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December 22, 2022

**PERSONAL & CONFIDENTIAL**

Mr. Alfred Cava  
Director of Human Resources  
City of Stamford  
Via email

Re: The Police Pension Trust Fund of the City of Stamford  
Proposed Plan Changes

Dear Al:

At your request, we have analyzed the long-range financial impact of three proposed retirement plan changes. The proposed plan changes are as follows:

**Proposal 1: COLA Change:** Provide a COLA for retirees age 65 and older who retire on or after July 1, 2022. The COLA will be effective July 1 of each year and is 1%. Members that retire with less than 20 years of service will not be eligible for the COLA, unless they retire with a disability pension. Beneficiaries will continue to receive any COLA the retiree was receiving.

**Proposal 2: Disability Change:** Revise the disability benefit for those with less than 20 years of service as of the assumed plan change date of July 1, 2021 as follows:

- a) Employees that suffer a total and permanent disability as a result of a work related illness or injury will receive a pension equal to 100% of their pay. We refer to this definition of disability as an “any occupation” disability.
- b) Employees that suffer a permanent disability as a result of a work related illness or injury and can no longer work as a police officer, but do not qualify for the “any occupation” disability benefit above, will receive a pension equal to 75% of their pay. We refer to this definition of disability as an “own occupation” disability.

Those that have 20 or more years of service will be grandfathered in the current disability provisions.

**Proposal 3:** Proposal 1 combined with Proposal 2.

We prepared long-range forecasts of the City's Actuarially Determined Contributions for each of these changes. The results of our analysis, as well as an explanation of the projection methodology, can be found on the attached exhibit. If the attached exhibit is distributed, it must be distributed with a copy of this letter in its entirety.

Please note the following regarding our calculations:

- The proposed disability benefits are for work-related injury or illness. We did not assume any disability benefit is payable for a non-work related disability.
- We assumed the sick and vacation exchange option will continue to apply to disability benefits for those currently eligible for the exchange.
- Because the proposal reflects a new definition of disability, we have changed our assumed rates of disability for the non-grandfathered group. We developed separate rates for the "any occupation" and "own occupation" benefits as follows.
  - For the "any occupation" disabilities, we used the rates in the Social Security 2022 Trustees report and adjusted them by 50% to account for the fact that the proposed benefits are payable for work-related disabilities only.
  - For the "own occupation" disabilities, we reviewed the disability rates used by large pension plans that cover public safety employees such as the state pension plans of New Jersey, Ohio and Pennsylvania and developed a set of rates based on their assumptions, with a 50% adjustment for the fact that the proposed benefits are payable for work-related disabilities only.
  - We assumed that any members that were previously assumed to receive a disability benefit but would no longer qualify under the proposed eligibility criteria, would still terminate employment and collect a regular vested or retirement pension. In other words, the total number of members terminating employment has remained the same under the proposed benefits scenario.
  - Our assumed disability rates are shown in the attached exhibit.
- Our valuation uses a different mortality assumption for disabled retirees versus healthy retirees. Healthy retirees are assumed to live longer than disabled retirees. We assume anyone who qualifies for the plan's disability benefit will have the shorter disabled life expectancy. Under the proposals, fewer members are expected to qualify for a disability benefit, and therefore fewer members will have a shorter assumed life expectancy per the disabled table. This change in the assumed mortality offsets some of the decrease in liabilities due to the change in the benefit structure.
- The liability from our valuations is likely understated because the assumption for the number of disabilities is lower than what actually been happening and the disabled mortality assumption is likely understating life expectancies for some of the members that meet the current disability criteria.

Except as noted above, our calculations are based on the actuarial methods and assumptions used for our July 1, 2021 valuation and assume the plan changes were made effective on that date. The actual cost will depend on the final form of the plan changes, the effective date, and the eligible

members at that time. The proposed changes do not materially impact the analysis of risk that was presented in the July 1, 2021 valuation report.

