



Town of Trumbull Retirement Plan

Actuarial Valuation Report as of July 1, 2020, for the

Town of Trumbull Retirement Plan

Revised: February 2, 2021



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February 2, 2021

Ms. Maria Pires
Director of Finance
Town of Trumbull
5866 Main Street
Trumbull, CT 06611

Dear Ms. Pires:

Re: Actuarial Valuation as of July 1, 2020

Attached please find our report that presents the final results of our actuarial valuation of the Town of Trumbull Retirement Plan for the Plan year beginning July 1, 2020. The purposes of this report are:

- To present the basic valuation results; and
- To determine the actuarially determined contribution to the Plan.

Highlights of the valuation are outlined in the Summary of Results section of the report. Please feel free to contact me with any questions.

Sincerely,

J. Bradford Fisher, FSA, E.A.

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Summary of Results

This report contains the results of our actuarial valuation of the Town of Trumbull Retirement Plan. The valuation was performed as of July 1, 2020 for the Plan year ending June 30, 2021. A summary of primary results is given below.

Valuation Results

	<u>July 1, 2020</u>	<u>July 1, 2018</u>	<u>July 1, 2016</u>
Market Value of Assets	\$ 38,579,025	\$ 35,368,617	\$ 28,599,503
Actuarial Value of Assets	40,676,176	35,032,614	30,705,246
Entry Age Actuarial Liability	90,959,094	85,295,652	80,087,551
Funded Ratio	44.7%	41.1%	38.3%
Normal Cost	\$ 700,000	\$ 711,000	\$ 745,000
Actuarially Determined Contribution	5,299,000	5,227,000	5,048,000
- Percent of covered payroll	32.2%	29.1%	26.9%

Participant Summary

	<u>July 1, 2020</u>	<u>July 1, 2018</u>	<u>July 1, 2016</u>
Number of Participants			
- Active participants	322	365	406
- Former employees due benefits	78	72	79
- Retirees and beneficiaries	<u>381</u>	<u>372</u>	<u>355</u>
- Total participants	781	809	840
- Covered payroll	\$16,460,000	\$17,938,000	\$18,737,000

Commentary

The Actuarially Determined Contribution ("ADC") for the Plan year beginning July 1, 2020 increased from the ADC determined at the prior valuation by approximately \$70,000. This increase was attributable to decreasing the assumed discount rate from 7.50% to 7.25%. In the absence of the discount rate change, the ADC would have actually declined by approximately \$130,000.

There was a decrease in the total number of Plan participants; however, the number of inactive participants increased. Town contributions during the Plan year ended June 30, 2020 added \$5,596,741 to trust holdings. The actuarial value of assets and market value of assets returned 4.0% and 0.3% respectively during the Plan year ended June 30, 2020, compared to the prior assumed rate of return on the actuarial value of assets of 7.50%.

The financing objective of the Plan is to fully fund all current costs based on the normal contribution rate payable by the Town, and to amortize the unfunded accrued liability as a level dollar amount over the closed amortization period of 25 years that began in 2016. The ADC described within this report is determined to be sufficient to support the benefits of the Plan and achieve the financing objective set forth above.

Actuarial Certification

Purpose and Use

This report has been prepared exclusively for Town of Trumbull to determine an appropriate contribution level for the Plan. Findley, A Division of USI is not responsible for consequences resulting from the use of any part of this report without prior authorization and approval. Determinations for other purposes, such as judging benefit security upon plan termination, may be significantly different from the results shown in this report. This report provides actuarial advice and does not constitute legal, accounting, tax, or investment advice.

Data

The actuarial valuation shown in this report has been prepared using employee data and plan documentation furnished by Town of Trumbull as of July 1, 2020, and plan assets furnished by the trustee for the twelve month period ending June 30, 2020. While we have not audited the data, we have reviewed it for reasonableness and internal consistency, and to the best of our knowledge, there are no material limitations to the data provided. A summary of the plan provisions can be found in the Actuarial Basis section of this report.

Assumptions, Methods and Procedures

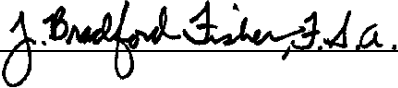
The actuarial calculations contained in the report are built on deterministic actuarial modeling, making a single determination of liabilities and costs. Further, these actuarial calculations are based on a combination of demographic and asset data, as well as assumptions concerning future changes in these data. As such, the actuarial calculations contained herein are an estimate of projected future occurrences.

