

BOARD OF FINANCE  
MINUTES  
REGULAR MEETING  
3 Primrose Street – Council Chambers  
Monday, December 27, 2021 at 7:30 p.m.

*These minutes are subject to approval by the Board of Finance*

A recording of the meeting is available to the public at <https://vimeo.com/591883973>

Present: Chandravir Ahuja, Laura Miller, Steven Goodridge, Erica Sullivan and Geoffrey Dent

Absent: John Madzula

Also Present: First Selectman Dan Rosenthal, Finance Director, Bob Tait, Lieutenant David Kullgren and one member of the Public

Chandravir Ahuja called the meeting to order at 7:31 p.m. Attendees saluted the American Flag.

**Voter Comments**

None

**Communications**

None

**Minutes**

Geoffrey Dent moved to approve the minutes of December 13th, 2021. Laura Miller seconded. All in favor and motion passes.

**First Selectman's Report**

The First Selectman reported the BOS appointed members for the joint ARP committee meeting as well as the joint Recycling committee meeting. He hopes these committees will commence in the beginning of 2022. The Sandy Hook Memorial project will be looking forward to grading work and construction of water feature at the end of January into the beginning of February. The Hawley HVAC bids are forthcoming.

**Finance Director's Report**

Finance Director, Bob Tait, shared with the Board he received the Town's audited financial statements ending in June 2021. Mr. Tait will present those financial statements at the next BOF meeting. Mr. Tait spoke about the valuation of the asset reports and what the Town needs to contribute to the Pension plan. He referenced the Elected Officials Pension Plan. The Town Employee Plan funded ratio went from 80%-95% funded and the Police plan is 66-78% funded. The Town always takes the Actuary's recommendations in terms of funding contribution.

**New Business**

*Acceptance of the Certification Section 5310 Grant (vehicle grant Human Services)*

Geoffrey Dent made a motion to Acceptance of the Certification Section 5310 Grant. Erica Sullivan seconded. All in favor and motion passes.

*Recommendation to designate the audit of MahoneySabol to audit the books and accounts of the Town, for the fiscal year ending June 30<sup>th</sup>, 2022*

Erica Sullivan made a motion for the recommendation to designate the audit firm of MahoneySabol to audit the books and accounts of the Town, for the fiscal year ending June 30, 2022, as required by the general statutes per Town Charter chapter 7-7-05 and to extend MahoneySabol's services for three years ending with the fiscal year ending June 30, 2024. Laura Miller seconded. All in favor and motion passes.

**Unfinished Business**

None

**Voter Comments**

None

**Announcements**

None

**Adjournment**

Geoffrey Dent made a motion to adjourn. Steven Goodridge seconded. All members were in favor and the meeting was adjourned at 7:54pm.

Respectfully submitted,  
Kiley Morrison Gottschalk, Clerk

**Attachments**

Grant

Audit Documents



STATE OF CONNECTICUT  
DEPARTMENT OF TRANSPORTATION



2800 BERLIN TURNPIKE, P.O. BOX 317546  
NEWINGTON, CONNECTICUT 06131-7546

Phone:

(860) 594-2834

November 30, 2021

Ms. Natalie Jackson, LCSW  
Director of Human Services  
Town of Newtown  
9 Primrose Street  
Newtown, CT 06470

Dear Ms. Jackson:

Fifty-six (56) organizations throughout the state applied for vehicle grant funding under the Federal Transit Administration's (FTA) federal fiscal year 2021 Section 5310 Program. The Regional Council of Governments (RCOG's) and the Connecticut Department of Transportation (CTDOT) reviewed and prioritized all eligible applications.

As a result of the coordinated review and prioritization process, your organization has been selected to receive a cash grant from the Section 5310 program. The grant will pay for up to 100% of the cost of a wheelchair accessible vehicle, not to exceed the amount estimated in the application or 100% of the actual vehicle cost, whichever is lower. The remaining vehicle cost must be funded by your organization.

This grant must be used towards the purchase of one (1) new wheelchair accessible vehicle(s) for the transportation of the elderly and/or persons with disabilities.

CTDOT will begin the implementation of this project as soon as FTA awards the grant.

Enclosed with this letter is a certification for acceptance of the grant. The signature of an authorized official will confirm that your organization has sufficient resources available to provide the funding needed to pay the balance of the vehicle(s) cost and to maintain and operate the vehicle. **The information requested on the acceptance certification form will be used to construct your agreement with the State.**

**Please return by email the Acceptance Certification form to Ellen Lawrence [ellen.lawrence@ct.gov](mailto:ellen.lawrence@ct.gov) no later than Friday, January 7, 2022.**

No procurement activities can begin until an agreement is in place between CTDOT and your organization.

The purchase of these vehicles must follow an FTA compliant process. There is an FTA compliant vehicle contract available from which your organization can purchase a vehicle(s). If your organization chooses to procure a vehicle(s) without using the above-mentioned contract, you must request authorization in writing from CTDOT prior to beginning the vehicle procurement. You will be contacted in the near future regarding procurement information.

As recipients of federal funds, you are required to comply with the requirements under Title VI of the Civil Rights Act of 1964. Tiffany Garcia, Associate Title VI Coordinator in the Office of Contract Compliance, will be contacting you with dates for a required Title VI training session. The training session will provide an overview of the Title VI requirements for recipients of Section 5310 funding, and a question and answer period.

If you have any questions or require further information, please contact Ms. Lawrence by email or at (860) 594-2912.

Sincerely,

Rivers, Lisa

Digitally signed by Rivers, Lisa  
DN: E=Lisa.Rivers@ct.gov,  
OU=Hessquarters,  
OU=DOT-Users, DC=DOT, DC=CT,  
DC=GOV  
Date: 2021.11.30 09:37:35-0500

Lisa Rivers  
Transit Manager  
Bureau of Public Transportation

cc: Francis Pickering – Western Connecticut Council of Governments

## HOW TO OBTAIN A DUNS NUMBER

### Purpose of DUNS

A DUNS number is a unique nine-character number used to identify your organization. The federal government uses the DUNS number to track how federal money is allocated.

### Before Registering for a DUNS Number

Does my organization already have a DUNS number? Most large organizations, libraries, colleges, and research universities already have a DUNS number. You should contact your grant administrator, financial department, chief financial officer, or authorizing official to identify your organization's DUNS number.

### How to Register for a DUNS Number

If your organization does not yet have a DUNS number, or no one knows it, visit the [Dun & Bradstreet \(D&B\) website](#) or call 1-866-705-5711 to register or search for a DUNS number.

Registering for a DUNS number is free of charge, so if you encounter any organizations or websites soliciting a fee or charge to acquire a DUNS number it is likely a scam or fraudulent.

You will need all of the information listed below to obtain a DUNS number:

- Name of organization
- Organization address
- Name of the chief executive officer (CEO) or organization owner
- Legal structure of the organization (e.g., corporation, partnership, proprietorship)
- Year the organization started
- Primary type of business
- Total number of employees (full and part-time)

NOTE: When obtaining a DUNS number, D&B places your organization on their marketing list that is sold to other companies. If you do not want your organization included on this marketing list, you should request not to be listed when you apply for a DUNS number.

### How long does it take to obtain a DUNS number?

Allow up to two business days to obtain a DUNS number, but it can occur in one business day.

### Information for Foreign Applicants

If your organization is located outside the United States, you can register for a DUNS number online. To register with D&B, you are not required to obtain a federal Tax Identification Number (TIN), also known as an Employer Identification Number (EIN). When registering, simply leave the TIN/EIN information blank. However, anyone doing business with the federal government generally needs to obtain a TIN/EIN in order to meet Internal Revenue Service (IRS) tax reporting requirements.

## ACCEPTANCE CERTIFICATION

### SECTION 5310 GRANT

Federal Fiscal Year 2021

This certifies that \_\_\_\_\_ (Name of Organization) will accept a Section 5310 grant from the Connecticut Department of Transportation (CTDOT) and has sufficient resources available to provide the local match for the purchase of the vehicle(s) as well as for operation of the vehicle(s).

CTDOT must be listed as first lien holder on the motor vehicle registration(s) for the vehicle(s). During the useful life of the vehicle(s), titles will be retained by CTDOT, appropriate insurance levels must be maintained, and the vehicle(s) must be registered in accordance with all of the rules and regulations of the Connecticut Department of Motor Vehicles.