It is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent future experience deviates from those assumptions, the results of this analysis could vary from the results presented here. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as 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 our assignment, we did not perform an analysis of the potential range of such future measurements.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. 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. 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.

The results were developed using models intended for valuations that use standard actuarial techniques. 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.

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We have not explored any legal issues with respect to the proposed plan changes. We are not attorneys and cannot give legal advice on such issues. 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 actuary is independent of the plan sponsor. I am not aware of any relationship that would impair the objectivity of my work.

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

Please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Rebecca". The signature is written in a cursive, flowing style.

Rebecca A. Sielman, FSA  
Consulting Actuary

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# The Police Pension Trust Fund of the City of Stamford

## Impact of Proposed Pension Plan Changes on the Actuarially Determined Contribution (ADC) Based on July 1, 2021 Valuation

**Proposed Change #1: COLA for future retirees with 20+ years of service or with disability pension - fixed 1%, every year starting at age 65**

**Proposed Change #2: Changes to Disability Benefits for non-grandfathered employees only (less than 20 years of service on July 1, 2021)**

**Proposed Change #3: Proposed Change #1 plus Proposed Change #2**

| Fiscal Year<br>Ending | Baseline<br>No Changes | Proposed Change #1 |                  | Proposed Change #2 |                  | Proposed Change #3 |                  |
|-----------------------|------------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|
|                       | ADC                    | ADC                | Impact<br>on ADC | ADC                | Impact<br>on ADC | ADC                | Impact<br>on ADC |
| 2022-23               | \$12,949,635           | \$12,949,635       | \$0              | \$12,949,635       | \$0              | \$12,949,635       | \$0              |
| 2023-24               | 12,815,000             | 14,175,000         | 1,360,000        | 11,861,000         | (954,000)        | 13,077,000         | 262,000          |
| 2024-25               | 12,655,000             | 14,119,000         | 1,464,000        | 11,509,000         | (1,146,000)      | 12,813,000         | 158,000          |
| 2025-26               | 12,503,000             | 13,933,000         | 1,430,000        | 11,342,000         | (1,161,000)      | 12,611,000         | 108,000          |
| 2026-27               | 12,296,000             | 13,664,000         | 1,368,000        | 11,095,000         | (1,201,000)      | 12,300,000         | 4,000            |
| 2027-28               | 12,090,000             | 13,404,000         | 1,314,000        | 10,899,000         | (1,191,000)      | 12,053,000         | (37,000)         |
| 2028-29               | 11,788,000             | 13,036,000         | 1,248,000        | 10,617,000         | (1,171,000)      | 11,706,000         | (82,000)         |
| 2029-30               | 11,566,000             | 12,763,000         | 1,197,000        | 10,400,000         | (1,166,000)      | 11,438,000         | (128,000)        |
| 2030-31               | 11,350,000             | 12,500,000         | 1,150,000        | 10,192,000         | (1,158,000)      | 11,184,000         | (166,000)        |
| 2031-32               | 11,175,000             | 12,282,000         | 1,107,000        | 10,043,000         | (1,132,000)      | 10,993,000         | (182,000)        |
| 2032-33               | 10,968,000             | 12,034,000         | 1,066,000        | 9,868,000          | (1,100,000)      | 10,780,000         | (188,000)        |
| 2033-34               | 10,819,000             | 11,850,000         | 1,031,000        | 9,753,000          | (1,066,000)      | 10,633,000         | (186,000)        |
| 2034-35               | 10,652,000             | 11,649,000         | 997,000          | 9,621,000          | (1,031,000)      | 10,468,000         | (184,000)        |
| 2035-36               | 10,532,000             | 11,499,000         | 967,000          | 9,530,000          | (1,002,000)      | 10,349,000         | (183,000)        |
| 2036-37               | 10,427,000             | 11,366,000         | 939,000          | 9,444,000          | (983,000)        | 10,235,000         | (192,000)        |
| 2037-38               | 10,324,000             | 11,238,000         | 914,000          | 9,361,000          | (963,000)        | 10,128,000         | (196,000)        |
| 2038-39               | 10,256,000             | 11,146,000         | 890,000          | 9,302,000          | (954,000)        | 10,046,000         | (210,000)        |
| 2039-40               | 10,177,000             | 11,046,000         | 869,000          | 9,230,000          | (947,000)        | 9,953,000          | (224,000)        |
| 2040-41               | 10,134,000             | 10,986,000         | 852,000          | 9,185,000          | (949,000)        | 9,889,000          | (245,000)        |
| 2041-42               | 10,173,000             | 11,011,000         | 838,000          | 9,217,000          | (956,000)        | 9,908,000          | (265,000)        |

