



14 Commerce Road • Newtown, Connecticut 06470-5508 • (800) 678-8161 • FAX (203) 426-1565

January 4, 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, 2020. 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 2021-2022 Fiscal Year of the Town, our recommended contributions are as follows:

	<u>Recommended (2021-22)</u>	<u>Prior Year (2020-21)</u>
Selectmen (see separate rpt.)	\$ 632,672	\$ 687,277
Police	<u>1,164,195</u>	<u>1,083,679</u>
Total Town of Newtown	\$1,796,867	\$1,770,956
Bd of Education: (see sep rpt.)	\$ 680,222	\$ 703,387
Total all Plans:	\$2,477,089	\$2,474,343

The above amounts are based on the July 1, 2020 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, 2021, interest at 7.0% per annum should be added.

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

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

Sincerely,

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

cc: Ellen Whelan
Robert Tait

ACTUARIAL CERTIFICATION

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

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

Projected mortality improvements have been recognized through the use of the Pub-10 Public Safety" tables, with projection scale MP-2019. This represents a change from 2019 when the prior year's projection scale, MP-2017 was employed with the RP-2014 Blue Collar tables.

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

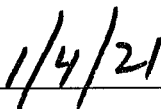
Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as the following: plan experience differing from that anticipated; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation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



Date

ANNUAL VALUATION REPORT
FOR
TOWN OF NEWTOWN PENSION PLAN
POLICE DEPARTMENT PERSONNEL
AS OF JULY 1, 2020

Prepared by:

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

January 5, 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, 2020 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, 2020 <u>Valuation</u>	July 1, 2019 <u>Valuation</u>
1. Recommended Annual Contributions:*	\$1,164,195 (31.2%)	\$1,083,679 (29.0%)
2. Covered Payroll of Participants (covered earnings for the fiscal year preceding the valuation date)	\$3,727,706	\$3,736,280
3. Net Normal Cost (EAN)	\$421,374 (11.3%)	\$341,402 (9.1%)
4. Accrued Actuarial Liability (EAN)	\$27,914,498	\$25,190,605
5. Assets - Market Value (MV)	\$17,923,372	\$17,239,221
- Valuation Assets (VA)	\$18,355,819	\$17,434,015
6. Unfunded Accrued Liability (VA)	\$9,558,679	\$7,756,590
7. Actuarial Value of Benefits (total plan):	<i>at 6.5%</i>	<i>at 7.0%</i>
a. Value of Vested Accrued Benefits	\$24,787,957	\$22,232,922
b. Value of Non-Vested Accrued Bens.	\$340,388	\$193,470
c. MV Assets in excess of Vested Benefits (5 minus 7a)	(\$6,864,585)	(\$4,993,702)
8. Number of Participants:		
a. Active Participants	37	38
b. Retirees, DROPs, Benef., & Alt Payees	33	32
c. Terminated Vested Participants (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, 2020 valuation increased \$80,516, to a recommended level of \$1,164,195 for the 2021-22 fiscal year.

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

Chg in Active Norm. Cost (N.C):	\$ 15,210
Valuation Asset Losses:	19,550
Retiring Members N.C.:	(16,860)
Change in Assumptions (phased in interest rates)	61,629
Misc. Actuarial Factors:	987
 Total Changes:	 \$ 80,516

As has been the hallmark for this group, there was remarkable stability among the active member ranks, with one member “retiring” to the DROP program in August, 2019.

The remaining 37 active members experienced 3.1% average compensation increases, which is in line with our assumptions.

The overall participant experience was largely neutral, and the increase in the recommended contribution for the 2021-22 fiscal year is mostly due to valuation asset losses and changes in actuarial assumptions.

For July 1, 2202, there was minor change in the assumed mortality tables, plus the beginning of a phase in for a change in interest rates from 7.0% to 6.5%. The change in assumption factor shown above includes both changes.

The change in mortality table was to the Pub-10 tables, a set of mortality tables published by the Society of Actuaries based on the experience of municipal and other public employees. For this valuation, the “Public Safety” tables were used. These created minor losses from the prior table, which was a general population, blue collar table.

