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**CITY OF STAMFORD CUSTODIANS  
AND MECHANICS PENSION FUND**

**Actuarial Valuation as of July 1, 2021  
To Determine Funding For Fiscal Year 2022-23**

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## Certification

We have performed an actuarial valuation of the Plan as of July 1, 2021 to determine funding for fiscal year 2022-23. This report presents the results of our valuation.

The ultimate cost of a pension plan is the total amount needed to provide benefits for plan members and beneficiaries and to pay the expenses of administering the plan. Pension costs are met by contributions and by investment return on plan assets. The principal purpose of this report is to set forth an actuarial recommendation of the contribution, or range of contributions, which will properly fund the plan, in accordance with applicable government regulations. In addition, this report provides:

- A valuation of plan assets and liabilities to review the year-to-year progress of funding.
- Information needed to meet disclosure requirements.
- Review of plan experience for the previous year to ascertain whether the assumptions and methods employed for valuation purposes are reflective of actual events and remain appropriate for prospective application.
- Assessment of the relative funded position of the plan, i.e., through a comparison of plan assets and projected plan liabilities.
- Comments on any other matters which may be of assistance in the funding and operation of the plan.

This report may not be used for purposes other than those listed above without Milliman's prior written consent. If this report is distributed to other parties, it must be copied in its entirety, including this certification section.

Milliman's work is prepared solely for the internal business use of the City of Stamford ("City"). To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions: (a) the City may provide a copy of Milliman's work, in its entirety, to the City's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the City; and (b) the City may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

In preparing this report, we relied on employee census data and financial information as of the valuation date, furnished by the City. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

## Certification

The calculations reported herein have been made on a basis consistent with our understanding of ERISA and the related sections of the tax code. Additional determinations may be needed for purposes other than meeting funding requirements, such as judging benefit security at plan termination or meeting employer accounting requirements. On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices. Figures for periods prior to July 1, 2018 have been obtained from actuarial valuation reports prepared by Hooker & Holcombe and from the City's Comprehensive Annual Financial Reports.

The valuation results were developed using models intended for valuations that use standard actuarial techniques. In addition to the models described previously, Milliman has developed certain models to develop the expected long term rate of return on assets used in this analysis. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice (ASOP). The models, including all input, calculations, and output may not be appropriate for any other purpose.

We further certify that, in our opinion, each actuarial assumption, method and technique used is reasonable taking into account the experience of the Plan and reasonable expectations. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: 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 the actuarial assignment, we did not perform an analysis of the potential range of such future measurement.

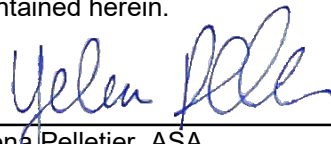
The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



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## Section I - Executive Summary Changes Since the Prior Valuation

### Plan Changes

None.

### Changes in Actuarial Methods and Assumptions

In order to better anticipate future plan experience, we lowered the interest rate from 6.95% to 6.70%.

This change caused the Unfunded Accrued Liability to increase by about \$2.7 million and the Actuarially Determined Contribution to increase by about \$419,200.

Although it is possible that the COVID-19 pandemic could have a material impact on the projected mortality, liabilities, and contribution requirements, we have chosen not to make an adjustment in the projections at this time, given the substantial current uncertainty regarding the impact of COVID-19 on mortality and plan costs, including whether the pandemic will increase or decrease mortality during the term of our projections. We will be monitoring this development closely and may adjust future projections to reflect the impact of COVID-19, if and when it becomes appropriate.

### Other Significant Changes

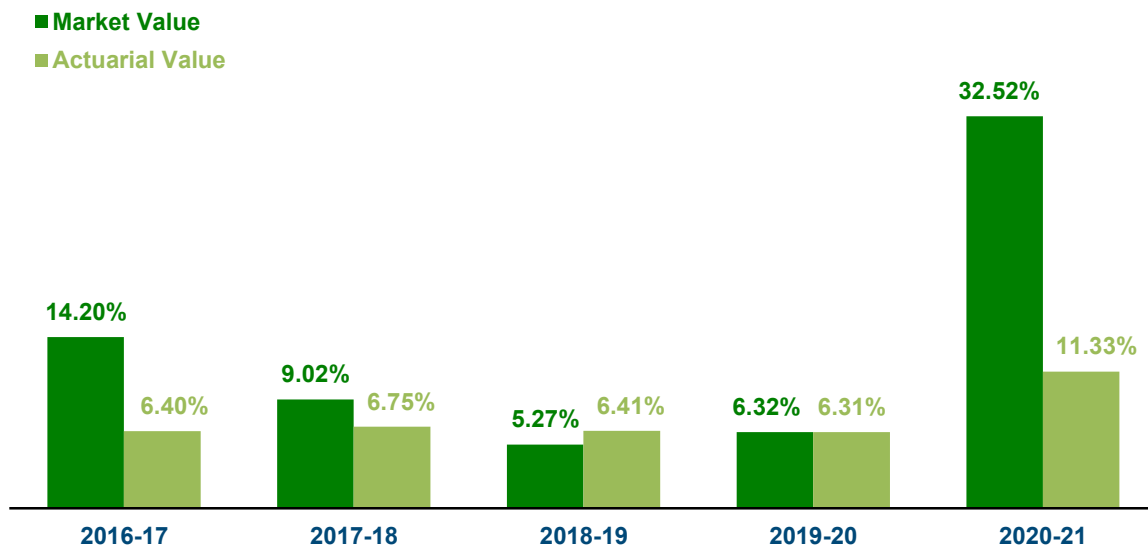
None.

## Section I - Executive Summary Assets

There are two different measures of the plan's assets that are used throughout this report. The Market Value is a snapshot of the plan's investments as of the valuation date. The Actuarial Value is a smoothed asset value designed to temper the volatile fluctuations in the market by recognizing investment gains or losses asymptotically over five years.

	<b>Market</b>	<b>Actuarial</b>
Value as of July 1, 2020	\$78,047,000	\$80,607,186
City and Member Contributions	3,687,465	3,687,465
Investment Income	25,425,969	9,132,990
Benefit Payments and Administrative Expenses	<u>(3,421,665)</u>	<u>(3,421,665)</u>
Value as of July 1, 2021	103,738,769	90,005,976

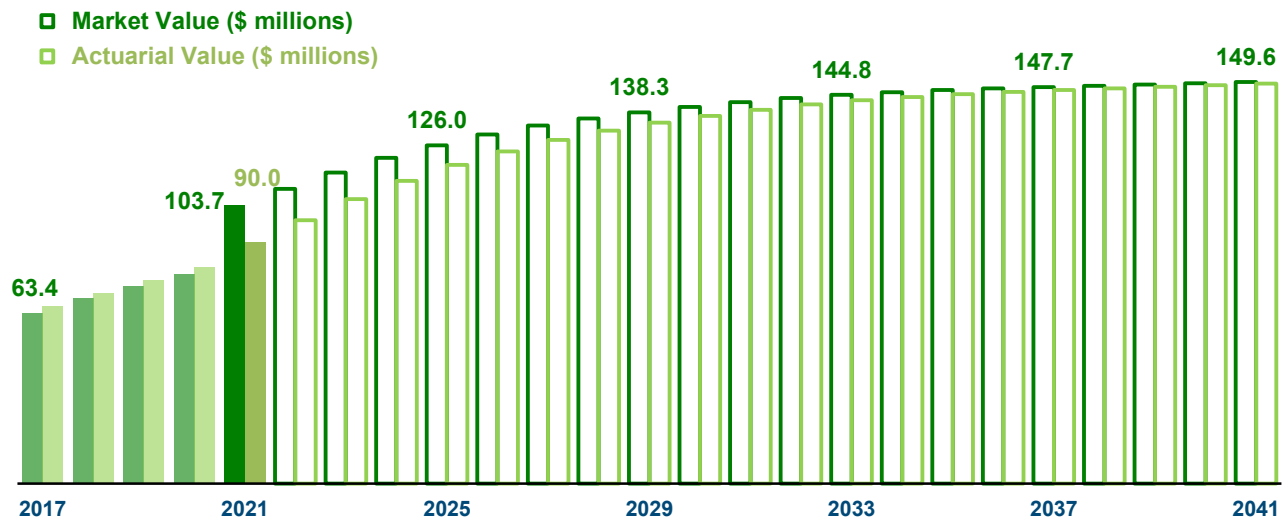
For fiscal year 2020-21, the plan's assets earned 32.52% on a Market Value basis and 11.33% on an Actuarial Value basis. The actuarial assumption for this period was 6.95%; the result is an asset gain of about \$20.0 million on a Market Value basis and a gain of about \$3.4 million on an Actuarial Value basis. Historical rates of return are shown in the graph below.



