TOWN OF WATERFORD
GENERAL FUND
2021-2022 PROPOSED BUDGET

DEPT/AGENCY: 10116 RETIREMENT COMMISSION

LINE ITEM	DESCRIPTION	2019/2020 ACTUAL EXPENDED	2020/2021 RTM APPROP.	2020/2021 ADDITIONAL/ TRANSFERS	ACTUAL EXPEND & ENCUMB AS OF 1/1/21	2021/2022 DEPT/ AGENCY REQUEST	2021/2022 APPROVED BD/COMM. (11/18/20)	2021/2022 FIRST SELECTMAN RECOMMENDS	2021/2022 RECOMMENDED BD OF SELECTMEN (2/10/21)	2021/2022 BOARD OF FINANCE REDUCTIONS	2021/2022 RECOMMENDED BD OF FINANCE (3/15/21)	BOF Request $ Increase	BOF Request % Increaxe
PERSONNEL COSTS													
51930	HYPERTENSION/ HEART DISEASE	167,292	181,100		89,338	181,448	181,448	181,448	181,448		181,448	348	0.2%
51940	PENSION CONTRIBUTIONS	3,812,390	4,305,701		2,350,602	4,348,776	4,348,776	4,348,776	4,348,776		4,348,776	43,075	1.0%
51945	RETIREE HEALTH BENEFITS	355,708	396,177		168,065	402,682	402,682	402,682	402,682		402,682	6,505	1.6%
51949	OPEB TRUST FUND CONTRIBUTION	762,713	1,100,000		1,101,967	1,000,000	1,000,000	750,000	750,000		750,000	(350,000)	-31.8%
	SUBTOTAL	5,098,103	5,982,978	0	3,709,972	5,932,906	5,932,906	5,682,906	5,682,906	0	5,682,906	(300,072)	-5.0%
DEPARTMENT TOTAL		5,098,103	5,982,978	0	3,709,972	5,932,906	5,932,906	5,682,906	5,682,906	0	5,682,906	(300,072)	-5.0%

RETIREMENT COMMISSION
FISCAL YEAR 2022 BUDGET

Town of Waterford

BUDGET FUNCTION

The Retirement Commission is charged with the management of the retirement program for the Town. This budget represents the Commission's estimate of the employer cost required to fund our retirement plans on an actuarially sound basis.

The Retirement Commission voted to appoint an Investment Manager in April 2016 for both the pension trust and the OPEB trust fund.The trust was set up and funded in February 2017.

FY2022 BUDGET SUMMARY

The proposed FY22 budget of $5,682,906 is 5.02% lower than FY21. The decrease in the OPEB Contribution is the main drivers for the Budget decrease in Fiscal Year 2022.

51930 HEART/HPYERTENSION BENEFITS

The Town is currently paying benefits to two individuals one widow of a former police officer, one widow of a former firefighter in accordance with judgments of the worker's compensation commission based upon Connecticut State Statute. In addition, the Town pays for treatment medications for several active police officers. A cost of living adjustment is provided annually in October based on information provided by our H & H administrator. The increase is due to the COLA increase.

51940 PENSION CONTRIBUTIONS

Overall Budget down 0.64%. All general employees, police, and firefighters are covered by MERF B, a State administered plan. Employees who retired prior to the Town joining the MERF system are covered by the Town administered plan under which there are twelve retirees presently receiving benefits and one terminated vested employee.

The employer contribution rates for MERF B for fiscal year 2022 have not been released to date. Rates used are based on expected rates for FY22 received from the State of Connecticut Retirement Division. Payroll has been estimated based on 2019-2020 projected payroll using staffing levels as of November 2020. The employee contribution rate for fiscal year 2020-2021 is 2.25% of payroll and is provided for informational purposes only.

Past service accrued liability exists for all groups except fire and is being amortized over 30 years. The total liability is $427,796.76. The Police department's portion is $417,247.68.

The proposed budget includes an administrative assessment fees for all active and retired employees of $130.00 per member. The 2020-2021 administrative fee of $81,380 is based on 342 active participants and 284 retirees.