The interest rate change is being phased in over a five year period, beginning with this valuation that is a basis for the 2021-22 fiscal year recommendations. It is important to note that each year for the next four years, you can expect an increase of about \$60,000 per year as the 6.5% rate is phased in.

The trust assets earned 4.26% using the GASB weighted method of calculating the yield. This created another actuarial loss that will be partially deferred for four more years by the valuation asset smoothing calculation.

The (smoothed) valuation yield was 5.17%, which created a loss against the assumed 7% rate. The impact of this loss on the recommended contribution for next year was somewhat muted by the anticipation of 2020 recognition of prior losses, meaning we had already built in much of the loss that occurred.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

II. GENERAL COMMENTS

Next year's valuation is scheduled to show recognition of only a small portion of the accumulated unrecognized trust asset loss of \$1,148,449. We have created a new schedule on page 5 that outlines the glide path of recognition of past gains and losses, and barring gains over the next two years, the expected recognition for 2022-2024 are somewhat substantial.

The plan's market value funding ratios decreased as the change in the interest boosted the present value of accrued benefits by about 7.5%. The funding of accrued actuarial liabilities at 6.5% interest decreased 2.7% points to 65.8%, while the accrued benefit measure decreased 3.8% points to 73.1%. On page 8 we also note that at 7%, the present value funded ratio would have increased about 0.7% points.

Both of these measures should be considered substandard. Our recommended contribution levels are designed to fully fund the plan over a number of years, however additional contributions would speed up this process and bring the funded status to more acceptable levels.

Note that the trust assets in this report differ from the GASB statement in that prepaid benefits are not included in the GASB disclosures. Additionally, the GASB liabilities represent a projection from the prior year's base results. The 7% July 1, 2020 liabilities in this report are fairly close to the projections from last year, however the increase in liability due to the assumption changes will create a \$3.5 million GASB amortization base plan wide, including the Town plan.

TOWN OF NEWTOWN PENSION PLAN POLICE PERSONNEL
III. PLAN ASSETS

A. Summary

Investment	07/01/2019 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income	Trust Expenses	Transfer EE's Distributions	Transfers out	06/30/2020 Ending Balance
ER Contrib. Receivable/(Payable)	0	0	0	0	0	0	0	0
EE Contrib. Receivable	14,389	0	(14,389)	0	0	0	0	0
Distribution Due PARS	(1,693)	0	0	0	0	1,693	0	0
Prepaid Benefits	194,433	0	0	0	0	21,836	0	216,269
<u>Wells Fargo / Westport Resources</u>								0
Cash	92,467	2,389,078	450,027	1,211,496	(98,943)	(2,562,107)	(1,186,619)	295,399
Investments	45,336,404	0	0	674,763	0	0	1,186,619	47,197,786
Accrued Interest	328	0	0	31,076	0	0	0	31,404
<u>PLAN TOTALS</u>	45,636,327	2,389,078	435,639	1,917,335	(98,943)	(2,538,577)	0	47,740,857

Distribution of Assets by Department

Plan Category	07/01/2019 Beginning Balance	Employer Contribs.	Employee Contribs.	Net Investment Income	Distributions*	06/30/2020 Ending Balance	06/30/2020 Valuation Asset Balance
Town Plan	28,276,001	1,389,297	244,824	1,123,470	(1,357,805)	29,675,787	30,391,791
Elected officials	121,106	11,272	3,781	5,540	0	141,699	N/A
Police Plan	17,239,221	988,509	187,034	689,380	(1,180,772)	17,923,372	18,355,819
Grand Total	45,636,327	2,389,078	435,639	1,818,391	(2,538,577)	47,740,857	48,747,610

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

TOWN OF NEWTOWN PENSION PLAN POLICE PERSONNEL

III. PLAN ASSETS (Continued)

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

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

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

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

The following illustrates the calculation of the Actuarial Value of Assets for June 30, 2020:

1. Assumed market value yield at valuation rate*	\$3,279,011
2. Actual MV Yield for June 30, 2020 **	1,872,688
3. Current Year (Gain)/Loss on Market value yield* (1) - (2)	1,406,323
4. Portion of Curr. Yr. Loss to be Recognized in 2020 (3) x 20%	281,265
5. Portion of Current Years (Gain)/Loss Not Recognized in 2020	1,125,058
6. Prior Unrec. (Gains)/ losses - June 30, 2020 - see next page	23,393
7. Total Unrecognized (Gains)/Losses (5) + (6)	1,148,451
8. Market Value of Trust Assets as of June 30, 2020	47,599,159
9. Preliminary Actuarial Value of Assets - June 30, 2020 (7)+(8)	\$48,747,610
10. (a) 80% corridor of Market Value	38,079,327
(b) 120% corridor of Market Value	57,118,991
11. Final Actuarial Value of Assets - June 30, 2020***	\$48,747,610

The Preliminary Actuarial Value of Assets is 102.4% of the Market Value, and thus falls within the 80% to 120% corridor of actual June 30, 2020 Market Value.

The yield on Valuation Assets for the 2019-2020 Plan Year was 5.17%.

* 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 of Base	<u>(Gain) or Loss</u> (a)	Recognition for 2020 <u>Valuation</u> (b)	Amts. recog. in Val. Asset Calc. <u>thru 6/30/2020</u> (c)	Deferred Recognition as of <u>June 30, 2020</u> (a) - (c)	Remaining <u>Years</u>
2016	\$3,747,481	\$749,496	\$3,747,481	\$0	0
2017	(1,933,632)	(386,726)	(1,546,904)	(386,728)	1
2018	(128,560)	(25,712)	(77,136)	(51,424)	2
2019	769,239	153,848	307,696	461,543	3
2020	1,406,323	<u>281,265</u>	281,265	<u>1,125,058</u>	4
Totals		\$772,171		\$1,148,449	

Recognition for 2020 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, 2020 - this number is added to the market value of the assets to determine the valuation basis.

Scheduled recognition dates for current bases in future actuarial value of assets calculations:

2021	\$22,675
2022	409,401
2023	435,113
2024	281,265

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, 2020

a. Calculation of Recommended Contributions

	7.0%	6.5%
1. Gross Normal Cost as of 7/1/2020	\$531,833	\$601,336
2. Expenses	10,000	10,000
3. Expected Employee Contributions	189,962	189,962
4. Net Normal Cost (1 + 2 - 3) as of 7/1/2020	351,871	421,374
5. Accrued Liability:		
i. Active Employees	12,132,624	13,092,260
ii. Inactive Employees	651,583	700,243
iii. Retired Participants (includes DROP)	13,495,105	14,121,995
6. Total Accrued Liability	\$26,279,312	\$27,914,498
7. Valuation Assets - Smoothed Value	18,355,819	18,355,819
8. Unfunded (overfunded) Accrued Liability (6 - 7)	7,923,493	9,558,679
9. Amortization of Unfunded (Overfunded) Accd. Liability*	743,040	980,591
10. Normal Cost plus Amortization as of 7/1/2020 (4 + 9)	1,164,414	1,050,094
11. Recommended Contribution for 2021-2022 to be paid 7/01/2020 (10 adjusted for time passage**)	\$1,102,566	\$1,410,712
12. Blended Contribution for 2021-2022 (80% at 7.0%, 20% at 6.5%)		1,164,195

* Initial EAN Base amortized over 20 years. Future (gains)/losses 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 - POLICE PERSONNEL

IV. ANNUAL VALUATION - JULY 1, 2020

b. Summary of Funding Bases

Summary of Funding Bases	Initial Base	Rem. Bal. -20	Minimum Amort. - 7%	Minimum Amort. - 6.5%
Initial Base - 7/1/17	\$ 7,231,035	\$ 7,169,905	\$ 637,905	\$ 662,980
(Gain)/Loss/Amend/Changes - 2018	\$ (121,706)	\$ (115,406)	\$ (17,328)	\$ (16,564)
(Gain)/Loss/Amend/Changes - 2019	\$ 570,618	\$ 553,406	\$ 81,243	\$ 79,376
(Gain)/Loss/Amend/Changes - 2020	\$ 315,588	\$ 315,588	\$ 41,220	\$ 41,220
Assumption Changes - 2020	\$ 1,635,186	\$ 1,635,186		\$ 213,579
Totals	\$ 7,679,947	\$ 7,607,905	\$ 743,040	\$ 980,591

Funding Bases shown at both 7.0% and 6.5%.