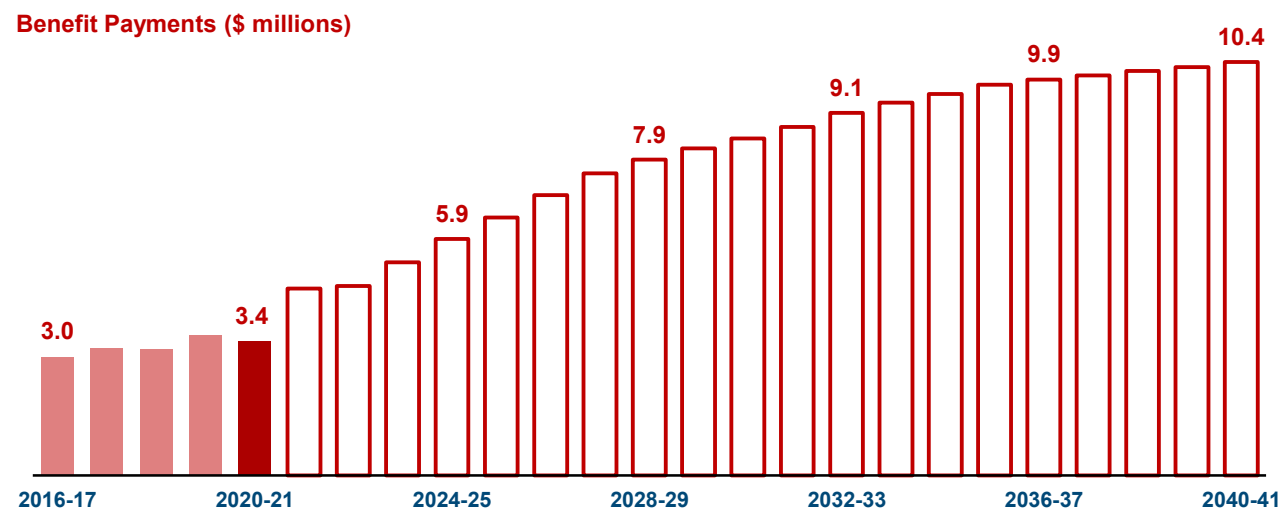
Please note that the Actuarial Value currently is less than the Market Value by \$13.7 million. This figure represents investment gains that will be gradually recognized in future years. This process will exert downward pressure on the City's contribution, unless there are offsetting market losses.

## Section I - Executive Summary Assets (continued)

The graph below shows how this year's asset values compare to where the plan's assets have been over the past several years and how they are projected to change over the next 20 years. For purposes of this projection, we have assumed that the City always contributes the Actuarially Determined Contribution and the investments always earn the assumed interest rate each year.

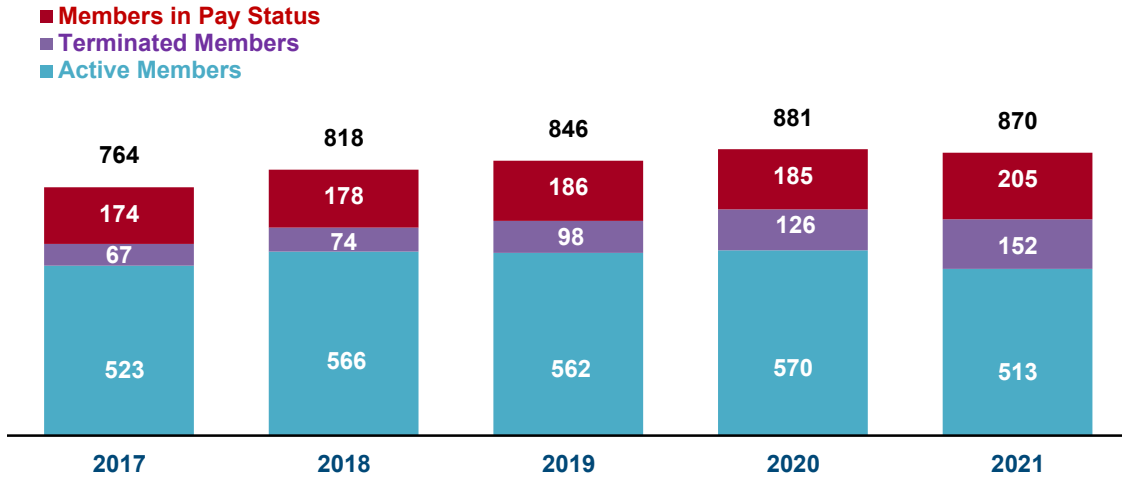


In 2020-21, the plan paid out \$3.4 million in benefits to members. Over the next 20 years, the plan is projected to pay out a total of \$163 million in benefits to members.



## Section I - Executive Summary Membership

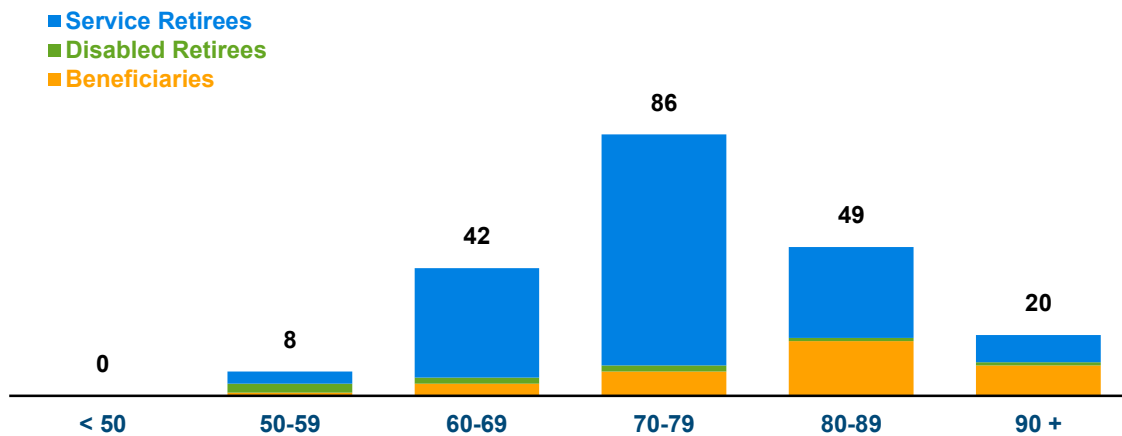
There are three basic categories of plan members included in the valuation: (1) members who are receiving monthly pension benefits, (2) former employees who have a vested right to benefits but have not yet started collecting, and (3) active employees who have met the eligibility requirements for membership.



### Members in Pay Status on July 1, 2021

Service Retirees	155	Average Age	76.5
Disabled Retirees	9	Total Annual Benefit	\$3,289,069
Beneficiaries	41	Average Annual Benefit	16,044
<b>Total</b>	<b>205</b>		

The members in pay status fall across a wide distribution of ages:





## Section I - Executive Summary Membership (continued)

### Terminated Vested Members on July 1, 2021

Count	16
Average Age	55.4
Total Annual Benefit	\$125,628
Average Annual Benefit	7,852

### Nonvested Members Due Refunds on July 1, 2021

Count	136
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### Active Members on July 1, 2021

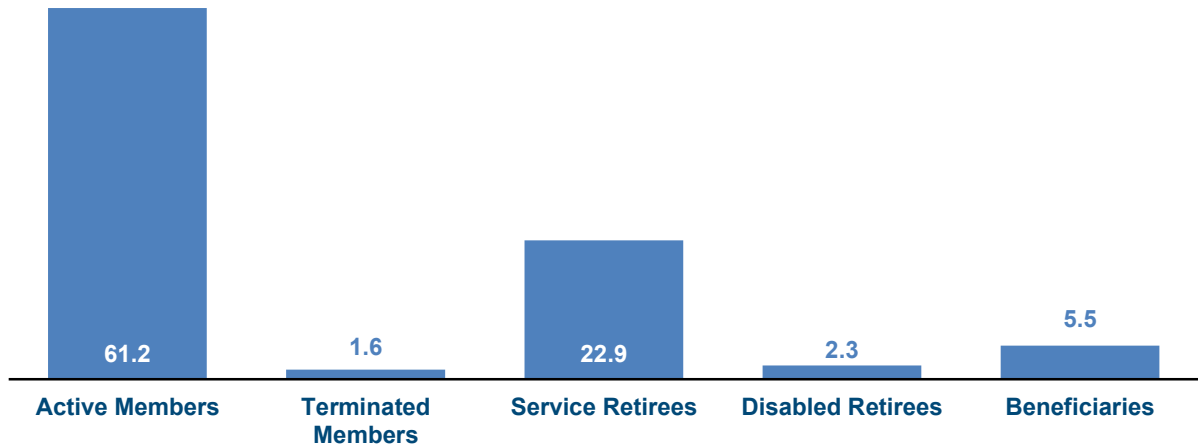
Count	513
Average Age	52.7
Average Service	14.4
Payroll	\$21,807,948
Average Payroll	42,511

The table below illustrates the age and years of service of the active membership:

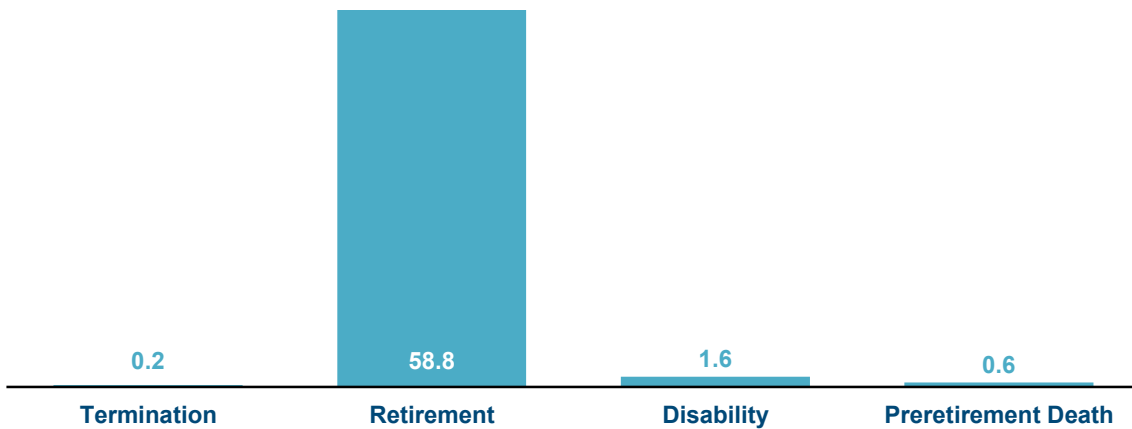
Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
< 25	4							4
25-29	25	4						29
30-34	11	8	3					22
35-39	10	9	9	6	2			36
40-44	18	12	11	3	5			49
45-49	20	11	3	4	11			49
50-54	16	6	13	15	12		2	64
55-59	11	10	11	24	20	5	13	94
60-64	10	10	12	16	24	10	8	90
65+	3	6	15	8	20	10	14	76
<b>Total</b>	128	76	77	76	94	25	37	513

## Section I - Executive Summary Accrued Liability

The Accrued Liability as of July 1, 2021 is \$93,431,426 and consists of the following pieces (in \$ millions):



The Accrued Liability for active members can be broken down further by the different types of benefits provided by the plan:

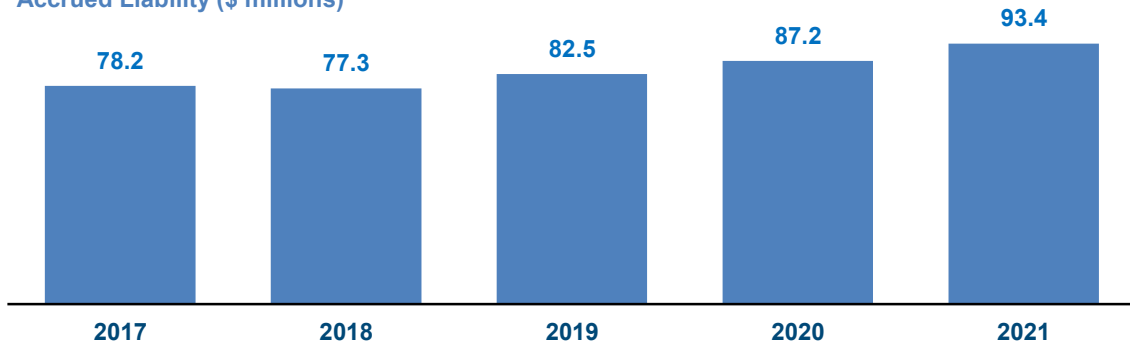


For purposes of determining the City's contribution, the Accrued Liability is measured using the Projected Unit Credit actuarial cost method. A different actuarial cost method, Entry Age Normal, is required to be used to measure liability for financial reporting purposes per GASB 67/68. As of July 1, 2021, the Entry Age Normal Accrued Liability is \$96,309,579.

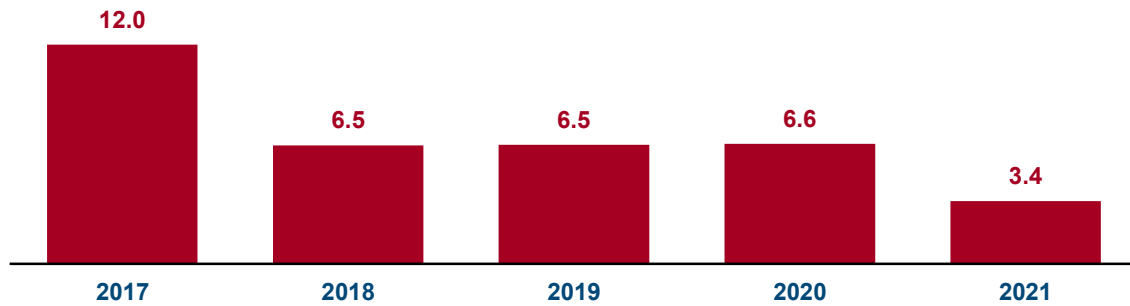
## Section I - Executive Summary Funded Status

The Accrued Liability grows over time as active members earn additional benefits, and goes down over time as members receive benefits; it may also change when there are changes to the plan provisions or changes in the actuarial assumptions. The Unfunded Accrued Liability is the dollar difference between the Accrued Liability and the Actuarial Value of Assets; the Funded Ratio is the ratio of the two.

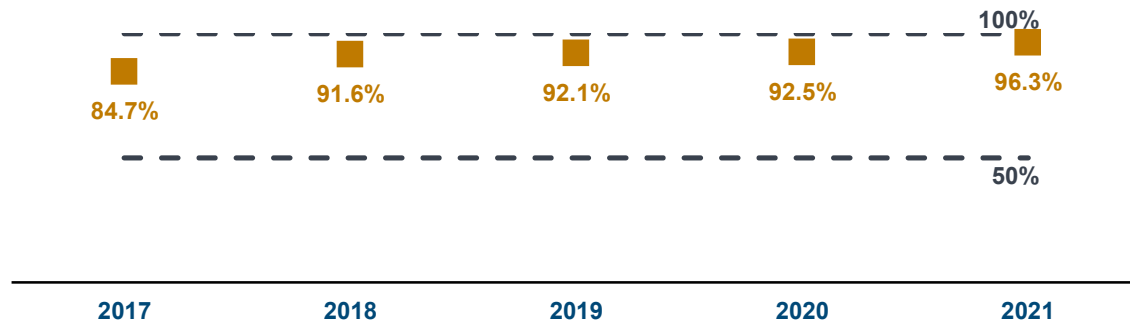
Accrued Liability (\$ millions)



Unfunded Accrued Liability (\$ millions)



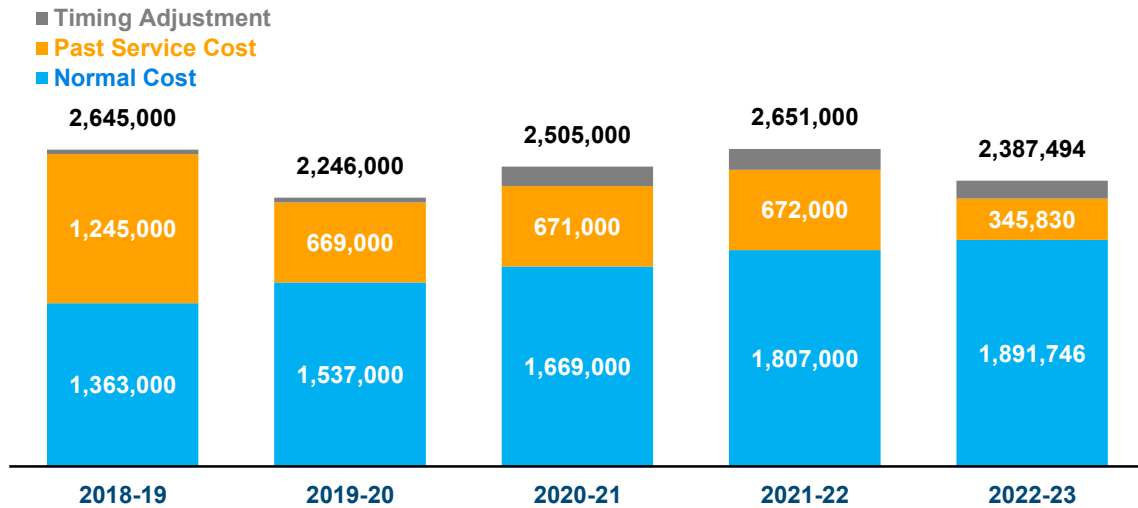
Funded Ratio



## Section I - Executive Summary Actuarially Determined Contribution

The Actuarially Determined Contribution consists of three pieces: a Normal Cost payment to fund the benefits earned each year, a Past Service Cost to gradually reduce any unfunded or surplus liability, and a Timing Adjustment to reflect the timing of the contribution relative to the valuation date.