The Public Employees Retirement System Fund (PERS) currently has 10 active participants. Effective fiscal year 2004, the RTM approved a change in benefit allowing for a minimum pension of $6,000 annually and offered a one- time $5,000 bonus. An annual increase linked to the CPI-U was approved with a cap of five (5%) percent per year. The June 30, 2020 Actuarial Valuation Report performed by Hooker & Holcombe, Inc. indicated that based upon the current population and the approved changes to the plan, the fund will carry an unfunded liability of $570,606 and required an annual municipal contribution in the amount of $83,000.

51945 RETIREE HEALTH BENEFITS

Overall Budget is up 8.11%. The main driver is an increase in actual monthly cost to the Town. The Town currently has eighteen (18) retirees who receive post-retirement healthcare benefits. In addition, there are another 32 employees in the Over 65 classification that receive post-employment healthcare benefits. The current GGA contract allows for a buy-out of accrued sick time hours in excess of 1,400 per year for deposit into a Health Retirement Account to be used by the employee for medical costs incurred following retirement.

The cost of the third party administration of the HRA has been included in the line item. The annual cost of this excess, sick time accrual is included in the respective employee's department budget.

OTHER POST EMPLOYMENT BENEFITS (OPEB)

On December 1, 2014, the RTM approved the establishment of a trust fund to account for the OPEB contributions. The Retirement Commission is responsible for the oversight and recommended funding of the OPEB Trust. The Retirement Commission voted to appoint an Investment Manager in April 2016 for both the pension trust and the OPEB trust fund.The trust was set up and funded in February 2017.

The Governmental Accounting Standards Board (GASB) issued a Statement 45 requiring the cost of Other Post-Employment Benefits (OPEB) to be recognized in the year earned (when the employee is working) rather than when paid (when the employee retires). In addition, the Statement also requires the recording of a liability (implicit rate subsidy) for those retirees that remain on the Town's plan at their own cost. Since the cost of similar benefits for these employees would be greater if the retiree was not part of the group, the statement requires the recording of the liability for the difference. The effective date of Statement 45 was July 1, 2006.

Proposed Budget for Fiscal Year 2022 contains a decrease of 10%.

As of the July 1, 2020 actuarial valuation, the Town's Unfunded Actuarial Accrued Liability is $17,291,575. The annual required contribution (ARC) for FY2022 is $2,127,089. The FY20 budget included an appropriation of $758,613 for funding the trust while FY21 was increased to $1,100,000 based on a significant increase within the Pension Contribution Fund due to the State Retirement Commission Board approving an increase in the Employer percentage share. For Fiscal Year 2022, we are requesting $750,000.

TOWN OF WATERFORD

HEART/HYPERTENSION 2020-2021 FISCAL YEAR PROPOSED BUDGET

HEART/HYPERTENSION	2017-2018 ACTUAL	2018-2019 ACTUAL	2019-2020 ACTUAL	2020-2021 ACTUAL @ as of Nov 13	2020-2021 PROJECTED	2021-2022 PROPOSED BUDGET
WAGES [1]	250,039.25	203,002.00	163,225.33	64,269.00	165,000.00	171,448.16
TREATMENT MEDICATION [2]	1,275.01	14,185.89	4,066.39	2,022.35	10,115.00	10,000.00
TOTALS	**251,314.26**	**217,187.89**	**167,291.72**	**66,291.35**	**175,115.00**	**181,448.16**

NOTES:

1 COLA rates used as of October 1, 2020

There is currently one pending H&H case which could impact FY 22 and may possibly require an additional appropriation.

