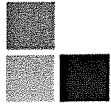
Development of Unfunded Accrued Liability and Funded Ratio by Group

	BOE	Town	Total
Actuarial accrued liability for active members			
Members under age 65	\$2,048,112	\$2,642,238	\$4,690,350
Members over age 65	75,639	0	75,639
Dependents under age 65	760,829	705,315	1,466,144
Dependents over age 65	33,542	0	33,542
Total	2,918,122	3,347,553	6,265,675
Actuarial accrued liability for inactive members			
Members under age 65	200,097	665,109	865,206
Members over age 65	372,248	0	372,248
Dependents under age 65	56,054	190,479	246,533
Dependents over age 65	156,532	0	156,532
Total	784,931	855,588	1,640,519
Total actuarial accrued liability	3,703,053	4,203,141	7,906,194
Actuarial value of assets	1,456,586	1,653,294	3,109,880
Unfunded accrued liability	2,246,467	2,549,847	4,796,314
Funded ratio	39.3%	39.3%	39.3%



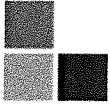
Determination of Normal Cost and Actuarially Determined Employer Contribution

	July 1, 2020		July 1, 2018	
	Cost	Percent of payroll	Cost	Percent of payroll
Town's normal cost	\$310,192	0.8%	\$285,443	0.8%
Amortization of unfunded accrued liability	408,729	1.0%	444,422	1.2%
Contribution before adjustment as of the valuation date	718,921	1.8%	729,865	2.0%
Estimated valuation year payroll for actives not yet at 100% assumed retirement age	40,578,824		36,403,258	
Fiscal year ending	2022		2020	
Adjustment for interest and inflation	37,456		38,207	
Actuarially determined employer contribution	756,377		768,072	
Expected benefit payments	349,428		363,174	
Fiscal year ending	2023		2021	
Adjustment for interest and inflation	14,713		14,198	
Actuarially determined employer contribution	771,090		782,270	
Expected benefit payments	379,324		401,355	

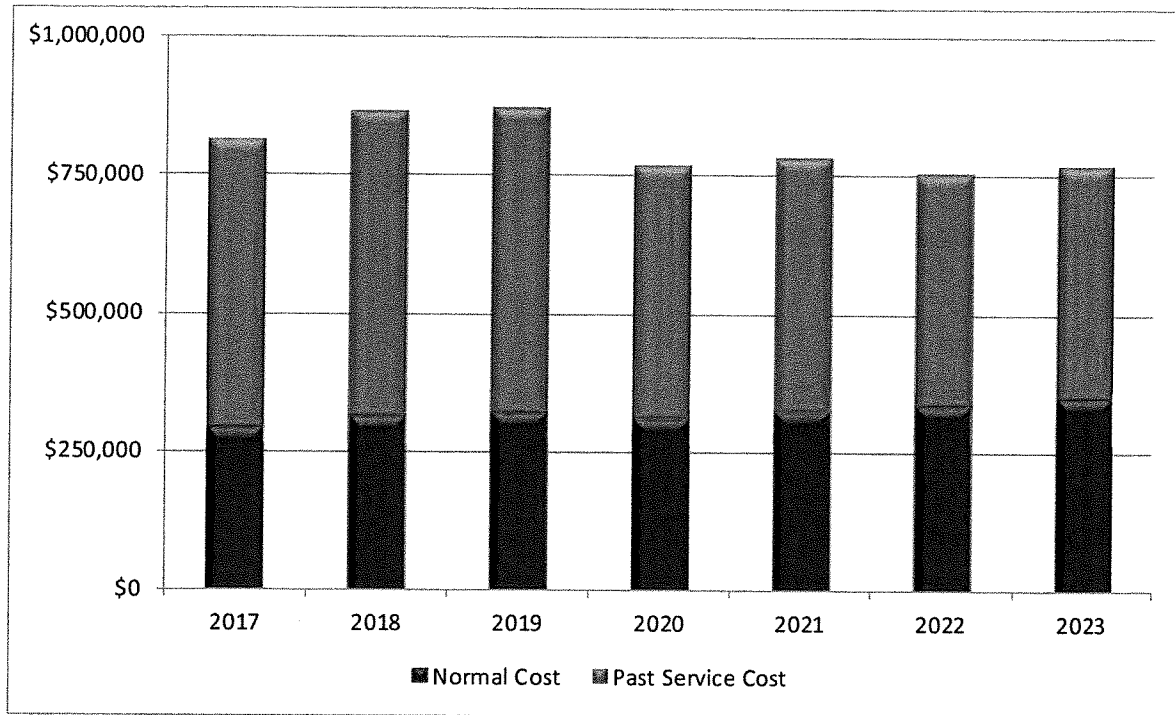


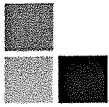
Actuarially Determined Employer Contribution per Group

