

City of Stamford

Board of Finance / Board of Representatives Pension and OPEB Discussion – April 8, 2024

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Principal and Consulting Actuary

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Agenda

- **High-level review of the results of the July 1, 2023 draft* valuations**
- **Historical funded ratios and contribution levels**
- **Review of historical investment returns by plan**

** All 2023 valuation results are draft, pending final confirmation of asset information for FY 2022-23*

Changes reflected in the July 1, 2023 valuations

- Modest asset gains for most plans; losses for Police pension plan
- Pension plan changes:
 - CERF: change in benefit multiplier for members who are promoted into a position covered by MAA (minimal cost impact)
 - Custodians: plan closed to new paraeducator employees (plan is now completely closed to new employees)
 - Police: changes to disability benefits, automatic cost of living adjustment (net \$541k increase in City's contribution)
- City OPEB valuation reflects continued shift of post-65 coverage to CT State Partnership Plan (SPP)

Preliminary results of July 1, 2023 pension valuations

| | CERF | | | | Custodians | Fire | Police | All Four Plans |
|---|------------------|----------------|----------------|------------------|------------------|-------------------|-------------------|-------------------|
| | City | BOE | WPCA | Total | | | | |
| Member Counts | | | | | | | | |
| - Active | 409 | 88 | 22 | 519 | 457 | 243 | 278 | 1,497 |
| - Inactive | 152 | 17 | 4 | 173 | 209 | 2 | 6 | 390 |
| - Retired | 604 | 84 | 30 | 718 | 212 | 247 | 365 | 1,542 |
| Market return, FY 2022-23 | | | | 9.55% | 11.48% | 9.06% | 6.26% | |
| Accrued liability | \$245,322,986 | \$30,803,547 | \$14,848,832 | \$290,975,365 | \$91,841,591 | \$253,551,159 | \$341,751,793 | \$978,119,908 |
| Actuarial value of assets | 232,448,420 | 29,188,544 | 14,462,276 | 276,099,240 | 99,342,654 | 196,134,679 | 252,128,192 | 823,704,765 |
| Unfunded accrued liability | 12,874,566 | 1,615,003 | 386,556 | 14,876,125 | (7,501,063) | 57,416,480 | 89,623,601 | 154,415,143 |
| Funded ratio | 94.8% | 94.8% | 97.4% | 94.9% | 108.2% | 77.4% | 73.8% | 84.2% |
| Past service cost | 1,355,283 | 169,438 | 37,739 | 1,562,460 | 0 | 8,285,906 | 9,363,247 | 19,211,613 |
| Total normal cost | 3,203,961 | 590,594 | 199,482 | 3,994,037 | 2,049,819 | 5,418,138 | 6,320,537 | 17,782,531 |
| Expected employee contributions | 1,650,732 | 301,196 | 112,596 | 2,064,524 | 1,163,049 | 1,483,202 | 1,668,012 | 6,378,787 |
| Administrative expenses | 113,225 | 20,871 | 7,049 | 141,145 | 74,000 | 173,000 | 229,000 | 617,145 |
| Net normal cost | 1,666,454 | 310,269 | 93,935 | 2,070,658 | 960,770 | 4,107,936 | 4,881,525 | 12,020,889 |
| Timing Adjustment | 202,457 | 32,140 | 8,822 | 243,419 | 64,372 | 830,387 | 954,400 | 2,092,578 |
| Actuarially Determined Contribution (ADC) for FYE 2025 | 3,224,194 | 511,847 | 140,496 | 3,876,537 | 1,025,142 | 13,224,229 | 15,199,172 | 33,325,080 |



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Preliminary results of July 1, 2023 OPEB valuations

