

December 1, 2017

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
Our File No. 2823

Dear First Selectman Rosenthal:

We are pleased to present your Annual Valuation Report as of July 1, 2017. Again this year we have separated the report into two sections, with Part I containing the general calculations and disclosures, and Part II covering the individual participants benefit data.

For the 2018-2019 Fiscal Year of the Town, our recommended contribution is as follows:

As of July 1, 2018:	<u>Recommended</u>
Selectmen	\$ 626,219
Police (see separate rpt.)	<u>974,971</u>
Total Town of Newtown	\$1,601,190
Board of Education:	\$ 642,711

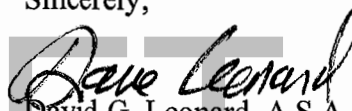
The above recommended contributions amounts are based on an approved change in funding method and a three year phase in of a reduction in the assumed interest rate from 7.5% to 7.0%.

If the deposits are to be made substantially later than July 1, 2018, interest at 7.0% per annum should be added.

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

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

Sincerely,


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

cc: Ellen Whelan (8 copies)
Robert Tait

ACTUARIAL CERTIFICATION

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

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

Projected mortality improvements have been recognized through the use of SOA tables RP-2014 with projection scale MP-2016. This represents a change from 2016 when the prior year's projection scale, MP-2015 was employed.

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

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

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



David G. Leonard, A.S.A.

Enrollment #17-03604

12/1/17
Date

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ANNUAL VALUATION REPORT
FOR
TOWN OF NEWTOWN PENSION PLAN
BOARDS OF SELECTMEN AND EDUCATION
AS OF JULY 1, 2017

Prepared by:

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

December 1, 2017

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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, 2017 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, 2017 <u>Valuation</u>		July 1, 2016 <u>Valuation</u>	
1. Recommended Annual Contributions:*				
a. Board of Selectmen	\$626,219	(8.6%)	\$495,371	(7.5%)
b. Board of Education	\$642,711	(8.3%)	\$574,958	(7.4%)
c. Total Town Plan	\$1,268,930	(8.5%)	\$1,070,329	(7.4%)
2. Covered Payroll of Participants (pension earnings projected for the fiscal year following the valuation date)				
a. Board of Selectmen	\$7,282,538		\$6,571,673	
b. Board of Education	\$7,699,003		\$7,819,209	
c. Total Town Plan	\$14,981,542		\$14,390,882	
3. Net Normal Cost (EAN / PUC)	\$874,468	(5.8%)	\$781,731	(5.4%)
4. Accrued Actuarial Liability (EAN / PUC)	\$30,630,006		\$26,188,592	
5. Assets - Market Value (MV)	\$21,154,338		\$21,154,338	
- Valuation Assets (VA)	\$25,816,265		\$24,242,292	
6. Unfunded Accrued Liability (VA)	\$4,813,741		\$1,946,300	
7. Actuarial Value of Benefits (total plan):				
a. Value of Vested Accrued Benefits	\$25,295,275		\$23,072,810	
b. Value of Non-Vested Accrued Bens.	\$850,415		\$869,619	
c. MV Assets in excess of Vested Benefits (5 minus 7a)	(\$4,140,937)		(\$1,918,472)	
8. Number of Participants:	<u>Sel.</u>	<u>Bd. of Ed.</u>	<u>Sel.</u>	<u>Bd. of Ed.</u>
a. Active Participants	132	191	119	202
b. Retired and Beneficiaries	68	57	62	50
c. Terminated Vested Participants (includes refunds only due)	15	15	17	18
d. Total	215	263	198	270

* 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, 2017 valuation report was prepared on a group of 132 active members in the Selectmen's accounts, and 191 members for the Board of Education. This represents an increase of one active member from 2016.

The recommended contribution produced by the July 1, 2017 valuation increased \$198,601, to a recommended level of \$1,268,930 for the 2018-19 fiscal year. The Selectman group's recommended contribution increased much more than the Board of Education, \$130,848 to \$67,753 for the Board of Ed.

