



**HOOKER & HOLCOMBE, INC.**  
Benefit Consultants and Actuaries

**65 LaSalle Road  
West Hartford, CT 06107-2397  
860-521-8400 tel  
860-521-3742 fax  
www.hhconsultants.com**

**Town of New  
Canaan  
GASB 45**

**Valuation as of  
July 1, 2012**

Timothy A. Ryor, FSPA, FCA,  
MAAA, EA  
Senior Vice President and  
Consulting Actuary

Sharad Arora  
Actuarial Specialist

May 28, 2013

## Table of Contents

- Actuarial Certification .....1
- Actuarial Accrued Liability as of July 1, 2012 .....2
- ARC for Fiscal Years Ending June 30, 2014 and June 30, 2015 .....3
- Participant Counts and Average Attained Age .....4
- Projected Benefit Payments .....5
- Summary of Plan Provisions Valued .....8
- Actuarial Assumptions .....12
- Assumption Changes Since Prior Valuation and Actuarial Cost Method .....17

## Certification

This report presents the results of the July 1, 2012 Actuarial Valuation for the Town of New Canaan's post-retirement benefit other than pension (OPEB) for Town and Board of Education Employees (the Plan) for the purpose of estimating the funded status of the Plan and determining the Annual Required Contribution (ARC) for the fiscal years ending June 30, 2014 and June 30, 2015. 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.

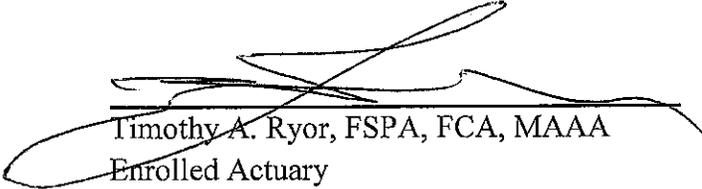
I certify that the actuarial assumptions and methods that were selected by me and represent my best estimate of anticipated actuarial experience under the Plan.

In preparing this valuation, I have relied on employee data provided by the Plan Sponsor, and on asset and contribution information provided by the Town. 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.



Timothy A. Ryor, FSPA, FCA, MAAA  
Enrolled Actuary

May 28, 2013

## Actuarial Accrued Liability

<b>Actuarial Accrued Liability 7/1/2012</b>	<b>Town</b>	<b>Board of Education</b>	<b>Total</b>
Actives	12,273,574	3,083,059	15,356,633
Retirees	<u>5,430,581</u>	<u>5,239,607</u>	<u>10,670,188</u>
Total	17,704,155	8,322,666	26,026,821
Assets 7/1/2012	<u>3,677,354</u>	<u>1,728,712</u>	<u>5,406,066</u>
<b>Unfunded Actuarial Accrued Liability (UAAL) 7/1/2012</b>	<b>14,026,801</b>	<b>6,593,954</b>	<b>20,620,755</b>

## Annual Required Contribution

<b>Annual Required Contribution (ARC)</b>		<b>Board of</b>	
<b>2013 / 2014 Fiscal Year</b>	<b>Town</b>	<b>Education</b>	<b>Total</b>
Normal Cost	860,331	253,107	1,113,439
30 Year Amortization of UAAL	<u>1,056,420</u>	<u>496,620</u>	<u>1,553,040</u>
<b>Total ARC 2013 / 2014</b>	<b>1,916,751</b>	<b>749,727</b>	<b>2,666,479</b>
Expected Benefit Payments 2013 / 2014	<u>659,549</u>	<u>645,508</u>	<u>1,305,056</u>
<b>ARC minus EBP 2013 / 2014</b>	<b>1,257,203</b>	<b>104,220</b>	<b>1,361,422</b>

<b>Annual Required Contribution (ARC)</b>		<b>Board of</b>	
<b>2014 / 2015 Fiscal Year</b>	<b>Town</b>	<b>Education</b>	<b>Total</b>
Normal Cost	920,555	270,825	1,191,380
30 Year Amortization of UAAL	<u>1,056,420</u>	<u>496,620</u>	<u>1,553,040</u>
<b>Total ARC 2014 / 2015</b>	<b>1,976,975</b>	<b>767,445</b>	<b>2,744,420</b>
Expected Benefit Payments 2014 / 2015	<u>703,198</u>	<u>664,278</u>	<u>1,367,476</u>
<b>ARC minus EBP 2014 / 2015</b>	<b>1,273,776</b>	<b>103,167</b>	<b>1,376,943</b>

**Participant Counts and Average Attained Age  
As of July 1, 2012**

<b>Participant Counts</b>			
<b>Group</b>	<b>Active Participants</b>	<b>Retirees*</b>	<b>Total</b>
BOE	435	108	543
Town	<u>191</u>	<u>76</u>	<u>267</u>
Total	626	184	810

<b>Average Age</b>		
<b>Group</b>	<b>Active Average Age</b>	<b>Retirees Average Age*</b>
BOE	44	78
Town	50	72

\*Does not include spouses of retirees.