| | City OPEB Plan | | | | | | | BOE OPEB Plan | | | | Total Both Plans |
|---|------------------|----------------|-------------|----------------|------------------|------------------|------------------|----------------|---------------|---------------|----------------|------------------|
| | CERF City | CERF BOE | CERF WPCA | Custodians | Fire | Police | Total | Teachers | Admin | Ed Assts | Total | |
| Member Counts | | | | | | | | | | | | |
| - Active | 442 | 82 | 24 | 96 | 238 | 267 | 1,149 | 1,452 | 86 | 362 | 1,900 | 3,049 |
| - Inactive | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Retired | 352 | 57 | 14 | 85 | 230 | 244 | 982 | 60 | 1 | 0 | 61 | 1,043 |
| Market return, FY 2022-23 | | | | | | | | | | | | 11.59% |
| Accrued liability | \$35,106,624 | \$4,939,341 | \$1,805,388 | \$6,003,232 | \$92,621,447 | \$113,330,573 | \$253,806,605 | \$21,943,054 | \$1,364,422 | \$583,133 | \$23,890,609 | \$277,697,214 |
| Actuarial value of assets | 33,739,635 | 4,747,012 | 3,985,109 | 5,769,477 | 89,014,935 | 108,917,684 | 246,173,852 | 22,165,915 | 1,378,279 | 589,056 | 24,133,250 | 270,307,102 |
| Unfunded accrued liability | 1,366,989 | 192,329 | (2,179,721) | 233,755 | 3,606,512 | 4,412,889 | 7,632,753 | (222,861) | (13,857) | (5,923) | (242,641) | 7,390,112 |
| Funded ratio | 96.1% | 96.1% | 220.7% | 96.1% | 96.1% | 96.1% | 97.0% | 101.0% | 101.0% | 101.0% | 101.0% | 97.3% |
| Past service cost | 101,401 | 14,267 | (161,688) | 17,340 | 267,525 | 327,340 | 566,185 | (16,531) | (1,028) | (439) | (17,998) | 548,187 |
| Total normal cost | 992,700 | 166,252 | 55,645 | 136,546 | 1,434,833 | 2,297,295 | 5,083,271 | 741,594 | 47,221 | 25,074 | 813,889 | 5,897,160 |
| Expected employee contributions | 0 | 0 | 0 | 0 | 0 | 225,441 | 225,441 | 0 | 0 | 0 | 0 | 225,441 |
| Administrative expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net normal cost | 992,700 | 166,252 | 55,645 | 136,546 | 1,434,833 | 2,071,854 | 4,857,830 | 741,594 | 47,221 | 25,074 | 813,889 | 5,671,719 |
| Timing Adjustment | 73,306 | 12,095 | (7,105) | 10,310 | 114,058 | 160,746 | 363,410 | 48,579 | 3,095 | 1,651 | 53,325 | 416,735 |
| Actuarially Determined Contribution (ADC) for FYE 2025 | 1,167,407 | 192,614 | 0 | 164,196 | 1,816,416 | 2,559,940 | 5,900,573 | 773,642 | 49,288 | 26,286 | 849,216 | 6,749,789 |

Note: the ADC for each individual group is equal to the sum of the Past Service Cost, Net Normal Cost, and Timing Adjustment for that group, but cannot be less than \$0 (e.g., CERF WPCA).

The total ADC for the plan is equal to the sum of the ADCs of the individual groups.

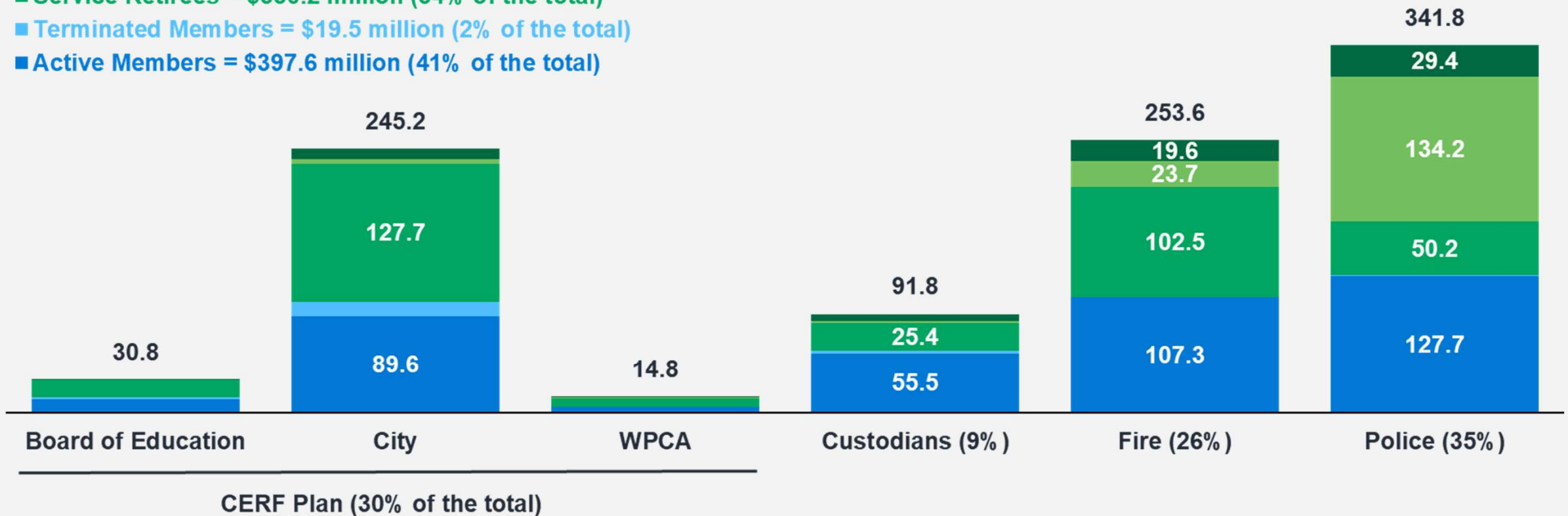


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Liability for pension benefits