2 Treatment medication is based on prior year actual.

TOWN OF WATERFORD
PENSION CONTRIBUTIONS
2021-2022 FISCAL YEAR PROPOSED BUDGET

PENSION CONTRIBUTIONS	2017-2018 ACTUAL	2018-2019 ACTUAL	2019-2020 ACTUAL	2020-2021 BUDGET	2021-2022 PROPOSED	INCREASE/ (DECREASE) OVER P/Y	% INCREASE/ (DECREASE) OVER P/Y
TOWN OF WATERFORD PLAN							
EMPLOYER CONTRIBUTIONS	81,493.00	81,131.00	82,000.00	82,000.00	83,000.00	1,000.00	1.22%
ACTUARIAL FEE	4,500.00	5,395.01	7,953.00	5,395.01	5,957.91	562.90	10.43%
	85,993.00	86,526.01	89,953.00	87,395.01	88,957.91	1,562.90	1.79%
MERS							
EMPLOYER CONTRIBUTIONS	2,645,182.00	2,735,169.99	3,675,916.32	3,720,601.81	3,839,599.51	118,997.70	3.20%
AMORTIZATION/ADMIN COST	507,956.00	497,704.00	497,704.00	497,704.00	509,176.76	11,472.76	2.31%
	3,153,138.00	3,232,873.99	4,173,620.32	4,218,305.81	4,348,776.27	130,470.46	3.09%
TOTALS	**3,239,131.00**	**3,319,400.00**	**4,263,573.32**	**4,305,700.82**	**4,437,734.18**	**132,033.36**	**3.07%**
BUDGET							

TOWN OF WATERFORD

PROJECTED MERF CONTRIBUTION - ACTUAL 2019-2020 WAGES

2021-2022 FISCAL YEAR

	PROJECTED 2020-2021 WAGES				ACTUAL 2019-2020 WAGES				
MONTH	TOWN SALARIES	POLICE/FIRE SALARIES	BOE NON-CERT SALARIES	TOTAL		TOWN SALARIES	POLICE/FIRE SALARIES	BOE NON-CERT SALARIES	TOTAL
JULY 2020 ACTUAL	824,620.56	578,221.48	669,314.49	2,072,156.53	July-19	665,008.51	453,885.96	400,990.95	1,519,885.42
AUGUST 2020 ACTUAL	642,080.36	500,510.65	415,330.79	1,557,921.80	August-19	789,836.37	607,090.85	626,142.55	2,023,069.77
SEPTEMBER 2020 ACTUAL	637,434.73	481,359.64	584,078.89	1,702,873.26	September-19	627,176.40	437,065.80	563,581.80	1,627,824.00
OCTOBER 2020 ACTUAL	758,929.35	540,681.05	573,123.89	1,872,734.29	October-19	629,759.31	513,236.94	546,400.36	1,689,396.61
NOVEMBER 2020 PROJECTED	607,143.48	434,556.02	573,123.89	1,614,823.39	November-19	799,436.17	580,641.44	577,948.35	1,958,025.96
DECEMBER 2020 PROJECTED	607,143.48	434,556.02	573,123.89	1,614,823.39	December-19	678,407.54	599,679.52	541,324.03	1,819,411.09
JANUARY 2021 PROJECTED	758,929.35	540,681.05	573,123.89	1,872,734.29	January-20	799,632.62	569,963.54	804,720.81	2,174,316.97
FEBRUARY 2021 PROJECTED	607,143.48	434,556.02	573,123.89	1,614,823.39	February-20	626,835.25	450,871.53	572,857.18	1,650,563.96
MARCH 2021 PROJECTED	607,143.48	434,556.02	573,123.89	1,614,823.39	March-20	639,411.41	435,804.28	587,914.88	1,663,130.57
APRIL 2021 PROJECTED	758,929.35	540,681.05	573,123.89	1,872,734.29	April-20	634,767.70	425,382.44	522,870.55	1,583,020.69
MAY 2021 PROJECTED	607,143.48	434,556.02	573,123.89	1,614,823.39	May-20	795,074.10	543,542.17	561,042.41	1,899,658.68
JUNE 2021 PROJECTED	607,143.48	434,556.02	573,123.89	1,614,823.39	June-20	641,138.87	471,331.24	570,648.82	1,683,118.93
TOTALS:	**8,023,784.58**	**5,789,471.04**	**6,826,839.18**	**20,640,094.80**		**8,326,484.25**	**6,088,495.71**	**6,876,442.69**	**21,291,422.65**
Est wage increase FY22	2.25%	2.25%	2.50%			2.25%	2.25%	2.50%	
Projected MERF salaries 2021-22	8,204,319.73	5,919,734.14	6,997,510.16	**21,121,564.03**		8,513,830.15	6,225,486.86	7,048,353.76	**21,787,670.77**
2021-2022 Contribution Rate [1]	**16.75%**	**22.45%**	**16.24%**			**15.24%**	**20.95%**	**15.24%**	
Est. Employer Contribution 2020-2021	**$1,374,223.55**	**$1,328,980.31**	**$1,136,395.65**	**$3,839,599.51**		**$1,297,507.71**	**$1,304,239.50**	**$1,074,169.11**	**$3,675,916.32**
Amortization	0.00	427,247.68	549.08	427,796.76		0.00	416,827.00	537.00	417,364.00
Administrative Fee	31,980.00	12,870.00	36,530.00	81,380.00		31,200.00	12,740.00	36,400.00	80,340.00
CONTRIBUTION	**$1,406,203.55**	**$1,769,097.99**	**$1,173,474.73**	**$4,348,776.27**		**$1,328,707.71**	**$1,733,806.50**	**$1,111,106.11**	**$4,173,620.32**

