



**THE CLASSIFIED EMPLOYEES' RETIREMENT TRUST FUND
OF THE CITY OF STAMFORD - WPCA**

GASB 67 and 68 DISCLOSURE

Fiscal Year: July 1, 2019 to June 30, 2020

Prepared by

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Certification

Actuarial computations presented in this report under Statements No. 67 and 68 of the Governmental Accounting Standards Board are for purposes of assisting the City in fulfilling its financial accounting requirements. No attempt is being made to offer any accounting opinion or advice. This report is for fiscal year July 1, 2019 to June 30, 2020. The reporting date for determining plan assets and obligations is June 30, 2020. The calculations enclosed in this report have been made on a basis consistent with our understanding of the plan provisions. Determinations for purposes other than meeting financial reporting requirements may be significantly different than the results contained in this report. Accordingly, additional determinations may be needed for other purposes, such as judging benefit security or meeting employer funding requirements.

In preparing this report, we relied, without audit, on information as of July 1, 2019 and June 30, 2020 furnished by the City. This information includes, but is not limited to, statutory provisions, member census data, and financial information. Please see Milliman's funding valuation report dated April 22, 2020 for more information on the plan's participant group as of July 1, 2019 as well as a summary of the plan provisions and a summary of the actuarial methods and assumptions used for funding purposes.

We performed a limited review of the census and financial information used directly in our analysis and have found them to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete our results may be different and our calculations may need to be revised.

The valuation results were developed using models employing 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 hereby certify that, to the best of our knowledge, this report, including all costs and liabilities based on actuarial assumptions and methods, is complete and accurate and determined in conformance with generally recognized and accepted actuarial principles and practices, which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions and supporting Recommendations of the American Academy of Actuaries.

Statements No. 67 and 68 of the Governmental Accounting Standards Board (GASB) require that the discount rate assumption be the estimated long-term yield on the investments that are expected to finance the benefits. Each of the assumptions used in this valuation with the exception of those set by law 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.

This valuation report is only an estimate of the Plan's financial condition as of a single date. It can neither predict the Plan's future condition nor guarantee future financial soundness. Actuarial valuations do not affect the ultimate cost of Plan benefits, only the timing of Plan contributions. While the valuation is based on an array of individually reasonable assumptions, other assumption sets may also be reasonable and valuation results based on those assumptions would be different. No one set of assumptions is uniquely correct. Determining results using alternative assumptions is outside the scope of our engagement.

Certification

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 measurements.

Milliman's work is prepared solely for the internal use and benefit of the City of Stamford. 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 Plan Sponsor may provide a copy of Milliman's work, in its entirety, to the Plan Sponsor'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 Plan Sponsor 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 specific needs.

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.

The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and has been prepared in accordance with generally recognized accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



Rebecca A. Sielman, FSA
Consulting Actuary



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Executive Summary

Relationship Between Valuation Date, Measurement Date, and Reporting Date

The Valuation Date is July 1, 2019. This is the date as of which the actuarial valuation is performed. The Measurement Date is June 30, 2020. This is the date as of which the net pension liability is determined. The Reporting Date is June 30, 2020. This is the plan's and/or employer's fiscal year ending date.

Significant Changes

There have been no significant changes between the valuation date and fiscal year end.

Participant Data as of July 1, 2019

Actives	27
Terminated vested & other inactives	4
Retirees and beneficiaries	<u>24</u>
Total	55

Schedule of Employer Contributions

Fiscal Year Ending June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
2020	\$268,000	\$268,000	\$0	\$2,248,952	11.92%
2019	416,000	416,000	0	2,290,105	18.17%
2018	358,000	358,000	0	2,572,331	13.92%
2017	317,000	317,000	0	2,541,480	12.47%
2016	304,000	304,000	0	2,333,159	13.03%
2015	N/A	N/A	N/A	N/A	N/A
2014	N/A	N/A	N/A	N/A	N/A
2013	N/A	N/A	N/A	N/A	N/A
2012	N/A	N/A	N/A	N/A	N/A
2011	N/A	N/A	N/A	N/A	N/A

Net Pension Liability

Net Pension Liability	June 30, 2020	June 30, 2019
Total pension liability	\$15,087,596	\$14,151,390
Fiduciary net position	12,508,227	12,299,200
Net pension liability	2,579,369	1,852,190
Fiduciary net position as a % of total pension liability	82.90%	86.91%
Covered payroll	2,248,952	2,290,105
Net pension liability as a % of covered payroll	114.69%	80.88%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 67 and 68.