Accrued Liability as of July 1, 2023: \$978.0 million in total

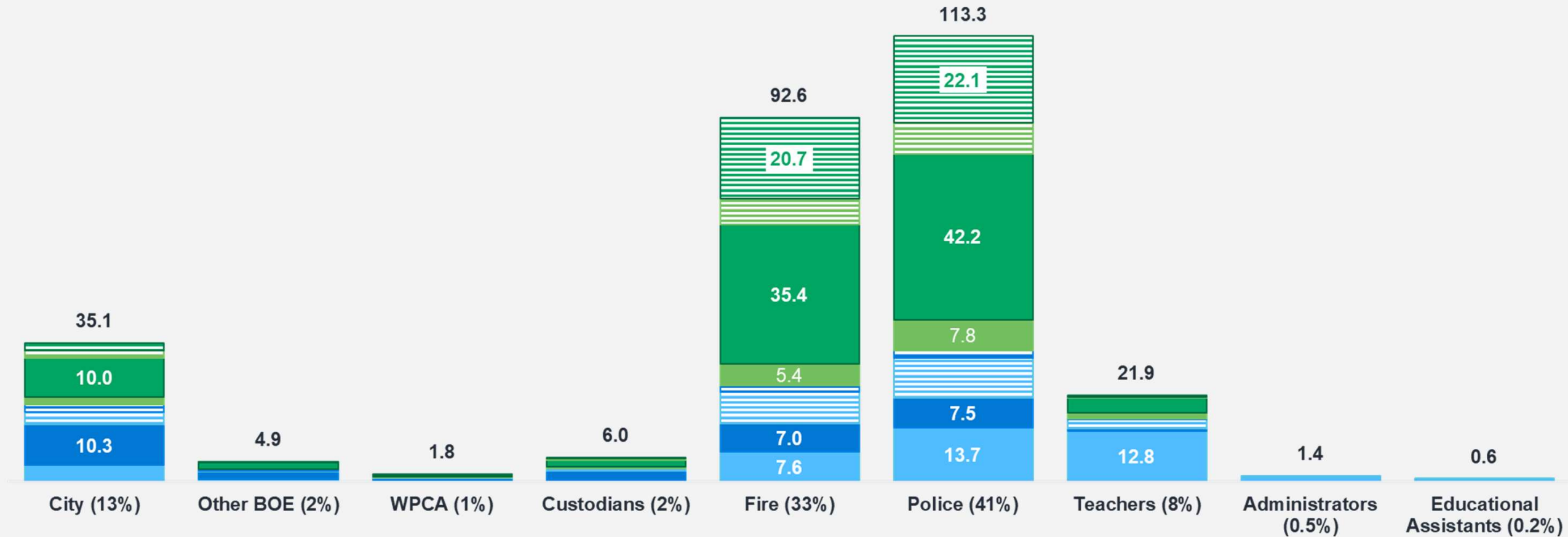
- Beneficiaries = \$65.9 million (7% of the total)
- Disabled Retirees = \$164.9 million (17% of the total)
- Service Retirees = \$330.2 million (34% of the total)
- Terminated Members = \$19.5 million (2% of the total)
- Active Members = \$397.6 million (41% of the total)



Liability for OPEB benefits

Accrued Liability as of July 1, 2023: \$277.7 million in total

- Employee Pre-65 = \$41m (15% of total)
- Employee Post-65 = \$30m (11% of total)
- ▣ Spouse of Employee Pre-65 = \$25m (9% of total)
- ▣ Spouse of Employee Post-65 = \$6m (2% of total)
- Retiree Pre-65 = \$18m (6% of total)
- Retiree Post-65 = \$95m (34% of total)
- ▣ Spouse of Retiree Pre-65 = \$17m (6% of total)
- ▣ Spouse of Retiree Post-65 = \$45m (16% of total)