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

	<u>Selectmen</u>	<u>Bd. of Education</u>
Reduction in Discount Period:	\$ 32,105	\$ 40,529
Excess Salary Increases:	5,894	(2,880)
Valuation Asset Losses:	58,116	37,378
Adjusted Asset Allocation:	0	(34,492)
New Members:	29,043	0
Terminated Members:	(59,224)	(37,977)
Misc. Actuarial Factors:	(53,493)	4,138
Subtotal of changes based on prior method and assumptions:	\$ 12,441	\$ 6,696
Change in Funding Method	\$ 69,475	\$ 21,439
Change in Assumptions (phased in interest rates)	40,243	37,738
Adjustment for Fiscal Year Calc.	8,689	1,880
Total Changes:	\$130,848	\$ 67,753

There were several changes made this year. As explored and approved last Spring in a series of studies and meetings, we have changed the funding method from Projected Unit Credit (PUC) to Entry Age Normal (EAN), and also are in the process of phasing in a 7% interest rate assumption over a three year period.

As we note on page 6, if the 7% rate was adopted immediately, the recommended contribution for 2018-19 would have been \$1,434,234, or \$165,000 more than the phased in amount. You can look forward to two more years of "planned" increases as the phase in is completed for the 2020-21 Fiscal Year's recommendation.

The Selectman's group produced the largest increase from the change in methods, probably because of the group's lower average age. With the prospect of limited new members in the future, the EAN is the preferred method as recognized by the Conference of Consulting Actuaries – Public Plans Group.

TOWN OF NEWTOWN PENSION PLAN

II. GENERAL COMMENTS

As indicated in the table on page 2, losses on the actuarial value of trust assets were a major contributor to the increase for the year. The smoothed valuation asset yield was 3.89%, while our assumed rate of return remained at 7.5% (for the last time).

You will note that the market value return of the trust for the year was excellent, 13.30%, measured by the GASB weighted method.

Even so, the deferred losses over the last two year that are being recognized at a rate of 20% annually were too much for this year's gains to overcome. This is especially true since this year's actuarial gain, \$1,982,777, is also being recognized over five (5) years.

The unrecognized asset losses as of June 30, 2017 equal \$2,044,420, a decrease of more than \$3 million from 2016. (Note all gain/loss and deferral figures are plan wide, including both the Town Plan and the Police Union Plan).

About half of the \$2.0m deferral will be recognized in next year's valuation, with about 60% of that being attributed to the "Town" Plan. Such gains or losses are then amortized over ten (10) years as part of the funding method. If there are further gains – against the new 7.0% assumed return – they will help lower the impact of the asset losses on the following year's Recommended Contribution.

On the page 2 table there is a reduction in cost of \$34,492 for the Board of Education that is from an internal transfer of assets that stems from a misallocation of benefit payments for a Police retiree. This is an accounting change only – the officer in question has received the correct pension all along, however we had charged the Board of Education's asset base for his payments, rather than the Police plan. This was discovered this year thanks to having to balance the new Wells Fargo sub-account reports, and is in the process of being fixed at Wells Fargo for past payments.

The other plan experience changes added a total of about \$42,000 to the contribution for the Board of Education, but for the Selectman's group the actuarial experience was positive. If not for the asset losses, the costs would have decreased by about \$46,000 (prior to the assumptions and method changes). This decrease occurred despite new members adding \$29,000 to the net normal cost, and is mainly due to terminations, retirements, and active members working beyond their normal retirement ages.

The plan's market value funding ratios improved. The Board of Education ratios were helped immediately by the transfer in of assets mentioned above, and the Town's by the actuarial gains mentioned above. The trust earning 13.3% on market value certainly helped. It should be noted that the Town plan as a whole sits at 94% funding for accrued benefits on market value assets. Two years ago this ratio was 95%, however this year's measure was calculated using a 7.0% interest rate, compared to 7.5% in 2015.

Note that the trust assets in this report differ from the GASB statement in that prepaid benefits are not included in the GASB disclosures.

TOWN OF NEWTOWN PENSION PLAN
III. PLAN ASSETS

A. Summary

Investment	07/01/2016 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income	Trust Expenses	Transfer EEs Distributions	Transfers out	06/30/2017 Ending Balance
ER Contrib. Receivable/(Payable)	0	0	0	0	0	0	0	0
EE Contrib. Receivable	0	0	14,126	0	0	0	0	14,126
Distribution Due PARS	0	0	0	42	0	0	0	42
Prepaid Benefits	153,567	0	0	0	0	24,763	0	178,330
Wells Fargo / Westport Resources								0
Cash	11,593,779	1,698,377	478,069	1,163,504	(186,364)	(1,932,480)	(12,113,703)	701,182
Investments	22,975,373	0	0	3,673,009	0	0	12,113,703	38,762,085
Accrued Interest	137,642	0	0	(19,194)	0	0	0	118,448
PLAN TOTALS	34,860,361	1,698,377	492,195	4,817,361	(186,364)	(1,907,717)	0	39,774,214