	BOE	Town	Total
Town's normal cost	\$150,352	\$159,840	\$310,192
Actuarial accrued liability	3,703,053	4,203,141	7,906,194
Actuarial value of assets	<u>1,456,586</u>	<u>1,653,294</u>	<u>3,109,880</u>
Unfunded accrued liability	2,246,467	2,549,847	4,796,314
Amortization of unfunded accrued liability	191,438	217,291	408,729
Contribution before adjustment as of the valuation date	341,790	377,131	718,921
Fiscal year ending June 30, 2022			
Adjustment for interest and inflation	<u>17,938</u>	<u>19,518</u>	<u>37,456</u>
Actuarially determined employer contribution	359,728	396,649	756,377
Expected benefit payments	156,164	193,264	349,428
Fiscal year ending June 30, 2023			
Adjustment for interest and inflation	<u>7,132</u>	<u>7,581</u>	<u>14,713</u>
Actuarially determined employer contribution	366,860	404,230	771,090
Expected benefit payments	163,946	215,378	379,324



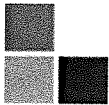
Actuarially Determined Employer Contribution



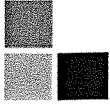


Development of Asset Values

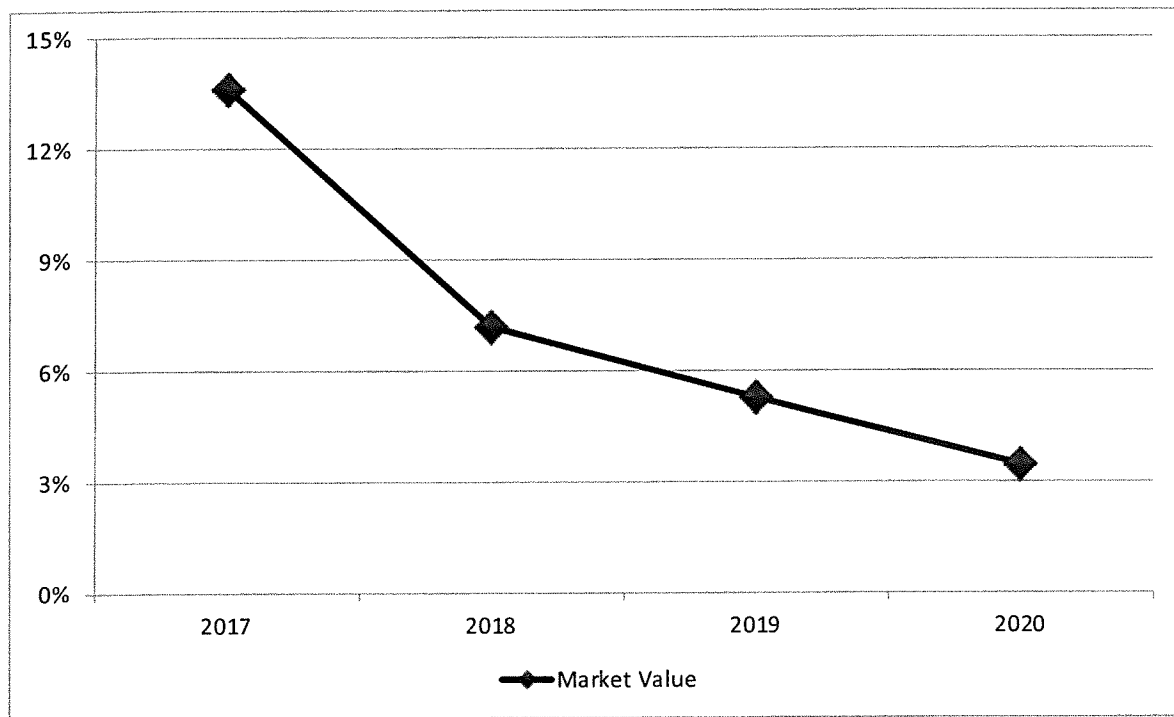
Summary of Fund Activity		
	July 1, 2018 - June 30, 2019	July 1, 2019 - June 30, 2020
1. Beginning market value of assets		
Trust assets	\$2,465,606	\$2,806,304
2. Contributions		
Town contributions during year	200,000	200,000
Employee contributions during year	0	0
Total for plan year	200,000	200,000
3. Disbursements		
Benefit payments during year	0	0
Administrative expenses during year	0	0
Total for plan year	0	0
4. Net investment return		
Interest and dividends	0	0
Realized and unrealized gain / (loss)	140,698	103,576
Investment-related expenses	0	0
Total for plan year	140,698	103,576
5. Ending market value of assets		
Trust assets: (1) + (2) - (3) + (4)	2,806,304	3,109,880
6. Approximate rate of return	5.3%	3.4%