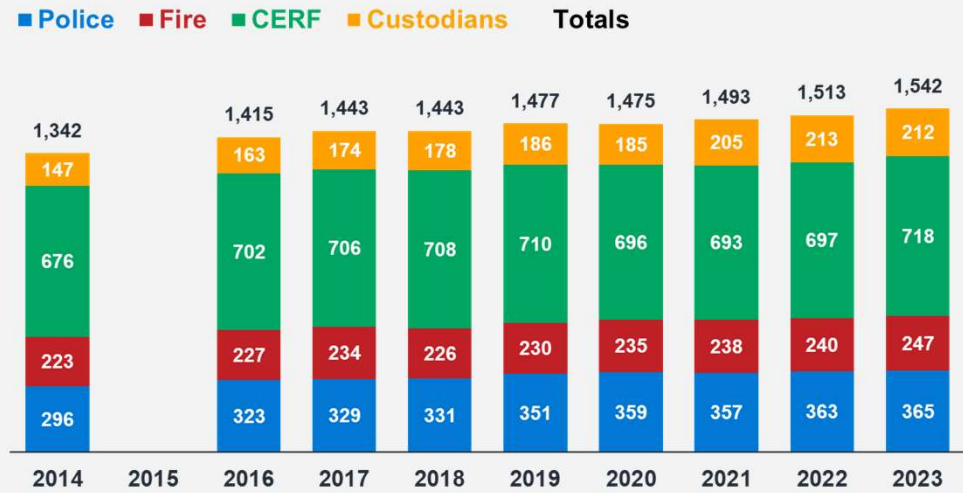
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Historical pension member counts

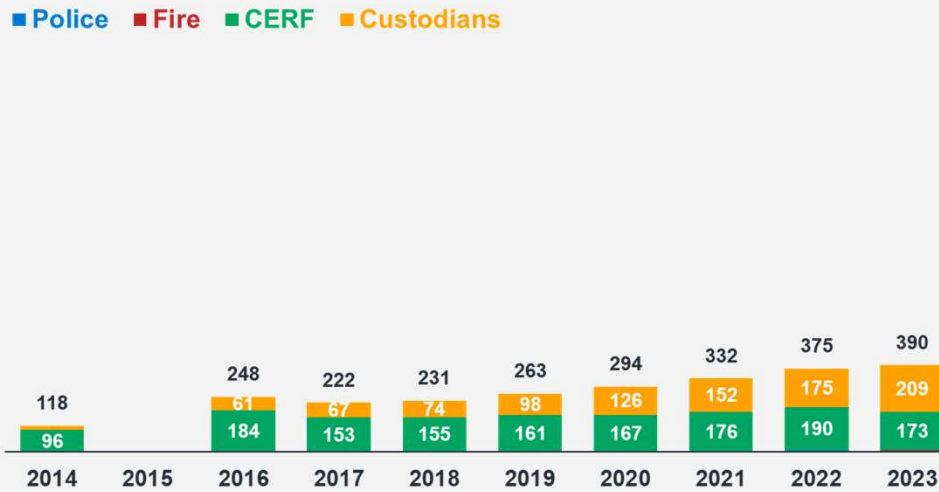
Active employees currently earning benefits