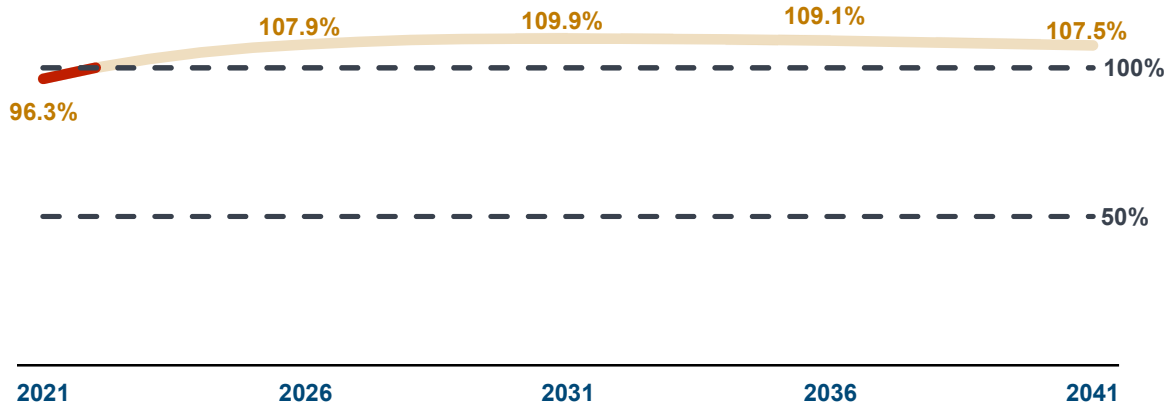
The Actuarially Determined Contribution for fiscal year 2022-23 is shown graphically below, along with the comparable figures for the preceding four fiscal years. Note that the Normal Cost is relatively consistent from year to year, whereas the Past Service Cost tends to be more volatile since it reflects the impact of asset performance.



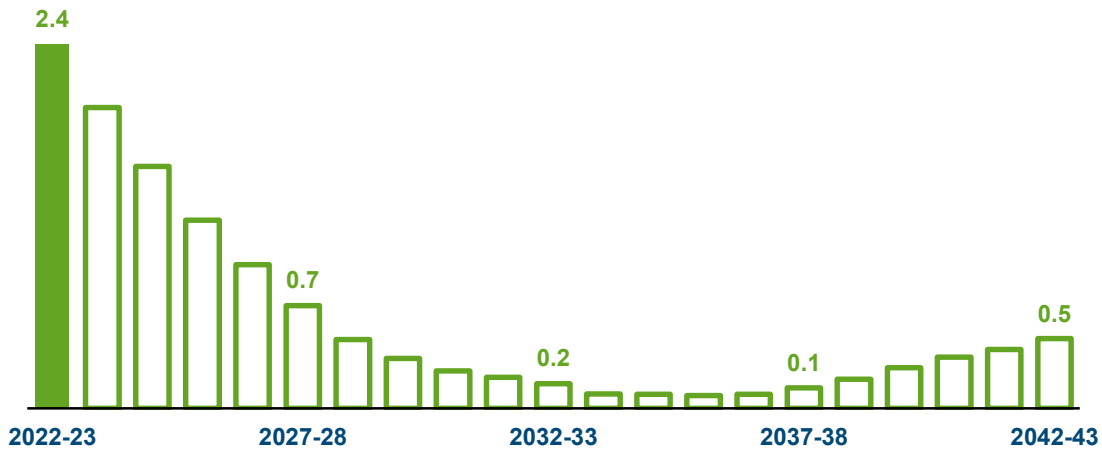
## Section I - Executive Summary Long-Range Forecast

If the City pays the Actuarially Determined Contribution each year, the investments earn exactly the assumed interest rate each year, and there are no changes in the plan provisions or in the actuarial methods and assumptions, then we project the following changes in the plan's funded status and the long-range contribution levels. Because the market gains from 2020-21 have not been fully reflected in the Actuarial Value of Assets, the funded ratio is projected to improve significantly and contributions are projected to decrease.

### Funded Ratio



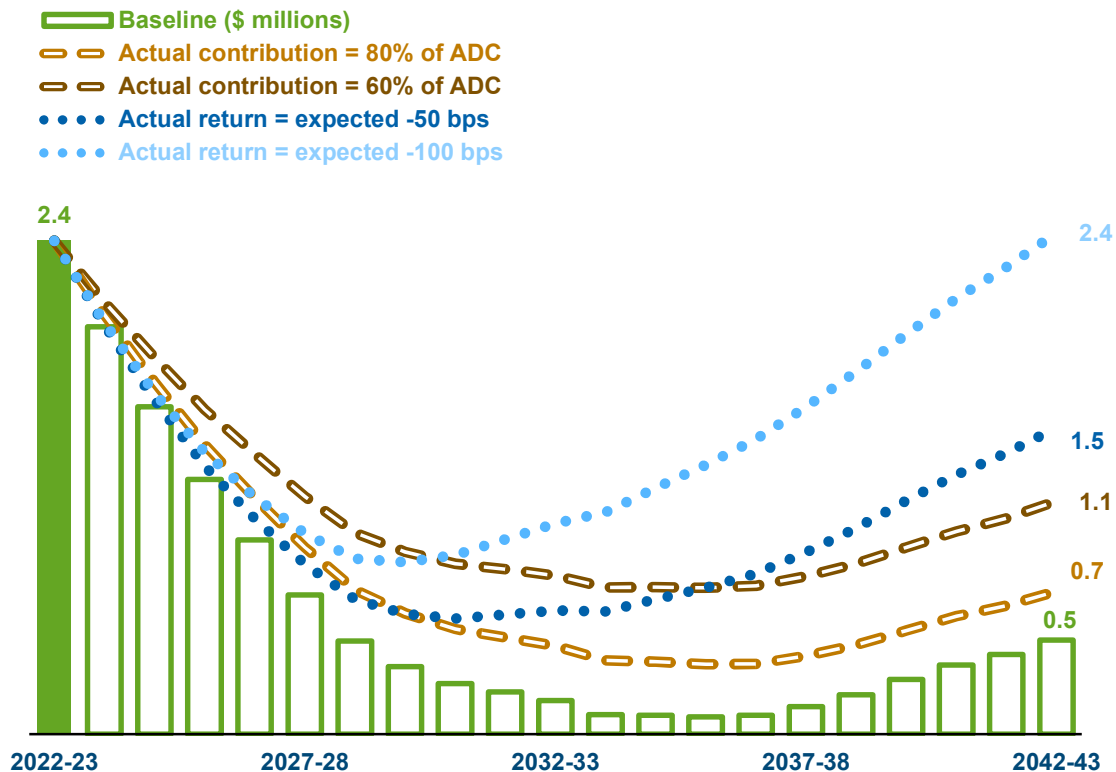
### Actuarially Determined Contribution (\$ millions)



To the extent that there are future investment or liability gains or losses, changes in the actuarial assumptions or methods, or plan changes, the actual valuation results will differ from these forecasts. Please see Section III C for more details of the long range forecast.

## Section I - Executive Summary Long-Range Forecast (continued)

Pension benefits are paid for through a combination of contributions from the City and from employees, and from investment income. If the City pays less than the Actuarially Determined Contribution each year, or if the investments persistently earn less than the assumed interest rate, then the plan's funded status would suffer, and to compensate, the City's contribution levels would be pushed higher. The risks of underfunding and underearning are illustrated in the hypothetical scenarios below:



The scenarios illustrated above are based on deterministic projections that assume emerging plan experience always exactly matches the actuarial assumptions; in particular that actual asset returns will be constant in every year of the projection period. Variation in asset returns, contribution amounts, and many other factors may have a significant impact on the long-term financial health of the plan, the liquidity constraints on plan assets, and the City's future contribution levels. Stochastic projections could be prepared that would enable the City to understand the potential range of future results based on the expected variability in asset returns and other factors. Such analysis was beyond the scope of this engagement.

## Section I - Executive Summary Summary of Principal Results

<b>Membership as of</b>	<b>July 1, 2021</b>	<b>July 1, 2020</b>
Active Members	513	570
Terminated Members	152	126
Members in Pay Status	205	185
Total Count	870	881
 Payroll	 \$21,807,948	 \$23,645,427
 <b>Assets and Liabilities as of</b>	 <b>July 1, 2021</b>	 <b>July 1, 2020</b>
Market Value of Assets	\$103,738,769	\$78,047,000
Actuarial Value of Assets	90,005,976	80,607,186
 Accrued Liability for Active Members	 61,184,520	 58,305,215
Accrued Liability for Terminated Members	1,584,880	1,540,193
Accrued Liability for Members in Pay Status	30,662,026	27,328,972
Total Accrued Liability	93,431,426	87,174,380
 Unfunded Accrued Liability	 3,425,450	 6,567,194
 Funded Ratio	 96.3%	 92.5%
 <b>Actuarially Determined Contribution for Fiscal Year</b>	 <b>2022-23</b>	 <b>2021-22</b>
Normal Cost	\$1,891,746	\$1,807,000
Past Service Cost	345,830	672,000
Timing Adjustment	149,918	172,000
Actuarially Determined Contribution	2,387,494	2,651,000