**DO NOT** take any action toward ordering a vehicle at this time. Once an agreement between CTDOT and your organization is executed, you have ninety (90) calendar days from receipt of the agreement to forward to CTDOT a written confirmation that the bid process for purchase of a wheelchair accessible vehicle has been initiated, or that your organization will procure the vehicle through an open option on an FTA compliant procurement.

Once your organization has accepted delivery of the vehicle, the following must be submitted to CTDOT within 3 - 5 business days:

- 1) CTDOT Invoice Summary & Processing form (ISP)
- 2) Dated manufacturer's or dealer's invoice naming your organization as the recipient of the vehicle
- 3) Vehicle Acceptance form
- 4) Post-delivery Federal Motor Vehicle Safety Standards (FMVSS) certification
- 5) Post-delivery Purchaser's Requirements certification
- 6) Post-delivery Buy America certification
- 7) Two (2) copies of the Certificate of Origin(s), and
- 8) Acord Certificate of Liability Insurance form

If these conditions are not met, your organization acknowledges that this cash grant will be returned to CTDOT.

In order to expedite vehicle delivery, a recipient may order a vehicle in advance of receipt of a fully executed agreement; however, this action must follow an FTA-compliant procurement process and shall be taken entirely at the risk of the organization.

**TYPE THE FOLLOWING, AS YOUR AGREEMENT WILL BE WRITTEN USING THE INFORMATION EXACTLY AS IT APPEARS BELOW:** This information must match the Secretary of State's Concord records for your organization or an agreement will not be executed.

|   |        |           |
|---|--------|-----------|
| Legal Organization/Business Name:       |        |           |
| Address:                                |        |           |
| City/Town:                              | State: | Zip code: |
| Name of Authorized Official:            |        |           |
| Title of Authorized Official:           |        |           |
| Federal Employer Identification Number: |        |           |
| DUNS Number*:                           |        |           |

\*Information on how to obtain a DUNS number may be found on the following page.

\_\_\_\_\_  
Signature of Authorized Official

\_\_\_\_\_  
Date

**\* PLEASE KEEP A COPY OF THIS INFORMATION FOR YOUR OWN RECORDS \***

**Recommendation to designate the audit firm of MahoneySabol to audit the books and accounts of the Town, for the fiscal year ending June 30, 2022, as required by the general statutes per Town Charter chapter 7 – 7-05 (c) and to extend MahoneySabol’s services for three years ending with the fiscal year ending June 30, 2024.**

The Finance Director respectfully requests that MahoneySabol’s professional auditing services be extended for another three years. This three year period would bring the Town to the end of the American Rescue Plan (ARP) grant. It would benefit the Town to keep the services of MahoneySabol due to the fact that they have gained a strong knowledge of the Town’s financial landscape and practices. Their guidance relating to the ARP grant would be a valuable asset. Attached is the audit fee schedule outlining the past five audits and the proposed three year extension. MahoneySabol’s proposal is also attached. The percent increases in audit fees over the years (and into the future) are all under inflation figures.

|  |   |                       |             |             |             |             |  |                               |             |             |
|--|---|-----------------------|-------------|-------------|-------------|-------------|--|-------------------------------|-------------|-------------|
|  |   |                       |             |             |             |             |  |                               |             |             |
|  |   |                       |             |             |             |             |  |                               |             |             |
|  |   |                       |             |             |             |             |  |                               |             |             |
| Town of Newtown                                    |   |                       |             |             |             |             |  |                               |             |             |
| MahoneySabol Auditing Services Fees & Fee Proposal |   |                       |             |             |             |             |  |                               |             |             |
|  |   |                       |             |             |             |             |  |                               |             |             |
|  |   | Year Ended June 30th: |             |             |             |             |  |                               |             |             |
| Basic Reports:                                     |   | Completed Audits      |             |             |             |             |  | Proposed Three Year Extension |             |             |
|  |   | <u>2017</u>           | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |  | <u>2022</u>                   | <u>2023</u> | <u>2024</u> |
|  | Town audit including Comprehensive Annual       | 64,500                | 64,500      | 64,500      | 65,500      | 66,500      |  | 66,900                        | 68,100      | 69,400      |
|  | Financial Reportand Report of Internal Controls |                       |             |             |             |             |  |                               |             |             |
|  | State Single Audit Report                       | 4,000                 | 4,000       | 4,000       | 4,000       | 4,000       |  | 4,000                         | 4,100       | 4,200       |
|  | Federal Single Audit Report                     | 3,000                 | 3,000       | 3,000       | 3,000       | 3,000       |  | 4,000                         | 4,100       | 4,200       |
|  | Total   | 71,500                | 71,500      | 71,500      | 72,500      | 73,500      |  | 74,900                        | 76,300      | 77,800      |
|  |   |                       |             |             |             |             |  |                               |             |             |
|  | Percent Increase                                |                       | 0.0%        | 0.0%        | 1.4%        | 1.4%        |  | 1.9%                          | 1.9%        | 2.0%        |



May 3, 2021

Robert Tait  
Director of Finance  
Town of Newtown  
3 Primrose Street  
Newtown, CT 06470

Dear Mr. Tait:

The purpose of this letter is to provide you with a proposal to continue to provide professional auditing services for the Town of Newtown, Connecticut (the "Town") for the years ending June 30, 2022, 2023 and 2024. We believe Mahoney Sabol & Company, LLP ("MahoneySabol" or "MSCO") is uniquely qualified to continue to render competent and responsive auditing services to the Town on a minimum cost basis.

### Experienced Team

We provide an experienced governmental auditing team in order to serve the auditing needs of the Town. We realize that our most important asset is our people and that attracting and retaining high caliber employees is the key to success in any organization. We take pride in the fact that we are able to commit to year-to-year continuity of the engagement team assigned to the Town. We believe that the use of experienced professionals during all segments of the engagement is critical to the performance of an efficient and effective audit. As the Town's current audit firm, we have acquired significant knowledge of the Town's operational and financial activities, which streamlines the audit process for Town personnel.

### Technical Expertise

We handle some of the most sophisticated governmental engagements of any firm our size. A significant portion of our practice is devoted to serving clients in the governmental/nonprofit sector.

### Additional Benefits of MahoneySabol

MahoneySabol is a Connecticut based accounting firm with offices located in Glastonbury, Middletown and Essex. Our market share is growing rapidly. We believe this is happening because organizations appreciate our regional presence, expertise, client service, and lower cost structure. Our size is important, as it allows us to serve clients better than any of our competitors.

We can offer the Town the following additional benefits:

**Responsive Service:** As an existing client of the firm, the Town receives preferential timing in terms of audit scheduling and will continue to receive our highest priority and attention. We value our relationship with you and consider responsive service as the foundation of that relationship.

**Unique Audit Approach:** Our engagement approach balances the experience and creativity of our engagement team with leading-edge technology to implement an efficient 'risk based' audit approach.

## Additional Benefits of MahoneySabol (Continued)

**National Firm Resources:** We are an independent member of the BDO Alliance USA, a nationwide association of independently owned local and regional accounting, consulting and service firms with similar client service goals. The BDO Alliance USA presents an opportunity for firms to expand services to clients without jeopardizing our existing relationships or our autonomy by accessing the resources of BDO USA, LLP and other Alliance members. The BDO Alliance USA was developed to provide Member firms with an alternative strategy for gaining competitive advantage in the face of a changing business landscape. The Alliance represents an opportunity for BDO to enhance relationships with reputable firms that share a mutual business understanding. The BDO Alliance USA is a subsidiary of BDO USA, LLP, a Delaware limited liability partnership. Through this affiliation, our team has developed a network with technical experts in the governmental industry and with Alliance member firms that serve several types of governmental entities, including local governments.

**True to Our Roots:** The accounting industry in Connecticut has seen regional and local firms being consolidated upward by larger firms outside of Connecticut. In many cases this has resulted in service issues and fee increases. MahoneySabol has become the exception. MahoneySabol is committed to growing locally while staying connected to the communities where we and our clients, work, live and play.

## Professional Fees

We will spare no effort – now or in subsequent years – to provide the level of service you require at a reasonable cost and to always exceed your expectations.