## Projected Benefit Payments - Town

Fiscal Year Beginning July 1st	Currently Active Employees	Currently Retired Employees	Total
2013	\$156,000	\$503,000	\$659,000
2014	253,000	450,000	703,000
2015	338,000	442,000	780,000
2016	437,000	439,000	876,000
2017	540,000	423,000	963,000
2018	670,000	447,000	1,117,000
2019	821,000	441,000	1,262,000
2020	963,000	417,000	1,380,000
2021	1,127,000	400,000	1,527,000
2022	1,231,000	411,000	1,642,000
2023	1,381,000	388,000	1,769,000
2024	1,506,000	360,000	1,866,000
2025	1,631,000	365,000	1,996,000
2026	1,827,000	369,000	2,196,000
2027	1,977,000	373,000	2,350,000
2028	2,131,000	376,000	2,507,000
2029	2,276,000	378,000	2,654,000
2030	2,409,000	381,000	2,790,000
2031	2,532,000	383,000	2,915,000
2032	2,630,000	385,000	3,015,000

## Projected Benefit Payments – Board of Education

Fiscal Year Beginning July 1st	Currently Active Employees	Currently Retired Employees	Total
2013	\$74,000	\$572,000	\$646,000
2014	118,000	546,000	664,000
2015	150,000	519,000	669,000
2016	202,000	506,000	708,000
2017	236,000	496,000	732,000
2018	260,000	497,000	757,000
2019	286,000	467,000	753,000
2020	283,000	448,000	731,000
2021	268,000	423,000	691,000
2022	312,000	397,000	709,000
2023	306,000	345,000	651,000
2024	334,000	329,000	663,000
2025	412,000	313,000	725,000
2026	437,000	297,000	734,000
2027	520,000	282,000	802,000
2028	603,000	267,000	870,000
2029	647,000	252,000	899,000
2030	795,000	238,000	1,033,000
2031	943,000	224,000	1,167,000
2032	1,037,000	211,000	1,248,000

## Projected Benefit Payments – Total

Fiscal Year Beginning July 1st	Currently Active Employees	Currently Retired Employees	Total
2013	\$230,000	\$1,075,000	\$1,305,000
2014	371,000	996,000	1,367,000
2015	488,000	962,000	1,450,000
2016	639,000	945,000	1,584,000
2017	776,000	918,000	1,694,000
2018	930,000	943,000	1,873,000
2019	1,107,000	908,000	2,015,000
2020	1,246,000	865,000	2,111,000
2021	1,395,000	823,000	2,218,000
2022	1,543,000	808,000	2,351,000
2023	1,687,000	733,000	2,420,000
2024	1,840,000	689,000	2,529,000
2025	2,043,000	678,000	2,721,000
2026	2,265,000	666,000	2,931,000
2027	2,497,000	655,000	3,152,000
2028	2,734,000	643,000	3,377,000
2029	2,922,000	631,000	3,553,000
2030	3,205,000	619,000	3,824,000
2031	3,475,000	607,000	4,082,000
2032	3,666,000	596,000	4,262,000

## Summary of Plan Provisions

*This summary is provided for valuation purposes only. It outlines the major features of the Plan.*

### Eligibility

**Police & Fire:** Age 50 with 20 years of service or disability retirement.

**DPW:** Normal retirement at age 65 with 5 years of service; early retirement at age 60 with 25 years of service; or disability retirement.

**BOE Certified:** Normal retirement at age 60 with 20 years of service or 35 years at any age; early retirement at age 55 with 20 of service or 25 years at any age.

**All others:** Normal retirement at age 65 with 5 years of service; early retirement at age 55 with 15 of service; or disability retirement.

### Cost Sharing Town Non-Bargained

**Non-bargained, retired before June 30, 2001:** Retiree is responsible for entire health premium.

**Non-bargained, retired between July 1, 2001 and June 30, 2007:** Retiree is responsible for entire health premium. The Town provides a stipend of up to \$2,400 per year in total for the retiree's or spouse's coverage.