Distribution of Assets by Department

Plan Category	07/01/2016 Beginning Balance*	Employer Contribs.	Employee Contribs.	Net Investment Income	Distributions**	06/30/2017 Ending Balance	06/30/2017 Valuation Asset Balance
Town Plan	21,458,800	1,001,870	289,493	2,811,782	(1,012,351)	24,549,593	25,816,266
Elected officials	119,495	10,563	3,956	16,966	0	150,979	N/A
Police Plan	13,282,067	685,944	198,747	1,802,249	(895,365)	15,073,641	15,851,388
Grand Total	34,860,361	1,698,377	492,195	4,630,997	(1,907,717)	39,774,214	41,667,654

* Beginning balance reflects adjustment for department benefit payment adjustment.

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

TOWN OF NEWTOWN PENSION PLAN

III. PLAN ASSETS (Continued)

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

The Actuarial Valuation of Assets is calculated by recognizing 20% of the current year's actuarial gain or loss (to the 7.5% assumed rate of return), along with recognition of prior year's gains or losses that are also being recognized 20% per year. The final Valuation Asset level is subject to a corridor of 80% to 120% of the Market Value.

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

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

The following illustrates the calculation of the Actuarial Value of Assets for July 1, 2017:

1. Assumed market value yield at valuation rate*	\$2,631,255
2. Actual MV Yield for June 30, 2017 **	4,614,032
3. Current Year (Gain)/Loss on Market value yield* (1) - (2)	(1,982,777)
4. Portion of Curr. Yr. Loss to be Recognized in 2017 (3) x 20%	(396,555)
5. Portion of Current Years (Gain)/Loss Not Recognized in 2017	(1,586,221)
6. Prior Unrec. (Gains)/ losses - June 30, 2017 - see next page	3,630,642
7. Total Unrecognized (Gains)/Losses (5) + (6)	2,044,420
8. Market Value of Trust Assets as of June 30, 2017	39,623,234
9. Preliminary Actuarial Value of Assets - June 30, 2017 (7)+ (8)	\$41,667,654
10. (a) 80% corridor of Market Value	31,698,587
(b) 120% corridor of Market Value	47,547,881
11. Final Actuarial Value of Assets - June 30, 2017***	\$41,667,654

The Preliminary Actuarial Value of Assets is 105.2% of the Market Value, and thus falls within the 80% to 120% corridor of actual June 30, 2017 Market Value.

The yield on Valuation Assets for the 2016-2017 Plan Year was 3.89%.

* 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 were no receivable contributions as of the end of the fiscal year.

*** Includes both Town Plan and Police Plan

TOWN OF NEWTOWN PENSION PLAN

III. PLAN ASSETS (Continued)

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

Smoothed Valuation Asset Calculation

	Transition Year <u>07/01/2014</u>	<u>06/30/2015</u>	<u>06/30/2016</u>	<u>06/30/2017</u>	<u>06/30/2018</u>	<u>06/30/2019</u>	<u>06/30/2020</u>
Actuarial Value of Assets	\$36,445,798						
Market Value of Assets	34,676,083	35,698,524	34,740,866	39,623,234			
Unrecognized (G)/L	1,769,715						
Recognized in Year (for 6/30/15)	(442,429)						
Expected Earnings at Market Value (7.50%)*		2,662,813	2,730,057	2,631,255			
Actual Earnings MV		977,145	(1,017,424)	4,614,032			
Actuarial (Gain)/Loss on MV		1,685,668	3,747,481	(1,982,777)			
Recognition of current years (Gain)/Loss		(337,134)	(749,496)	396,555			