Our fee proposal is based upon our discounted hourly rates and our estimate of the time involved by each level of our staff. The fee proposal is based on the books and records being “audit ready”, anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Any increase in our fees will be immediately disclosed to the Town, including an estimate of the increased fees and the reason for the increase. Our fee proposal is as follows:

|   | Year Ended June 30th: |                  |                  |
|---|-----------------------|------------------|------------------|
|   | 2022                  | 2023             | 2024             |
| <b>Basic Reports to be Issued</b>                           |                       |                  |                  |
| - Town audit including CAFR and Report of Internal Controls | \$ 66,900             | \$ 68,100        | \$ 69,400        |
| - Single Audit (State)                                      | 4,000                 | 4,100            | 4,200            |
| - Single Audit (Federal)                                    | 4,000                 | 4,100            | 4,200            |
| <b>Total</b>  | <u>\$ 74,900</u>      | <u>\$ 76,300</u> | <u>\$ 77,800</u> |

## Commitment to Quality Control

In December of 2019, our firm underwent an AICPA peer review, including a review of specific government engagements. The peer review team determined that the quality control system for our auditing and accounting practice met the stringent professional standards established by the AICPA. In addition, our 2019 report did not have an accompanying letter of comments which is an outstanding achievement.

### **Commitment to Quality Control (Continued)**

MahoneySabol is also one of a small percentage of accounting firms registered with and inspected by the Public Companies Accounting Oversight Board (PCAOB). The PCAOB was created by the Sarbanes-Oxley Act of 2002 to oversee auditors of public companies in order to protect the interest of investors and further the public interest in the preparation of informative, fair and independent audit reports. We are proud to be registered and believe it is a testament to the highest level of quality controls directed towards client service. MahoneySabol is also subject to periodic inspection by the PCAOB of our auditing practice applicable to SEC issuers. PCAOB inspections are designed to identify and address weaknesses and deficiencies related to audit conduct to determine if that portion of the firm's auditing practice is being conducted in accordance with PCAOB standards. Our most recent PCAOB inspection was conducted in 2019.

The firm has not had any federal or state desk audit reviews or disciplinary action taken against it by state regulatory bodies or professional organizations during the past three years or since its inception, nor is any such action pending against the firm.

### **Commitment to Perform the Work**

We are committed to performing the services requested in accordance with your specified timeline. This proposal constitutes a firm and irrevocable offer for 90 days.

We are enthusiastic about providing continued auditing services for the Town of Newtown, Connecticut. If you should have any questions or desire any additional information, please contact me at 860.781.7924, as I have full authorization to make representations for the firm.

Very truly yours,



Michael J. VanDeventer, CPA  
Partner

December 14, 2021

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, 2021. 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 2022-2023 Fiscal Year of the Town, our recommended contributions are as follows:

|                            | <u>Recommended (2022-23)</u> | <u>Prior Year (2021-22)</u> |
|----------------------------|------------------------------|-----------------------------|
| Selectmen                  | \$ 551,024                   | \$ 632,672                  |
| Police (see separate rpt.) | <u>1,099,390</u>             | <u>1,164,195</u>            |
| Total Town of Newtown      | \$1,650,414                  | \$1,796,867                 |
| Board of Education:        | \$ 601,197                   | \$ 680,222                  |
| Total all Plans:           | \$2,251,611                  | \$2,477,089                 |

The above amounts are based on the July 1, 2021 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, 2022, 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-2020. This represents a change from 2020 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

12/14/21

Date

ANNUAL VALUATION REPORT  
FOR  
TOWN OF NEWTOWN PENSION PLAN  
POLICE DEPARTMENT PERSONNEL  
AS OF JULY 1, 2021

Prepared by:

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

December 14, 2021

# **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, 2021 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, 2021<br><u>Valuation</u> | July 1, 2020<br><u>Valuation</u> |
|--|----------------------------------|----------------------------------|
| 1. Recommended Annual Contributions:*  | \$1,099,390 ( 30.4% )            | \$1,164,195 ( 31.2% )            |
| 2. Covered Payroll of Participants<br>(covered earnings for the fiscal year<br>preceding the valuation date) | \$3,614,450                      | \$3,727,706                      |
| 3. Net Normal Cost (EAN)   | \$460,652 ( 12.7% )              | \$421,374 ( 11.3% )              |
| 4. Accrued Actuarial Liability (EAN)   | \$28,961,203                     | \$27,914,498                     |
| 5. Assets - Market Value (MV)  | \$22,680,086                     | \$17,923,372                     |
| - Valuation Assets (VA)  | \$20,317,504                     | \$18,355,819                     |
| 6. Unfunded Accrued Liability (VA)   | \$8,643,699                      | \$9,558,679                      |
| 7. Actuarial Value of Benefits (total plan):   |                                  |                                  |
| a. Value of Vested Accrued Benefits  | \$25,992,665                     | \$24,787,957                     |
| b. Value of Non-Vested Accrued Bens.   | \$230,529                        | \$340,388                        |
| c. MV Assets in excess of Vested<br>Benefits (5 minus 7a)  | (\$3,312,579)                    | (\$6,864,585)                    |
| 8. Number of Participants:   |                                  |                                  |
| a. Active Participants   | 36                               | 37                               |
| b. Retirees, DROPs, Benef., & Alt Payees   | 34                               | 33                               |
| c. Terminated Vested Participants<br>(includes refunds only due)   | <u>3</u>                         | <u>3</u>                         |
| d. Total   | 73                               | 73                               |

\* 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, 2021 valuation decreased \$64,808, to a recommended level of \$1,099,390 for the 2022-23 fiscal year.

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

|   |             |
|---|-------------|
| 2021-22 Recommendation:                             | \$1,164,198 |
| Chg in Active Norm. Cost (N.C):                     | \$ 47,497   |
| Valuation Asset (Gains)/Losses:                     | (154,860)   |
| Retiring/Term Members N.C.:                         | (37,892)    |
| Change in Assumptions<br>(phased in interest rates) | 65,757      |
| Misc. Actuarial Factors:                            | 14,690      |
| Total Changes:                                      | \$ (64,808) |
| 2021-22 Recommendation:                             | \$1,099,390 |

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 1.3% of the total recommendation, this item is relatively immaterial and is not directly traceable.

There was one terminated member with vested benefits during the year, and one prior terminated member retired. The active count thus decreased by one, with the inactives increasing by the same number – thus the total plan population did not change.

The remaining 36 active members experienced virtually no compensation increases, despite a 2% increase in base pay. Because the Police Union plan recognizes up to 25% of overtime, there can be more fluctuation in members' salaries than in the other town departments.

For July 1, 2022, the plan experienced the second year of the phase in to 6.5% interest rates. 60% of the valuation contribution was based on 7.0% valuation results, and 40% is from the 6.5% calculations.

As you can see in the table above, the increases from the phase in were significantly overshadowed by the valuation gains from a trust return of more than 25%.

Because of our smoothed valuation asset method, which recognizes 20% of asset gains each year, we can count on additional help from the 2021 trust asset performance through the 2025 annual valuation report. Coincidentally, that is the first valuation year that will fully be prepared on the 6.5% assumed interest rate.

We can thus expect the phase in to continue without increasing the annual contribution, assuming that the trust can perform close to the 6.5% assumed rate over the next few years. Additional reductions could also occur as the active population continues to decline.

The plan's market value funding ratios increased due to the strong trust asset performance, with the present value of accrued benefits measure up to 86.5% (+13.4%) and the accrued liability level increasing by 12.6% to 78.3%.