CONTRIBUTION RATE

1. The contribution rate is based on the MERF Projection for FY 2022 from the State of CT. FY 2022 rates have not been received as of November 13, 2020.

TOWN OF WATERFORD
RETIREE HEALTH BENEFITS -SUMMARY SHEET
2021-2022 PROPOSED BUDGET

10116-51945 - RETIREE HEALTH BENEFITS

	MONTHLY COST	**NO. OF MONTHS**	**ANNUAL COST**
RETIREES - OVER 65	$5,707.67	12	$68,492.04 [1]
RETIREES - UNDER 65	$20,772.68	12	$249,272.16 [2]
NON BCBS SUPPLEMENT	$2,998.86	12	$35,986.32 [3]
PROSPECTIVE RETIREES	$3,977.60	12	$47,731.20 [4]
ADMINISTRATIVE COST - HRA	$100.00	12	$1,200.00 [5]
TOTAL	**$33,556.81**		**$402,681.72**
AMOUNT TO BUDGET			**402,682**
2020-2021 ADOPTED BUDGET			396,177
PERCENT DECREASE OVER P/Y			1.64%

[1] Budget calculation based on October 2020 monthly cost to Town.

[2] Budget calculation based on October 2020 rates.

[3] In 2019-20, 18 retirees were reimbursed for Non-BCBS supplement. The total reimbursement was $35,986.62. The retiree must submit copies of paid invoices to receive the reimbursement.

[4] There are currently 10 employees that are eligible to retire under the plan, budget includes 3 prospective retiree using the 2-person rate

[5] Third party fee for the administration of the HRA accounts allowed for in the current GGA contract. Third party vendor is Flores & Associates.

In January 2019, this office provided you with a projection of future employer contribution rates for that period. Those projected employer contribution rates will need to be adjusted to reflect any change in the required employee contribution rates.

Revised Forecast of Future Contribution Rates for Participating Entities: On June 5, 2019, the General Assembly passed Amendment B to P.A. 19-124, entitled "An Act Concerning Municipal Arbitration and the Municipal Employees' Retirement System." The new statute amends Conn. Gen. Stat. § 7-440, to provide for increases in employee contributions to MERS in each of the next six fiscal years.[2] Assuming P.A. 19-124 becomes law, the effect of the increases would be to reduce the required employer contribution rates.

It is expected that the Governor will sign Public Act No. 19-124, but that he will do so sometime after July 1, 2019. Subject to the Governor's allowing the bill to become law, the employer contribution rates for MERS will be revised as indicated below.