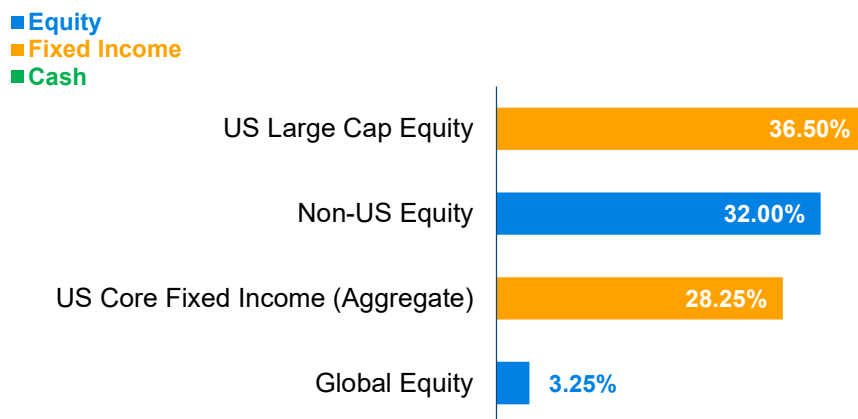
## Section II - Plan Assets

### A. Summary of Fund Transactions

<b>Market Value as of July 1, 2020</b>	<b>\$78,047,000</b>
City Contributions	2,505,000
Member Contributions	1,182,465
Net Investment Income	25,425,969
Benefit Payments	(3,367,211)
Administrative Expenses	(54,454)
 <b>Market Value as of June 30, 2021</b>	 <b>103,738,769</b>
Expected Return on Market Value of Assets	5,433,902
Market Value (Gain)/Loss	(19,992,067)
Approximate Rate of Return *	32.52%

\* The rate shown here is not the dollar or time weighted investment yield rate which measures investment performance. It is an approximate net return assuming all activity occurred on average midway through the fiscal year.

#### Target Asset Allocation as of June 30, 2021





## Section II - Plan Assets

### B. Development of Actuarial Value of Assets

In order to minimize the impact of market fluctuations on the contribution level, we use an Actuarial Value of Assets that recognizes gains and losses asymptotically over a five year period. The Actuarial Value of Assets as of July 1, 2021 is determined below.

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1.	Expected Actuarial Value of Assets:	
	a. Actuarial Value of Assets as of July 1, 2020	\$80,607,186
	b. City and Member Contributions	3,687,465
	c. Benefit Payments and Administrative Expenses	(3,421,665)
	d. Expected Earnings Based on 6.95% Interest	5,699,792
	e. Expected Actuarial Value of Assets as of July 1, 2021	86,572,778
2.	Market Value of Assets as of July 1, 2021	103,738,769
3.	Unrecognized Gains/(Losses): (2) - (1e)	17,165,991
4.	Amount Recognized as of July 1, 2021: 20% of (3)	3,433,198
5.	Preliminary Actuarial Value of Assets as of July 1, 2021: (1e) + (4)	90,005,976
6.	Preliminary Actuarial Value of Assets as a % of Market Value: (5) / (2)	86.8%
7.	Actuarial Value of Assets as of July 1, 2021: (5), within +/- 30% of (2)	90,005,976
8.	Actual Earnings on Actuarial Value of Assets: (7) - [(1a) + (1b) + (1c)]	9,132,990
9.	Approximate Rate of Return on Actuarial Value of Assets	11.33%
10.	Actuarial Value (Gain)/Loss: (1d) - (8)	(3,433,198)

## Section III - Development of Contribution

### A. Past Service Cost

In determining the Past Service Cost, the Unfunded Accrued Liability is amortized as a level dollar amount over 15 years.

	July 1, 2021	July 1, 2020
1. Accrued Liability		
Active Members	\$61,184,520	\$58,305,215
Terminated Members	1,584,880	1,540,193
Service Retirees	22,860,896	19,118,739
Disabled Retirees	2,262,598	2,236,102
Beneficiaries	5,538,532	5,974,131
Total Accrued Liability	93,431,426	87,174,380
2. Actuarial Value of Assets (see Section IIB)	90,005,976	80,607,186
3. Unfunded Accrued Liability: (1) - (2)	3,425,450	6,567,194
4. Funded Ratio: (2) / (1)	96.3%	92.5%
5. Amortization Period	15	15
6. Amortization Growth Rate	0.00%	0.00%
7. Past Service Cost: (3) amortized over (5)	345,830	672,059

**Section III - Development of Contribution**  
**B. Actuarially Determined Contribution**

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	<b>2022-23</b>	<b>2021-22</b>
1. Total Normal Cost	\$2,987,672	\$2,984,454
2. Expected Member Contributions	1,144,926	1,239,762
3. Expected Administrative Expenses	49,000	62,000
4. Net Normal Cost: (1) - (2) + (3)	1,891,746	1,806,692
5. Past Service Cost (see Section IIIA)	345,830	672,059
6. Interest on (4) + (5) to start of the fiscal year	149,918	172,000
7. Actuarially Determined Contribution: (4) + (5) + (6)	2,387,494	2,651,000

## Section III - Development of Contribution C. Long Range Forecast

This forecast is based on the results of the July 1, 2021 actuarial valuation and assumes that the City will pay the Actuarially Determined Contribution each year, the assets will return the assumed interest rate on a market value basis each year, and there are no future changes in the actuarial methods or assumptions or in the plan provisions. Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets.

Valuation Date	Values as of the Valuation Date				Fiscal Year	Cash Flows Projected to the Following Fiscal Year			
	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio		City Contributions	Member Contributions	Benefit Payments	Net Cash Flows
7/1/2021	\$93,431,426	\$90,005,976	\$3,425,450	96.3%	2022-23	\$2,387,494	\$1,118,777	(\$4,745,100)	(\$1,238,829)
7/1/2022	98,066,000	98,085,000	(19,000)	100.0%	2023-24	1,970,000	1,054,000	(5,340,000)	(2,316,000)
7/1/2023	102,866,000	105,900,000	(3,034,000)	102.9%	2024-25	1,583,000	1,015,000	(5,924,000)	(3,326,000)
7/1/2024	107,240,000	112,743,000	(5,503,000)	105.1%	2025-26	1,232,000	975,000	(6,465,000)	(4,258,000)
7/1/2025	111,172,000	118,676,000	(7,504,000)	106.7%	2026-27	939,000	939,000	(7,025,000)	(5,147,000)
7/1/2026	114,682,000	123,761,000	(9,079,000)	107.9%	2027-28	672,000	909,000	(7,569,000)	(5,988,000)
7/1/2027	117,715,000	128,029,000	(10,314,000)	108.8%	2028-29	450,000	890,000	(7,911,000)	(6,571,000)
7/1/2028	120,256,000	131,509,000	(11,253,000)	109.4%	2029-30	325,000	887,000	(8,194,000)	(6,982,000)
7/1/2029	122,567,000	134,444,000	(11,877,000)	109.7%	2030-31	244,000	888,000	(8,447,000)	(7,315,000)
7/1/2030	124,722,000	137,003,000	(12,281,000)	109.8%	2031-32	203,000	879,000	(8,736,000)	(7,654,000)
7/1/2031	126,762,000	139,264,000	(12,502,000)	109.9%	2032-33	161,000	864,000	(9,087,000)	(8,062,000)
7/1/2032	128,610,000	141,220,000	(12,610,000)	109.8%	2033-34	94,000	846,000	(9,346,000)	(8,406,000)
7/1/2033	130,138,000	142,793,000	(12,655,000)	109.7%	2034-35	90,000	854,000	(9,563,000)	(8,619,000)
7/1/2034	131,479,000	144,036,000	(12,557,000)	109.6%	2035-36	83,000	843,000	(9,789,000)	(8,863,000)
7/1/2035	132,677,000	145,076,000	(12,399,000)	109.3%	2036-37	90,000	854,000	(9,921,000)	(8,977,000)
7/1/2036	133,697,000	145,876,000	(12,179,000)	109.1%	2037-38	132,000	874,000	(10,025,000)	(9,019,000)
7/1/2037	134,684,000	146,562,000	(11,878,000)	108.8%	2038-39	190,000	886,000	(10,137,000)	(9,061,000)
7/1/2038	135,673,000	147,209,000	(11,536,000)	108.5%	2039-40	264,000	893,000	(10,232,000)	(9,075,000)
7/1/2039	136,658,000	147,823,000	(11,165,000)	108.2%	2040-41	334,000	906,000	(10,358,000)	(9,118,000)
7/1/2040	137,650,000	148,434,000	(10,784,000)	107.8%	2041-42	385,000	908,000	(10,490,000)	(9,197,000)

## Section III - Development of Contribution

### D. History of Funded Status

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio
July 1, 2021	\$90,005,976	\$93,431,426	\$3,425,450	96.3%
July 1, 2020	80,607,186	87,174,380	6,567,194	92.5%
July 1, 2019	75,951,783	82,474,100	6,522,317	92.1%
July 1, 2018	70,830,614	77,315,107	6,484,493	91.6%
July 1, 2017	66,218,281	78,223,415	12,005,134	84.7%
July 1, 2016	61,912,878	71,139,979	9,227,101	87.0%
July 1, 2015	59,000,012	67,608,355	8,608,343	87.3%
July 1, 2014	55,266,448	62,320,000	7,053,552	88.7%
July 1, 2013	51,123,151	58,120,000	6,996,849	88.0%
July 1, 2012	48,073,977	54,525,000	6,451,023	88.2%

## Section III - Development of Contribution

### E. History of City Contributions

Fiscal Year	Actuarially Determined Contribution	Actual City Contribution	Payroll	Actual Contribution as a Percent of Payroll
2022-23	\$2,387,494	TBD	\$21,807,948	TBD
2021-22	2,651,000	TBD	23,645,427	TBD
2020-21	2,505,000	2,505,000	22,674,349	11.0%
2019-20	2,246,000	2,246,000	22,066,298	10.2%
2018-19	2,645,000	2,661,593	19,996,361	13.3%
2017-18	2,206,000	2,206,000	19,918,498	11.1%
2016-17	2,145,000	2,145,000	19,037,369	11.3%
2015-16	1,840,000	1,872,461	19,037,369	9.8%
2014-15	1,669,000	1,669,000	18,619,467	9.0%
2013-14	1,584,000	1,584,000	18,619,467	8.5%

## Section IV - Membership Data

### A. Reconciliation of Membership from Prior Valuation

Details of the changes in the Plan membership since the last valuation are shown below. Additional details on the Plan membership are provided in the remainder of Section IV.