**Non-bargained, retired between July 1, 2007 and June 30, 2011:** The retiree's health premium is paid by the Town until death. The town provides a stipend of up to \$2,400 per year for spouse's coverage, if applicable.

**Non-bargained, retired on or after July 1, 2011:** The Town pays the retiree's health premium until death, subject to the retiree's premium contribution which is the same percentage rate as active employees. Current premium contributions are:

- July 1, 2011 – June 30, 2012: Retiree pays 13% of the applicable premium, *based on the dual rate.*
- July 1, 2012 – June 30, 2013: Retiree pays 14% of the applicable premium, *based on the dual rate.*

The Town pays a stipend of up to \$2,400 per year in total for the retiree's or spouse's benefits.

## Summary of Plan Provisions (continued)

### Cost Sharing Public Works Union

**DPW, retired before June 30, 2001:** Retiree is responsible for entire health premium.

**DPW, retired July 1, 2001 – June 30, 2007:** The retiree's health premium is paid by the Town from time of unreduced retirement until age 65.

**DPW, retired July 1, 2007 – December 31, 2011:** The retiree's health premium is paid by the Town from the time of unreduced retirement date, until death.

**DPW, retired on or after January 1, 2012:** The Town pays the retiree's health premium until death, subject to the retiree's premium contribution which is the same as that of active employees on the date of the employee's retirement (*based on the dual rate*).

The Town pays a stipend of up to \$2,500 per year for spouse's medical benefits until age 65.

**DPW Employees hired after July 1, 2010** shall pay 50% of the premium cost for retiree single coverage.

There is no spouse stipend for employees hired on or after July 1, 2010.

### Cost Sharing Library

**Library:** Retiree is responsible for entire health premium.

## Summary of Plan Provisions (continued)

### Cost Sharing Police

**Police, retired before June 30, 2000:** Retiree is responsible for entire health premium.

**Police, retired July 1, 2000 – June 30, 2003:** Retiree's health premium is paid by the Town until age 65. Stipend of up to \$2,200 of premiums per year for spouse coverage, until spouse is 65.

**Police, retired July 1, 2003 – June 30, 2007:** Retiree's health and dental premiums are paid by the Town until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.

**Police, retired July 1, 2007+:** Retiree's health premium is paid by the Town until death. Retiree's dental premium is paid by the Town until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.

### Cost Sharing Fire

**Fire, retired before July 1, 1994:** Town pays up to \$750 per year towards health premium.

**Fire, retired July 1, 1994 – June 30, 2000:** Town pays retiree health premium until age 65.

**Fire, retired July 1, 2000 – June 30, 2003:** Town pays retiree health premium until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.

**Fire, retired July 1, 2003 – June 30, 2007:** Town pays retiree health premium until death, dental premium until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.

**Fire, retired July 1, 2007+:** Town pays retiree health premium until death, dental premium until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.

### Life Insurance Police & Fire

**Police & Fire** receive a \$50,000 life insurance benefit, until age 65.

### Part D Stipend

All participants in the Town's retiree medical plan who are Medicare A & B primary are eligible to receive \$58.21 per month (toward cost share post 65) as a credit for Medicare Part D coverage, through June 30, 2014.

Employees that retire on or after July 1, 2013 are not eligible for this credit.

## Summary of Plan Provisions (continued)

### Cost Sharing BOE Custodians

For those employees hired before September 1, 1989, coverage is provided to the retiree only for life. The Board pays 50% or 63.75% of the premium, based on years of service.

### Cost Sharing BOE Secretaries

For those employees hired before September 1, 1989, coverage is provided to the retiree only for life. The Board pays 50% or 63.75% of the premium, based on years of service.

### Cost Sharing BOE Certified

**Retired before September 1, 1993:** Insurance coverage is provided to retiree and spouse for life. Board pays 50%, 60%, or 75% based on years of service. Teachers Retirement Board reimburses \$110 per person per month.

For those employees hired before September 1, 1989:

**Retired September 1, 1993 to August 31, 2007:** Insurance coverage is provided to retiree and spouse for life if participant worked at least 15 years. Board pays a \$2,000 annual stipend until the retiree is 65. Teachers Retirement Board reimburses \$110 per person per month.

**Retired after August 31, 2007:** Insurance coverage is provided to retiree and spouse until they reach age 65. Board pays a \$2,000 annual stipend until the retiree is 65. Teachers Retirement Board reimburses \$110 per person per month.

For those employees hired after September 1, 1989:  
No annual stipend is provided; retiree and spouse must pay 100% of the cost for coverage (less TRB subsidy).

