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Classified Employees' Retirement Trust Fund of the City of Stamford

Actuarial Valuation

July 1, 2014

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April 28, 2015

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I. Introduction

A. Purpose of the Valuation

Liabilities were valued as of July 1, 2014 using data, cost information, and assumptions as of July 1, 2014.

The purpose of the valuation is to report the estimated funded status of the plan as of July 1, 2014 as well as an actuarially determined contribution for the fiscal year ending June 30, 2016.

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

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

Assets reported are actual (including accruals) through June 30, 2014 and reflect the asset smoothing method.

B. Comments

The market value return was 16.5% this year. Because we are still smoothing in past asset losses, the actuarial smoothed return was 8.4% this year. Asset returns more than 7.75% decreased the contribution by approximately $114,000. The plan changes dictated by the new contracts further decreased the contribution by $713,000. Plan liabilities were less than expected and the actuarial experience gain reduced the contribution by approximately $679,000. Two assumptions were changed this year (mortality and interest). The interest assumption was reduced from 7.75% to 7.625% and the mortality improvement scale was updated from AA to BB. The new mortality improvement scale assumes that participants live longer. In the aggregate, the two assumption changes increase the contribution by approximately $1,059,000. Overall, the contribution for fiscal 2016 was $412,000 less than the fiscal 2015 contribution.

C. Certification

This report presents the results of the July 1, 2014 Actuarial Valuation for Classified Employees' Retirement Trust of the City of Stamford (the Plan) for the purpose of estimating the funded status of the Plan and determining the Actuarially Determined Contribution (ADC) for the fiscal year ending June 30, 2016. This report is intended to satisfy the requirements of Connecticut General Statute 7-450a.This report may not be appropriate for any other purpose.

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

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

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

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

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

Evan W. Woollacott

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Evan W. Woollacott, Jr., FCA, MAAA, EA
14-04513

April 28, 2015

II. Results of the Valuation

A. Assets

Development of Market Value

1.	**Beginning value, 7/01/2013**	
	a. Trust assets	$184,285,253
	b. Accrued contributions - Employee	$0
	c. Benefits payable	$0
	d. Administrative expenses payable	$0
	e. Adjustments	$77,806
	f. Net: (a) + (b) – (c) – (d) + (e)	$184,363,059
2.	**Contributions**	
	a. Contributions during year - Employer	6,504,000
	b. Contributions during year - Employee	1,833,678
	c. Total for Plan Year	8,337,678
3.	**Disbursements**	
	a. Benefit payments during year	13,759,945
	b. Administrative expenses during year	121,245
	c. Change in benefits payable	0
	d. Change in administrative expenses payable	0
	e. Total for plan year	13,881,190
4.	**Net Investment Return**	
	a. Interest and dividends	3,883,310
	b. Other Income	0
	c. Realized/unrealized gain (loss)	26,805,019
	d. Investment – related expenses	-194,721
	e. Total	30,493,608
5.	**Ending Value, 6/30/2014**	
	a. Trust assets: (1f) + (2c) - (3e) + (4e)	209,313,155
	b. Accrued contribution – Employer	0
	c. Accrued contribution – Employee	0
	d. Benefit payable	0
	e. Administrative expenses payable	0
	f. Net: (a) + (b) + (c) – (d) – (e)	209,313,155
6.	**Approximate rate of return 2013-2014**	16.5%

II. Results of the Valuation

continued

Development of the Actuarial Asset Value

1.	Actuarial Asset Value at July 1, 2013	$194,421,794
2.	Expected Return	15,113,618
3.	Contributions	8,337,678
4.	Disbursements	13,881,190
5.	Expected Actuarial Asset Value at June 30, 2013 (1) + (2) + (3) – (4)	203,991,900
6.	Market Value of Assets	209,313,155
7.	Appreciation (Depreciation) Capitalized .20 x [(6)	1,064,251
8.	Preliminary Actuarial Asset Value at June 30, (5) + (7)	205,056,151
9.	70% of Market Value .7 x (6)	146,519,209
10.	130% of Market Value 1.3 x (6)	272,107,102
11.	Actuarial Asset Value at June 30, 2014, not less (9); and not greater than (10)	205,056,151
12.	Round to nearest thousand	205,056,000
13.	Actuarial Asset Return	8.38%

II. Results of the Valuation
(continued)

B. Development of Projected Accrued Liability and Funded Ratio

		July 1, 2014 Valuation	July 1, 2013 Interim Valuation	July 1, 2012 Valuation
1.	Projected Accrued Liability	$235,975,000	$227,311,000	$219,465,000
2.	Assets (Actuarial Value)	$205,056,000	$194,422,000	$188,447,000
3.	Unfunded Accrued Liability: (1) - (2)	$30,919,000	$32,889,000	$31,018,000
4.	Funded Ratio: (2) ¸ (1)	86.9%	85.5%	85.9%

C. Actuarially Determined Contribution

		July 1, 2014 for Fiscal Year Ending 30-Jun-16	July 1, 2013 for Fiscal Year Ending 30-Jun-15	July 1, 2012 for Fiscal Year Ending 30-Jun-14
1.	Ongoing Annual Cost	$4,848,000	$4,828,000	$4,688,000
2.	Estimated Actuarial Employee Contributions	1,741,000	1,541,000	1,496,000
3.	City's Ongoing Annual Cost: (1) - (2)	3,107,000	3,287,000	3,192,000
4.	Amortization of Unfunded Accrued Liability (15 years)	3,280,000	3,512,000	3,312,000
5.	City's Annual Contribution: [(3) + (4)]	6,387,000	6,799,000	6,504,000

2014 Valuation	Board of Education	City	WPCA	Total
City Normal Cost	301,000	2,668,000	138,000	3,107,000
Accrued Liability	26,571,000	197,438,000	11,968,000	235,977,000
Assets	23,089,000	171,567,000	10,400,000	205,056,000
Unfunded Accrued Liability	3,482,000	25,871,000	1,568,000	30,921,000
Amortization	369,000	2,745,000	166,000	3,280,000
City Contribution Allocation	670,000	5,413,000	304,000	6,387,000

II. Results of the Valuation

(continued)

D. Participant Data

The data reported by the City for this valuation includes all active employees who met the Plan's minimum age and service requirements as of 7/1/2014.