Retirees & beneficiaries receiving pensions

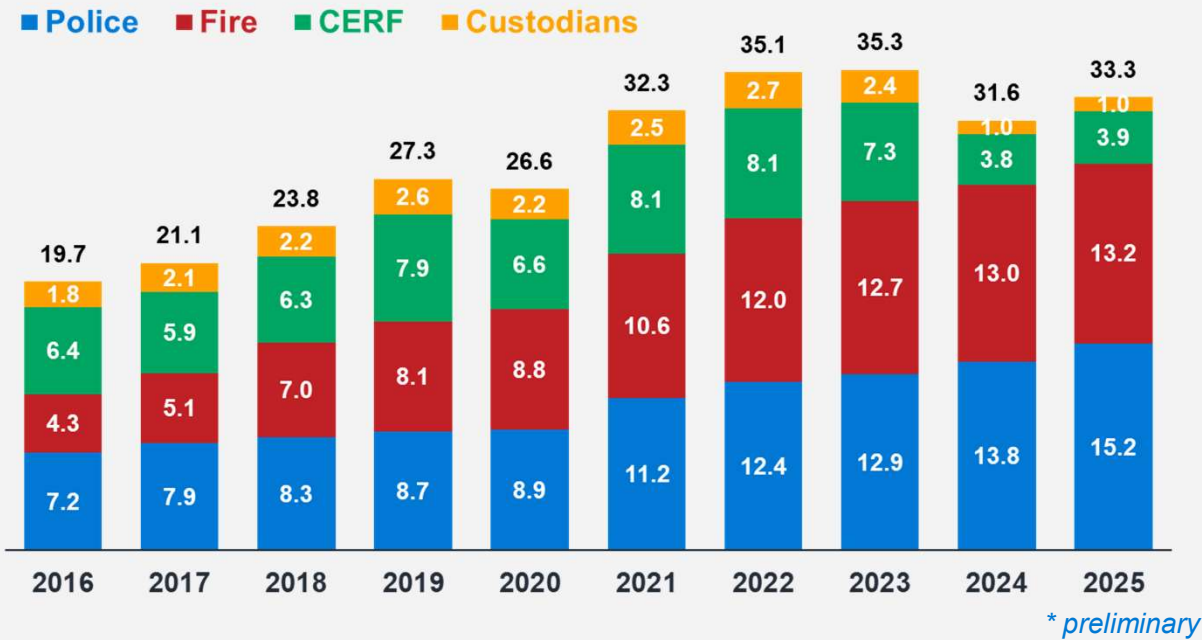


Former employees who are due a benefit

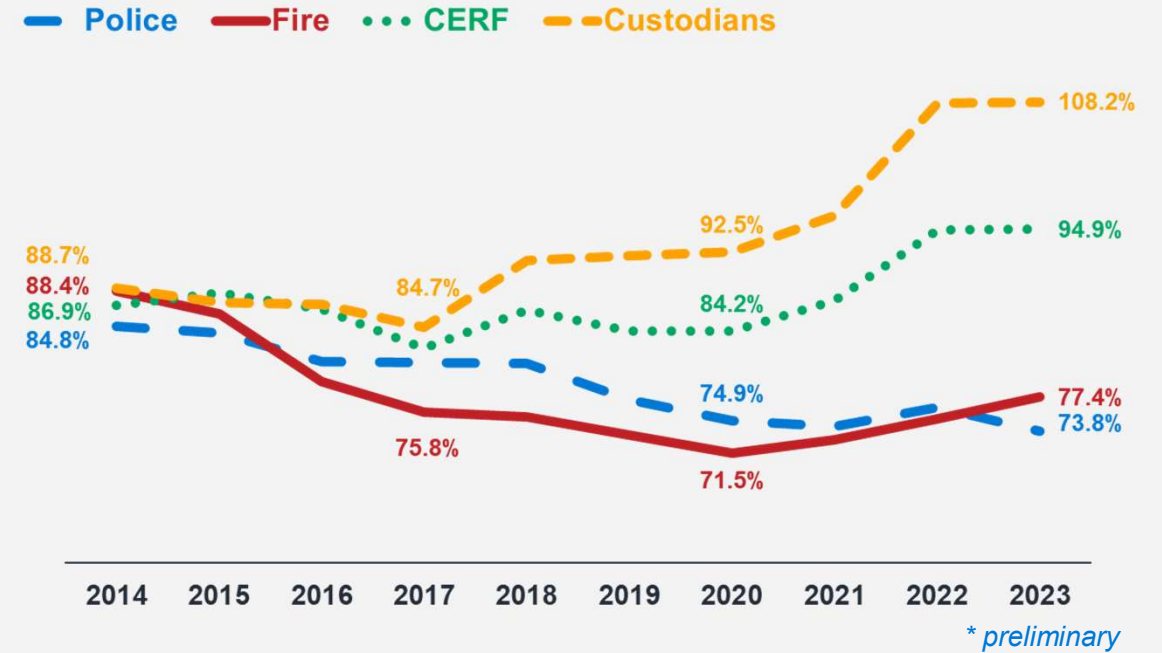


Historical pension metrics

Actuarially Determined Contributions