TOWN OF NEWTOWN PENSION PLAN POLICE PERSONNEL  
III. PLAN ASSETS

A. Summary

| Investment                       | 07/01/2020<br>Beginning<br>Balance | Employer<br>Contribs. | Employee<br>Contribs. | Net<br>Investment<br>Income | Trust<br>Expenses | Transfer EEs<br>Distributions | Transfers out | 06/30/2021<br>Ending<br>Balance |
|----------------------------------|------------------------------------|-----------------------|-----------------------|-----------------------------|-------------------|-------------------------------|---------------|---------------------------------|
| ER Contrib. Receivable/(Payable) | 0                                  | 0                     | 0                     | 0                           | 0                 | 0                             | 0             | 0                               |
| EE Contrib. Receivable           | 0                                  | 0                     | 0                     | 0                           | 0                 | 0                             | 0             | 0                               |
| Distribution Due PARS            | 0                                  | 0                     | 0                     | 0                           | 0                 | 0                             | 0             | 0                               |
| Prepaid Benefits                 | 216,269                            | 0                     | 0                     | 0                           | 0                 | 8,595                         | 0             | 224,864                         |
| <u>Comerica</u>                  |                                    |                       |                       |                             |                   |                               |               | 0                               |
| Cash                             | 295,399                            | 2,485,983             | 422,844               | 1,229,565                   | (74,656)          | (2,703,122)                   | (1,247,818)   | 408,195                         |
| Investments                      | 47,197,786                         | 0                     | 0                     | 11,251,600                  | 0                 | 0                             | 1,247,818     | 59,697,204                      |
| Accrued Interest                 | 31,404                             | 0                     | 0                     | (31,404)                    | 0                 | 0                             | 0             | 0                               |
| <b><u>PLAN TOTALS</u></b>        | <b>47,740,857</b>                  | <b>2,485,983</b>      | <b>422,844</b>        | <b>12,449,761</b>           | <b>(74,656)</b>   | <b>(2,694,528)</b>            | <b>0</b>      | <b>60,330,263</b>               |

Distribution of Assets by Department

| Plan Category     | 07/01/2020<br>Beginning<br>Balance | Employer<br>Contribs. | Employee<br>Contribs. | Net<br>Investment<br>Income* | Distributions | 06/30/2021<br>Ending<br>Balance | 06/30/2021<br>Valuation<br>Asset Balance |
|-------------------|------------------------------------|-----------------------|-----------------------|------------------------------|---------------|---------------------------------|--|
| Town Plan         | 29,675,787                         | 1,390,665             | 233,180               | 7,667,791                    | (1,513,880)   | 37,453,543                      | 33,552,012                               |
| Elected officials | 141,699                            | 11,639                | 3,861                 | 39,435                       | 0             | 196,633                         | N/A                                      |
| Police Plan       | 17,923,372                         | 1,083,679             | 185,803               | 4,667,879                    | (1,180,647)   | 22,680,086                      | 20,317,504                               |
| Grand Total       | 47,740,857                         | 2,485,983             | 422,844               | 12,375,105                   | (2,694,528)   | 60,330,263                      | 53,869,516                               |

\* Income reduced for trust expenses; allocated on a weighted basis by Comerica.

## 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, 2021:

|  |                     |
|--|---------------------|
| 1. Assumed market value yield at valuation rate*                 | \$3,172,964         |
| 2. Actual MV Yield for June 30, 2021 **                          | 12,410,327          |
| 3. Current Year (Gain)/Loss on Market value yield* (1) - (2)     | (9,237,363)         |
| 4. Portion of Curr. Yr. Loss to be Recognized in 2021 (3) x 20%  | (1,847,473)         |
| 5. Portion of Current Years (Gain)/Loss Not Recognized in 2021   | (7,389,890)         |
| 6. Prior Unrec. (Gains)/ losses - June 30, 2021 - see next page  | 1,125,777           |
| 7. Total Unrecognized (Gains)/Losses (5) + (6)                   | (6,264,113)         |
| 8. Market Value of Trust Assets as of June 30, 2021              | 60,133,629          |
| 9. Preliminary Actuarial Value of Assets - June 30, 2021 (7)+(8) | <b>\$53,869,516</b> |
| 10. (a) 80% corridor of Market Value                             | 48,106,903          |
| (b) 120% corridor of Market Value                                | 72,160,355          |
| 11. Final Actuarial Value of Assets - June 30, 2021***           | <b>\$53,869,516</b> |

The Preliminary Actuarial Value of Assets is 89.6% of the Market Value, and thus falls within the 80% to 120% corridor of actual June 30, 2021 Market Value.

The yield on Valuation Assets for the 2020-2021 Plan Year was 10.61%.

\* 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.

| Initial Year<br>of Base | <u>(Gain) or Loss</u><br>(a) | Recognition<br>for 2021<br><u>Valuation</u><br>(b) | Amts. recog. in<br>Val. Asset Calc.<br><u>thru 6/30/2021</u><br>(c) | Deferred Recognition<br>as of<br><u>June 30, 2021</u><br>(a) - (c) | Remaining<br><u>Years</u> |
|-------------------------|------------------------------|--|---|--|---------------------------|
| 2017                    | (\$1,933,632)                | (\$386,726)  | (\$1,933,632)   | \$0  | 0                         |
| 2018                    | (128,560)                    | (25,712)   | (102,848)   | (25,712)   | 1                         |
| 2019                    | 769,239                      | 153,848  | 461,543   | 307,696  | 2                         |
| 2020                    | 1,406,323                    | 281,265  | 562,529   | 843,794  | 3                         |
| 2021                    | <u>(9,237,363)</u>           | <u>(1,847,473)</u>                                 | <u>(1,847,473)</u>  | <u>(7,389,890)</u>   | 4                         |
| Totals                  |                              | (\$1,824,798)                                      |   | (\$6,264,113)  |                           |

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> |
|------|-----------------------|--------------------------|
| 2022 | (\$1,438,072)         | (4,826,040)              |
| 2023 | (1,412,360)           | (3,413,680)              |
| 2024 | (1,566,208)           | (1,847,473)              |
| 2025 | (1,847,473)           | 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, 2021

## a. Calculation of Recommended Contributions

|   | 7.0%         | 6.5%         |
|---|--------------|--------------|
| 1. Gross Normal Cost<br>as of 7/1/2021  | \$560,600    | \$634,953    |
| 2. Expenses   | 10,000       | 10,000       |
| 3. Expected Employee<br>Contributions   | 184,301      | 184,301      |
| 4. Net Normal Cost (1 + 2 - 3)<br>as of 7/1/2021  | 386,299      | 460,652      |
| 5. Accrued Liability:   |              |              |
| i. Active Employees   | 13,230,080   | 14,226,134   |
| ii. Inactive Employees  | 625,732      | 681,644      |
| iii. Retired Participants (includes DROP)   | 13,442,590   | 14,053,425   |
| 6. Total Accrued Liability  | \$27,298,402 | \$28,961,203 |
| 7. Valuation Assets - Smoothed Value  | 20,317,504   | 20,317,504   |
| 8. Unfunded (overfunded)<br>Accrued Liability (6 - 7)   | 6,980,898    | 8,643,699    |
| 9. Amortization of Unfunded<br>(Overfunded) Accd. Liability*  | 647,938      | 871,292      |
| 10. Normal Cost plus Amortization<br>as of 7/1/2021 (4 + 9)   | 1,034,236    | 1,331,944    |
| 11. Recommended Contribution for 2022-2023<br>to be paid 7/01/2022 (10 adjusted for time passage**) | \$978,883    | \$1,280,149  |
| 12. Blended Contribution for 2022-2023<br>(60% at 7.0%, 40% at 6.5%)                                |              | 1,099,390    |

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

\*\* 2022 adjustment takes into account the expected changes from unrec. trust asset (gains)/losses for 2021, plus normal cost changes assumed in the funding method.

## TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

## IV. ANNUAL VALUATION - JULY 1, 2021

## b. Summary of Funding Bases

| Summary of Funding Bases         | Initial Base  | Rem. Bal. -20 | Minimum<br>Amort. - 7% | Minimum<br>Amort. - 6.5% |
|----------------------------------|---------------|---------------|------------------------|--------------------------|
| Initial Base - 7/1/17            | \$ 9,558,679  | \$ 7,117,053  | \$ 637,905             | \$ 662,980               |
| (Gain)/Loss/Amend/Changes - 2018 | \$ (121,706)  | \$ (114,086)  | \$ (17,328)            | \$ (16,564)              |
| (Gain)/Loss/Amend/Changes - 2019 | \$ 570,618    | \$ 547,079    | \$ 81,243              | \$ 79,376                |
| (Gain)/Loss/Amend/Changes - 2020 | \$ 315,588    | \$ 312,302    | \$ 41,993              | \$ 41,220                |
| Assumption Changes - 2020        | \$ 1,635,186  | \$ 1,618,160  | \$ -                   | \$ 213,579               |
| (Gain)/Loss Changes - 2021       | \$ (836,809)  | \$ (836,809)  | \$ (95,875)            | \$ (109,300)             |
| Totals                           | \$ 11,121,556 | \$ 8,643,699  | \$ 647,938             | \$ 871,292               |

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, 2021

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

## I. ACCRUED ACTUARIAL LIABILITY (7.0%)

|   |                   |
|---|-------------------|
| a. Retirees/Benefic./Terminated   | \$14,735,069      |
| b. Current Employees  |                   |
| I. EE Contr. & Intr.  | 3,353,662         |
| II. ER Financed Vested  | 10,235,717        |
| III. ER Financed Non-Vested   | 636,755           |
| c. TOTALS   | 28,961,203        |
| d. ASSETS - Market Value  | 22,680,086        |
| e. FUNDED RATIO (7/1/2021)  | 78.31% - at 6.50% |
| f. FUNDED RATIO (7/1/2020)  | 65.76% - 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 | \$14,735,069      |
| b. Current Employees            |                   |
| I. EE Contr. & Intr.            | 3,353,662         |
| II. ER Financed Vested          | 7,903,935         |
| III. ER Financed Non-Vested     | 230,529           |
| c. TOTALS                       | 26,223,195        |
| d. ASSETS - Market Value        | 22,680,086        |
| e. FUNDED RATIO (7/1/2021)      | 86.49% - at 6.50% |
| f. FUNDED RATIO (7/1/2020)      | 73.05% - at 6.50% |

# TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

## V. HISTORY OF PLAN CONTRIBUTIONS AND LIABILITIES

| Plan Year<br>Beginning | Participants<br>Act. - Other |    | Compensation | Accrued<br>Liability | Market<br>Value<br>Assets | Unfunded<br>Accrued<br>Liability** | Recommended<br>Contribution | (***)      | Actual<br>Town<br>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                        |
| 7/1/2016               | 43                           | 32 | 3,809,065    | 19,153,240           | 13,586,528                | 5,566,712                          | 685,944                     | ( 18.01% ) | 685,944                        |
| 7/1/2017               | 42                           | 32 | 3,888,389    | 23,082,423           | 15,078,119                | 8,004,304                          | 814,974                     | ( 20.96% ) | 814,974                        |
| 7/1/2018               | 39                           | 35 | 3,658,639    | 24,010,717           | 16,313,268                | 7,697,449                          | 974,971                     | ( 26.65% ) | 974,971                        |
| 7/1/2019               | 38                           | 35 | 3,736,280    | 25,190,605           | 17,239,221                | 7,951,384                          | 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% ) |                                |

\* 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 2021 valuation produced a Recommended Contribution of \$1,099,390 for the 2022-2023 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<br/>Personnel</u> |
|---|-----------------------------|
| Number of Active Participants<br>as of July 1, 2020:* | 37                          |
| Decreases:  |                             |
| Non-Vested Terminations:                              | 0                           |
| Vested Terminations:                                  | (1)                         |
| Retirements (DROP Actives):                           | 0                           |
| Deaths, Withdrawals:                                  | <u>0</u>                    |
| Total Increases/(Decreases):                          | (1)                         |
| New Entrants during 2020-2021:                        | <u>0</u>                    |
| Net Change:   | (1)                         |
| Number of Active Participants<br>as of July 1, 2021:* | 36                          |
| Also as of July 1, 2021:                              |                             |
| Total Vested Terminated (incl. refunds due):          | 3                           |
| Total Retired:**                                      | <u>34</u>                   |
| TOTAL PARTICIPANTS:                                   | 73                          |

\* Active participants include members beyond their  
Normal Retirement Dates.

\*\* Includes Alternate Payee, Beneficiaries and DROP participants.

## TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

APPENDIX APENSION TRUST SUMMARY

PLAN SPONSOR: Town of Newtown  
 EFFECTIVE DATE: July 1, 1965  
 ANNIVERSARY DATE: July 1 of each year.  
 VALUATION DATE: July 1, 2021

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"> <li>(1) Job related disability - 85% of base salary less any other Town funded disability benefits (Social Security, Worker's Compensation, etc.).</li> <li>(2) Non-job related disability - 50% of base salary.</li> </ul>   |
| 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"> <li>(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.</li> <li>(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.</li> </ul> |
| 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"> <li>(1) 50% of the rate of salary increase for new policemen</li> <li>(2) 3%</li> </ul>   |

## 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, 2021 Valuation was prepared using a 60%/40% 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, 2025 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-2019 scale. Used Previously: RP-2014 Society of Actuaries Blue Collar Mortality Table, with future generational increases projected with the MP-2019 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 14, 2021

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, 2021. 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 2022-2023 Fiscal Year of the Town, our recommended contributions are as follows:

|                            | <u>Recommended (2022-23)</u> | <u>Prior Year (2021-22)</u> |
|----------------------------|------------------------------|-----------------------------|
| Selectmen                  | \$ 551,024                   | \$ 632,672                  |
| Police (see separate rpt.) | <u>1,099,390</u>             | <u>1,164,195</u>            |
| Total Town of Newtown      | \$1,650,414                  | \$1,796,867                 |
| Board of Education:        | \$ 601,197                   | \$ 680,222                  |
| Total all Plans:           | \$2,251,611                  | \$2,477,089                 |

The above amounts are based on the July 1, 2021 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, 2022, 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 2020 only in that the projection scale has been updated, which is an immaterial change.

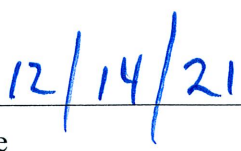
To the best of our knowledge, the information supplied in this report is complete and accurate. There was an error in which an immaterial liability was left out of the calculations, which has been disclosed and will be corrected in next year's valuation.

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, 2021

Prepared by:

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T R PAUL, INC.

December 14, 2021



# 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, 2021 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, 2021<br><u>Valuation</u> |                   | July 1, 2020<br><u>Valuation</u> |                   |
|--|----------------------------------|-------------------|----------------------------------|-------------------|
| 1. Recommended Annual Contributions:*  |                                  |                   |                                  |                   |
| a. Board of Selectmen  | \$551,024                        | ( 9.3% )          | \$632,672                        | ( 10.4% )         |
| b. Board of Education  | \$601,197                        | ( 9.4% )          | \$680,222                        | ( 9.9% )          |
| c. Total Town Plan   | \$1,152,220                      | ( 9.4% )          | \$1,312,894                      | ( 10.2% )         |
| 2. Covered Payroll of Participants (pension earnings projected for the fiscal year following the valuation date) |                                  |                   |                                  |                   |
| a. Board of Selectmen  | \$5,905,617                      |                   | \$6,062,173                      |                   |
| b. Board of Education  | \$6,407,744                      |                   | \$6,862,579                      |                   |
| c. Total Town Plan   | \$12,313,361                     |                   | \$12,924,752                     |                   |
| 3. Net Normal Cost (EAN)   | \$874,100                        | ( 7.1% )          | \$882,878                        | ( 6.8% )          |
| 4. Accrued Actuarial Liability (EAN)   | \$39,361,925                     |                   | \$37,168,197                     |                   |
| 5. Assets - Market Value (MV)  | \$37,453,543                     |                   | \$29,675,787                     |                   |
| - Valuation Assets (VA)  | \$33,552,012                     |                   | \$30,391,791                     |                   |
| 6. Unfunded Accrued Liability (VA)   | \$5,809,913                      |                   | \$6,776,406                      |                   |
| 7. Actuarial Value of Benefits (total plan):   | at 6.5%                          |                   | at 6.5%                          |                   |
| a. Value of Vested Accrued Benefits  | \$33,013,193                     |                   | \$31,863,033                     |                   |
| b. Value of Non-Vested Accrued Bens.   | \$798,477                        |                   | \$807,063                        |                   |
| c. MV Assets in excess of Vested Benefits (5 minus 7a)   | \$4,440,350                      |                   | (\$2,187,246)                    |                   |
| 8. Number of Participants:   | <u>Sel.</u>                      | <u>Bd. of Ed.</u> | <u>Sel.</u>                      | <u>Bd. of Ed.</u> |
| a. Active Participants   | 93                               | 135               | 101                              | 152               |
| b. Retired and Beneficiaries   | 79                               | 81                | 74                               | 77                |
| c. Terminated Vested Participants (includes refunds only due)  | 31                               | 29                | 31                               | 22                |
| d. Total   | 203                              | 245               | 206                              | 251               |

\* 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, 2021 valuation report was prepared on a group of 93 active members in the Selectmen's accounts, and 135 actives from the Board of Education. This represents a decrease of twenty-five (25) active members from 2020, with 8 of the twenty-five coming from the Selectmen's group and a decrease of 17 in the Board of Education.