Regulatory Issues

The determinations of this report have been prepared based on applicable law, final and proposed regulations, and other regulatory guidance provided by the Internal Revenue Service and the Department of Labor. Events such as the enactment of technical corrections to current law, issuance of final regulations, and other guidance may impact the determinations of this report. Findley, A Division of USI reserves the right to reissue this report should such events materially impact the determinations found in this report.

Professional Qualifications

This report has been prepared under the supervision of J. Bradford Fisher, a member of the American Academy of Actuaries, a Fellow of the Society of Actuaries, and a consulting actuary with Findley, A Division of USI of Brentwood, Tennessee, who has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions herein. To the best of our knowledge this report has been prepared in accordance with generally accepted actuarial standards, including the overall appropriateness of the analysis, assumptions, and results and conforms to appropriate Standards of Practice as promulgated from time to time by the Actuarial Standards Board, which standards form the basis for the actuarial report. We are not aware of any direct or material indirect financial interest or relationship, including investment management or other services that could create, or appear to create, a conflict of interest that would impair the objectivity of our work.



J. Bradford Fisher
Fellow, Society of Actuaries
Enrolled Actuary No. 20-03869

February 2, 2021

Date

Actuarially Determined Contribution (“ADC”)

The Actuarially Determined Contribution for the Plan year beginning July 1, 2020 is based on the Plan’s normal cost plus an amortization amount for unfunded actuarial liability. The Actuarially Determined Contribution includes interest through the end of the 2020-21 Plan year.

Normal Cost	\$700,000
Amortization of Unfunded Liability	4,414,000
Interest	<u>185,000</u>
Actuarially Determined Contribution	\$5,299,000

Allocation of ADC by Department

The Actuarially Determined Contribution is allocated to departments relative to the plan compensation amounts of those departments, as follows:

	<u>Compensation</u>	<u>ADC Allocation</u>
Board of Education		
A: Teachers Aides	\$ 2,892,000	\$ 931,000
C: Custodians	3,280,000	1,056,000
L: Lunch Program	469,000	151,000
S: Supervisors, Dept. Heads, Non-Represented	848,000	273,000
T: Secretaries	<u>1,975,000</u>	<u>636,000</u>
Sub-Total	\$ 9,464,000	\$ 3,047,000
Town		
H: Highway Local 1303	\$ 2,518,000	\$ 811,000
M: Municipal Association	479,000	154,000
N: Nurses	399,000	128,000
S: Supervisors, Dept. Heads, Non-Represented	3,150,000	1,014,000
Y: Administrators	<u>450,000</u>	<u>145,000</u>
Sub-Total	\$ 6,996,000	\$ 2,252,000
Total	\$ 16,460,000	\$ 5,299,000

Normal Cost and Amortization of Unfunded Liability

The Actuarially Determined Contribution would equal the normal cost plus interest if there were no unfunded actuarial liability. Unfunded actuarial liability and normal cost are determined under the Plan's funding method. Additional unfunded liability for changes in Plan provisions, or actuarial methods, as of the valuation date is amortized as a level dollar amount over a closed future period.

	<u>July 1, 2020</u>	<u>July 1, 2018</u>
Present Value of Future Benefits	\$101,007,063	\$96,542,234
Actuarial Value of Assets	(40,676,176)	(35,032,614)
Unfunded Actuarial Liability	<u>(50,282,918)</u>	<u>(50,263,038)</u>
Present Value of Future Normal Costs	\$10,047,969	\$11,246,582
Normal Cost, Gross	1,483,000	1,567,000
Employee Portion	(783,000)	(856,000)
Normal Cost, Net of Employee Contributions	700,000	711,000

Amortization Schedule:

- Unfunded Actuarial Liability	\$ 50,282,918	\$ 50,263,038
- Amortization Factor (21 / 23 years)	<u>11.391247</u>	<u>11.617191</u>
- Annual Amortization	\$ 4,414,000	\$ 4,327,000

Valuation Assets

Valuation assets are based on the market value of assets as reported by the trustee, with excess investment gains and losses recognized $\frac{1}{3}$ per year for three years. Changes in market value are identified below, along with a development of the actuarial value of assets.

