

Pension and Employee Benefits Commission
Regular Meeting,
November 17, 2015 8:30 A.M.


Present: Alan Goldbecker-Chair, David Bussolotta, Adams Dunsby-First
Selectmen, A. Reynolds Gordon, Marvin Gelfand, Chris Neubert.
Absent: John Harrington, John Smith
Also Present: Grace Stanczyk

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

1. Marvin Gelfand moved and Reynold Gordon seconded a motion to accept the meeting minutes of August 11, 2015. . Motion unanimously carried.
There was no quorum for the meeting scheduled October 13, 2015.
2. David Leonard, T.R. Paul Inc. reviewed the Town of Easton Actuarial Report dated July 1, 2015 with the members. Part of the summary report is attached to these minutes.
3. The Commission continued the discussion of the volatility of the stock market and no recommendations for change is made at this time.
4. Reynold Gordon moved and David Bussolotta seconded a motion to accept the 2016 regular meeting dates are set and attaching to these minutes..
5. Reynold Gordon moved and Marvin Gelfand seconded a motion to accept the retirement as presented for Town employee Josephine Stenqvist, Board of Education employees Eileen Mandanici and Patrick Kusovitsky. . Motion carried unanimously.
6. Reynold Gordon moved and Chris Neubert seconded a motion to adjourn at 10:08 a.m. Motion carried unanimously.

The next meeting for the commission is December 15, 2015.

Respectfully submitted,


Grace Stanczyk

Town of Easton Retirement Plan

ACTUARIAL CERTIFICATION

This July 1, 2015 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.

The actuary has recognized future anticipated trends in mortality improvement by utilizing the RP-2014 Mortality Table, adjusted generationally by Scale MP-2014 for all future years.

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

10/7/2015
Date

TOWN OF EASTON RETIREMENT PLAN

I. GENERAL COMMENTS

This year's valuation was run on a group of 96 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 1.2%.

For the 2014-15 plan year, the trust assets basically broke even, with the final net income yield being a loss of 0.25%. The actuarial loss on the assumed rate of 7% is \$1,215,934. For funding purposes, the new "smoothed" asset valuation method only recognizes 20% of last year's loss, however the complete loss must be absorbed in the GAS-67 and GAS-68 disclosures. These items will be discussed in more detail below.

The table below lists the current year's recommended maximum budget request, the results of the July 1, 2015 valuation, and the recommended minimum and maximum budget requests for fiscal year 2016-17.

<u>Employee Group</u>	Maximum 2015-16 <u>Recom.</u>	<u>- July 1, 2015 Valuation -</u>		<u>Recommended</u> 2016-17 Budget	
		<u>Maximum</u>	<u>Minimum</u>	<u>Maximum</u>	<u>Minimum</u>
Highway Union	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Selectmen	235,000	270,460	230,505	284,000	243,000
Board of Education	<u>189,000</u>	<u>197,727</u>	<u>179,381</u>	<u>208,000</u>	<u>190,000</u>
Plan Totals	\$424,000	\$468,187	\$409,886	\$492,000	\$433,000

(Actual in budget - \$424,000)

The actual contribution in the 2015-16 budget is \$424,000, which is within the minimum and maximum range produced by the 2015 valuation. Our recommendation for 2016-17 includes an increase in the maximum and minimum due to the actuarial factors discussed above and below. If the Town were to choose to fund at the minimum recommended level, it would represent only a \$9,000 increase from the 2015-16 contribution.

Our recommendations do not take into account the current stock market problems from August and September, 2015, so it might be prudent to build in an additional 10% to the amounts shown above (i.e. a minimum of no less than \$476,000) to try and ensure that the 2016-17 contribution at least meets the minimum calculated contribution in next year's valuation report.

It should be noted that this year's report does take into full account the new Society of Actuaries generational mortality standards. While there was a significant (\$574,173) increase in actuarial liability from this change, it is good to know that we are recognizing a more progressive (and hopefully more realistic) view of the employees and retirees life spans. This should help reduce future actuarial losses from retirees outliving the actuarial tables.

TOWN OF EASTON RETIREMENT PLAN

I. GENERAL COMMENTS
(continued)

As mentioned above, after discussions with the PEBC last November, we have adopted a blended Valuation Asset method. This method attempts to smooth out the market ups and downs so that the recommended contribution calculations are not impacted violently in either direction if the trust assets do very well or very poorly.