The recommended contribution produced by the July 1, 2021 valuation decreased by \$160,674, to a recommended level of \$1,152,220 for the 2022-23 fiscal year. The Selectman group's recommended contribution decreased by about \$81,600, and the Board of Education decreased by approximately \$79,000.

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> |
|---|------------------|-------------------------|
| 2021-22 Recommendation:                             | \$632,672        | \$680,222               |
| Actives Chg. in Normal Cost:                        | \$ 50,148        | \$ 34,965               |
| Retired/Term Gains                                  | (37,245)         | (81,739)                |
| Valuation Asset (Gains)/Losses:                     | (132,813)        | (117,498)               |
| New Members/Transfers:                              | (5,212)          | 5,212                   |
| Change in Assumptions<br>(phased in interest rates) | 48,828           | 44,255                  |
| Misc. Actuarial Factors:                            | (5,324)          | 35,780                  |
| Total Changes:                                      | \$(81,648)       | \$(79,025)              |
| 2022-23 Recommendation:                             | \$551,024        | \$601,197               |

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 less than a third of a percent (0.3%) on the Board side, this item is immaterial and is not directly traceable.

For July 1, 2022, the plan experienced the second year of the phase in to 6.5% interest rates. 60% of the valuation contribution was based on 7.0% valuation results, and 40% is from the 6.5% calculations.

As you can see in the table above, the increases from the phase in were significantly overshadowed by the valuation gains from a trust return of more than 25%.

Because of our smoothed valuation asset method, which recognizes 20% of asset gains each year, we can count on additional help from the 2021 trust asset performance through the 2025 annual valuation report. Coincidentally, that is the first valuation year that will fully be prepared on the 6.5% assumed interest rate.

## TOWN OF NEWTOWN PENSION PLAN

II. GENERAL COMMENTS

We can thus expect the phase in to continue without increasing the annual contribution, assuming that the trust can perform close to the 6.5% assumed rate over the next few years. Additional reductions will also occur as the active population continues to decline.

There were again four deaths among the 151 retirees as of the beginning of the year, with a net gain of 9 retirees (three prior vested terminated members also began their retirement payments this year).

This year's valuation sees the inactive population almost catching up to the plan's frozen active membership, with 228 actives and 220 inactives. We can safely project that the 2022 valuation will feature more inactives than actives, as several members have retired or terminated since July 1, 2021.

While the valuation asset smoothing method provides for a gradual recognition of the past year's strong asset performance, the funding ratios found on page 10 are prepared on market value. As such, the ratios increased dramatically across the board, with the Accrued Actuarial Liability measure increasing above 95% and the funded ratio for the accrued benefits climbing to greater than 100% for both groups. All of the above ratios are based fully on the 6.5% assumptions, as well.

TOWN OF NEWTOWN PENSION PLAN  
III. PLAN ASSETS

A. Summary

| Investment                       | 07/01/2020<br>Beginning<br>Balance | Employer<br>Contribs. | Employee<br>Contribs. | Net<br>Investment<br>Income | Trust<br>Expenses | Transfer EEs<br>Distributions | Transfers out | 06/30/2021<br>Ending<br>Balance |
|----------------------------------|------------------------------------|-----------------------|-----------------------|-----------------------------|-------------------|-------------------------------|---------------|---------------------------------|
| ER Contrib. Receivable/(Payable) | 0                                  | 0                     | 0                     | 0                           | 0                 | 0                             | 0             | 0                               |
| EE Contrib. Receivable           | 0                                  | 0                     | 0                     | 0                           | 0                 | 0                             | 0             | 0                               |
| Distribution Due PARS            | 0                                  | 0                     | 0                     | 0                           | 0                 | 0                             | 0             | 0                               |
| Prepaid Benefits                 | 216,269                            | 0                     | 0                     | 0                           | 0                 | 8,595                         | 0             | 224,864                         |
| <u>Comerica</u>                  |                                    |                       |                       |                             |                   |                               |               | 0                               |
| Cash                             | 295,399                            | 2,485,983             | 422,844               | 1,229,565                   | (74,656)          | (2,703,122)                   | (1,247,818)   | 408,195                         |
| Investments                      | 47,197,786                         | 0                     | 0                     | 11,251,600                  | 0                 | 0                             | 1,247,818     | 59,697,204                      |
| Accrued Interest                 | 31,404                             | 0                     | 0                     | (31,404)                    | 0                 | 0                             | 0             | 0                               |
| <b><u>PLAN TOTALS</u></b>        | <b>47,740,857</b>                  | <b>2,485,983</b>      | <b>422,844</b>        | <b>12,449,761</b>           | <b>(74,656)</b>   | <b>(2,694,528)</b>            | <b>0</b>      | <b>60,330,263</b>               |

Distribution of Assets by Department

| Plan Category     | 07/01/2020<br>Beginning<br>Balance | Employer<br>Contribs. | Employee<br>Contribs. | Net<br>Investment<br>Income* | Distributions | 06/30/2021<br>Ending<br>Balance | 06/30/2021<br>Valuation<br>Asset Balance |
|-------------------|------------------------------------|-----------------------|-----------------------|------------------------------|---------------|---------------------------------|--|
| Town Plan         | 29,675,787                         | 1,390,665             | 233,180               | 7,667,791                    | (1,513,880)   | 37,453,543                      | 33,552,012                               |
| Elected officials | 141,699                            | 11,639                | 3,861                 | 39,435                       | 0             | 196,633                         | N/A                                      |
| Police Plan       | 17,923,372                         | 1,083,679             | 185,803               | 4,667,879                    | (1,180,647)   | 22,680,086                      | 20,317,504                               |
| Grand Total       | 47,740,857                         | 2,485,983             | 422,844               | 12,375,105                   | (2,694,528)   | 60,330,263                      | 53,869,516                               |

\* Income reduced for trust expenses; allocated on a weighted basis by Comerica.

## 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, 2021:

|  |                     |
|--|---------------------|
| 1. Assumed market value yield at valuation rate*                 | \$3,172,964         |
| 2. Actual MV Yield for June 30, 2021 **                          | 12,410,327          |
| 3. Current Year (Gain)/Loss on Market value yield* (1) - (2)     | (9,237,363)         |
| 4. Portion of Curr. Yr. Loss to be Recognized in 2021 (3) x 20%  | (1,847,473)         |
| 5. Portion of Current Years (Gain)/Loss Not Recognized in 2021   | (7,389,890)         |
| 6. Prior Unrec. (Gains)/ losses - June 30, 2021 - see next page  | 1,125,777           |
| 7. Total Unrecognized (Gains)/Losses (5) + (6)                   | (6,264,113)         |
| 8. Market Value of Trust Assets as of June 30, 2021              | 60,133,629          |
| 9. Preliminary Actuarial Value of Assets - June 30, 2021 (7)+(8) | <b>\$53,869,516</b> |
| 10. (a) 80% corridor of Market Value                             | 48,106,903          |
| (b) 120% corridor of Market Value                                | 72,160,355          |
| 11. Final Actuarial Value of Assets - June 30, 2021***           | <b>\$53,869,516</b> |

The Preliminary Actuarial Value of Assets is 89.6% of the Market Value, and thus falls within the 80% to 120% corridor of actual June 30, 2021 Market Value.

The yield on Valuation Assets for the 2020-2021 Plan Year was 10.61%.

