John L. Salomone
Town Manager

TOWN OF NEWINGTON

131 CEDAR STREET
NEWINGTON, CONNECTICUT 06111

MAYOR STEPHEN WOODS

MINUTES

NEWINGTON TOWN COUNCIL
Conference Room L-101 Lower Level – Town Hall
7:00 P.M.

May 26, 2015

The meeting was called to order by Mayor Woods at 7:00 p.m.

I. PLEDGE OF ALLEGIANCE

II. ROLL CALL

Councilor Banach
Councilor Borjeson
Councilor Castelle
Councilor DelBuono
Councilor Klett
Councilor McDonald
Councilor Marocchini
Councilor Nagel - Absent
Mayor Woods

Staff Attendees:

John Salomone, Town Manager
Ann Harter, Director of Finance
Steve Juda, Assessor
Jaime Trevethan, Asst. to the Town Manager – Administration

III. PUBLIC PARTICIPATION – IN GENERAL

Gail Budrejko, 21 Isabelle Terrace: She thanked all involved in the planning and those who participated in the Memorial Day Parade and remarked that it was a wonderful event that she was proud to watch.

John Slusarski, 40 Grandview Drive: Mr. Slusarski expressed concern about pension funding. He indicated that the pension was 71% funded in 2005 yet only 54% funded last year. He also expressed concern over the rate of return not gaining enough ground in the funding. He also noted an error in the exhibit under Historical Funding where it showed 84% funded and should have read 120% funded.

Rose Lyons, 46 Elton Drive: Ms. Lyons thanked Barb DeMaio for her service on the Board of Ethics. She stated that Ms. DeMaio did a good job as the Board Chairperson and was instrumental in scheduling

organizational meetings, revamping the complaint form and having the form posted on the Town's website.

Roy Zartarian, 25 Stuart Drive: Mr. Zartarian announced that there would be a walk on Cedar Mountain as part of the Town Trails Day program. The walk was scheduled for Saturday, June 6. Participants should meet at 7:00 a.m. on Russell Road, near the Humane Society.

Patty Foley, 51 Crown Ridge: Ms. Foley spoke about proposed SB 1 and cautioned that it could result in more taxes for Town residents in the long-term. She asked the Council to carefully consider their stance on the bill and to try to see through the short-term benefits.

John Bachand, 56 Maple Hill Avenue: Mr. Bachand asked the Council to reconsider its resolution against House Bill 6851 and indicated that he was disturbed about recent information he read regarding the bill, as well as the online survey regarding development in the area. He reiterated hope that a member of the Council who voted against the resolution would reconsider. He also expressed concern about Substitute Bill 1. He attended the recent Town Hall Renovation Committee meeting and said he hoped the consensus would not be to tear down the entire building. It was not necessary and could be repurposed.

IV. CONSIDERATION OF OLD BUSINESS

A. Trash and Recycling Disposal Contract Extensions

Councilor Borjeson moved the following:

RESOLVED, that the Newington Town Council authorizes the Town Manager to enter into an agreement with Covanta Energy to extend the current municipal solid waste disposal agreement for the period of November 16, 2015 through June 30, 2018; and

BE IT FURTHER RESOLVED, that the Newington Town Council authorizes the Town Manager to enter into an agreement with Murphy Road Recycling to extend the current municipal recycling disposal agreement for the period of November 16, 2015 through June 30, 2018.

Motion seconded by Councilor Marocchini. Motion passed 8-0 (Councilor Nagel absent)

B. Town Council Resolution Opposing Substitute Bill 1 (Establishing a Statewide Motor Vehicle Property Tax Collection System)

John Salomone indicated the bill was very complex and had asked Mr. Juda to comment on the impact of the motor vehicle component to the bill.