Funded Ratios

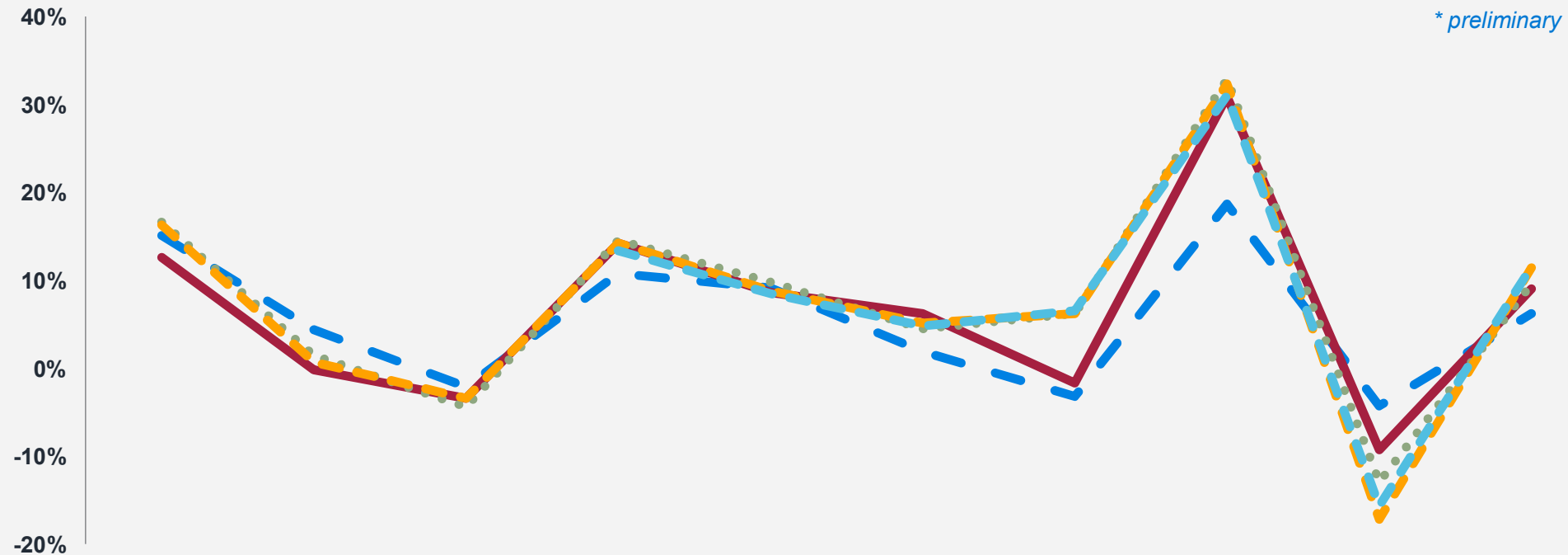


Contribution Growth FY 2016-2025

| | |
|------------|-------|
| Police | +212% |
| Fire | +305% |
| CERF | -40% |
| Custodians | -44% |
| Combined | +169% |

