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Classified Employees' Retirement Trust Fund of the City of Stamford

Actuarial Valuation

July 1, 2013

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January 8, 2014

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I. Introduction

A. Purpose of the Valuation

Liabilities were valued as of July 1, 2012 using data, cost information, and assumptions as of July 1, 2012. The July 1, 2012 liabilities were then projected to July 1, 2013.

The purpose of the valuation is to report the estimated funded status of the plan as of July 1, 2013 as well as an actuarially determined contribution for the fiscal year ending June 30, 2015.

It is important to note that the ultimate cost of a pension plan is based primarily on the level of benefits promised by the plan. The pension fund's investment earnings serve to reduce the cost of plan benefits and expenses. Thus,

City's Ultimate Cost	=	*Benefits Paid*	+	*Expenses Incurred*	−	*Employee Contributions*	−	*Investment Return*

Assets reported are actual (including accruals) through June 30, 2013 and reflect the asset smoothing method. Liabilities have been projected from the last full valuation done as of July 1, 2012.

We have assumed that no changes have been made to the plans since the July 1, 2012 actuarial valuation.

B. Comments

The market value return was approximately 13% this year. Because we are still smoothing in past asset losses, the actuarial smoothed return was 6.5% this year. Asset returns less than 7.75% increased the contribution by approximately $270,000. The other portion of the increase is due to the estimated increase in the City's Ongoing Annual Cost and that amount is $95,000. The expected increase of $365,000 was offset by higher than expected employee contributions and using a 15 year open amortization. In total, this year's contribution increase was $295,000.

I. Introduction

continued

C. New Accounting Standards

In June of 2012, The Government Accounting Standards Board (GASB) issued statements 67 and 68. GASB 67 is a new standard that pertains to financial reporting for pension plans. In general, it replaces GASB 25 and it is effective for fiscal years beginning after June 15, 2013. GASB 68 is a new standard that pertains to accounting and financial reporting for pensions. In general, it replaces GASB 27 and it is effective for fiscal years beginning after June 15, 2014. Both statements replace the relevant provisions of GASB 50.

Currently, your annual financial report tracks the Net Pension Obligation (NPO) and the NPO is displayed in the footnote section of the annual financial report. With GASB 68, the NPO will no longer be tracked. A new item called Net Pension Liability (NPL) will be displayed not as a footnote but directly on your balance sheet. For both standards, liabilities are calculated using the Entry Age Normal Cost Method. In general, the NPL is EAN Accrued Liability less the Market Value of Assets. A table that displays the NPL for the Classified Employees' Retirement Trust Fund of the City of Stamford is below.

Valuation Date	Entry Age Normal Accrued Liability	Market Value Of Assets	Net Pension Liability
July 1, 2012	227,532,000	169,036,000	58,496,000
July 1, 2013	235,736,000	184,285,000	51,451,000

In addition to replacing the NPO with NPL, the Annual Required Contribution (ARC) will also be eliminated. Even though the ARC will be eliminated, we will work with you to develop a contribution policy. The new term for this is called the Actuarially Determined Contribution (ADC). One possible ADC is to use the same concepts that were used to develop the ARC which would mean no change in the present funding policy.

Under the prior standards the ARC served as both the contribution policy and the accounting expense. As noted above the ARC is eliminated and replaced with the ADC with regard to the funding policy. The new pension expense will be quite different from the ARC and it has several components (including normal cost, interest cost, amortization components, actual return, and plan changes). The new pension expense will help reconcile the change in the Net Pension Liability each year. In addition, it will be more volatile than the ARC and so not suitable for use as a contribution policy.

If the City wants to see how the pension expense works, please let us know and we will prepare a sample exhibit. Like the Net Pension Liability, the calculation of the pension expense is based upon the Entry Age Normal Cost Method and will no longer be a footnote but reported directly in the annual financial report.

D. Certification

This report presents the results of the July 1, 2013 Actuarial Valuation for Classified Employees' Retirement Trust of the City of Stamford (the Plan) for the purpose of estimating the funded status of the Plan and determining the Actuarially Determined Contribution (ADC) for the fiscal year ending June 30, 2015. This report is intended to satisfy the requirements of Connecticut General Statute 7-450a.This report may not be appropriate for any other purpose.