\* 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.

| Initial Year<br>of Base | <u>(Gain) or Loss</u><br>(a) | Recognition<br>for 2021<br><u>Valuation</u><br>(b) | Amts. recog. in<br>Val. Asset Calc.<br><u>thru 6/30/2021</u><br>(c) | Deferred Recognition<br>as of<br><u>June 30, 2021</u><br>(a) - (c) | Remaining<br><u>Years</u> |
|-------------------------|------------------------------|--|---|--|---------------------------|
| 2017                    | (\$1,933,632)                | (\$386,726)  | (\$1,933,632)   | \$0  | 0                         |
| 2018                    | (128,560)                    | (25,712)   | (102,848)   | (25,712)   | 1                         |
| 2019                    | 769,239                      | 153,848  | 461,543   | 307,696  | 2                         |
| 2020                    | 1,406,323                    | 281,265  | 562,529   | 843,794  | 3                         |
| 2021                    | <u>(9,237,363)</u>           | <u>(1,847,473)</u>                                 | <u>(1,847,473)</u>  | <u>(7,389,890)</u>   | 4                         |
| Totals                  |                              | (\$1,824,798)                                      |   | (\$6,264,113)  |                           |

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> |
|------|-----------------------|--------------------------|
| 2022 | (\$1,438,072)         | (4,826,040)              |
| 2023 | (1,412,360)           | (3,413,680)              |
| 2024 | (1,566,208)           | (1,847,473)              |
| 2025 | (1,847,473)           | 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, 2021

**a. Calculation of Recommended Contributions Assumes 7.00%**

|  | SELECTMEN    | BOARD<br>OF ED. | TOTALS       |
|--|--------------|-----------------|--------------|
| 1. Gross Normal Cost<br>as of 7/1/2021   | \$474,974    | \$502,590       | \$977,565    |
| 2. Expenses  | 10,000       | 10,000          | 20,000       |
| 3. Expected Employee<br>Contributions  | 107,418      | 122,611         | 230,029      |
| 4. Net Normal Cost (1 + 2 - 3)<br>as of 7/1/2021   | 377,557      | 389,979         | 767,536      |
| 5. Accrued Liability:  |              |                 |              |
| i. Active Employees  | 10,384,507   | 10,991,289      | 21,375,796   |
| ii. Inactive Employees   | 1,023,962    | 996,867         | 2,020,829    |
| iii. Retired Participants  | 8,056,328    | 5,933,093       | 13,989,421   |
| 6. Total Accrued Liability   | \$19,464,797 | \$17,921,249    | \$37,386,046 |
| 7. Plan Assets - Blended Value   | 17,650,187   | 15,901,825      | 33,552,012   |
| 8. Unfunded (overfunded)<br>Accrued Liability (6 - 7)  | 1,814,610    | 2,019,424       | 3,834,035    |
| 9. Amortization of Unfunded<br>(Overfunded) Accd. Liability*                                 | 165,344      | 198,485         | 363,829      |
| 10. Normal Cost plus Amortization<br>7/1/2021 (4 + 9)  | 542,901      | 588,464         | 1,131,365    |
| 11. Recommended Contrib.- 2022-2023<br>to be paid 7/01/2022 (10 adjusted for time passage**) | \$482,753    | \$537,774       | \$1,020,527  |

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

\*\* 2021 adjustment takes into account the expected changes from unrec. trust asset (gains)/losses for 2020, plus normal cost changes assumed in the funding method.



## TOWN OF NEWTOWN PENSION PLAN

## IV. ANNUAL VALUATION - JULY 1, 2021

**b. Calculation of Recommended Contributions Assumes 6.50%**

|  | SELECTMEN    | BOARD<br>OF ED. | TOTALS       |
|--|--------------|-----------------|--------------|
| 1. Gross Normal Cost<br>as of 7/1/2020   | \$527,045    | \$557,083       | \$1,084,129  |
| 2. Expenses  | 10,000       | 10,000          | 20,000       |
| 3. Expected Employee<br>Contributions  | 107,418      | 122,611         | 230,029      |
| 4. Net Normal Cost (1 + 2 - 3)<br>as of 7/1/2020   | 429,628      | 444,472         | 874,100      |
| 5. Accrued Liability:  |              |                 |              |
| i. Active Employees  | 11,029,664   | 11,646,907      | 22,676,572   |
| ii. Inactive Employees   | 1,122,840    | 1,065,203       | 2,188,043    |
| iii. Retired Participants  | 8,349,159    | 6,148,152       | 14,497,311   |
| 6. Total Accrued Liability   | \$20,501,663 | \$18,860,262    | \$39,361,925 |
| 7. Plan Assets - Blended Value   | 17,650,187   | 15,901,825      | 33,552,012   |
| 8. Unfunded (overfunded)<br>Accrued Liability (6 - 7)  | 2,851,476    | 2,958,437       | 5,809,913    |
| 9. Amortization of Unfunded<br>(Overfunded) Accd. Liability*                                 | 283,596      | 289,282         | 572,877      |
| 10. Normal Cost plus Amortization<br>7/1/2020 (4 + 9)  | 713,223      | 733,754         | 1,446,977    |
| 11. Recommended Contrib.- 2021-2022<br>to be paid 7/01/2021 (10 adjusted for time passage**) | \$653,430    | \$696,330       | \$1,349,760  |

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

\*\* 2021 adjustment takes into account the expected changes from unrec. trust asset (gains)/losses for 2020, plus normal cost changes assumed in the funding method.

## TOWN OF NEWTOWN PENSION PLAN

## IV. ANNUAL VALUATION - JULY 1, 2021

**c. Calculation of Blended Contributions**

|  | SELECTMEN | BOARD<br>OF ED. | TOTALS      |
|--|-----------|-----------------|-------------|
| 1. Recommended Contrib. - 7.0%   | \$482,753 | \$537,774       | \$1,020,527 |
| 2. Recommended Contrib. - 6.5%   | \$653,430 | \$696,330       | \$1,349,760 |
| 3. Recommended Contrib.- 2022-2023<br>Blended: 3/5 (7.0%) + 2/5 (6.5%) | \$551,024 | \$601,197       | \$1,152,220 |

**d. Comparison of Results**

|                                | SELECTMEN    | BOARD<br>OF ED. | TOTALS       |
|--------------------------------|--------------|-----------------|--------------|
| 4. Gross Normal Cost           |              |                 |              |
| a. Normal Cost at 7.0%         | \$474,974    | \$502,590       | \$977,565    |
| b. Normal Cost at 6.5%         | 527,045      | 557,083         | 1,084,129    |
| c. Difference                  | 52,071       | 54,493          | 106,564      |
| 5. Accrued Liability:          |              |                 |              |
| a. Liability at 7.0%           | \$19,464,797 | \$17,921,249    | \$37,386,046 |
| b. Liability at 6.5%           | 20,501,663   | 18,860,262      | 39,361,925   |
| c. Difference                  | 1,036,866    | 939,013         | 1,975,879    |
| 6. Plan Assets - Blended Value | 17,650,187   | 15,901,825      | 33,552,012   |
| 7. Unfunded (overfunded)       |              |                 |              |
| Accrued Liability (5 - 6)      |              |                 |              |
| a. Unfunded at 7.0%            | 1,814,610    | 2,019,424       | 3,834,035    |
| b. Unfunded at 6.5%            | 2,851,476    | 2,958,437       | 5,809,913    |
| c. Difference                  | 1,036,866    | 939,013         | 1,975,879    |

\* 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, 2021

## e. Summary of Funding Bases

SELECTMEN

| Summary of Funding Bases         | Initial Base | Rem. Bal. -21 | Minimum<br>Amort. - 7% | Minimum<br>Amort. - 6.5% |
|----------------------------------|--------------|---------------|------------------------|--------------------------|
| Initial Base - 7/1/17            | \$ 2,447,983 | \$ 2,378,005  | \$ 215,955             | \$ 216,205               |
| (Gain)/Loss/Amend/Changes - 2018 | 277,987      | 234,951       | 39,579                 | 34,371                   |
| (Gain)/Loss/Amend/Changes - 2019 | (24,042)     | (21,658)      | (3,199)                | (3,140)                  |
| (Gain)/Loss/Amend/Changes - 2020 | (307,215)    | (299,578)     | (40,879)               | (40,127)                 |
| Assumption Changes - 2020        | 961,981      | 938,067       | -                      | 125,649                  |
| (Gain)/Loss/Amend/Changes - 2021 | (377,925)    | (377,925)     | (46,112)               | (49,363)                 |
| Totals -                         | \$ 2,978,769 | \$ 2,851,861  | \$ 165,344             | \$ 283,596               |