Anticipated Unrecognized (Gain)/Loss for Future Years

Remaining Unrecognized (G)/L - 7/1/14 Trans.	1,327,286	1,061,829	707,886	353,943	0	0
Remaining Unrecognized (G)/L - 6/30/15 (G)/L	1,348,534	1,011,401	674,267	337,134	0	0
Remaining Unrecognized (G)/L - 6/30/16 (G)/L		2,997,985	2,248,489	1,498,992	749,496	0
Remaining Unrecognized (G)/L - 6/30/17 (G)/L			(1,586,221)	(1,189,666)	(793,111)	(396,555)
Remaining Unrecognized (G)/L - 6/30/18 (G)/L				0	0	0
Remaining Unrecognized (G)/L - 6/30/19 (G)/L					0	0
Total Unrecognized (Gains)/Losses	2,675,820	5,071,214	2,044,420	1,000,403	(43,614)	(396,555)
Market Value of Assets - EOY	35,698,524	34,740,866	39,623,234			
Total Unrecognized (Gain)/Loss	2,675,820	5,071,214	2,044,420			
Actuarial Value of Assets - EOY	\$38,374,344	\$39,812,081	\$41,667,654			

* Calculated using weighted contributions - ER by date, EE at 50%, Distrib at 50%

Note: 6/30/2015 Valuation Assets shown above based on the "new" method and do not equal the Valuation Assets used for the July 1, 2015 valuation Report.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2017

a. Calculation of Recommended Contributions Assumes 7.50%

	SELECTMEN	BOARD OF ED.	TOTALS
1. Gross Normal Cost as of 7/1/2017	\$502,645	\$534,575	\$1,037,220
2. Expenses	6,442	6,558	13,000
3. Expected Employee Contributions	137,241	147,996	285,237
4. Net Normal Cost (1 + 2 - 3) as of 7/1/2017	371,846	393,136	764,983
5. Accrued Liability:			
i. Active Employees	9,228,970	9,551,453	18,780,423
ii. Inactive Employees	612,358	411,261	1,023,620
iii. Retired Participants	5,945,720	3,381,277	9,326,997
6. Total Accrued Liability	\$15,787,049	\$13,343,992	\$29,131,040
7. Plan Assets - Blended Value	14,139,745	11,676,520	25,816,265
8. Unfunded (overfunded) Accrued Liability (6 - 7)	1,647,304	1,667,472	3,314,775
9. Amortization of Unfunded (Overfunded) Accd. Liability*	150,314	152,154	302,468
10. Normal Cost plus Amortization 7/1/2017 (4 + 9)	522,160	545,291	1,067,451
11. Recommended Contrib.- 2018-2019	\$584,060	\$602,237	\$1,186,297
to be paid 7/01/2018 (10 adjusted for interest**)			

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

** Interest adjustment takes into account the expected timing of plan deposits, including employee contributions.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2017

b. Calculation of Recommended Contributions Assumes 7.00%

	SELECTMEN	BOARD OF ED.	TOTALS
1. Gross Normal Cost as of 7/1/2017	\$556,308	\$590,398	\$1,146,705
2. Expenses	6,442	6,558	13,000
3. Expected Employee Contributions	137,241	147,996	285,237
4. Net Normal Cost (1 + 2 - 3) as of 7/1/2017	425,509	448,959	874,468
5. Accrued Liability:			
i. Active Employees	9,789,343	10,127,985	19,917,328
ii. Inactive Employees	661,779	434,703	1,096,482
iii. Retired Participants	6,136,606	3,479,590	9,616,196
6. Total Accrued Liability	\$16,587,728	\$14,042,278	\$30,630,006
7. Plan Assets - Blended Value	14,139,745	11,676,520	25,816,265
8. Unfunded (overfunded) Accrued Liability (6 - 7)	2,447,983	2,365,758	4,813,741
9. Amortization of Unfunded (Overfunded) Accd. Liability*	215,955	208,702	424,657
10. Normal Cost plus Amortization 7/1/2017 (4 + 9)	641,464	657,661	1,299,125
11. Recommended Contrib.- 2018-2019	\$710,556	\$723,678	\$1,434,234
to be paid 7/01/2018 (10 adjusted for interest**)			