	<u>2019/2020</u>	<u>2018/2019</u>
Market Value of Assets, Beginning of Year	\$ 37,713,550	\$ 35,404,872
Employer contributions	5,596,741	5,148,200
Employee contributions	951,391	968,820
Benefit Payments	(5,644,245)	(5,568,229)
Contribution Refunds	(63,937)	(93,208)
Administrative Expenses	(79,430)	(30,906)
Net Investment return	<u>104,955</u>	<u>1,884,001</u>
Market Value of Assets, End of Year	\$ 38,579,025	\$ 37,713,550
Rate of Return		
Market Value	0.3%	5.3%
Actuarial Value	4.0%	8.3%
Investment Gain/(Loss)		
Expected return at 7.50% Interest	\$ 2,857,036	\$ 2,671,291
Actual return	104,955	1,884,001
Investment (gain)/loss	2,752,081	787,290
Actuarial Value of Assets	<u>July 1, 2020</u>	<u>July 1, 2019</u>
Market value of assets	\$ 38,579,025	\$ 37,713,550
2/3 prior year (gain)/loss	1,834,721	524,860
1/3 second prior year (gain)/loss	<u>262,430</u>	<u>143,964</u>
Actuarial Value of Assets	\$ 40,676,176	\$ 38,382,374

Actuarial Basis

This summary is not a Summary Plan Description or a Plan document. You should not rely solely on this summary in making a determination of eligibility for the Plan or its benefits.

Summary of Principal Plan Provisions

Effective Date:	The original effective date is July 1, 1973; amended and restated effective July 1, 2015.
Eligibility:	Previously, all full-time employees not otherwise covered by a plan to which the Town makes a contribution. At its August 2011 meeting, the Trumbull Town Council took action to close the plan to new entrants at various future dates. No employees hired in the future are eligible for this plan.
Service:	Continuous employment with the Town. A period of six months or more but less than one year shall be deemed to be a full year of service; a period of less than six months shall be disregarded. Service will not be credited without corresponding employee contributions for participants who, prior to current plan, did not contribute when first eligible.
Normal Retirement Age:	Later of age 62 and 10 th anniversary of service, or age 60 and age plus service is at least 85.
Normal Retirement Benefit:	A monthly benefit equal to the number of years of service (maximum of 30) multiplied by 2.00% of his average monthly compensation, determined as his average base compensation during the 36 consecutive calendar months preceding his retirement date (or other date of calculation) which produce the highest average. The minimum annual pension is \$1,200.
Early Retirement Benefit:	On termination of employment on or after age 55 with at least 10 years of service, a monthly benefit is payable computed in the same manner as the normal retirement benefit. If payment commences prior to normal retirement age, the immediate benefit is reduced at the rate of 0.5% for each month by which the early retirement date precedes the member's normal retirement date.
Disability Retirement Benefit:	<p>A participant who becomes Social Security disabled after completing 10 years of Service shall be entitled to a monthly benefit, payable immediately and during his continued disability. The amount of the monthly benefit shall be 100% of the participant's deferred accrued benefit, calculated as of the date of his disability.</p> <p>If the disability is work related, the 10 year service requirement does not apply, and the minimum benefit will be 66-2/3% of salary at time of disability. In no event will the pension benefit plus workers compensation and social security disability benefit exceed 100% of salary at time of disability.</p>

Termination Benefit: If a participant terminates employment after completion of 5 or more years of service, he is entitled to a deferred vested benefit to commence at his normal retirement date, or age 62 if earlier. The amount of the benefit is computed in the same manner as the deferred benefit for normal retirement described above, with the computation being made as of his date of termination, and is multiplied by the vesting percentage in the following table:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 5	0%
5	50%
6	60%
7	70%
8	80%
9	90%
10 or more	100%

Employee contributions must remain in the Plan or vested benefit will be forfeited. A cash refund of contributions with credited interest to the date of termination is made to non-vested terminations and vested terminations who agree to forfeit retirement benefit.

**Death Benefit
(Prior to Retirement):** Employee contributions will be paid with credited interest to date of death. In addition, the Pension Board will maintain a \$25,000 term life insurance policy for each participating employee (not part of pension plan).

Beneficiaries of fully vested deceased participants have the option to receive 120 months of retirement benefits at the deceased participant's normal retirement date. To receive this benefit, however, the beneficiary may not receive the participant's employee contributions with interest, and must assign the proceeds from the \$25,000 life insurance policy to the pension plan.

Forms of Benefit Payment: Optional payment forms available include 120 months certain and life annuity, 100% joint and survivor annuity, and 66 2/3% joint and survivor annuity.

Participant Contributions: Each participant contributes to the plan at rates varying from 3.5% to 6.0% of earnings depending on Town/BOE contract. Interest is credited at the rate of 5.0% per year compounded annually.

Employer Contributions: Town of Trumbull contributes actuarially determined amounts to finance the plan benefits not provided by participant contributions.