Amortization of the 2020 base at 7% was calculated at 6.5% in error, and will be adjusted in the 2021 Valuation Report.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

IV. ANNUAL VALUATION - JULY 1, 2020

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

I. ACCRUED ACTUARIAL LIABILITY (7.0%)

a. Retirees/Benefic./Terminated	\$14,822,238
b. Current Employees	
I. EE Contr. & Intr.	3,068,900
II. ER Financed Vested	9,022,795
III. ER Financed Non-Vested	1,000,565
c. TOTALS	27,914,498
d. ASSETS - Market Value	18,355,819
e. FUNDED RATIO (7/1/2020)	65.76% - at 6.50%
f. FUNDED RATIO (7/1/2019)	68.44% - at 7.00%
<i>- These results will differ from the actual GASB disclosures, which are based on projected liabilities in order to ensure timely delivery.</i>	

II. PRESENT VALUE OF ACCRUED BENEFITS (PVAB)

a. Retirees/Benefic./Terminated	\$14,822,238
b. Current Employees	
I. EE Contr. & Intr.	3,068,900
II. ER Financed Vested	6,896,819
III. ER Financed Non-Vested	340,388
c. TOTALS	25,128,345
d. ASSETS - Market Value	18,355,819
e. FUNDED RATIO (7/1/2020)	73.05% - at 6.50%
<i>- Funded Ratio at 7% interest (2020)</i>	<i>77.46%</i>
f. FUNDED RATIO (7/1/2019)	76.87% - at 7.00%

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

V. HISTORY OF PLAN CONTRIBUTIONS AND LIABILITIES

Plan Year Beginning	Participants Act. - Other		Compensation	Accrued Liability	Market Value Assets	Unfunded Accrued Liability**	Recommended Contribution	(***)	Actual Town Contributio
1/1/1990	28	3	\$1,028,594	\$1,897,742	\$1,570,259	\$327,483	\$105,873	(10.29%)	\$120,889
7/1/1995	34	6	1,603,088	4,116,224	3,468,628	647,596	209,628	(13.08%)	209,628
7/1/2000	36	13	1,768,798	6,912,642	7,444,398	(531,756)	102,234	(5.78%)	150,000
7/1/2005	42	16	2,637,458	9,515,132	8,763,251	751,881	214,000	(8.11%)	213,647
7/1/2010	46	23	3,579,566	12,755,035	9,897,841	2,857,194	460,540	(12.87%)	472,764
7/1/2015	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	1,164,195	(31.23%)	

* 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 2020 valuation produced a Recommended Contribution of \$1,164,195 for the 2021-2022 plan year.

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

TOWN OF NEWTOWN PENSION PLAN POLICE PERSONNEL

VI. PARTICIPANT DATA RECONCILIATION

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

	<u>Police Personnel</u>
Number of Active Participants as of July 1, 2019:*	38
Decreases:	
Non-Vested Terminations:	0
Vested Terminations:	0
Retirements (DROP Actives):	(1)
Deaths, Withdrawals:	<u>0</u>
Total Increases/(Decreases):	(1)
New Entrants during 2019-2020:	<u>0</u>
Net Change:	(1)
Number of Active Participants as of July 1, 2020:*	37
Also as of July 1, 2020:	
Total Vested Terminated (incl. refunds due):	3
Total Retired:**	<u>33</u>
TOTAL PARTICIPANTS:	73

* Active participants include members beyond their
Normal Retirement Dates.

** Includes Alternate Payee, Beneficiaries and DROP participants.

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

APPENDIX APENSION TRUST SUMMARY

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

DEFINITIONS

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

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

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

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

Service: Continuous employment with the Town.

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

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

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

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

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

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

PENSION TRUST SUMMARY - Continued

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

PENSION TRUST SUMMARY - Continued

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

TOWN OF NEWTOWN PENSION PLAN - POLICE PERSONNEL

APPENDIX BACTUARIAL ASSUMPTIONSFUNDING METHOD

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

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

TRUST ASSET VALUATION METHOD

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

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

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

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

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

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

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

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