The valuation has been performed in accordance with generally accepted actuarial principles and practices. It is intended to comply with all applicable Actuarial Standards of Practice.

I certify that the actuarial assumptions and methods that were selected by me and represent my best estimate of anticipated actuarial experience under the Plan.

In preparing this valuation, I have relied on employee data provided by the Plan Sponsor, and on asset and contribution information provided by the Trustee. I have audited neither the employee data nor the financial information, although I have reviewed them for reasonableness.

The results in this valuation report are based on the Plan as summarized in the *Plan Provisions* section of this report and the actuarial assumptions and methods detailed in the *Description of Actuarial Methods and Assumptions* section of this report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic or demographic assumptions; 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. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.

Evan W. Woollacott

Evan W. Woollacott, Jr., FCA, MAAA, EA
11-04513

January 8, 2014

II. Results of the Valuation

A. Assets

Development of Market Value

1.	**Beginning value, 7/01/2012**	
	a. Trust assets	$169,035,839
	b. Accrued contributions - Employee	0
	c. Benefits payable	0
	d. Administrative expenses payable	0
	e. Net: (a) + (b) – (c) – (d)	169,035,839
2.	**Contributions**	
	a. Contributions during year - Employer	5,819,295
	b. Contributions during year - Employee	1,629,143
	c. Total for Plan Year	7,448,438
3.	**Disbursements**	
	a. Benefit payments during year	13,542,242
	b. Administrative expenses during year	0
	c. Change in benefits payable	0
	d. Change in administrative expenses payable	0
	e. Total for plan year	13,542,242
4.	**Net Investment Return**	
	a. Interest and dividends	4,660,824
	b. Other Income	0
	c. Realized/unrealized gain (loss)	16,943,973
	d. Investment – related expenses	(261,579)
	e. Total	21,343,218
5.	**Ending Value, 6/30/2013**	
	a. Trust assets: (1e) + (2c) - (3e) + (4e)	184,285,253
	b. Accrued contribution – Employer	0
	c. Accrued contribution – Employee	0
	d. Benefit payable	0
	e. Administrative expenses payable	0
	f. Net: (a) + (b) + (c) – (d) – (e) or (1) + (2) – (3) + (4)	184,285,253
6.	**Approximate rate of return 2012-2013**	12.6%

II. Results of the Valuation
continued

Development of the Actuarial Asset Value

1.	Actuarial Asset Value at July 1, 2012	$188,447,106
2.	Expected Return	14,602,627
3.	Contributions	7,448,438
4.	Disbursements (includes Inv. Management Fees)	13,542,242
5.	Expected Actuarial Asset Value at June 30, 2013 (1) + (2) + (3) – (4)	196,955,929
6.	Market Value of Assets	184,285,253
7.	Appreciation (Depreciation) Capitalized .20 x [(6) – (5)]	(2,534,135)
8.	Preliminary Actuarial Asset Value at June 30, 2013 (5) + (7)	194,421,794
9.	70% of Market Value .7 x (6)	128,999,677
10.	130% of Market Value 1.3 x (6)	239,570,829
11.	Actuarial Asset Value at June 30, 2013, not less than (9); and not greater than (10)	194,421,794
12.	Round to nearest thousand	194,422,000
13.	Actuarial Asset Return	6.51%

II. Results of the Valuation
(continued)

B. Development of Projected Accrued Liability and Funded Ratio

	July 1, 2013 Interim Valuation	July 1, 2012 Valuation
1. Projected Accrued Liability	\$227,311,000	\$219,465,000
2. Assets (Actuarial Value)	194,422,000	188,447,000
3. Unfunded Accrued Liability: (1) - (2)	32,889,000	31,018,000
4. Funded Ratio: (2) ÷ (1)	85.5%	85.9%