The method works by recognizing each year's actuarial gains or losses from trust assets 20% at a time over five years. This year, for example, the actuarial loss from the flat asset performance was \$1,215,934. We recognized only 20% of that loss so that the "Valuation Yield" is 5.55%, and only \$243,187 in losses impacted the contribution calculation.

The downside of this result is that we now have a built in loss of \$243,187 (about 1.4%), to deal with for the next four years. The hope is that future gains will help offset the deferred losses. Without the smoothed assets, had we recognized the total loss for the year, the recommended contribution for next year would be about \$140,000 more.

The new GAS-68 disclosure requirements use market value assets for all calculations. There will be a "pension expense" on the Town's financials that is different from the contribution amount, as it will be determined based on different methods and using a lower asset base.

Looking at the participants' actuarial experience for the plan last year, we find that the Highway Union group is still fully funded using the current funding method, however with the poor trust asset performance not all expected future liabilities are covered, at least on a market value basis. For now, the funding method in use still produces a \$0 employer contribution for this group.

The Selectmens's groups were very stable this year, with a few vested terminations and one transfer in from the Highway department.

The Board of Education saw more movement with three retirees and a termination, but there were also three new members to keep the total active almost constant.

Average salaries for all departments in general increased modestly, although there were a few isolated large increases and a few reductions. Overall, the average participant's salary increased by just under 2%, however among continuing active members the increase was 3.8%, which is slightly higher than our 3% assumption.

Once again, it should be stressed that we are assuming an age 65 retirement even though most members are eligible to retire at earlier ages. The actual experience continues to bear this assumption out, and the large number of actives who continue working past age 65 helps to keep down increases in the recommended contribution level.

The funded level of the accrued benefits fell back below 100%, to 94.3% on a plan wide basis. This is to be expected due to the trust asset yield, as well as the implementation of the new mortality tables. This funded level still signifies a healthy pension plan.

TOWN OF EASTON RETIREMENT PLAN

II.(a) PLAN ASSETS - Market Value Reconciliation

Beginning of Year <u>July 1, 2014</u>		End of Year <u>June 30, 2015</u>
\$17,758.32	Employee Cont. Rec.	\$0.00
0.00	Employer Receivable Contribution	0.00
1,877,985.40	Money Market Funds	3,164,076.00
14,776,840.00	Misc. Mutual Funds	13,488,195.00
56,709.41	Prepaid Benefits	58,210.98
<u>(5,045.55)</u>	Payable to PARS for w.h. taxes	<u>(5,045.55)</u>
\$16,724,247.58	TOTAL (Market Value)	\$16,705,436.43

 RECEIPTS

Employer Contribution	\$574,570.25
Employee Contribution	171,337.66
Investment Earnings	983,114.95
Realized Gains/(Losses)	<u>(205,103.00)</u>

TOTAL INCOME	\$1,523,919.86
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DISBURSEMENTS

Periodic Benefit Payments (annual total of monthly bens.)	\$720,376.36
Refund of Employee Contributions and Interest	3,419.10
Expenses	<u>10,225.00</u>

TOTAL EXPENSES	\$734,020.46
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NET INCOME	\$789,899.40
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CHANGE IN NET ASSETS

Realized and Unrealized Gains and Losses:	(\$808,710.55)
Net Income:	<u>789,899.40</u>
Net increase (decrease) in net assets for the year:	(\$18,811.15)
Net assets at beginning of year:	16,724,247.58
Net assets at end of year:	\$16,705,436.43