Discount Rate

Discount rate	7.05%	7.10%
Long-term expected rate of return, net of investment expense	7.05%	7.10%
Municipal bond rate	N/A	N/A

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Other Key Actuarial Assumptions

The plan has not had a formal actuarial experience study performed.

Valuation date	July 1, 2019	July 1, 2018
Measurement date	June 30, 2020	June 30, 2019
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation	2.60%	2.60%
Salary increases including inflation	Graded by age	Graded by age
Mortality	Pub-2010 Mortality Table with generational projection per the MP-2019 ultimate scale	50/50 Blend of RP-2000 No Collar Combined Table and RP-2000 Blue Collar Combined Table, with generational projection per scale BB

Please see Milliman's funding valuation report dated April 22, 2020 for more detail.

Changes in Net Pension Liability

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of June 30, 2019	\$14,151,390	\$12,299,200	\$1,852,190
Changes for the year:			
Service cost	188,878		188,878
Interest on total pension liability	987,316		987,316
Effect of plan changes	363		363
Effect of economic/demographic gains or losses	282,225		282,225
Effect of assumptions changes or inputs	361,397		361,397
Benefit payments	(883,973)	(883,973)	0
Employer contributions		268,000	(268,000)
Member contributions		106,373	(106,373)
Net investment income		724,050	(724,050)
Administrative expenses		(5,423)	5,423
Balances as of June 30, 2020	15,087,596	12,508,227	2,579,369

Sensitivity Analysis

The following presents the net pension liability of the City, calculated using the discount rate of 7.05%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.05%) or 1 percentage point higher (8.05%) than the current rate.

	1% Decrease 6.05%	Current Discount Rate 7.05%	1% Increase 8.05%
Total pension liability	\$16,542,859	\$15,087,596	\$13,843,197
Fiduciary net position	12,508,227	12,508,227	12,508,227
Net pension liability	4,034,632	2,579,369	1,334,970

Schedule of Changes in Net Pension Liability and Related Ratios

	Fiscal Year Ending June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability										
Service cost	\$188,878	\$225,781	\$285,518	\$317,378	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	987,316	1,078,349	1,029,172	1,020,081	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	363	(589,689)	981	(215,835)	N/A	N/A	N/A	N/A	N/A	N/A
Effect of economic/demographic gains or losses	282,225	(984,086)	370,193	(233,718)	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	361,397	114,838	388,504	121,491	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(883,973)	(875,001)	(648,152)	(618,943)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	936,206	(1,029,808)	1,426,216	390,454	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	14,151,390	15,181,198	13,754,982	13,364,528	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	15,087,596	14,151,390	15,181,198	13,754,982	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	\$268,000	\$416,000	\$358,000	\$317,000	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	106,373	101,344	128,388	127,074	N/A	N/A	N/A	N/A	N/A	N/A
Net investment income	724,050	513,001	1,105,767	1,462,803	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(883,973)	(875,001)	(648,152)	(618,943)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(5,423)	(9,243)	(6,501)	(5,321)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in plan fiduciary net position	209,027	146,101	937,502	1,282,613	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	12,299,200	12,153,099	11,215,597	9,932,984	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	12,508,227	12,299,200	12,153,099	11,215,597	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability, ending = (a) - (b)	\$2,579,369	\$1,852,190	\$3,028,099	\$2,539,385	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	82.90%	86.91%	80.05%	81.54%	N/A	N/A	N/A	N/A	N/A	N/A
Covered payroll	\$2,248,952	\$2,290,105	\$2,572,331	\$2,541,480	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	114.69%	80.88%	117.72%	99.92%	N/A	N/A	N/A	N/A	N/A	N/A

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the current GASB standards, they should not be reported.