Impact of Public Act No. 19-124 on Employer Contribution Rates to Be Effective July 1, 2019

The following chart accounts for the P.A. 19-124 amendments and provides the revised MERS employer contribution rates, effective July 1, 2019, assuming P.A. 19-124 becomes law:

	2018 Valuation Rates for FYE 2020 (Prior to S.B. 882)	2018 Valuation Rates for FYE 2020 (Assuming P.A. 19-124 Becomes Law)
General with SS	~~14.22%~~	13.73%
General without SS	~~14.72%~~	14.23%
Police and Fire with SS	~~19.95%~~	19.45%
Police and Fire without SS	~~20.74%~~	20.24%

Impact of Public Act No. 19-124 on Projected 5-Year Phase in of Employer Contribution Rate Increases

Consistent with the Retirement Commission's decision to use direct rate smoothing to phase in rate increases over the next five years, and assuming the 2018 Normal Cost Rates remain stable, the implementation of the P.A. 19-124 amendments will adjust the future employer contribution rates for MERS participating entities as follows:

Assuming P.A. 19-124 Becomes Law	Expected Rates for FYE 2020	Expected Rates for FYE 2021	Expected Rates for FYE 2022	Expected Rates for FYE 2023	Expected Rates for FYE 2024	Expected Rates for FYE 2025
General with SS	13.73%	15.24%	16.75%	18.26%	19.34%	18.85%
General without SS	14.23%	16.25%	18.25%	20.26%	22.33%	21.84%
Police and Fire with SS	19.45%	20.95%	22.45%	22.90%	22.40%	21.90%
Police and Fire without SS	20.24%	21.84%	23.44%	25.04%	26.34%	25.84%

[2] The text of the amendment is available on the website of the General Assembly, at https://www.cga.ct.gov/2019/ACT/pa/pdf/2019PA-00124-R00SB-00882-PA.pdf.

Implementing Revised Rates

If it becomes law, the new legislation will increase the rate of members' contributions to MERS—to 5.5% of salary from which contributions may not be deducted under Conn. Gen. Stat. §7-453, and 2.75% of salary from which such contributions may be deducted—**effective July 1, 2019**. (Employee contribution rates will continue to increase for each of the five following fiscal years.) Any decrease in the employer contribution rates for MERS participating entities will be effective as of the same date. We will notify you immediately if and when the legislation goes into effect.

We recognize that these important changes will be difficult to implement within so short an amount of time. The Retirement Services Division is prepared to provide any assistance we can to facilitate participants' transition. If you have any questions concerning this matter, please contact the undersigned, at (860) 702-3443.

Sincerely,

STATE EMPLOYEES RETIREMENT COMMISSION
KEVIN LEMBO, SECRETARY EX OFFICIO

BY:

John W. Herrington, Director
Retirement Services Division

STATE EMPLOYEES
RETIREMENT COMMISSION

MEDICAL EXAMINING BOARD
for DISABILITY RETIREMENT

STATE OF CONNECTICUT
RETIREMENT SERVICES DIVISION
OFFICE *of the* STATE COMPTROLLER
55 Elm Street
Hartford, CT 06106
PHONE: (860) 702-3480 | FAX: (860) 702-3489

June 25, 2019

RE: New Legislation (S.B. 882) and Revised Forecast of CMERS Contribution Rates

I am writing to entities that participate in the Connecticut Municipal Employees Retirement System ("MERS") to inform you about a new legislative development that is likely to reduce your required contribution rates, **effective July 1, 2019**.

As this office advised you in January, the MERS Plan Actuary has recommended a decrease in the assumed rate of return that is used for the annual, actuarial valuation of the plan. The Connecticut State Employees Retirement Commission accepted this recommendation, necessitating a significant increase in the required contribution rates to be paid by MERS participating entities, beginning in Fiscal Year 2019-2020.

On June 5, 2019, the General Assembly passed Public Act No. 19-124 ("P.A. 19-124"), **which includes an increase in employee contributions to MERS in each of the next six fiscal years**. If this bill becomes law, it would have the effect of reducing the required employer contribution rates. The Commission anticipates that Governor Lamont will sign P.A. 19-124 within the next few weeks. The Commission has calculated new rates for employer contributions, which differ from the forecasted rates you received in January, and which are provided below. These new rates will go into effect, if and when the Governor signs P.A. 19-124.