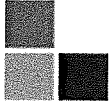


Rate of Return on Market Value of Assets				
Period Ending June 30	Average Annual Effective Rate of Return			
	1 Year	3 Years	5 Years	10 Years
2011	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A
2015	N/A	N/A	N/A	N/A
2016	N/A	N/A	N/A	N/A
2017	13.6%	N/A	N/A	N/A
2018	7.2%	N/A	N/A	N/A
2019	5.3%	8.7%	N/A	N/A
2020	3.4%	5.3%	N/A	N/A



Actual Rate of Return on Assets





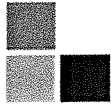
Target Allocation and Expected Rate of Return July 1, 2020

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*	Weighting
Core Fixed Income	35.00%	1.65%	0.58%
US Large Cap Equities	27.50%	4.75%	1.31%
US Small Cap Equities	7.50%	5.15%	0.39%
Developed Foreign Equities	30.00%	5.45%	1.64%
	100.00%		3.92%
Long-Term Inflation Expectation			2.40%
Long-Term Expected Nominal Return			6.32%

**Long-Term Real Returns are provided by FIA-LLC. The returns are geometric means.*

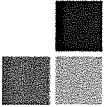
The long-term expected rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the OPEB plan's target asset allocation.

The information above is based on geometric means and does not reflect additional returns through investment selection, asset allocation and rebalancing. An expected rate of return of 6.50% was used.



Amortization of Unfunded Liability

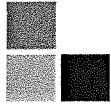
Schedule of Amortization Bases				
	Date established	Amortization installment	Years remaining	Present value of remaining installments as of July 1, 2020
2020 base	July 1, 2020	408,729	20	4,796,314