This projection is based on the results of the July 1, 2021 actuarial valuation and assumes that 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.

This work product was prepared solely for the City for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

**This exhibit should only be distributed with a copy of the accompanying letter dated 12/22/2022 in its entirety.**

**12/22/2022**

# The Police Pension Trust Fund of the City of Stamford

## Analysis of Proposed Pension Plan Changes

### Actuarial Assumptions

| Turnover | <u>Age</u> | <u>July 1, 2021 Valuation</u> | <u>Used to Analyze Proposed Disability Benefit*</u> |                    |
|----------|------------|-------------------------------|---|--------------------|
|          |            | <u>Unisex Rate</u>            | <u>Male Rate</u>                                    | <u>Female Rate</u> |
|          | 20         | 1.81%                         | 2.01%   | 1.81%              |
|          | 25         | 1.63%                         | 1.83%   | 1.63%              |
|          | 30         | 1.23%                         | 1.43%   | 1.23%              |
|          | 35         | 0.78%                         | 0.98%   | 0.88%              |
|          | 40         | 0.00%                         | 0.30%   | 0.10%              |
|          | 45         | 0.00%                         | 0.70%   | 0.40%              |
|          | 50         | 0.00%                         | 1.70%   | 1.30%              |
|          | 55         | 0.00%                         | 3.90%   | 3.80%              |
|          | 60         | 0.00%                         | 9.10%   | 9.10%              |
|          | 65         | 0.00%                         | 9.10%   | 9.10%              |
|          | >65        | 0.00%                         | 0.00%   | 0.00%              |

\*Once the member is eligible for retirement, the turnover decrement becomes an additional retirement decrement

| Disability | <u>Age</u> | <u>July 1, 2021 Valuation</u> | <u>Used to Analyze Proposed Disability Benefit*</u> |                    |                         |                    |
|------------|------------|-------------------------------|---|--------------------|-------------------------|--------------------|
|            |            | <u>Unisex Rate</u>            | <u>Any Occupation</u>                               |                    | <u>Own Occupation**</u> |                    |
|            |            |                               | <u>Male Rate</u>                                    | <u>Female Rate</u> | <u>Male Rate</u>        | <u>Female Rate</u> |
|            | 20         | 0.30%                         | 0.07%   | 0.05%              | 0.04%                   | 0.26%              |
|            | 25         | 0.30%                         | 0.08%   | 0.07%              | 0.02%                   | 0.24%              |
|            | 30         | 0.30%                         | 0.10%   | 0.10%              | 0.02%                   | 0.21%              |
|            | 35         | 0.36%                         | 0.13%   | 0.14%              | 0.04%                   | 0.16%              |
|            | 40         | 0.54%                         | 0.18%   | 0.21%              | 0.09%                   | 0.23%              |
|            | 45         | 1.08%                         | 0.25%   | 0.28%              | 0.15%                   | 0.41%              |
|            | 50         | 2.40%                         | 0.42%   | 0.45%              | 0.34%                   | 0.63%              |
|            | 55         | 5.10%                         | 0.72%   | 0.69%              | 0.45%                   | 0.64%              |
|            | 60         | 10.44%                        | 0.90%   | 0.77%              | 0.40%                   | 0.61%              |
|            | 65         | 10.44%                        | 0.51%   | 0.43%              | 0.80%                   | 0.95%              |

\*\*Own occupation disabilities which do not qualify as any occupation disabilities

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