## Actuarial Assumptions All Group Except Certified Staff

Interest: 7.0%.

Mortality: RP-2000 Mortality Table with separate male and female rates, with no collar adjustment, combined table for non-annuitants and annuitants, projected to the valuation date with Scale AA.

Mortality Improvement: Projected to date of decrement using Scale AA (generational mortality).

Turnover: Single 3% rate for all ages for years of service less than 10 for the Police and Fire groups.

<i>Town Excluding Public Works</i>					<i>Public Works</i>				
Year of Service					Year of Service				
Age	< 1	1	2	3+	Age	< 1	1	2	3+
20	40.00%	34.00%	30.00%	26.00%	20	11.92%	10.00%	8.40%	7.44%
25	35.00%	29.00%	25.00%	21.00%	25	11.12%	9.00%	7.40%	5.44%
30	30.00%	24.00%	20.00%	16.00%	30	10.32%	8.00%	6.40%	4.04%
35	25.00%	19.00%	15.00%	9.00%	35	9.52%	7.12%	5.52%	3.16%
40	20.00%	14.00%	10.00%	6.50%	40	8.72%	6.32%	4.72%	2.60%
45	20.50%	15.00%	10.50%	5.75%	45	7.92%	5.64%	4.04%	2.20%
50	18.00%	13.00%	8.75%	5.25%	50	7.12%	5.04%	3.44%	1.80%
55+	16.00%	12.00%	8.00%	4.00%	55+	6.40%	4.48%	2.88%	1.44%

Retirement Probability:

<i>All Others</i>					<i>Public Works</i>				
Years of Service					Years of Service				
Age	< 15	15-30	30-35	35+	Age	< 15	15-25	25-35	35+
60	0%	5%	15%	15%	60	0%	5%	15%	25%
65	10%	15%	15%	20%	65	10%	15%	15%	50%
70	10%	20%	20%	25%	70	10%	20%	20%	50%
75	100%	100%	100%	100%	75	100%	100%	100%	100%

<i>Police &amp; Fire</i>			
Years of Service			
Age	20-29	30	31+
50	14%	14%	14%
55	14%	50%	50%
56-64	14%	50%	18%
65	100%	100%	100%

**Actuarial Assumptions  
All Groups Except Certified Staff (cont.)**

Disability Rates:

Police & Fire: 1985 Pension Disability Study  
Class 4 Unisex Table.

All Others: 1985 Pension Disability Study Class 2  
Male Table.

Percentage of Actives Eligible at  
Retirement who continue with Medical  
Coverage:

All except Library:

Employee	95%
Spouse	80%

Library:

Employee & Spouse	40%
-------------------	-----

Percentage of Actives electing Medical  
Coverage who elect to cover a spouse:

Males:	80%
Females:	80%

Age differential for spouse:

Husbands 3 years older than wives.

Medical Trend Rates:

9.0% for 2012, reducing 0.5% per year to a final  
5.0% for 2020 and later.

Expected per capita claims (prior  
to Medicare integration):

<u>Sample Age</u>	<u>Expected Claim</u>
45	8,801
50	10,203
55	12,001
60	14,322
64	16,884

Retiree Contribution Basis:

We assume the following annual Medical rates for  
retiree contribution basis:

Pre 65:	\$11,191
Post 65:	\$ 8,472

## **Assumption Changes Since Prior Valuation**

For all groups except Certified Staff changes made per 2010 Experience Study, first reflected in our revised July 1, 2010 Pension Valuation dated January 18, 2013.

For Certified Staff, TRB assumptions were updated using the 2010 TRB OPEB Valuation.

For all groups medical trend was revised (see pages 13 and 16).

Any other prior assumptions are illustrated in the prior actuary's report dated December 2, 2011.

## **Actuarial Methodologies**

### **Actuarial Cost Method: Projected Unit Credit**

The Normal Cost is derived for each active participant as the actuarial present value of the projected benefits that are attributed to expected service in the current plan year. The Normal Cost for plan benefits is the total of the individual Normal Costs for active participants.

The Accrued Liability is equal to the portion of the present value of future benefits that is allocated to years of service before the valuation date.

### **Amortization Method: 30 years, level dollar, open**

The Unfunded Accrued Liability is amortized each year over a constant 30 year period, as a level dollar amount.

### **Asset Valuation Method: Market Value**

G:\Clients\537 NewCanaan\2012 pyb 0701 fye 0630\Valuation\OPEB\July 1 2012 OPEB Val.docx