II. Results of the Valuation
(continued)

C. Actuarially Determined Contribution

	July 1, 2013 for Fiscal Year Ending June 30, 2015	July 1, 2012 for Fiscal Year Ending June 30, 2014
1. Ongoing Annual Cost	$4,828,000	$4,688,000
2. Estimated Actuarial Employee Contributions	1,541,000	1,496,000
3. City's Ongoing Annual Cost: (1) - (2)	3,287,000	3,192,000
4. Amortization of Unfunded Accrued Liability (15 years)	3,512,000	3,312,000
5. City's Annual Contribution: [(3) + (4)]	6,799,000	6,504,000

2013 Valuation	Board of Education	City	WPCA	Total
City Normal Cost	328,000	2,770,000	189,000	3,287,000
Accrued Liability	26,163,000	190,206,000	10,942,000	227,311,000
Assets	22,378,000	162,685,000	9,359,000	194,422,000
Unfunded Accrued Liability	3,785,000	27,521,000	1,583,000	32,889,000
Amortization	404,000	2,939,000	169,000	3,512,000
City Contribution Allocation	732,000	5,709,000	358,000	6,799,000

III. Actuarial Cost Methods and Assumptions

A. Actuarial Cost Methods

Funding Method

The actuarial method used to develop the Annual Recommended Contribution is the Projected Unit Credit Cost Method.

The Ongoing Annual Cost equals the total present value for all participants of the benefit accruing during the coming year, increased to reflect salaries projected to the assumed retirement date.

The Accrued Liability equals the present value of all benefits accrued to date, increased to reflect salaries for all active participants. The total Accrued Liability is reduced by plan assets to develop the Unfunded Accrued Liability.

The cost of amortizing the Unfunded Accrued Liability constitutes a portion of the Annual Recommended Contribution.

The total Annual Recommended Contribution equals the Ongoing Annual Cost, further increased by any positive amortization of the Unfunded Accrued Liability. The amortization period is 15 years.

Asset Valuation Method

The Actuarial Value of Assets used in the development of the Annual Recommended Contribution is designed to smooth out fluctuations in the market value. An Expected Actuarial Value of Assets is determined based on the prior year's Actuarial Value of Assets and the assumed interest rate equal to the valuation interest rate. The Actuarial Value of Assets is equal to the Expected Actuarial Asset Value plus 20% of the difference between the Market Value and the Expected Value. The Actuarial Value of Assets is limited to a minimum of 70% or a maximum of 130% of the Market Value.

III. Actuarial Cost Methods and Assumptions

B. Actuarial Assumptions

Mortality:	50/50 Blend of RP-2000 Combined Table and RP-2000 Blue Collar Combined Table.
Mortality Improvement:	Projected to date of decrement using Scale AA (generational mortality).
Investment Return:	7.75% per year (net of all expenses).
Salary Scale:	Yearly Rates of Increases

Age	Rate
20	6.50%
25	6.50%
30	5.85%
35	5.20%
40	4.55%
45	3.90%
50	3.25%
55+	3.00%

Retirement Age: Assumed annual rates of retirement after the earliest of 1) 50 with 25 years of service, 2) 55 with 15 years of service, or 3) 60 with 10 years of service are as follows:

Age	**Retirement Rate**
50-61	5%
62-65	100%

III. Actuarial Cost Methods and Assumptions

Turnover: The following annual rates of turnover are assumed:

Age	Probability
20	10.6%
25	7.9%
30	5.8%
35	4.2%
40	3.1%
45	2.1%
50	1.3%
55	0.5%
60	0.5%

Disability: The following annual rates of disability are assumed:

Age	Probability
20	.05%
25	.05%
30	.05%
35	.06%
40	.09%
45	.18%
50	.40%
55	.85%
60	.85%

Payroll Growth: 3%, only used to project normal cost to the next year.

Medicare Part B Reimbursements: 3% per year increase assumption.

Survivorship: 80% of employees assumed to be married, with wives 4 years younger than husbands.

Expenses: The return is assumed to be net of both administrative and investment expenses. Therefore, a direct expense assumption has not been used.