	Active Members	Terminated Vested Members	Nonvested Members Due Refunds	Service Retirees	Disabled Retirees	Beneficiaries	Total
<b>Count July 1, 2020</b>	570	14	112	134	9	42	881
Terminated							
- due refund	(24)	-	24	-	-	-	0
- paid refund	(13)	-	-	-	-	-	(13)
- vested benefits due	(5)	5	-	-	-	-	0
Retired	(20)	(3)	-	23	-	-	0
Died							
- with beneficiary	-	-	-	-	-	-	0
- no beneficiary	-	-	-	(2)	-	(1)	(3)
Benefits expired	-	-	-	-	-	-	0
New member	5	-	-	-	-	-	5
Rehired	-	-	-	-	-	-	0
New Alternate Payee	-	-	-	-	-	-	0
Correction	-	-	-	-	-	-	0
<b>Count July 1, 2021</b>	513	16	136	155	9	41	870

**Section IV - Membership Data**  
**B. Statistics of Active Membership**

---

	<b>As of July 1, 2021</b>	<b>As of July 1, 2020</b>
<b>Number of Active Members</b>	513	570
<b>Average Age</b>	52.7	51.4
<b>Average Service</b>	14.4	13.2
<b>Total Payroll</b>	\$21,807,948	\$23,645,427
<b>Average Payroll</b>	42,511	41,483



## Section IV - Membership Data

### C. Statistics of Inactive Membership

	As of July 1, 2021	As of July 1, 2020
<b>Terminated Vested Members</b>		
Number	16	14
Total Annual Benefit	\$125,628	\$115,936
Average Annual Benefit	7,852	8,281
Average Age	55.4	56.0
<b>Nonvested Members Due Refunds</b>		
Number	136	112
<b>Service Retirees</b>		
Number	155	134
Total Annual Benefit	\$2,328,301	\$2,028,493
Average Annual Benefit	15,021	15,138
Average Age	75.2	75.8
<b>Disabled Retirees</b>		
Number	9	9
Total Annual Benefit	\$202,426	\$202,426
Average Annual Benefit	22,492	22,492
Average Age	69.1	68.1
<b>Beneficiaries</b>		
Number	41	42
Total Annual Benefit	\$758,342	\$800,570
Average Annual Benefit	18,496	19,061
Average Age	82.9	81.8

**Section IV - Membership Data**  
**D. Distribution of Inactive Members as of July 1, 2021**

	Age	Number	Annual Benefits
<b>Terminated Vested Members</b>	< 50	6	\$36,914
	50 - 59	6	69,971
	60 - 69	2	251,680
	70 - 79	1	4,302
	80 - 89	1	10,284
	90 +	0	0
	Total	16	373,151
<b>Service Retirees</b>	< 50	0	\$0
	50 - 59	4	107,179
	60 - 69	36	496,536
	70 - 79	76	1,048,900
	80 - 89	30	497,468
	90 +	9	178,218
	Total	155	2,328,301
<b>Disabled Retirees</b>	< 50	0	\$0
	50 - 59	3	84,229
	60 - 69	2	64,151
	70 - 79	2	27,030
	80 - 89	1	11,458
	90 +	1	15,558
	Total	9	202,426
<b>Beneficiaries</b>	< 50	0	\$0
	50 - 59	1	44,847
	60 - 69	4	111,782
	70 - 79	8	155,165
	80 - 89	18	293,442
	90 +	10	153,106
	Total	41	\$758,342

## Section V - Analysis of Risk

### A. Introduction

The results of this actuarial valuation are based on one set of reasonable assumptions. However, it is almost certain that future experience will not exactly match these assumptions. As an example, the plan's investments may perform better or worse than assumed in any single year and over any longer time horizon. It is therefore important to consider the potential impacts of these likely differences when making decisions that may affect the future financial health of the plan, or of the plan's members.

In addition, as plans mature they accumulate larger pools of assets and liabilities. The increase in size in turn increases the potential magnitude of adverse experience. As an example, the dollar impact of a 10% investment loss on a plan with \$1 billion in assets and liabilities is much greater than the dollar impact for a plan with \$1 million in assets and liabilities. Since pension plans make long-term promises and rely on long-term funding, it is important to consider how mature the plan is today, and how mature it may become in the future.

Actuarial Standard of Practice No. 51 (ASOP 51) directs actuaries to provide pension plan sponsors with information concerning the risks associated with the plan:

- Identify risks that may be significant to the plan.
- Assess the risks identified as significant to the plan. The assessment does not need to include numerical calculations.
- Disclose plan maturity measures and historical information that are significant to understanding the plan's risks.

This section of the report uses the framework of ASOP 51 to communicate important information about significant risks to the plan, the plan's maturity, and relevant historical plan data.

Please see Section III C for more information on the basis for the projected results shown on the following pages.

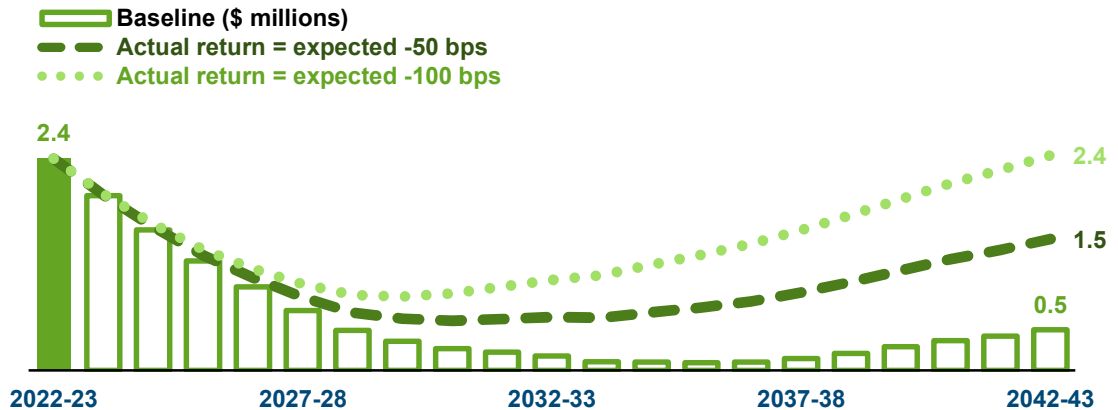
## Section V - Analysis of Risk

### B. Risk Identification and Assessment

#### Investment Risk

Definition: This is the potential that investment returns will be different than expected.

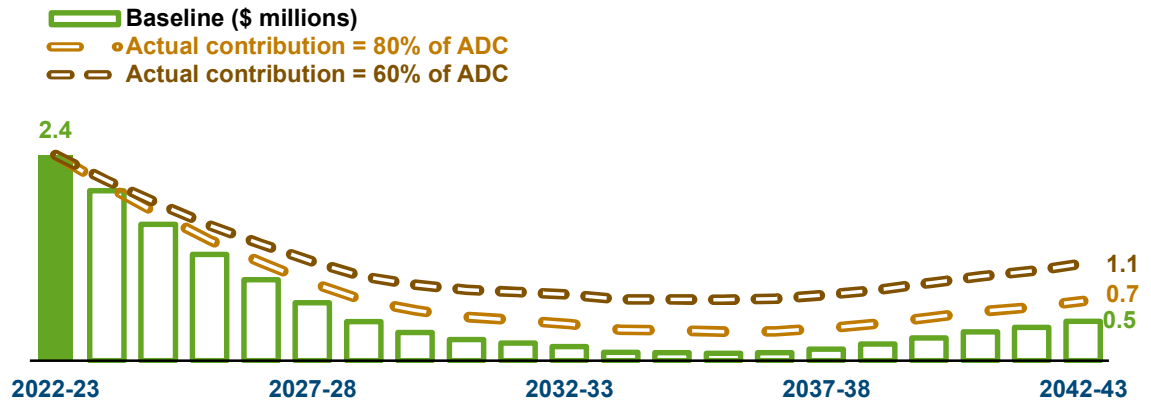
Identification: To the extent that actual investment returns differ from the assumed investment return, the plan's future assets, Actuarially Determined Contributions, and funded status may differ significantly from those presented in this valuation. The consequences of persistent underperformance on future Actuarially Determined Contribution levels are illustrated below:



#### Contribution Risk

Definition: This is the potential that actual future contributions will be less than the Actuarially Determined Contribution.