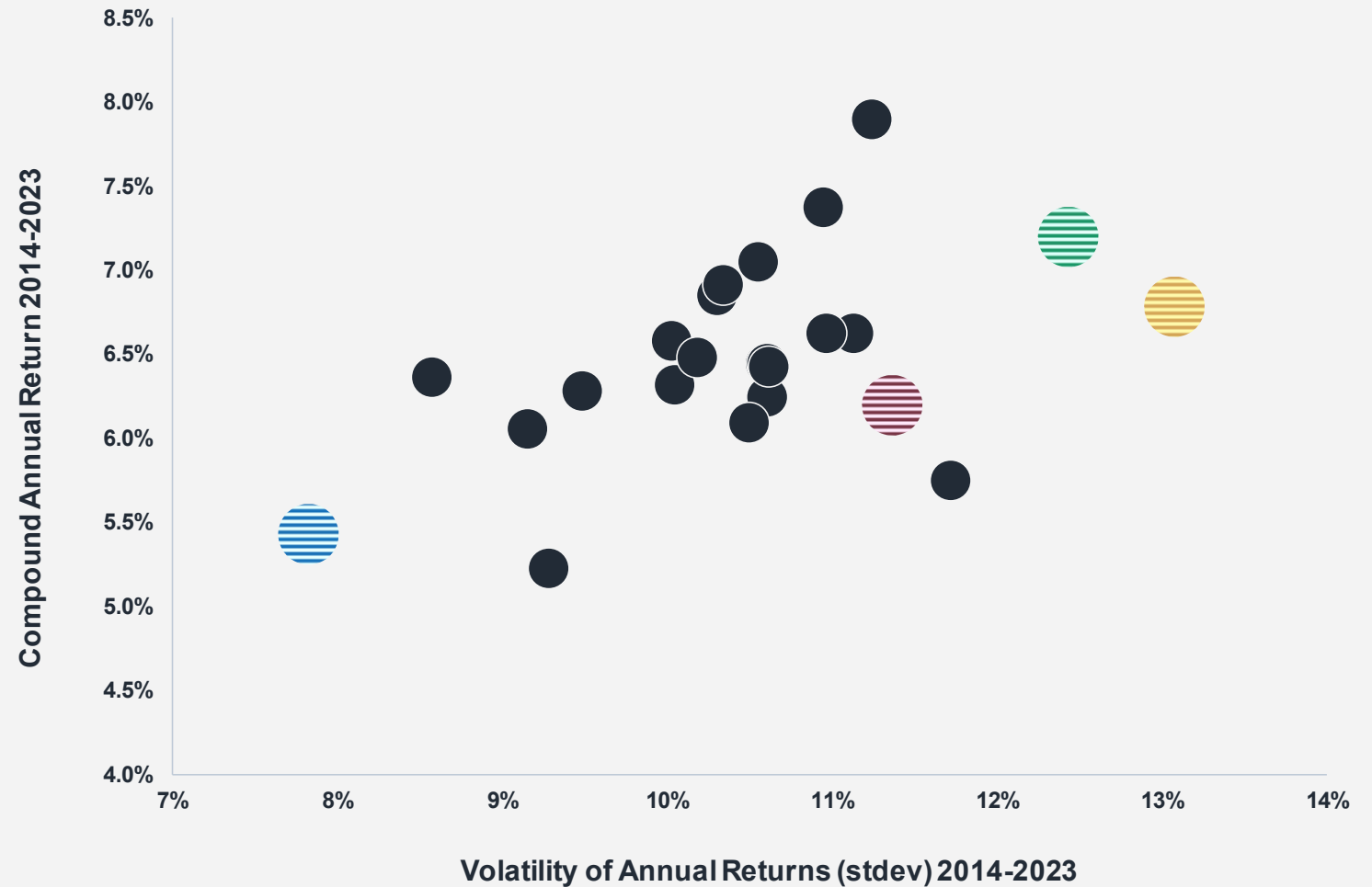
Historical investment performance

| Fiscal Year Ending June 30 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | Compound Annual Return | Standard Deviation of Annual Returns |
|-------------------------------|--------|--------|--------|--------|-------|-------|--------|--------|---------|--------|------------------------------|---|
| Police | 15.13% | 4.38% | -2.15% | 10.81% | 9.18% | 1.92% | -3.18% | 18.70% | -4.22% | 6.26% | 5.42% | 7.83% |
| Fire | 12.67% | -0.15% | -3.38% | 14.22% | 8.60% | 6.28% | -1.68% | 30.91% | -9.31% | 9.06% | 6.20% | 11.37% |
| CERF | 16.65% | 1.44% | -4.38% | 14.62% | 9.77% | 4.50% | 6.29% | 32.89% | -12.92% | 9.55% | 7.20% | 12.44% |
| Custodians | 16.34% | 0.73% | -3.37% | 14.27% | 8.89% | 5.18% | 6.25% | 32.39% | -17.12% | 11.48% | 6.77% | 13.07% |
| OPEB | | | | 13.43% | 8.51% | 4.84% | 6.55% | 31.05% | -15.63% | 11.59% | 7.84% | 13.79% |



Selected CT Municipalities – Historical Pension Returns

| | Compound Annual Return | | Volatility of Annual Returns (stdev) | |
|----------------------------|------------------------|-----------|--------------------------------------|-----------|
| | 2014-2023 | Rank | 2014-2023 | Rank |
| Bristol | 6.62% | 9 | 11.12% | 6 |
| Bridgeport Plan A | 5.23% | 24 | 9.28% | 21 |
| Bridgeport Police Plan B | 7.05% | 4 | 10.55% | 13 |
| Bridgeport Fire Plan B | 6.05% | 21 | 9.15% | 22 |
| Fairfield General | 6.86% | 6 | 10.30% | 16 |
| Fairfield Police & Fire | 6.92% | 5 | 10.34% | 15 |
| Glastonbury | 6.25% | 18 | 10.60% | 11 |
| Hartford | 6.28% | 17 | 9.48% | 20 |
| Manchester | 6.09% | 20 | 10.49% | 14 |
| Meriden Employees | 6.32% | 16 | 10.04% | 18 |
| Meriden Police | 6.58% | 10 | 10.02% | 19 |
| Meriden Fire | 6.48% | 11 | 10.18% | 17 |
| Milford | 6.63% | 8 | 10.96% | 7 |
| Norwalk General | 6.44% | 12 | 10.59% | 12 |
| Norwalk Fire | 6.44% | 13 | 10.60% | 10 |
| Norwalk Police | 6.43% | 14 | 10.62% | 9 |
| Norwich | 6.36% | 15 | 8.57% | 23 |
| Stamford Fire | 6.20% | 19 | 11.37% | 4 |
| Stamford Police | 5.42% | 23 | 7.83% | 24 |
| Stamford CERF | 7.20% | 3 | 12.44% | 2 |
| Stamford Custodians | 6.77% | 7 | 13.07% | 1 |
| Waterbury | 5.75% | 22 | 11.71% | 3 |
| West Hartford | 7.90% | 1 | 11.24% | 5 |
| Westport | 7.37% | 2 | 10.94% | 8 |



Source: Comprehensive Annual Financial Reports filed with the CT Office of Policy and Management. Compounded returns and volatility of returns for 2014-2023 were calculated by Milliman.



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Market gains / losses relative to investment assumption