Pension Service Exchange and Payout Bank: 50% of retirees are assumed to elect the maximum exchange (based on their current bank) and 50% of retirees are assumed to elect a lump sum payout.

IV. Summary of Current Principal Pension Plan Provisions

Pension Earnings:	Salary in Final Year of Employment.
Normal Retirement:	
Eligibility:	The earlier of 1) age 58 with 15 years of service, or 2) age 60 with 10 years of service, or 3) 25 years of service for MAA only. For UE participants hired on or after 7/1/2012, the 58 and 15 criteria does not apply.
Benefit:	2% of pension earnings per year of service to a maximum of 33 years (35 years for UAW). For UE participant hired on or after 7/1/2012, the maximum is 30 years of service.
Limits on Annual Benefit:	
Maximum:	None.
Minimum:	$1,000 with 25 years of service.
Early Retirement:	
Eligibility:	Age 50 with 25 years of service.
Benefit:	Accrued retirement benefit reduced .25% for each of the first 36 months prior to age 58 and .55% for each month in excess of 36. There is no reduction for a member of the MAA who retires with 25 years of service.
Disability – Non-Service Connected:	
Service Requirement:	10 years of service.
Benefit:	50% of pension earnings if less than 25 years of service. Accrued retirement benefit if more than 25 years of service.

IV. Summary of Current Principal Pension Plan Provisions (continued)

Disability – Service Connected:

Service Requirement:	None.
Benefit:	50% of pension earnings.

Pre-Retirement Death Benefit – Non Service Connected:

Service Requirement:	None.
Benefit:	Return of contributions if less than 15 years of service. \$166.67 minus social security with 15 years of service or more and not eligible to retire. 100% Joint & Survivor benefit if eligible to retire.

Pre-Retirement Death Benefit – Service Connected:

Service Requirement:	None.
Benefit:	50% of pension earnings less workman's compensation, minimum \$83.33.

Post-Retirement Spouse's Benefit:	None.
Post-Retirement Death Benefit:	Lump sum, excess of accumulated contributions over benefits paid to member or survivors (if not eligible for spouse's benefit).
Postretirement Life Insurance:	Lump sum equal to 6,000 for all retirees except for the LAW.

Vesting in Accrued Benefit:

Eligibility:	5 years of service (10 years of service for TEA and UE).
Benefit:	Accrued retirement benefit.

Termination Benefit:	Accumulated contributions as lump sum, if not vested.

IV. Summary of Current Principal Pension Plan Provisions (continued)

Employee Contributions:

5% of salary for MAA, Nurses, Teamsters, Dental Hygienists, 6% of salary for UE and 3% of salary for all others.

For MAA, Nurses, Teamsters, UE and Dental Hygienists, those with 33+ years of service on 7/1/2012 do not contribute. For all other unions, no contributions for those with service over the limit for benefit calculation purposes.

Vacation/Sick Leave Banks:

Union	Payout Bank Source	Additional Pension Credits Available: Vacation	Additional Pension Credits Available: Sick	Eligibility Cut off Date for Sick Pay
1119	Operating Budget	Yes	Yes	7/1/1998
Dental	Plan	No	Yes	7/1/1999
Law	Operating Budget	Yes	Yes	-
MAA	Plan	Yes	Yes	7/1/1997
Nurses	Plan	Yes	Yes	7/1/1997
Teamsters	Plan	Yes	Yes	7/1/1997
UAW	Plan	Yes	Yes	7/1/1998
UAW	Plan	Yes	Yes	7/1/1998

UE hires on or after 7/1/2012 not eligible for exchange.

The amount of the exchange/payout bank is equal to 50% of sick days subject to a 75 day maximum, plus vacation days. Employees can trade in up to 100 days of eligible time for additional pension credit. Each 25 days grants an additional 1% of salary up to a maximum of 4%. The remainder of the bank is paid out in a lump sum.

Additional Provisions:

Employees in the MAA and Dental Hygienists Union can pay 3% of 2011-2012 base salary for one additional year of service credit. The additional benefit will only be paid at age 65+. Payment must be made by 6/30/2013. (Not reflected in valuation since due date of election has not passed.)

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