Participant Data				
	Active	Terminated Vested	Retired	Total
Total Participants 7/1/2012	734	80*	667	1,481
Adjustments	0	0	-1	-1
Retirements	-39	-10	+49	0
Terminations				
Vested	-19	+19	N/A	0
Non-vested	-1	N/A	N/A	-1
Deaths				
Without death benefit	-1	0	-40	-41
With death benefit	-1	0	-12	-13
New beneficiaries	N/A	0	+18	+18
Lump sum /cash outs	-5	0	-4	-9
Rehires	+1	0	-1	0
New entrants	+59	N/A	N/A	+59
Total Participants 7/1/2014	728	89*	676	1,493
Average age				
7/1/2012	51.6	48.7	75.7	
7/1/2014	52.3	49.9	75.8	
Average service				
7/1/2012	14.4			
7/1/2014	14.8			
Total annual plan salaries				
7/1/2012	$43,686,085			
7/1/2014	44,213,643			
Total annual benefits				
7/1/2012		$906,147	$13,040,155	
7/1/2014		1,006,615	13,156,057	

* *In addition, there are participants who terminated not vested who are due a return of contribution (7 as of 7/1/2014).*

III. Actuarial Cost Methods and Assumptions

A. Actuarial Cost Methods

Funding Method

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

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

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

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

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

Asset Valuation Method

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

III. Actuarial Cost Methods and Assumptions

B. Actuarial Assumptions

Mortality:	50/50 Blend of RP-2000 Combined Table and RP-2000 Blue Collar Combined Table.
Mortality Improvement:	Projected to date of decrement using Scale BB (generational mortality). Prior: Projected to date of decrement using Scale AA (generational mortality).
Investment Return:	7.625 per year (net of all expenses). Prior: 7.75% per year (net of all expenses).
Salary Scale:	Yearly Rates of Increases

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

This year a one-time adjustment was made to the UAW group to reflect actual bargained increases.

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

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

III. Actuarial Cost Methods and Assumptions

Turnover: The following annual rates of turnover are assumed:

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

Disability: The following annual rates of disability are assumed:

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

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

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

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

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

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

IV. Summary of Current Principal Pension Plan Provisions

Pension Earnings:	Salary in Final Year of Employment. For UAW, the average of the highest three years out of the last 10 years.
Normal Retirement:	
Eligibility:	The earlier of 1) age 58 with 15 years of service, or 2) age 60 with 10 years of service, or 3) 25 years of service for MAA only. For UE participants hired on or after 7/1/2012, the 58 and 15 criteria does not apply. For UAW, the 58 and 15 criteria only applies for a grandfathered group (those age 55 with 25+ year of service on 1/1/2015).
Benefit:	2% of pension earnings per year of service to a maximum of 33 years. For UE participant hired on or after 7/1/2012, the maximum is 30 years of service. For UAW: • 1.75% for service after 1/1/2015 for those who are not grandfathered (grandfathered if 25+ years of service or otherwise eligible to retire on 1/1/2015) • 1.5% for new hires after 1/1/2015 • The maximum multiplier is 70%.
Limits on Annual Benefit:	
Maximum:	None.
Minimum:	$1,000 with 25 years of service.
Early Retirement:	
Eligibility:	Age 50 with 25 years of service.
Benefit:	Accrued retirement benefit reduced .25% for each of the first 36 months prior to age 58 and .55% for each month in excess of 36. There is no reduction for a member of the MAA who retires with 25 years of service.

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

Disability – Non-Service Connected:

Service Requirement:	10 years of service, except 15 for UAW, Nurses, and Dental.
Benefit:	50% of pension earnings if less than 25 years of service. Accrued retirement benefit if more than 25 years of service.

Disability – Service Connected:

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

Pre-Retirement Death Benefit – Non Service Connected:

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

Pre-Retirement Death Benefit – Service Connected:

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

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

Vesting in Accrued Benefit:

Eligibility:	5 years of service (10 years of service for TEA and UE), payable at later of termination date and age 60 (age 58 if 15+ years of vesting service and eligible for Normal Retirement at 58 and 15).
Benefit:	Accrued retirement benefit.

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

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

Employee Contributions: Current: 3% of salary for 1199, 6% of salary for UE and 5% of salary for all others. For UAW participants with multiplier less than 2%, 4.5% of salary.

For LAW, those with 33+ ears of service on 8/5/13 do not contribute. For MAA, Nurses, Teamsters, UE and Dental Hygienists, those with 33+ years of service on 7/1/2012 do not contribute. For all other unions, no contributions for those with service over the limit for benefit calculation purposes.

Vacation/Sick Leave Banks:

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

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

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

Additional Provisions: Employees in the MAA, LAW and Dental Hygienists Union can pay 3% of 2011-2012 base salary for one additional year of service credit. The additional benefit will only be paid at age 65+. Payment must be made by 6/30/2013 or 6/30/2014 (depending on Union). Not reflected in prior valuation.

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