| Police | | | | CERF | | | |
|-----------------------------------|--------------------------|--------------------|----------------------|-----------------------------------|--------------------------|--------------------|----------------------|
| FYE | Actual Investment Return | Expected Return | Market (Gain) / Loss | FYE | Actual Investment Return | Expected Return | Market (Gain) / Loss |
| 6/30/2015 | \$8,404,119 | \$14,664,202 | \$6,260,083 | 6/30/2015 | \$3,015,465 | \$16,004,777 | \$12,989,312 |
| 6/30/2016 | (4,227,286) | 14,747,812 | 18,975,098 | 6/30/2016 | (9,080,116) | 15,494,931 | 24,575,047 |
| 6/30/2017 | 20,375,655 | 13,843,122 | (6,532,533) | 6/30/2017 | 27,749,374 | 14,233,817 | (13,515,557) |
| 6/30/2018 | 18,688,574 | 14,400,082 | (4,288,492) | 6/30/2018 | 20,438,341 | 15,492,007 | (4,946,334) |
| 6/30/2019 | 4,166,104 | 15,364,266 | 11,198,162 | 6/30/2019 | 10,047,409 | 15,821,574 | 5,774,165 |
| 6/30/2020 | (6,839,005) | 15,003,262 | 21,842,267 | 6/30/2020 | 14,144,606 | 15,794,748 | 1,650,142 |
| 6/30/2021 | 37,414,071 | 14,000,233 | (23,413,838) | 6/30/2021 | 75,788,253 | 16,166,257 | (59,621,996) |
| 6/30/2022 | (10,002,476) | 16,091,946 | 26,094,422 | 6/30/2022 | (38,930,346) | 20,701,293 | 59,631,639 |
| 6/30/2023 | 13,945,020 | 14,530,581 | 585,561 | 6/30/2023 | 24,217,268 | 16,796,656 | (7,420,612) |
| All 9 Years | 81,924,776 | 132,645,506 | 50,720,730 | All 9 Years | 127,390,254 | 146,506,060 | 19,115,806 |
| Market Value June 30, 2023 | | | 228,451,169 | Market Value June 30, 2023 | | | 270,311,189 |
| All 9 Years ÷ Market Value | | | 22% | All 9 Years ÷ Market Value | | | 7% |

* All 6/30/2023 figures are preliminary

| Fire | | | | Custodians | | | |
|-----------------------------------|--------------------------|-------------------|----------------------|-----------------------------------|--------------------------|-------------------|----------------------|
| FYE | Actual Investment Return | Expected Return | Market (Gain) / Loss | FYE | Actual Investment Return | Expected Return | Market (Gain) / Loss |
| 6/30/2015 | (\$191,595) | \$9,878,553 | \$10,070,148 | 6/30/2015 | \$415,987 | \$4,383,627 | \$3,967,640 |
| 6/30/2016 | (4,243,849) | 8,919,322 | 13,163,171 | 6/30/2016 | (1,949,305) | 4,347,578 | 6,296,883 |
| 6/30/2017 | 16,677,565 | 8,332,156 | (8,345,409) | 6/30/2017 | 8,023,789 | 4,144,351 | (3,879,438) |
| 6/30/2018 | 11,320,351 | 9,319,469 | (2,000,882) | 6/30/2018 | 5,730,009 | 4,761,698 | (968,311) |
| 6/30/2019 | 8,901,866 | 9,932,371 | 1,030,506 | 6/30/2019 | 3,665,503 | 5,009,543 | 1,344,040 |
| 6/30/2020 | (2,513,388) | 10,323,635 | 12,837,023 | 6/30/2020 | 4,644,714 | 5,216,437 | 571,723 |
| 6/30/2021 | 44,438,027 | 10,019,964 | (34,418,063) | 6/30/2021 | 25,425,969 | 5,511,523 | (19,914,446) |
| 6/30/2022 | (17,902,068) | 12,987,408 | 30,889,476 | 6/30/2022 | (17,978,860) | 7,214,381 | 25,193,241 |
| 6/30/2023 | 15,902,641 | 11,359,029 | (4,543,612) | 6/30/2023 | 9,962,782 | 5,744,461 | (4,218,321) |
| All 9 Years | 72,389,550 | 91,071,907 | 18,682,358 | All 9 Years | 37,940,588 | 46,333,599 | 8,393,011 |
| Market Value June 30, 2023 | | | 185,823,903 | Market Value June 30, 2023 | | | 95,569,928 |
| All 9 Years ÷ Market Value | | | 10% | All 9 Years ÷ Market Value | | | 9% |



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Investment expenses, FY 2022-23

| | Gross Investment Income | Investment Management and Custodial Expenses* | Investment Consulting Fees* | Investment Income Net of Expenses** | Market Value, June 30, 2023** | Investment Expenses as a % of Market Value |
|------------|-------------------------|---|-----------------------------|-------------------------------------|-------------------------------|--|
| Police | \$14,719,726 | \$657,755 | \$116,951 | \$13,945,020 | \$228,451,169 | 0.34% |
| Fire | 16,937,150 | 729,337 | 305,172 | 15,902,641 | 185,823,903 | 0.56% |
| CERF | 25,017,618 | 748,550 | 51,800 | 24,217,268 | 270,311,189 | 0.30% |
| Custodians | 10,010,485 | 9,717 | 37,986 | 9,962,782 | 95,569,928 | 0.05% |
| OPEB | 28,353,731 | 24,337 | 31,600 | 28,297,794 | 263,667,205 | 0.02% |

* Based on trust statements where available; may not reflect adjustments for accrued expenses and may therefore not tie to final financial statements

** Per draft financial statements provided by the City



Thank you

Becky Sielman