Identification: Over the past 8 years, actual contributions have been, in total, 100.3% of the Actuarially Determined Contribution in total. The consequences of persistent underfunding on future Actuarially Determined Contribution levels are illustrated below:



## Section V - Analysis of Risk

### B. Risk Identification and Assessment

#### Liquidity Risk

**Definition:** This is the potential that assets must be liquidated at a loss earlier than planned in order to pay for the plan's benefits and operating costs. This risk is heightened for plans with negative cash flows, in which contributions are not sufficient to cover benefit payments plus expenses.

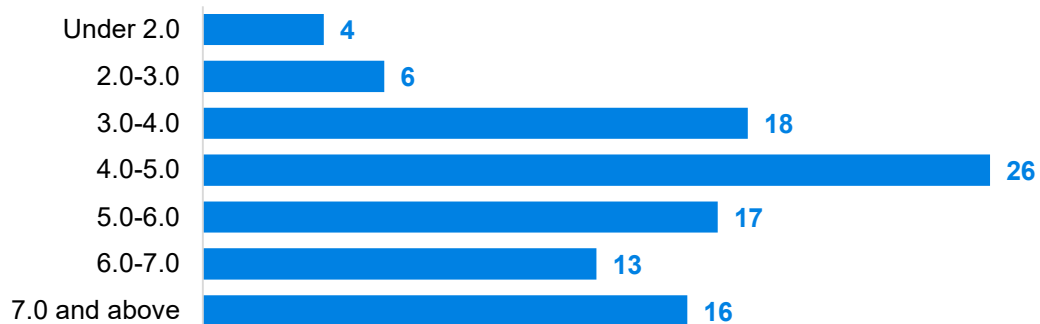
**Identification:** In 2020-21, the plan had positive cash flow, with city and member contributions to the plan of \$3,687,465 compared to \$3,421,665 of benefit payments and administrative expenses paid out of the plan. We suggest that you consult with your investment advisors with respect to the liquidity characteristics of the plan's investment holdings.

#### Maturity Risk

**Definition:** This is the potential for total plan liabilities to become more heavily weighted toward inactive liabilities over time, and for plan assets and/or liabilities to become larger relative to the active member liability.

**Identification:** The plan is subject to maturity risk because as plan assets and liabilities continue to grow, the dollar impact of any gains or losses on the assets or liabilities also becomes larger.

**Assessment:** As of July 1, 2021, the plan's Asset Volatility Ratio (the ratio of the market value of plan assets to payroll) is 4.8. According to Milliman's 2021 Public Pension Funding Study, the 100 largest US public pension plans have the following range of Asset Volatility Ratios:



#### Inflation Risk

**Definition:** This is the potential for a pension to lose purchasing power over time due to inflation.

**Identification:** The members of pension plans without fully inflation-indexed benefits are subject to the risk that their purchasing power will be reduced over time due to inflation.

**Assessment:** This plan does not contain a mechanism to regularly increase benefits after retirement, so members bear all of the inflation risk.

## Section V - Analysis of Risk

### B. Risk Identification and Assessment

#### Insolvency Risk

**Definition:** This is the potential that a plan will become insolvent; that is, assets will be fully depleted.

**Identification:** If a plan becomes insolvent, contractually required benefits must be paid from the plan sponsor's other remaining assets.

**Assessment:** Under the GASB 68 depletion date methodology, the plan is not projected to become insolvent. Please see the GASB 68 report for more details on the underlying analysis.

#### Demographic Risks

**Definition:** This is the potential that mortality, turnover, retirement, or other demographic experience will be different than expected.

**Identification:** The pension liabilities reported herein have been calculated by assuming that members will follow patterns of demographic experience as described in Appendix B. If actual demographic experience or future demographic assumptions are different from what is assumed to occur in this valuation, future pension liabilities, Actuarially Determined Contributions, and funded status may differ significantly from those presented in this valuation. Formal Experience Studies performed on a regular basis are helpful in ensuring that the demographic assumptions reflect emerging plan experience.

#### Retirement Risk

**Definition:** This is the potential for members to retire and receive subsidized benefits that are more valuable than expected.

**Identification:** This plan has valuable early retirement benefits. Normal retirement eligibility is the earlier of Age 60 with 10 years of service or 25 years of service (regardless of age). If members retire at earlier ages than are anticipated by the actuarial assumptions, this will put upward pressure on subsequent Actuarially Determined Contributions.

#### Additional Pension Credit Risk

**Definition:** This is the potential for active members to trade in unused sick and/or vacation days and receive pension benefits that are higher than expected.

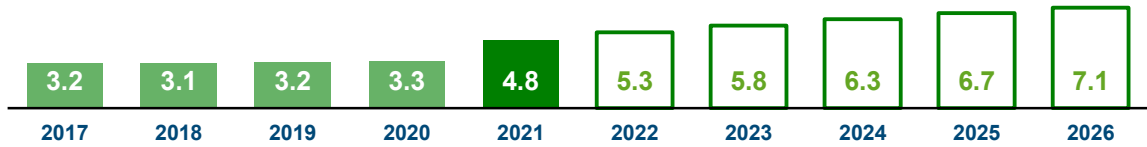
**Identification:** This plan permits some members to trade in unused sick and/or vacation days to increase their total pension multiplier. We assume that on average members elect to receive 50% of the maximum additional pension credit. If members elect to receive more than 50% of the maximum additional pension credit on average, this will put upward pressure on subsequent Actuarially Determined Contributions.

## Section V - Analysis of Risk

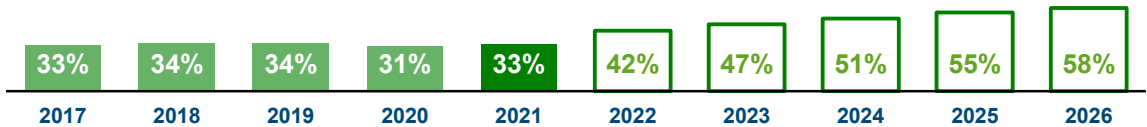
### C. Maturity Measures

The metrics presented below are different ways of understanding the plan's maturity level, both in the past and as it is expected to change in the coming years.

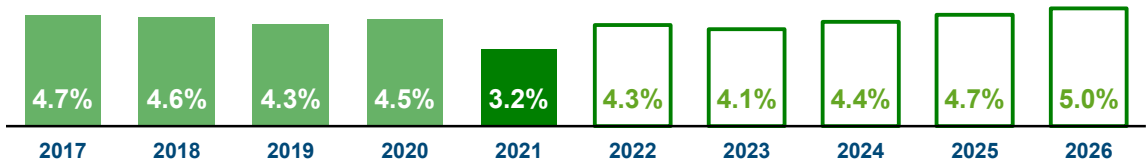
#### Asset Volatility Ratio: Market Value of Assets compared to Payroll



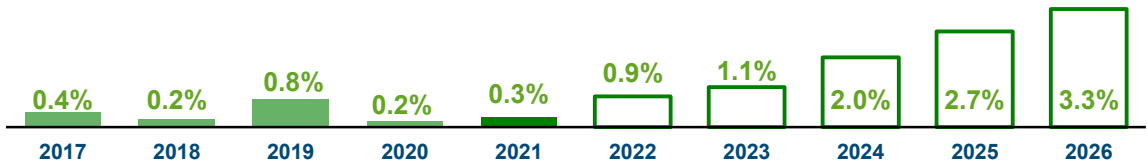
#### Accrued Liability for members in pay status compared to total Accrued Liability



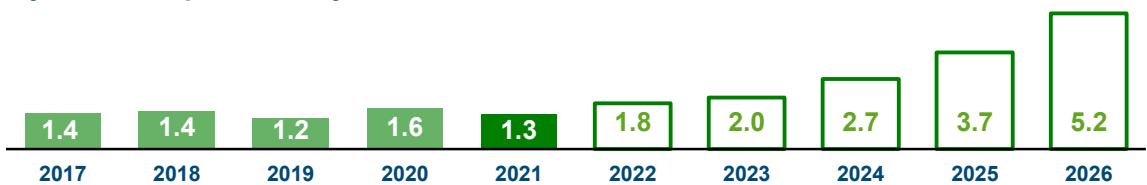
#### Benefit Payments compared to Market Value of Assets



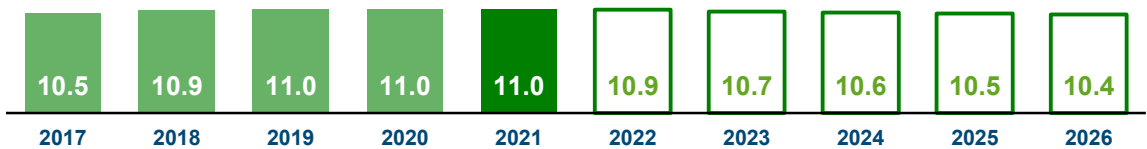
#### Net Cash Flows compared to Market Value of Assets



#### Benefit Payments compared to City Contributions



#### Duration of Accrued Liability (based on GASB 68 sensitivity disclosures)



## Appendix A - Actuarial Funding Method

The actuarial funding method used in the valuation of this Plan is known as the Projected Unit Credit Cost Method. The Actuarially Determined Contribution consists of three pieces: Normal Cost plus a Past Service Cost payment to gradually eliminate the Unfunded Accrued Liability plus a Timing Adjustment to reflect the timing of the contribution relative to the valuation date.