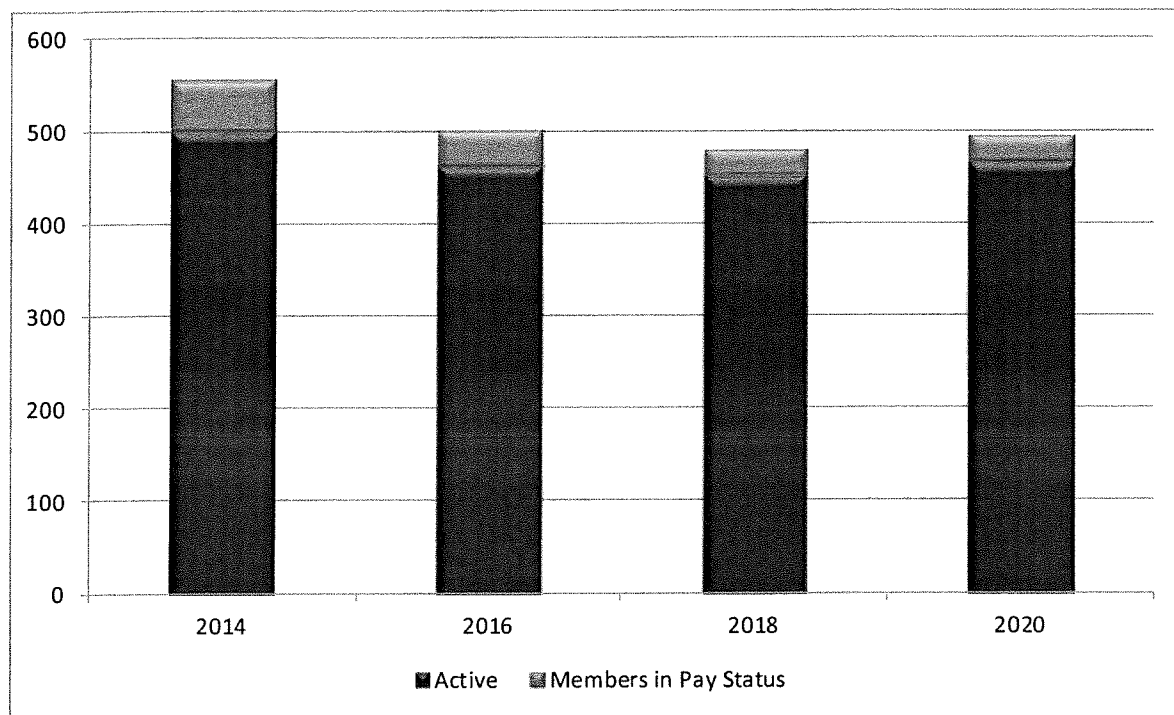
Member Data

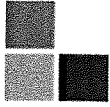
The data reported by the Plan Sponsor for this valuation includes 465 active employees who met the Plan's minimum age and service requirements as of July 1, 2020.

	Town	BOE	Total
Total members July 1, 2020			
Active members	42	423	465
Retirees	5	19	24
Dependents of current retirees	1	4	5
Total	48	446	494
Average age July 1, 2020			
Active members	43.2	46.0	45.8
Retirees	58.4	64.5	63.2
Dependents of current retirees	54.0	65.8	63.4
Total members July 1, 2018			
Active members	44	406	450
Retirees	6	18	24
Dependents of current retirees	2	4	6
Total	52	428	480
Average age July 1, 2018			
Active members	41.9	45.4	45.1
Retirees	57.5	65.3	63.4
Dependents of current retirees	56.9	65.8	62.8



Member Counts by Status





Expected Benefit Payments from Trust Fund

An important consideration in formulating short-term or intermediate-term investment policy is the need for liquidity to meet the payment requirements of the Plan. The Plan's investment advisors may wish to compare expected benefit payments and expenses with anticipated cash income from investments and employer contributions.

The table below presents projected annual benefit payments for the next twenty plan years. The following assumptions are reflected in this table:

- Retirements among active participants will occur consistent with the Plan's retirement assumption.
- Benefits will continue to accrue according to the provisions of the Plan.

Differences between actual experience and that assumed will affect the pattern of benefit payments.

Participant categories reflect status as of July 1, 2020.

Year	Active as of July 1, 2020	Retired and Terminated as of July 1, 2020	Total Benefit Payments
2020	\$67,533	\$226,772	\$294,305
2021	115,758	233,670	349,428
2022	150,115	229,209	379,324
2023	214,710	216,573	431,283
2024	282,004	204,755	486,759
2025	321,507	213,704	535,211
2026	380,844	195,553	576,397
2027	416,566	162,517	579,083
2028	492,320	133,053	625,373
2029	616,559	86,066	702,625
2030	715,988	87,346	803,334
2031	747,769	44,789	792,558
2032	899,439	41,859	941,298
2033	978,412	38,738	1,017,150
2034	1,019,084	35,477	1,054,561
2035	1,081,183	32,134	1,113,317
2036	1,119,344	28,765	1,148,109
2037	1,197,804	25,421	1,223,225
2038	1,238,588	22,152	1,260,740
2039	1,275,079	19,011	1,294,090



Expected Per Capita Claims (without Medicare Integration)

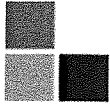
Police

Sample Age	Expected Claim (Male)	Expected Claim (Female)
45	\$10,649	\$14,844
50	13,907	17,296
55	18,249	20,149
60	23,510	23,500
65	29,933	28,485
70	36,008	33,316
75	41,322	37,398

BOE Certified

Sample Age	Expected Claim (Male)	Expected Claim (Female)
45	\$6,308	\$8,793
50	8,238	10,245
55	10,810	11,935
60	13,926	13,921
65	17,731	16,873
70	21,330	19,735
75	24,478	22,153

The sample per capita claim was developed as follows: Using the total count of active participants eligible for post-retirement medical benefits and retirees currently electing medical coverage, we calculate the total projected claims by multiplying the total count by the average annual premium. Using the cost increases derived from a study sponsored by the Society of Actuaries prepared by Dale H. Yamamoto from May 2013: "Health Care Costs from Birth to Death", we allocate the total projected claims by age and gender.



Description of Actuarial Methods

Asset Valuation Method

Plan Assets equal the Market Value of assets.

Actuarial Cost Method

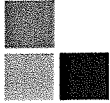
Changes in Actuarial Cost Method: None.

