

Pension and Employee Benefits Commission  
Regular Meeting,  
November 18, 2014 8:30 A.M.

Present: Allan Goldbecker-Chair, Adams Dunsby, Marvin Gelfand, Reynolds Gordon, John Harrington, Chris Neubert, John Smith,  
Also Present: Grace Stanczyk

Allan Goldbecker called the meeting to order at 8:35 a.m.

1. Marvin Gelfand moved and John Smith seconded a motion to accept the meeting minutes of October 14, 2014 as presented. Motion unanimously carried.

2. David Leonard, A.S.A. Account Executive, T.R. Paul, Inc. reviewed the Town of Easton Retirement Plan (defined benefit plan) with the Commission. Attached to the minutes are the "General Comments" from the plan. Dave spoke of the new GASB 2015 standard that may be reducing the assets percentage.

3. American Fund information to be reviewed at December's meeting. Currently, no changes to the portfolio.

4. John Harrington moved and Ren Gordon seconded a motion to approve Thomas Herrmann retirement. Motion carried unanimously.

5. John Smith moved and Marvin Gelfand seconded a motion to approve the 2015 commission meeting dates as presented. Motion carried unanimously.

6. Marvin Gelfand moved and Ren Gordon seconded a motion to adjourn at 9:29 a.m.

The next meeting for the commission is December 16, 2014.

Respectfully submitted

  
G. Stanczyk

## Town of Easton Retirement Plan

### ACTUARIAL CERTIFICATION

This July 1, 2014 Annual Valuation Report has been prepared in accordance with generally accepted actuarial standards and procedures and conforms to the Guidelines for Professional Conduct of the American Academy of Actuaries.

The valuation is based on employee and plan financial data which were provided by the Plan Administrator, Plan Trustee, and various financial institutions. All information submitted to us has been reviewed for reasonableness and consistency, but has otherwise been accepted and relied upon without audit. The plan provisions and other material assumptions are disclosed in report in their respective sections.

Other Actuarial Communications that are covered under the umbrella of the Annual Valuation process include disclosures under various GASB statements, including GAS-5, GAS-27 and GAS-67 & 68.

To the best of our knowledge, the information supplied in these reports is complete and accurate.

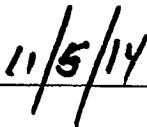
Future actuarial measurements may differ significantly from the current measurement presented in this report due to such factors as the following: plan experience differing from that anticipated; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation 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.

I, David G. Leonard, A.S.A., E.A., am a member of the Society of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained here



David G. Leonard, A.S.A.

Enrollment #14-03604



Date

## TOWN OF EASTON RETIREMENT PLAN

### I. GENERAL COMMENTS

This year's valuation was run on a group of 99 active and 93 inactive members. The decline in active members reflects the freeze in new membership for the non-Board of Ed. portion of the plan, and with it the total salary base decreased by 4.6%.

Again this year, the plan benefitted from strong trust asset performance (16.8%). This is a time of great change for the plan, so the superior yield will help the plan's transition to new GASB standards and updated actuarial tables go much more smoothly. These factors will be addressed in detail below.

The table below lists the current year's recommended minimum budget request, the results of the July 1, 2014 valuation, and the recommended minimum and maximum budget requests for fiscal year 2014-15.

<u>Employee Group</u>	<u>Maximum</u> 2014-15	<u>- July 1, 2014 Valuation -</u>		<u>Recommended</u> 2015-16 Budget	
	<u>Recom.</u>	<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>
Highway Union	\$ 26,000	\$ 0	\$ 0	\$ 0	\$ 0
Selectmen	414,000	223,494	183,540	235,000	193,000
Board of Education	<u>215,000</u>	<u>180,011</u>	<u>161,664</u>	<u>189,000</u>	<u>170,000</u>
Plan Totals	\$655,000	\$403,505	\$345,204	\$424,000	\$363,000

(Actual in budget - \$580,000)

The actual contribution in the 2014-15 budget, \$580,000, and is obviously greatly in excess of even the maximum contribution as produced by the actuarial valuation. Our recommendations for 2015-16 do not take into account possible contributions this year that will be in excess of the 2014 valuation maximum, so we are cautiously endorsing the possibility of reducing either this year's or next year's contributions from the Town so that the total of both years is in the \$830,000 range.