TOWN OF EASTON PENSION PLAN

II. PLAN ASSETS

(b) Smoothed Valuation Asset Calculation - July 1, 2015

	Beginning of Year	07/01/2014
	End of Year	06/30/2015
(1)	Actuarial Value of Assets - BOY	\$16,724,248
(2)	Contributions for year made in year	745,908
(3)	Disbursements & non-investment exp.	(720,376)
(4)	Assumed interest at valuation rate - 7.00%	<u>1,171,591</u>
(5)	Preliminary Value of Assets - EOY	17,921,370
(6)	Market Value of Assets - EOY	16,705,436
(7)	Market Value less Preliminary Value	(1,215,934)
(8)	Prior Unrecognized Gains/(Losses)	0
(9)	Current Year's Gains/(Losses)	(1,215,934)
(10)	Adjustment - Unrecognized Loss - Current Yr.	(243,187)
(11)	Prior Years Bases to Recognize In Current Yr.	0
(12)	Actuarial Value of Assets, EOY, before accrued contributions (5) + (10) + (11)	17,678,183
(13)	Accrued contributions for year	0
(14)	80% of Market Value w/ (13)	13,364,349
(15)	120% of Market Value w/ (13)	20,046,524
(16)	Actuarial Value of Assets, EOY, (12) + (13) but not less than (14) or greater than (15)	17,678,183
(17)	Market Value of Assets	16,705,436
(18)	Current Unrecognized Gains/(Losses)	(972,747)
(19)	Earnings on Valuation Assets	928,404
	Valuation Yield	5.55%

* Includes EE Contributions, less receivables.

TOWN OF EASTON RETIREMENT PLAN

III. ANNUAL VALUATION SUMMARY - JULY 1, 2015 VALUATION DATE

	Highway Union	Selectmen	Board of Education	Totals
A. DEVELOPMENT OF THE INITIAL ACCRUED LIABILITY FOR ENTRY AGE NORMAL FUNDING CALCULATIONS (EAN)				
a) EAN Accrued Liability (7/1/15)	\$3,252,933	\$10,695,388	\$4,368,687	\$18,317,009
b) Valuation Assets (7/1/15)	3,664,392	9,946,148	4,064,812	\$17,675,352
c) Unfunded Liability (7/1/15)	(411,459)	749,240	303,875	\$641,656
Additional Information				
d) Active Participant Payroll	\$491,010	\$1,924,703	\$1,762,057	\$4,177,769

B. Summary of Employee Contribution Levels

	Total Employee%
Highway 760	5.83%/6.58%
Local 818	5.25%
Local 1303	5.00%
Non Union Town and Bd. of Education	2.25%
Highway Management	2.25%
Board of Education Custodians	5.45%

*Note: Union Contribution Levels were fixed through June 30, 2010.
No new contribution levels have been reported to us.*

TOWN OF EASTON RETIREMENT PLAN

III. ANNUAL VALUATION SUMMARY - JULY 1, 2015 VALUATION DATE

C. DEVELOPMENT OF THE NORMAL COST & UNFUNDED ACCRUED LIABILITY

	Highway Union (a)	Selectmen (b)	Board of Education (c)	Totals (a) + (b) + (c)
a) EAN Accrued Liability				
i Active Participants	\$1,897,098	\$5,224,139	\$2,510,210	\$9,631,447
ii Retired Participants	1,069,973	5,083,596	1,738,155	7,891,724
iii Terminated Participants	285,862	387,654	120,322	793,838
Total EAN Accrued Liability	\$3,252,933	\$10,695,388	\$4,368,687	\$18,317,009
b) Valuation Assets	\$3,664,392	\$9,946,148	\$4,064,812	\$17,675,352
d) Unfunded Accd. Liab. ((a) - (b))	(\$411,459)	\$749,240	\$303,875	\$641,656
e) Expected Unfunded AL	0	495,376	191,906	687,282
f) 2015 Amortization Base	0	253,864	111,969	365,833
e) Entry Age Normal Cost (Gross) (Sum of individual active members NC)	\$60,562	\$208,797	\$185,692	\$455,050
Summary of Funding Bases	<u>Initial Base</u>	<u>Rem. Bal. -15</u>	<u>Min. Amort.</u>	<u>Rem. Yrs</u>
Initial Base - 7/1/14	\$943,511	\$687,282	\$71,060	29
Gain/(Loss)/Amend/Changes - 2015	<u>365,833</u>	<u>365,833</u>	<u>48,679</u>	<u>10</u>
Totals	\$1,309,344	\$1,053,115	\$119,739	