Plan Funding: All contributions are held in a tax-exempt trusts custodied by Wells Fargo Bank, N.A. and ALPS Holdings, Inc.

Changes from Prior Year: None.

Summary of Actuarial Cost Methods

Actuarial Valuation Method

Entry Age Normal (level percentage of pay)

Asset Valuation Method

The actuarial value of assets used in the development of plan contributions phases in recognition of gains and losses (the difference between actual and expected asset value). Gain and losses are recognized over a three year period at 1/3 per year.

Amortization Method

Level dollar, closed period

Changes from Prior Year

None

Summary of Actuarial Assumptions

Unless noted below, all assumptions are a combination of estimated future experience and estimates inherent in market data or plan experience.

Mortality Rates

UP-1994 Mortality Tables, with current and future mortality improvement estimated by projecting improvement to the year of the valuation using Scale AA (dynamic)

Withdrawal Decrement

Age	Males	Females
20	7.94%	7.94%
25	7.72%	7.72%
30	7.40%	7.40%
35	6.86%	6.86%
40	6.11%	6.11%
45	5.16%	5.16%
50	3.62%	3.62%
55	1.37%	1.37%
60	0.13%	0.13%

Disability Decrement

0.25% per year at each age (non-occupational)

Rate of Retirement

Age	Rate
55-59	3.00%
60-64	10.00%
65-74	20.00%
75-79	25.00%
80+	100.00%

Salary Scale

3.50% per annum

Discount Rate/Rate of Investment Return

7.25% per annum

Other Assumptions

85% of participants are married with spouses assumed to be 3-years younger for male participants and 3-years older for female participants

Changes from Prior Year

The discount rate was lowered from 7.50% per annum to 7.25% per annum.

Summary of Participant Data

Distribution of Active Participants and Average Compensation

Age Group	Years of Service									TOTAL
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-UP	
1-24	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
25-29	0	3	0	0	0	0	0	0	0	3
	0	44,467	0	0	0	0	0	0	0	44,467
30-34	0	5	2	0	0	0	0	0	0	7
	0	60,983	50,055	0	0	0	0	0	0	57,861
35-39	0	4	1	0	0	0	0	0	0	5
	0	75,492	27,716	0	0	0	0	0	0	65,937
40-44	0	7	5	3	1	0	0	0	0	16
	0	54,785	53,116	79,634	73,321	0	0	0	0	60,081
45-49	0	6	6	6	3	2	0	0	0	23
	0	50,560	43,373	63,310	63,139	69,932	0	0	0	55,336
50-54	0	14	18	17	7	1	4	0	0	61
	0	39,529	43,043	47,462	77,560	70,621	65,226	0	0	49,336
55-59	0	16	21	20	8	2	7	2	0	76
	0	39,503	45,076	37,498	50,610	60,267	70,106	61,228	0	45,621
60-64	0	14	14	23	18	8	3	2	0	82
	0	53,338	46,284	45,770	51,361	68,497	58,764	87,317	0	52,083
65-69	0	8	7	5	8	4	3	1	1	37
	0	59,188	45,625	55,731	49,627	49,086	79,363	94,862	73,365	55,979
70-UP	0	0	1	2	2	4	0	1	2	12
	0	0	49,807	36,526	29,973	56,165	0	45,659	58,251	47,469
TOTAL	0	77	75	76	47	21	17	6	3	322
	0	49,777	45,229	47,105	55,149	61,905	68,590	72,935	63,289	51,213

Distribution of Inactive Participants with Average Annual Benefit

Attained Age	Retirees and Beneficiaries		Former Employees Due Benefits		
	Number	Average Annual Benefits	Number	Average Annual Benefits	Average Refund of Contributions
Under 30			1	872	
30 to 34			1	991	
35 to 39			1	2,188	
40 to 44	1	18,225	5	9,717	510
45 to 49			11	8,419	
50 to 54			10	9,461	
55 to 59	4	19,263	20	11,189	
60 to 64	21	21,377	12	5,952	
65 to 69	67	18,029	8	16,224	
70 to 74	96	16,749	4	4,354	
75 to 79	74	14,343	1	2,592	
80 to 84	50	12,710	2	2,305	
85 to 89	39	8,753			
90 to 94	21	7,699	2	2,442	
95 & up	8	4,593			
Total	381	14,690	78	8,902	33

* Seven beneficiaries with unidentified ages and receiving certain benefits only are shown in the 65 to 69 age grouping.