As mentioned above, there are other factors at work this year other than the actuarial gains produced by the very positive trust yield.

At the end of October, 2014, the Society of Actuaries published a new valuation standard for mortality calculations. This new standard not only reflects past improvements that have been made in life expectancies, but it also changes the very structure of how we measure future benefit liabilities.

Without getting too technical, a system has been developed to recognize that the life expectancy for someone turning age 62 today is different than it will be for someone who will turn 62 in 20 or 30 years. Using projected future improvements in mortality, future cost calculations will indicate that the same benefit to a 62 year old will be more expensive in the future than it would be if someone 62 started receiving that benefit in 2014.

## TOWN OF EASTON RETIREMENT PLAN

I. GENERAL COMMENTS  
(continued)

Incorporating the changes will take significant modifications of pension software programs, and that is being worked on now. For the time being, we have run our 2014 calculations adding a 3% “load” onto the liabilities for all. In reality, the increase in liabilities from the new mortality standards will vary by participant, and studies indicate a range of 4% to 8% increases are possible.

We are fairly confident that our load of 3% will be sufficient for this year, mainly because of the unique demographics of the plan participants. The active plan participants benefits are not growing nearly as much as a “normal” plan population’s would, because of the long term trend of not retiring when eligible (and to a lesser extent not taking advantage of the temporary benefits available in the plan).

We have also taken this opportunity to recommend changing the plan’s funding method from the Frozen Initial Liability (FIL) method to the Entry Age Normal method. There are a couple of reasons that it makes sense to make this change at this time.

The primary reason is that with half of the plan closed to new members (and the more expensive half, at that), the FIL will begin to exaggerate the cost swings brought on by actuarial gains and losses. This happens because it is what is known as an “aggregate” method.

The Entry Age Normal (EAN) method is an individual method, meaning that the method develops an annual normal cost for each active member, as well as an accrued actuarial liability. The total plan cost is a combination of the individual normal costs for all active members, plus an amortization of any unfunded accrued liabilities.

The change in methods should lead to more stable funding requirements in the future.

The second reason to make this change has to do with the new GASB reporting and disclosure requirements. GAS-67 and GAS-68 have separated funding of the plan from the financial reporting, however for the purposes of developing an annual expense amount the EAN normal cost and accrued liabilities must be used. Using the EAN for funding will help maintain at least a casual link between the actuarial funding requirements and the required annual expense amount.

Looking at the participants’ actuarial experience for the plan last year, we find that the Highway Union group has, at this point, fully funded all expected future liabilities. For this reason, we are recommending no contribution be made for this portion of the plan for this year or next year.

As we discussed previously, the highway members are experiencing stagnating liabilities from members working beyond the assumed retirement ages. We will continue to review this situation each year, of course, and it is possible that a contribution requirement will again emerge at some point in the future.

## TOWN OF EASTON RETIREMENT PLAN

I. GENERAL COMMENTS  
(continued)

The Selectmens's groups contracted in active members by 20% last year, with total salaries decreasing by 12% while average salaries increased by less than 2%. Combined with other factors, this produced a steep decrease in the contribution requirements for this group.

The Board of Education, on the other hand, declined by only one active member due to the inclusion of four new members. Average salaries increased more than 5%, with most of the increase concentrated in the more expensive Custodian's group. As a result, with all the other changes the minimum cost for the Board of Education increased by a modest 2.6%.

The funded level of the accrued benefits increased to be more than 100% for the first time in many years. These levels are based on the traditional age 62 assumed retirement age, rather than the funding assumption of age 65. This produces a slightly strange result as the present value of accrued benefits is larger than the accrued liability in some cases, and for the selectmen as a group.

**TOWN OF EASTON**  
**PENSION AND EMPLOYEE BENEFITS COMMISSION**  
**SCHEDULE OF REGULAR MEETING DATES**  
**2015**

ALL REGULAR MEETINGS WILL BE HELD ON THE FOLLOWING TUESDAYS AT  
8:30 A.M. IN THE TOWN HALL - CONFERENCE ROOM "A"

FEBRUARY 10

APRIL 21

JUNE 9

AUGUST 11

OCTOBER 13

NOVEMBER 17

DECEMBER 15

Approved at PEBC 11/18/2014 meeting