Pension Expense

Pension Expense	July 1, 2019 to June 30, 2020	July 1, 2018 to June 30, 2019
Service cost	\$188,878	\$225,781
Interest on total pension liability	987,316	1,078,349
Effect of plan changes	363	(589,689)
Administrative expenses	5,423	9,243
Member contributions	(106,373)	(101,344)
Expected investment return net of investment expenses	(855,273)	(862,044)
Recognition of Deferred Inflows/Outflows of Resources		
Recognition of economic/demographic gains or losses	(131,904)	(366,169)
Recognition of assumption changes or inputs	277,176	216,640
Recognition of investment gains or losses	154,197	260,107
Pension Expense	519,803	(129,126)

As of June 30, 2020, the deferred inflows and outflows of resources are as follows:

Deferred Inflows / Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	(\$349,192)	\$246,606
Changes of assumptions	0	342,275
Net difference between projected and actual earnings	0	63,655
Contributions made subsequent to measurement date	0	0
Total	(349,192)	652,536

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	(\$32,550)
2022	213,599
2023	96,052
2024	26,243
2025	0
Thereafter*	0

* Note that additional future deferred inflows and outflows of resources may impact these numbers.

Schedule of Deferred Inflows and Outflows of Resources

	Original Amount	Date Established	Original Rec. Period*	Amount Recognized in Pension Expense for FYE 06/30/2020	Amount Recognized in Pension Expense through 06/30/2020	Balance of Deferred Inflows as of 06/30/2020	Balance of Deferred Outflows as of 06/30/2020
Economic/ demographic gains or losses	\$282,225 (984,086) 370,193 (233,718)	6/30/2020 6/30/2019 6/30/2018 6/30/2017	2.9 3.1 3.6 3.2	\$97,319 (317,447) 102,831 (14,607)	\$97,319 (634,894) 308,493 (233,718)	\$0 (349,192) 0 0	\$184,906 0 61,700 0
		Total		(131,904)	(1,326,468)	(349,192)	246,606
Assumption changes or inputs	361,397 114,838 388,504 121,491	6/30/2020 6/30/2019 6/30/2018 6/30/2017	2.9 3.1 3.6 3.2	124,620 37,045 107,918 7,593	124,620 74,090 323,754 121,491	0 0 0 0	236,777 40,748 64,750 0
		Total		277,176	1,014,774	0	342,275
Investment gains or losses	131,223 349,043 (270,793) (712,156) 1,273,657	6/30/2020 6/30/2019 6/30/2018 6/30/2017 6/30/2016	5.0 5.0 5.0 5.0	26,245 69,809 (54,159) (142,431) 254,733	26,245 139,618 (162,477) (569,724) 1,273,657	0 0 (108,316) (142,432) 0	104,978 209,425 0 0 0
		Total		154,197	707,319	(250,748)	314,403
Total for economic/demographic gains or losses and assumption changes or inputs						(349,192)	588,881
Net deferred (inflows)/outflows for investment gains or losses						0	63,655
Total deferred (inflows)/outflows						(349,192)	652,536
Total net deferrals							303,344

* Investment (gains)/losses are recognized in pension expense over a period of five years; economic/demographic (gains)/losses and assumption changes or inputs are recognized over the average remaining service life for all active and inactive members.

Milliman Financial Reporting Valuation

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Deferred (Inflows)	Deferred Outflows	Net Investment (Inflows)/ Outflows	Net Deferrals	Net Pension Liability plus Net Deferrals	Annual Expense
Balances as of June 30, 2019	(\$14,151,390)	\$12,299,200	(\$1,852,190)	(\$681,246)	\$422,585	\$86,629	(\$172,032)	(\$2,024,222)	
Service cost	(188,878)		(188,878)						188,878
Interest on total pension liability	(987,316)		(987,316)						987,316
Effect of plan changes	(363)		(363)						363
Effect of liability gains or losses	(282,225)		(282,225)		282,225		282,225		
Effect of assumption changes or inputs	(361,397)		(361,397)		361,397		361,397		
Benefit payments	883,973	(883,973)	0						
Administrative expenses		(5,423)	(5,423)						5,423
Member contributions		106,373	106,373						(106,373)
Expected net investment income		855,273	855,273						(855,273)
Investment gains or losses		(131,223)	(131,223)			131,223	131,223		
Employer contributions		268,000	268,000					268,000	
Recognition of liability gains or losses				332,054	(200,150)		131,904		(131,904)
Recognition of assumption changes or inputs					(277,176)		(277,176)		277,176
Recognition of investment gains or losses						(154,197)	(154,197)		154,197
Annual expense								(519,803)	519,803
Balances as of June 30, 2020	(\$15,087,596)	12,508,227	(2,579,369)	(349,192)	588,881	63,655	303,344	(2,276,025)	