Description of Current Actuarial Cost Method: Entry Age Normal (level percentage of salary)

Normal Cost: Under this method, the total normal cost is the sum of amounts necessary to fund each active member's normal retirement benefit if paid annually from entry age to assumed retirement age. Entry age is the age at which the employee would have been first eligible for the plan, if it had always been in effect. The normal cost for each participant is expected to remain a level percentage of the employee's salary. The normal cost for the plan is the difference between the total normal cost for the year and the anticipated member contributions for that year.

Past Service Liability: The present value of future benefits that relates to service before the valuation date is the total past service liability. The unfunded past service liability is the difference between the total past service liability and any assets (including accumulated member contributions). This amount is amortized over 20 years on a closed basis.

Experience Gains and Losses: All experience gains and losses (the financial effect of the difference between the actual experience during the prior period and the result expected by the actuarial assumptions for that prior period) appear directly in the past service liability and are amortized at the same rate the plan is amortizing the remaining unfunded past service liability.



Description of Actuarial Assumptions

Changes in Actuarial Assumptions as of July 1, 2018

The valuation reflects changes in the actuarial assumptions listed below. (The assumptions used before and after these changes are more fully described in the next section.)

- Interest Rate
- Mortality
- Inflation
- Healthcare Cost Trend Rates
- Expected Claim Costs

The assumptions indicated were changed to represent the Enrolled Actuary's current best estimate of anticipated experience of the plan.

Interest

6.50% Per Annum. (Prior: 6.75% per annum)

Since the OPEB plan's fiduciary net position and future contributions are projected to be sufficient to cover expected benefit payments for current plan members, the long-term expected rate of return on OPEB plan investments was used to discount liabilities.

The change in the long term investment rate increased liabilities by 2.4%.

Inflation

2.40%. (Prior: 2.60%)

This assumption is consistent with the Social Security Administration's current best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2020 OASDI Trustees Report.

Mortality

Current: Pub-2010 Public Retirement Plans Mortality Tables (with separate tables for Public Safety employees and Teachers) and for non-annuitants and annuitants, projected to the valuation date with Scale MP-2020.

(Prior: Pub-2010 Public Retirement Plans Mortality Tables (with separate tables for Public Safety employees and Teachers) and for non-annuitants and annuitants, projected to the valuation date with Scale MP-2018.)

Mortality Improvement

Current Valuation: Projected to date of decrement using Scale MP-2020 (generational mortality).

(Prior Valuation: Projected to date of decrement using Scale MP-2018 (generational mortality).)

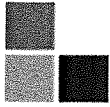
We have selected this mortality assumption because it is based on the latest published public retirement plan mortality study released by the Society of Actuaries.

The plan does not have sufficiently credible data on which to perform a mortality experience study.

Retirement

Police:

Age	Rate
40 - 49	.10
50 - 59	.20
60+	1.00



Retirement (cont.)

Certified: Per table below (from Connecticut State TRS 2018 Pension Valuation):

Age	Eligible for Normal (Unreduced) Retirement (Age 60 and 20 Yrs. Serv. or 35 yrs. Serv.)		Eligible for Early (Reduced) Retirement (Age 55 and 20 Yrs. Serv. or 25 yrs. Serv.)	
	Male	Female	Male	Female
50	27.5%	27.5%	1.00%	1.00%
51	27.5	27.5	1.00	1.25
52	27.5	27.5	1.00	1.75
53	27.5	27.5	2.00	2.25
54	27.5	27.5	3.00	2.75
55	38.5	27.5	4.00	4.75
56	38.5	27.5	6.00	6.25
57	38.5	27.5	7.00	6.75
58	38.5	27.5	8.00	7.25
59	38.5	27.5	11.00	8.50
60	22.0	27.5		
61-62	25.3	27.5		
63-64	27.5	27.5		
65	36.3	32.5		
66-69	27.5	32.5		
70-79	100.0	32.5		
80	100.0	100.0		

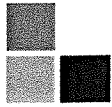
Termination prior to retirement

Police:

Age	Rate
25	.05
35	.03
45	.01
55	.00

Certified: Rates based on gender and length of service for first Ten years and gender and age thereafter (Connecticut State TRS 2018 Pension Valuation):

Service	Male Rate	Female Rate
0-1	14.00%	12.00%
1-2	11.00	10.50
2-3	8.00	8.75
3-4	6.50	7.50
4-5	4.50	6.75
5-6	3.50	6.00
6-7	3.00	5.25
7-8	2.75	4.75
8-9	2.50	4.25
9-10	2.50	4.00
10 +	use age-related rates until eligible to retire	



Termination prior to retirement (cont.)

