

**PENSION  
BOARD**



**Town Hall**  
5866 Main Street  
Trumbull, Connecticut 06611

Date: April 24, 2014  
To: First Selectman Timothy M. Herbst  
Re: Pension Board Update

Below is a brief update of the performance, activities and initiatives since our last memo of March 15, 2013.

**Executive Summary**

- We continue to make progress on the 2009 plan.
- Net cash flows for 2013 were positive as was 2012. This is a key goal to maintain for 2014.
- The funded ratio for 2013 is 32% as compared to 28.1% in 2012, as previously reported.
- The pension board along with its investment and actuarial advisors continue to improve investment performance and administration.
- The return assumption remains at 7.5%. A change downward could materially impact the annual town contribution as shown later in the recommended contributions chart. We plan to discuss the reasonableness of 7.5% during next year's actuarial study.

**Pension Investments**

Investment returns for 2013 were a stellar 17.2% exceeding our targeted return of 7.5%. As the chart below indicates, the plan's investment advisor, Fiduciary Investment Advisors, has astutely gauged the markets as it pertains to Trumbull's plan. This performance exceeded many larger Municipal public sector plans where averages were in the 14% range.

Calendar Year	2009	2010	2011	2012	2013
Investment Performance	21.9%	14.0%	(0.9%)	12.5%	17.2%
Plan Assets (millions)	\$16.8	\$18.3	\$17.8	\$20.5	\$24.9
Contribution	\$1.9	\$2.1	\$2.6	\$3.3	\$4.1
-Employee	\$ .7	\$ .8	\$ .8	\$ .9	\$ .9
Less: Payments	\$3.2	\$3.6	\$3.7	\$3.9	\$4.2
Net Cash Flow (thousands)	(\$571)	(\$781)	(\$292)	\$264	\$779

Strong markets and Trumbull's investment performance has resulted in growing assets and positive net cash flows.

Trumbull performs an actuarial study every two years. Below are results from the last actuarial study. In the coming year, we plan to weigh the value of conducting an annual actuarial study versus the cost.

<b>Valuation Results</b>			
	<u>July 1, 2012</u>	<u>July 1, 2010</u>	<u>July 1, 2008</u>
<b><u>Participants</u></b>			
Active	436	453	433
Deferred Vested	74	69	79
Receiving Benefits	<u>325</u>	<u>320</u>	<u>288</u>
<b>Total</b>	<b>835</b>	<b>842</b>	<b>800</b>
<b>Total Liabilities</b>	<b>\$ 67,905,000</b>	<b>\$ 62,863,043</b>	<b>\$ 57,704,539</b>
<b>Actuarial Value of Assets</b>	<b>\$ 19,096,003</b>	<b>\$ 16,807,159</b>	<b>\$ 19,572,031</b>
<b>Funded Status (unfunded)</b>	<b>\$ (48,808,997)</b>	<b>\$ (46,055,884)</b>	<b>\$ (38,132,508)</b>
<b>Funded Ratio</b>	<b>28.1%</b>	<b>26.7%</b>	<b>33.9%</b>

**Process Improvements/Operations**

The Pension Board continues to review policies with the intent of refreshing existing policies and establishing new ones where appropriate. As previously reported, one recently established policy immediately refunds non-vested employees their pension contributions upon termination of employment. This change saves the 5% interest previously applied to non-vested employee accounts.

At the current time, the Town will be putting out a bid for investment advisory services for the Town and Police Pensions. We believe the current team of actuary, investment advisor and bank is performing well.

**Long Term Improvement Plan**

Several recommendations were made in last year’s letter. Below is their progress:

- Increase participant contributions, currently at 3% to 5% or higher in the current plan. No progress as this is an item for collective bargaining.
- The interest rate used for non-vested employee accounts is 5%. The practice was successfully changed, as noted above.
- Limit eligibility to only full time workers (1200 to 1400 hours annually). No progress.
- Continue to fund the Pension Plan at the actuarial recommended rate or slightly higher. This is the most important recommendation, and we believe it is being successfully implemented as illustrated by the below chart:

<b>Recommended Contributions</b>				
<u>Year</u>	<u>Recommended Contribution</u>	<u>% Increase</u>	<u>Increase Amount</u>	<u>Estimated Funded Ratio</u>
2012	\$ 4,438,000			28.1%
2013	\$ 4,576,000	0.1%	\$ 5,000	31.1%
2014	\$ 4,576,000	1.8%	\$ 81,000	32.8%
2015	\$ 4,706,000	0.9%	\$ 44,000	35.0%
2016	\$ 4,753,000	1.0%	\$ 47,000	37.1%
2017	\$ 4,803,000	1.1%	\$ 50,000	39.1%
2018	\$ 4,859,000	1.2%	\$ 56,000	40.9%
2019	\$ 4,920,000	1.3%	\$ 61,000	42.6%
2020	\$ 4,984,000	1.3%	\$ 64,000	44.3%
2021	\$ 5,054,000	1.4%	\$ 70,000	46.0%
2022	\$ 5,126,000	1.4%	\$ 72,000	47.6%

We are aware of competing demands for town resources; therefore, we look forward to working with the recently appointed Trumbull Charter Revision Commission to sustain the Pension Fund's financial viability.

One personnel change was the recent resignation of Chairman Michael Charland due to his moving out of town. Mr. Charland's contributions to the pension fund were significant and his skills will be missed. At the meeting of February 25, 2014, the Pension Board elected James Lavin as the new chairman, and James Daly as the new Secretary.

We will be meeting with BPS&M, our actuary firm, to discuss the various assumptions for the bi-annual actuary valuation of July 2014.

The Town of Trumbull and its Pension Board has made considerable progress in meeting its pension obligations to town employees. We anticipate continued progress and welcome the opportunity to meet with you to explain this report and get your input on the overall operations of the town.

Respectfully submitted,

The Pension Board

James Lavin  
Chairman

John Ponzio

Maria Pires

Donna Pellitteri

James Daly  
Secretary

Michael Knight