TOWN OF EASTON RETIREMENT PLAN

III. ANNUAL VALUATION SUMMARY - JULY 1, 2015 VALUATION DATE

	Highway Union (a)	Selectmen (b)	Board of Education (c)	Totals (a) + (b) + (c)
D. RANGE OF CONTRIBUTIONS				
a) Unfunded Entry Age Accrued Liability (F.I.L.) - 7/1/2015	(\$411,459)	\$749,240	\$303,875	\$641,656
b) Gross Normal Cost	\$60,562	\$208,797	\$185,692	\$455,050
c) Expected Employee Contributions	\$32,308	\$78,414	\$57,178	\$167,900
d) Net Normal Cost (b - c)	\$28,253	\$130,383	\$128,514	\$287,150
e) Recommended Maximum Plan Deposit - Net Normal Cost plus 10-year amortization of UAL.				
i. Maximum Amortization	\$0	\$119,819	\$54,407	\$174,226
ii. Interest* to Year End	0	20,259	14,806	\$35,064
iii. Maximum Deposit**	\$0	\$270,460	\$197,727	\$468,187
f) Recommended Minimum Plan Deposit - Net Normal Cost plus 30-year amortization of UAL.				
i. Minimum Amortization	\$0	\$82,478	\$37,261	\$119,739
ii. Interest* to Year End	0	17,645	13,605	\$31,250
iii. Minimum Deposit**	\$0	\$230,505	\$179,381	\$409,886
Min. as % of payroll	0.00%	11.98%	10.18%	9.81%

* Interest reflects full year at 7% for employer contributions less 3.5% credit for EE contributions.

** As of June 30, 2016. Budget amounts for 2016-17 include additional interest charge.

Minimum Deposit for Highway reported as \$0 due to "full funding limitation".

TOWN OF EASTON RETIREMENT PLAN

IV. PRESENT VALUE OF ACCRUED BENEFITS - JULY 1, 2015

	Highway Union	Selectmen*	Board of Educ.	All Depart. Grand Total
I. Present Value of Accrued Benefits				
a. Actives				
i. Vested Employee Funded	\$500,500	\$1,256,902	\$565,146	\$2,322,547
ii. Vested Employer Funded	1,212,353	3,959,238	1,460,696	6,632,287
iii. Non-vested Employer Funded	0	0	79,951	79,951
b. Receiving Payment	1,069,973	5,083,596	1,738,155	7,891,724
c. Term Vested	285,862	387,654	120,322	793,838
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 TOTAL	 \$3,068,688	 \$10,687,389	 \$3,964,270	 \$17,720,347
 II. Assets - Market Value	 \$3,460,739	 \$9,397,590	 \$3,847,108	 \$16,705,437
 III. Funded Ratio (II/I)	 112.8%	 87.9%	 97.0%	 94.3%
 (Funded Ratio Last Year)	 124.0%	 92.6%	 102.5%	 100.4%

* Includes former Fire Dept. Retirees, Police & Highway managment

*Present Values based on 7% interest and MP-2014 Post Retirement Mortality, proj. Generationally (M/F)
These amounts use an assumed retirement age of 62, as opposed to age 65 for the funding calculations.*

TOWN OF EASTON RETIREMENT PLAN

V. GROUP CHARACTERISTICS AND COST COMPARISONS July 1, 2015

	Highway	Selectmen*	Board of Education**	Totals
No. of Participants:				
Active	8	39	49	96
Retired	5	31	26	62
Vested Terminated (a)	4	11	6	21
Average Age	48.3	56.6	52.6	53.8
Normal Retirement Age (b)	56.3	66.6	65.4	65.1
Average Past Years Service	18.1	14.8	9.1	12.1
Average Future Years Service	8.0	10.0	12.9	11.3
Total Compensation (c)	\$491,010	\$1,924,703	\$1,762,057	\$4,177,769
Average Compensation	\$61,376	\$49,351	\$36,710	\$43,977
[Gross] Normal Cost (N.C.)	\$60,562	\$208,797	\$185,692	\$455,051
N.C. as % of Pay	12.3%	10.8%	10.5%	10.9%
Minimum Contribution (M.C.)	\$0	\$230,505	\$179,381	\$409,886
M.C. as % of Pay	0.0%	12.0%	10.2%	9.8%

* Includes employees formerly with Police & Hwy. Mgmt & Fire Retirees

** Includes employees formerly with Cafeteria

(a) Represents refund of contributions for 10 terminated non-vested members, a transfer to MERF and, ten (10) true vested terminated participants.

(b) Normal Retirement Age reflects assumed ages. In most instances this is age 65.

(c) Total compensation includes active and deferred active participants.

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

2016

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

FEBRUARY 9

APRIL 19

JUNE 14

AUGUST 9

OCTOBER 18

NOVEMBER 15

DECEMBER 13

Approved at PEBC

meeting