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

** Interest adjustment takes into account the expected timing of plan deposits, including employee contributions.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2017

c. Calculation of Blended Contributions

	SELECTMEN	BOARD OF ED.	TOTALS
1. Recommended Contrib. - 7.5%	\$584,060	\$602,237	\$1,186,297
2. Recommended Contrib. - 7.0%	\$710,556	\$723,678	\$1,434,234
3. Recommended Contrib.- 2018-2019 Blended: 2/3 (7.5%) + 1/3 (7.0%)	\$626,219	\$642,711	\$1,268,930

d. Comparison of Results

	SELECTMEN	BOARD OF ED.	TOTALS
4. Gross Normal Cost			
a. Normal Cost at 7.5%	\$502,645	\$534,575	\$1,037,220
b. Normal Cost at 7.0%	556,308	590,398	1,146,705
c. Difference	53,663	55,823	109,486
5. Accrued Liability:			
a. Liability at 7.5%	\$15,787,049	\$13,343,992	\$29,131,040
b. Liability at 7.0%	16,587,728	14,042,278	30,630,006
c. Difference	800,679	698,287	1,498,966
6. Plan Assets - Blended Value	14,139,745	11,676,520	25,816,265
7. Unfunded (overfunded)			
Accrued Liability (5 - 6)			
a. Unfunded at 7.5%	1,647,304	1,667,472	3,314,775
b. Unfunded at 7.0%	2,447,983	2,365,758	4,813,741
c. Difference	800,679	698,287	1,498,966

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

** Interest adjustment takes into account the expected timing of plan deposits, including employee contributions.

TOWN OF NEWTOWN PENSION PLAN

IV. ANNUAL VALUATION - JULY 1, 2017

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

	SELECTMEN	BOARD OF ED.	TOTALS
I. ACTUARIAL ACCRUED LIABILITY - 7.00%			
a. Retirees/Benefic./Terminated	\$6,798,384	\$3,914,293	\$10,712,678
b. Current Employees			
I. EE Contr. & Intr.	1,954,543	1,968,766	3,923,309
II. ER Financed Vested	6,828,380	6,633,241	13,461,621
III. ER Financed Non-Vested	582,622	1,240,276	1,822,898
c. TOTALS	\$16,163,929	\$13,756,576	\$29,920,506
d. ASSETS - Market Value	\$13,445,980	\$11,103,613	\$24,549,593
e. FUNDED RATIO (7/1/2017) at 7.0%	83.19%	80.71%	82.05%
f. FUNDED RATIO (7/1/2016) at 7.5%	76.71%	75.16%	76.03%
<i>- These results will differ from the actual GASB disclosures, which are based on projected liabilities in order to ensure timely delivery.</i>			
II. PRESENT VALUE OF ACCRUED BENEFITS - 7%			
a. Retirees/Benefic./Terminated	\$6,798,384	\$3,914,293	\$10,712,678
b. Current Employees			
I. EE Contr. & Intr.	1,954,543	1,968,766	3,923,309
II. ER Financed Vested	5,129,968	5,529,320	10,659,288
III. ER Financed Non-Vested	300,028	550,387	850,415
c. TOTALS	\$14,182,924	\$11,962,766	\$26,145,690
d. ASSETS - Market Value	\$13,445,980	\$11,103,613	\$24,549,593
e. FUNDED RATIO (7/1/2017)	94.80%	92.82%	93.90%
f. FUNDED RATIO (7/1/2016)	89.55%	86.85%	88.36%

TOWN OF NEWTOWN PENSION PLAN

V. HISTORY OF PLAN CONTRIBUTIONS AND LIABILITIES

Plan Year Beginning	Participants Act. - Other		Compensation	Accrued Liability***	Market Value Assets	Unfunded Accrued Liability**	Recommended Contribution	(***)	Actual Town Contribution
1/1/1990	91	37	\$2,050,023	\$1,902,884	\$2,141,739	(\$238,855)	\$102,982	(5.02%)	\$114,531
7/1/1995	130	35	3,708,414	3,751,830	3,840,917	(89,087)	208,274	(5.62%)	208,274
7/1/2000	161	58	5,400,600	6,647,849	8,409,663	(1,761,814)	79,486	(1.47%)	80,297
7/1/2005	274	86	9,809,015	11,515,670	11,857,942	(342,272)	416,365	(4.24%)	420,381
7/1/2010	341	111	13,109,110	17,709,414	14,861,965	2,847,449	663,805	(5.06%)	651,581
7/1/2013	328	118	13,781,055	20,767,801	18,273,773	2,494,028	637,985	(4.63%)	716,210
7/1/2014	338	129	14,332,155	22,250,733	20,979,551	1,271,182	757,780	(5.29%)	731,579
7/1/2015	340	130	14,648,086	24,619,393	21,638,928	2,980,465	836,136	(5.71%)	836,137
2016 Select.	119	79	6,571,673	14,687,830	11,926,754	2,761,076	467,138	(7.11%)	467,137
2016 Board	202	68	<u>7,819,209</u>	<u>11,500,762</u>	<u>9,227,584</u>	<u>2,273,178</u>	<u>534,733</u>	(6.84%)	<u>534,733</u>
(tot)	321	147	14,390,882	26,188,592	21,154,338	5,034,254	1,001,871	(6.96%)	1,001,870
2017 Select.	132	83	7,282,538	16,587,728	13,467,334	3,120,394	495,371	(6.80%)	
2017 Board	191	72	<u>7,699,003</u>	<u>14,042,278</u>	<u>10,777,797</u>	<u>3,264,481</u>	<u>574,958</u>	(7.47%)	
(tot)	321	147	14,981,542	30,630,006	24,245,131	6,384,875	1,070,329	(7.14%)	