Please note: If the new employee contribution rates do become law, **they will take effect as of July 1, 2019**. It is important, therefore, that MERS participating entities prepare for these potential changes as quickly as possible.

Reducing the Assumed Rate of Return: In the most recent Experience Investigation, the Plan Actuary recommended that the assumed investment rate of return be reduced, from 8.00% to 7.00%.[1] In accepting this recommendation, the Retirement Commission decided to use direct rate smoothing, to phase in the resulting increases to the MERS employer contribution rates over the next five years.

[1] The most recent MERS Experience Investigation covered the five-year period from July 1, 2012, through June 30, 2017. The Plan Actuary's report on this investigation is available on the website of the Office of the State Comptroller, at: https://www.osc.ct.gov/rbsd/reports/11142018%20CMERS%20Experience%20Investigation%20Report%202017.pdf. The recommendation concerning the investment rate of return appears on pages 11-14 of the report.

Retirement Commission
Meeting Minutes
Zoom Meeting

Wednesday, November 18, 2020
5:00pm

Present: Chair Susan Driscoll, Kevin Petchark, Richard Muckle, Mark Gelinas, Marcia Benvenuti, Bruce Miller (5:16pm)

Absent: Robert J. Brule, First Selectman

Others: Devon Francis of Di Meo Schneider formerly of FIA

Staff: Abbas Danesh, Treasurer, Kimberly Allen, Director of Finance, and Maryellen McConnell, Secretary

1. Establishment of a quorum and call to order:

   A quorum was established and a call to order was established at 5:06 pm, November 18, 2020.

2. Approval and acceptance of minutes.

   Motion by Richard Muckle and **seconded** by Marcia Benvenuti to approve the August 12, 2020, hearing minutes.

   Vote: 5-0 **Motion: Passed**

3. Review of 3Q20 performance of Waterford Pension and OPEB Plans July-Oct 2020; presentation by Devon Francis FIA/Di Meo Schneider.

   Discussion ensued regarding the pension portfolios that is handled by De Meo Schneider. Questions followed from the commission.

4. Review Status of Pension Fund and OPEB Fund – Wells Fargo 3rd Quarter (7/1/20 – 9/30/20).

   Discussion ensued regarding the Wells Fargo Pension and OPEB Funds. Questions followed from the commission.

5. Consider and act upon proposed Retirement Commission FY21-22 budget

Discussion ensued with Susan Driscoll and Kimberly Allen regarding raising the contribution rates. The Town has not received numbers yet from the state so we originally went with an across the board increase. Based on 5-year rate projections provided by the state in February, the committee discussed increasing the rate for town salaries from 16.24% to 16.75% and police/fire salaries from 21.95% to 22.45%, for a new total for the FY21-22 Contribution Rate of $4,348,776. With this change, it brings us to a reduction of .36%.

Motion by Marcia Benvenuit and **seconded** by Richard Muckle to approve the budget as amended with the increased contribution rates to 16.75% and 22.45% for the FY21-22 budget.

Vote: 6-0 **Motion: Passed**

6. Update on Retirement Commission Annual Report for FY19-20 to be included in Board of Finance's Annual Report for Town of Waterford.

Susan Driscoll and Kimberly Allen are updating the report, which will be distributed to the committee.

7. Establishment of 2021 Meeting Schedule

The following quarterly schedule for 2021 was presented, all meeting times are at 5:00 pm:

January 20, 2021
April 21, 2021
July 21, 2021
November 17, 2021

Motion by Marcia Benvenuti and **seconded** by Mark Gelinas to approve the 2021 Meeting Schedule.

Vote: 6-0 **Motion: Passed**

8. New Business:

According to the ordinances', there will be new appointments from the Board of Selectmen, Fire Services, Police Commission and the Board of Education are scheduled to appoint a member to serve on the Retirement Commission in December.

9. Adjournment:

Motion by Marcia Benvenuti and **seconded** by Richard Muckle to adjourn the Meeting of the Retirement Commission at 6:11 p.m.

Vote: 6-0 **Motion: Passed**

Respectfully submitted,

Maryellen McConnell, Secretary