Sample Age-Based Withdrawal Rates (until eligible to retire):

Age	Male Rate	Female Rate
25	1.50%	4.00%
30	1.50	4.00
35	1.50	3.50
40	1.50	2.30
45	1.59	1.50
50	2.04	2.00
55	3.44	2.50
59+	4.00	2.90

The actuarial assumption in regards to rates of withdrawal shown above are based on the rates used by the Connecticut State Teachers' Retirement System actuaries.

Disability

Police: The assumed rates of disability equal 50% of the 1985 Disability Pension Study, Class 4 hazardous occupations. Sample rates are as follows:

Age	Male	Female
20	.000885	.000520
30	.001830	.001495
40	.003465	.003175
50	.006770	.006635
60	.017170	.012345

Certified: None.

Percentage of Actives eligible at retirement who continue with Medical Coverage

Police: 60%.

Certified: 85%.

Percentage of Non-Medicare eligible retirement continuing After 65

Police: None.

Certified: 10%.

Spousal Coverage

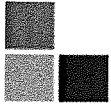
50% of males and 50% of females assumed married with wives assumed to be three years younger than their husbands.

Healthcare Cost Trend Rates

6.50% in 2020, reducing by 0.2% each year to an ultimate rate of 4.40% per year rate for 2031 and later.

(Prior: 7.00% in 2018, reducing by 0.5% each year to an ultimate rate of 4.60% per year rate for 2023 and later.)

Healthcare cost trend rates reflect both the current and long-term outlook for increases in healthcare costs. The short term rates are based on recent industry surveys, plan experience and near-term expectations. The long term trend rate is based on our general inflation assumption plus an adjustment to reflect expectations for long-term medical inflation.



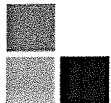
2020-2021 Average Annual Premium

Police: \$12,955 (Prior: 10,794)

Certified: \$9,978. (Prior: 9,079)

Patient Protection and Affordable Care Act (PPACA)

High Cost Plan Excise Tax ("Cadillac Tax"): With the passing of the 2020 Further Consolidated Appropriations Act, the 40% "Cadillac Tax" has been permanently repealed. This decreased liabilities by about 1%.



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. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

Plan identification

Single-employer OPEB plan.

Certified Board of Education Employees

Eligibility for Medical Coverage

Any age with 25 years of service (20 in CT), age 55 with 20 years of service (15 in CT) or age 60 with 10 years of service (10 in CT). (Follow TRB eligibility).

Retiree/Spouse Cost of Medical Coverage

The retiree and spouse must pay 100% of the cost for medical coverage less any State subsidy. Spouse coverage may continue at 100% of cost less any State subsidy, after the death of a retiree.

Plan of Coverage

Various Anthem medical plans available to current teachers and administrators. Once eligible for Medicare A & B and supplemental insurance, retiree is no longer eligible for medical coverage under Board of Education.

Retiree/Spouse Dental Coverage

Not valued due to no implicit subsidy.

Life Insurance Benefit

None.

Voluntary Early Retirement Incentive Plan – Ends June 30, 2017

Eligibility/Duration

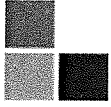
Eligible for normal and/or early retirement in accordance with the provisions of the State Teacher's Retirement system as of June 30, 2015 for a duration of up to two years.

Retiree/Spouse Cost of Medical Coverage

The Board will pay 77% of the cost of the pre-65 Plan. The Board shall be entitled to apply the State subsidy to offset the cost.

Plan of Coverage

Various Anthem medical plans available to current teachers and administrators.

**Retiree/Spouse Dental Coverage**

The retiree and spouse must pay current employee contribution percentage for dental coverage.

Life Insurance Benefit

None

Currently there is 1 retiree participating in the Voluntary Early Retirement Incentive Plan.

Police**Eligibility for Medical Coverage**

Age 60 or 20 years of service.

Retiree/Spouse Cost of Medical Coverage

The retiree must pay 25% of the cost for medical coverage. Spouses pay 100% of the cost for medical coverage. Generally, no post-65 benefits are available.

Plan of Coverage

Various Anthem medical plans, dependent on whether under or over age 65 and whether eligible for Medicare.

Retiree/Spouse Dental Coverage

Not valued due to no implicit subsidy.

Life Insurance Benefit

None.