Under this cost method a projected retirement benefit at assumed retirement age is computed for each member. The Normal Cost for each member is computed as the present value of the pro-rata portion of the member's projected benefit which is accrued or earned during the plan year being valued. The normal cost of the plan is the total of the individually computed normal costs for all members. The Accrued Liability at any point in time for an active member is the present value of that portion of the projected benefit which has been accrued up to the valuation date. For members receiving benefits or entitled to a deferred benefit, the accrued liability is equal to the present value of their future benefit payments. The accrued liability for the plan is the total of individually computed accrued liability amounts for all members.

The funding cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

The Unfunded Accrued Liability is the excess of the Accrued Liability over the assets which have been accumulated for the plan. This Unfunded Accrued Liability is amortized as a level dollar amount over an open period of 15 years.

The Actuarial Value of Assets is determined by recognizing market gains and losses asymptotically over a five year period; the result is constrained to within +/- 30% of the market value of assets as of the valuation date.

The long-range forecasts included in this report have been developed by assuming that members will terminate, retire, become disabled, and die according to the actuarial assumptions with respect to these causes of decrement, and that pay increases, cost of living adjustments, and so forth will likewise occur according to the actuarial assumptions. For those unions whose new employees are eligible to participate in this plan, members who are projected to leave active employment are assumed to be replaced by new active members with the same age, service, gender, and pay characteristics as those hired in the past few years, as well as incorporating the characteristics of the current active employees as a whole.



## Appendix B - Actuarial Assumptions

Each of the assumptions used in this valuation was set based on industry standard published tables and data, the particular characteristics of the plan, relevant information from the plan sponsor or other sources about future expectations, and our professional judgment regarding future plan experience. We believe the assumptions are reasonable for the contingencies they are measuring, and are not anticipated to produce significant cumulative actuarial gains or losses over the measurement period.

<b>Interest Rate</b>	6.70% (Prior 6.95%)
<b>Inflation Rate</b>	2.60%
<b>Expenses</b>	The average of the prior year two year's administrative expenses, rounded to the nearest \$1,000.

<b>Salary Scale</b>	<b>Age</b>	<b>Rate</b>
	20	6.10%
	25	6.10%
	30	5.45%
	35	4.80%
	40	4.15%
	45	3.50%
	50	2.85%
	55+	2.60%

<b>Turnover</b>	<b>Age</b>	<b>Rate</b>
	20	5.44%
	25	4.89%
	30	3.70%
	35	2.35%
	40	1.13%
	45+	0.00%

**Retirement** Assumed rates of retirement after the completion of 10 years of service:

<b>Age</b>	<b>Rate</b>
60	20%
61	5%
62-69	20%
70	100%

An additional 50% probability of retirement is assumed after the completion of 25 years of service.

## Appendix B - Actuarial Assumptions

<b>Disability</b>	<b>Age</b>	<b>Rate</b>
	20	0.05%
	25	0.05%
	30	0.05%
	35	0.06%
	40	0.09%
	45	0.18%
	50	0.40%
	55	0.85%
	60	0.00%

All disabilities are assumed to be non-service related.

### **Mortality**

PubG-2010 Mortality Table with generational projection per the MP-2019 ultimate scale, with employee rates before benefit commencement and healthy, disabled, and contingent annuitant rates after benefit commencement. This assumption includes a margin for mortality improvement beyond the valuation date.

All preretirement deaths are assumed to be non-service related.

### **Marital Status**

70% of active participants are assumed to be married. Female spouses are assumed to be 4 years younger than male spouses.

### **Pension Service Exchange and Payout Bank**

Retiring members are assumed to elect 50% of the maximum exchange (based on their current bank).

## Appendix C - Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan. It is not intended to be, nor should it be interpreted as a complete statement of all plan provisions. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

<b>Eligibility</b>	Members of the Custodians union hired after July 1, 2011 and members of the Security Workers hired after December 1, 2013 are not eligible to participate in the Plan. Members of the Educational Assistants unions are eligible to participate at hire.
<b>Pension Earnings</b>	Salary in the final year of employment.
<b>Normal Retirement Eligibility</b>	Age 60 with 10 years of service or 25 years of service.
<b>Normal Retirement Benefit</b>	Educational Assistants and Security Workers: 1.5% of pension earnings per year of service (maximum 33 years).  Custodians: 2.25% of pension earnings per year of service (maximum 33 years).
<b>Non-Service Disability Eligibility</b>	10 years of service.
<b>Non-Service Disability Benefit</b>	50% of Pension Earnings if less than 25 years of service; accrued retirement benefit if more than 25 years of service.
<b>Service Disability Eligibility</b>	No service requirement.
<b>Service Disability Benefit</b>	50% of Pension Earnings.
<b>Non-Service Preretirement Death Eligibility</b>	No service requirement.
<b>Non-Service Preretirement Death Benefit</b>	Return of contributions if less than 10 years of service; 50% of pension earnings with 10 years of service.
<b>Service Preretirement Death Eligibility</b>	No service requirement.
<b>Service Preretirement Death Benefit</b>	50% of Pension Earnings.
<b>Postretirement Death Benefit</b>	Lump sum equal to the excess, if any, of accumulated contributions over the total benefits paid to the member or survivors.

## Appendix C - Summary of Plan Provisions

<b>Vesting</b>	100% after 10 years of service.
<b>Termination Benefit</b>	If the member is not vested, the member is paid a refund of their accumulated contributions.
<b>Employee Contributions</b>	<p>Active members contribute a percentage of salary:</p> <p style="margin-left: 40px;">Custodians: 7.00%</p> <p style="margin-left: 40px;">All others: 5.00%</p> <p>Employee Contributions are credited with interest of 4.00% per year.</p> <p>No member contributions are made by employees with 33+ years of service.</p>

### Vacation / Sick Leave Banks

<b>Group</b>	<b>Payout Bank Source</b>	<b>Additional Pension Credits Available</b>	
		<b>Vacation</b>	<b>Sick</b>
Custodians	Operating Budget	Yes	Yes
		<b>Eligibility Cutoff Date For</b>	
		<b>Vacation</b>	<b>Sick</b>
		N/A	07/01/1998

Educational Assistants and Security Workers are not eligible for this additional retirement benefit.

The amount of the exchange bank is equal to the number of sick days subject to a 165 day maximum, plus vacation days. Employees can trade in up to 125 days of eligible time for additional pension credit. Each 25 days grants an additional 1.5% of salary up to a maximum of 7.5%. The remainder of the bank is paid out in a lump sum outside the Plan.

## Appendix D - Glossary

**Actuarial Cost Method** - This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Actuarial Accrued Liability and the Normal Cost.

**Accrued Liability** - This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).

**Actuarial Assumptions** - With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. Some examples of key assumptions include the interest rate, salary scale, and rates of mortality, turnover and retirement.

**Actuarial Present Value of Benefits** - This is the present value, as of the valuation date, of future payments for benefits and expenses under the Plan, where each payment is: a) multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and b) discounted at the assumed interest rate.

**Actuarial Value of Assets** - This is the value of cash, investments and other property belonging to the plan, typically adjusted to recognize investment gains or losses over a period of years to dampen the impact of market volatility on the Actuarially Determined Contribution.

**Actuarially Determined Contribution (“ADC”)** - This is the employer’s periodic contributions to a defined benefit plan, calculated in accordance with actuarial standards of practice.

**Attribution Period** - The period of an employee’s service to which the expected benefit obligation for that employee is assigned. The beginning of the attribution period is the employee’s date of hire and costs are spread across all employment.

**Interest Rate** - This is the long-term expected rate of return on any investments set aside to pay for the benefits. In a financial reporting context (e.g., GASB 68) this is termed the Discount Rate.

**Normal Cost** - This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.

**Past Service Cost** - This is a catch-up payment to fund the Unfunded Accrued Liability over time (generally 10 to 30 years). A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each valuation date. Also known as the Amortization Payment.

**Return on Plan Assets** - This is the actual investment return on plan assets during the fiscal year.

**Unfunded Accrued Liability** - This is the excess of the Accrued Liability over the Actuarial Value of Assets.