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<br>Amort. - 7% | Minimum<br>Amort. - 6.5% |
|----------------------------------|--------------|---------------|------------------------|--------------------------|
| Initial Base - 7/1/17            | \$ 2,365,758 | \$ 2,246,252  | \$ 208,702             | 192,758                  |
| (Gain)/Loss/Amend/Changes - 2018 | 107,537      | 91,644        | 15,311                 | 12,787                   |
| (Gain)/Loss/Amend/Changes - 2019 | 186,134      | 175,697       | 24,768                 | 24,312                   |
| (Gain)/Loss/Amend/Changes - 2020 | 56,880       | 56,275        | 7,569                  | 7,429                    |
| Assumption Changes - 2020        | 893,855      | 884,344       |                        | 116,751                  |
| (Gain)/Loss/Amend/Changes - 2021 | (495,775)    | (495,775)     | (57,865)               | (64,755)                 |
| Totals -                         | \$ 3,114,389 | \$ 2,958,437  | \$ 198,485             | \$ 289,282               |

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

## TOWN OF NEWTOWN PENSION PLAN

## IV. ANNUAL VALUATION - JULY 1, 2021

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

|   | SELECTMEN    | BOARD<br>OF ED. | TOTALS       |
|---|--------------|-----------------|--------------|
| I. ACTUARIAL ACCRUED LIABILITY - 6.50%  |              |                 |              |
| a. Retirees/Benefic./Terminated   | \$9,471,999  | \$7,213,355     | \$16,685,354 |
| b. Current Employees  |              |                 |              |
| I. EE Contr. & Intr.  | 2,026,134    | 2,071,174       | 4,097,308    |
| II. ER Financed Vested  | 8,114,221    | 8,724,681       | 16,838,902   |
| III. ER Financed Non-Vested   | 889,308      | 851,053         | 1,740,361    |
| c. TOTALS   | \$20,501,663 | \$18,860,262    | \$39,361,925 |
| d. ASSETS - Market Value  | \$19,702,605 | \$17,750,938    | \$37,453,543 |
| e. FUNDED RATIO (7/1/2021)  | 96.10%       | 94.12%          | 95.15%       |
| f. FUNDED RATIO (7/1/2020)  | 81.08%       | 78.49%          | 79.84%       |
| <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   | \$9,471,999  | \$7,213,355     | \$16,685,354 |
| b. Current Employees  |              |                 |              |
| I. EE Contr. & Intr.  | 2,026,134    | 2,071,174       | 4,097,308    |
| II. ER Financed Vested  | 5,901,554    | 6,328,978       | 12,230,531   |
| III. ER Financed Non-Vested   | 388,305      | 410,172         | 798,477      |
| c. TOTALS   | \$17,787,992 | \$16,023,678    | \$33,811,670 |
| d. ASSETS - Market Value  | \$19,702,605 | \$17,750,938    | \$37,453,543 |
| e. FUNDED RATIO (7/1/2021) at 6.5%  | 110.76%      | 110.78%         | 110.77%      |
| f. FUNDED RATIO (7/1/2020) at 6.5%  | 91.23%       | 90.39%          | 90.83%       |

TOWN OF NEWTOWN PENSION PLAN

V. HISTORY OF PLAN CONTRIBUTIONS AND LIABILITIES

| Plan Year<br>Beginning | Participants<br>Act. - Other |     | Compensation*    | Accrued<br>Liability*** | Market<br>Value<br>Assets | Unfunded<br>Accrued<br>Liability** | Recommended<br>Contribution | (***)      | Actual<br>Town<br>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                      |
| 2020 Select.           | 101                          | 105 | 6,062,173        | 19,409,256              | 15,736,417                | 3,672,839                          | 687,277                     | ( 10.44% ) | 687,278                        |
| 2020 Board             | 152                          | 99  | 6,862,579        | 17,758,941              | 13,939,370                | 3,819,571                          | 703,387                     | ( 9.91% )  | 703,387                        |
| 2020 Total             | 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                     | ( 10.71% ) |                                |
| 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>              | ( 10.62% ) |                                |
| 2021 Total             | 228                          | 220 | 12,313,361       | 39,361,925              | 37,453,543                | 1,908,382                          | 1,312,894                   | ( 10.66% ) |                                |

\* 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 2021 valuation produced a Recommended Contribution of \$1,152,220 for the 2022-2023 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:

|   | Selectmen's<br><u>Accounts</u> | Board of<br><u>Education</u> | Plan<br><u>Totals</u> |
|---|--------------------------------|------------------------------|-----------------------|
| Number of Active Participants<br>as of July 1, 2020:                | 101                            | 152                          | 253                   |
| Decreases:  |                                |                              |                       |
| Non-Vested Terminations:  | (3)                            | (3)                          | (6)                   |
| Vested Terminations:  | (1)                            | (7)                          | (8)                   |
| Retirements:  | (3)                            | (8)                          | (11)                  |
| Deaths, Transfers:  | <u>(1)</u>                     | <u>1</u>                     | <u>0</u>              |
| Total Increases/(Decreases):  | (8)                            | (17)                         | (25)                  |
| New Entrants during 2020-2021:<br>- includes rehires/reinstatements | <u>0</u>                       | <u>0</u>                     | <u>0</u>              |
| Net Change:   | <u>(8)</u>                     | <u>(17)</u>                  | <u>(25)</u>           |
| Number of Active Participants<br>as of July 1, 2021:                | 93                             | 135                          | 228                   |
| Also as of July 1, 2021:  |                                |                              |                       |
| **Total Vested Terminated:  | 31                             | 29                           | 60                    |
| Total Retired:  | <u>79</u>                      | <u>81</u>                    | <u>160</u>            |
| TOTAL PARTICIPANTS:   | 203                            | 245                          | 448                   |

\* Active participants include Late Retirees and exclude Inactives.

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

## TOWN OF NEWTOWN PENSION PLAN

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, 2021

DEFINITIONS

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

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

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

Service: Continuous employment with the Town.

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

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

Normal Retirement Benefit: Greater of:
 

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

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

Normal Form of Benefit: Modified Cash Refund Annuity.

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

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

## TOWN OF NEWTOWN PENSION PLAN

APPENDIX BACTUARIAL ASSUMPTIONSFUNDING METHOD

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

The July 1, 2021 Valuation was the prepared prepared using a weighting of 60% at 7% and 40% at 6.5%. assumed interest, with 6.5% phased in over the next three years until the July 1, 2025 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-2020 scale. This represents a change from 2020 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, 2020 to June 30, 2021

|                         | 7/1/2020<br>BEGINNING<br>BALANCE | PAYMENTS | CONTRI-<br>BUTIONS | 26.39%<br>INVESTMENT<br>EARNINGS | 06/30/2021<br>ENDING<br>BALANCE |
|-------------------------|----------------------------------|----------|--------------------|----------------------------------|---------------------------------|
| <u>DEBBIE HALSTEAD</u>  |                                  |          |                    |                                  |                                 |
| EMPLOYER ACCOUNT        | 88,835.38                        | 0.00     | 5,011.42           | 24,102.00                        | 117,948.81                      |
| EMPLOYEE ACCOUNT        | 29,525.25                        | 0.00     | 1,662.50           | 8,010.11                         | 39,197.87                       |
|                         | -----                            | -----    | -----              | -----                            | -----                           |
| Participant Total       | 118,360.64                       | 0.00     | 6,673.92           | 32,112.12                        | 157,146.67                      |
| <u>DANIEL ROSENTHAL</u> |                                  |          |                    |                                  |                                 |
| EMPLOYER ACCOUNT        | 17,581.43                        | 0.00     | 6,627.58           | 5,513.58                         | 29,722.60                       |
| EMPLOYEE ACCOUNT        | 5,756.44                         | 0.00     | 2,198.65           | 1,809.02                         | 9,764.11                        |
|                         | -----                            | -----    | -----              | -----                            | -----                           |
| Participant Total       | 23,337.87                        | 0.00     | 8,826.23           | 7,322.60                         | 39,486.71                       |
| <br>Plan Totals         | <br>141,698.51                   | <br>0.00 | <br>15,500.15      | <br>39,434.72                    | <br>196,633.38                  |

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