* 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 2017 valuation produced a Recommended Contribution of \$1,268,930 for the 2018-2019

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

TOWN OF NEWTOWN PENSION PLAN

VI. PARTICIPANT DATA RECONCILIATION

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

	<u>Selectmen's Accounts</u>	<u>Board of Education</u>	<u>Plan Totals</u>
Number of Active Participants as of July 1, 2016:	119	202	321
Decreases:			
Non-Vested Terminations:	(2)	(7)	(9)
Vested Terminations:	0	0	0
Retirements:	(6)	(6)	(12)
Deaths, Transfers:	<u>1</u>	<u>(1)</u>	<u>0</u>
Total Increases/(Decreases):	(7)	(14)	(21)
New Entrants during 2016-2017: - includes rehires/reinstatements	<u>20</u>	<u>3</u>	<u>23</u>
Net Change:	<u>13</u>	<u>(11)</u>	<u>2</u>
Number of Active Participants as of July 1, 2017:	132	191	323
Also as of July 1, 2017:			
**Total Vested Terminated:	15	15	30
Total Retired:	<u>68</u>	<u>57</u>	<u>125</u>
TOTAL PARTICIPANTS:	215	263	478

* Active participants include Late Retirees and exclude Inactives.

** Includes 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, 2017

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.

For funding purposes, change in interest rate from 7.5% to 7.0% will be phased in over three years. July 1, 2017 is the first year of the phase in and thus the Actuarially Determined Contribution is based on 66.7% of the 7.5% valuation results and 33.3% of the 7.0% valuation results.

INTEREST ASSUMPTION

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

MORTALITY ASSUMPTION

RP-2014 Society of Actuaries Mortality Table, with future generational increases projected with the MP-2016 scale.

TURNOVER

Participants are assumed to terminate at the following rates:

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

SALARY SCALE & SOCIAL SECURITY BENEFITS

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

RETIREMENT AGE

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

ESTIMATED EXPENSES

Direct expenses of the trust are assumed to be \$13,000.

TOWN OF NEWTOWN ELECTED OFFICIALS PENSION PLAN

ALLOCATION REPORT for the Period
July 1, 2016 to June 30, 2017

	BEGINNING BALANCE	PAYMENTS	CONTRI- BUTIONS	13.39% INVESTMENT EARNINGS	06/30/2017 ENDING BALANCE
<u>DEBBIE HALSTEAD</u>					
EMPLOYER ACCOUNT	48,465.94	0.00	4,477.98	6,789.08	59,733.00
EMPLOYEE ACCOUNT	16,038.76	0.00	1,515.06	2,248.92	19,802.74
	-----	-----	-----	-----	-----
Participant Total	64,504.70	0.00	5,993.04	9,038.00	79,535.74
<u>PATRICIA LLODRA</u>					
EMPLOYER ACCOUNT	41,472.43	0.00	6,269.04	5,972.60	53,714.07
EMPLOYEE ACCOUNT	13,517.60	0.00	2,169.99	1,955.20	17,642.79
	-----	-----	-----	-----	-----
Participant Total	54,990.03	0.00	8,439.03	7,927.80	71,356.86
Plan Totals	119,494.73		14,432.07	16,965.80	150,892.60
				Actual Assets -	150,979.42
				Difference -	86.82

The difference in ending balances is due to a discrepancy in the reported contributions vs. the received contributions as allocated by Wells Fargo, plus a receivable contribution not reported by Wells Fargo. We hope to be able to reconcile the full contribution amount in next year's report.

DRAFT