Town Assessor Steve Juda reviewed the following data regarding proposed SB 1:

Table 1		
	FY15-16 Adopted Budget	
Grand List in Budget	$2,551,501,424	
Less Legal Tax Deductions and Exemptions	$10,000,000	
Adjusted Grand List	$2,541,501,424	
Estimated Collection Rate	98.6%	
Net Adjusted Collectible Grand List		
$2,505,920,404.06		
Mill Rate	0.03581	35.80

Table 2

Office of Fiscal Analysis Distributed by CCM

Impact to Newington with SB 1

Increase in PILOT	$176,884
Decrease in Motor Vehicle Tax	-$1,006,852
Increase - New in Sales Tax Distribution	$3,294,834
Net Increase Impact of SB 1	$2,464,866

Table 3

Assessor Analysis of Impact to Newington of Substitute SB 1

Motor Vehicle Grand List 2014 (8.6% Of GL)	$216,823,515	$216,823,515	Loss Revenue	
Mill Rates	0.0358	0.02936		
Motor Vehicle Taxes	$7,762,282	$6,365,938	$1,396,343	18.0%
		Rounded Loss	$1,400,000	
Reduction In Tax Levy Due To SB 1				
FY 2015-2016 Levy - Table 1	$89,747,237			
Less Increase In Table 2	$2,464,866			
Adjusted Levy To SB 1	$87,282,371			-2.7%
Change In Mill Rate To Accommodate SB1				
		Mill Rate	Tax Revenue	
Net Adjusted Collectible Grand List	$2,505,920,404			
Less Motor Vehicles	$216,823,515	0.02936	$6,365,938	
GL To Real Estate And Personal Property	$2,289,096,889	0.03535	$80,916,433	
Adjusted Levy To SB 1			$87,282,371	
Decrease In Mill Rate For SB1		-0.45137		
Possible New Mill Rate		35.34863	35.35	-1.3%

SB 1 Net Impact*						
Municipality	FY 15 Mill Rates	FY 15 SB 1 PILOT Increases - FY 15 Est.*	29.36 Mill Cap (in FY 14) - FY 14 Levy	Sales Tax Adjusted Distribution (annualized)	Net Impact of PILOT, mill rate cap, and sales tax revised distribution	
Newington	34.77	176,884	(1,006,852)	3,294,834	2,464,866	

Councilor McDonald asked if the mill rate would have to be increased due to uncertainty of the money to be received and would increasing the mill rate compound the negative effect. Mr. Juda said Newington was in the top quartile as rated by the State and Newington could be impacted. If the promise from the State was not kept, he stated it could affect the mill rate. Mr. Salomone indicated if the State shared the money, it would have to increase sales tax on services to bring in additional money. Without the increase the State would have to subsidize approximately $300 million in lost revenue from the sales tax.

Councilor Klett was hesitant to introduce the resolution since she was unsure of the impact. Mr. Salomone said that the bill had not been finalized and the sales tax legislation had not been approved to date. At face value, there currently was a net increase to the Town.

Councilor McDonald indicated that until the sales tax portion was completed, it was premature to vote on the resolution because it might become a non-issue.

Mr. Salomone stated the motor vehicle tax was not an efficient one and a lot of time was spent on it. He felt they may have gone overboard in trying to fix all the tax ills.

Councilor Marocchini asked if the resolution could be tabled for the next agenda to determine the status. Councilor Borjeson indicated he did not think the bill would be ready within two weeks and felt there was time to wait for the next meeting.

Councilor DelBuono said the Republicans concern centered around the motor vehicle piece and without getting more information, it made sense to wait until the next meeting.

V. CONSIDERATION OF NEW BUSINESS

A. Discussion: Pension Funding Policy

Ann Harter, Director of Finance, Becky Sielman, Principal and Consulting Actuary from Milliman and Marc Shegoski, Consultant from UBS gave a presentation on pension funding. The presentation is attached. Mr. Salomone indicated there had been discussions on the town's funding and questions had been raised that he felt should be answered. The Town funded the pension at the recommended actuarial level each year.

Councilor Borjeson asked about the year 2012 and why the dip occurred. It was explained that it was a down period and was partly just timing. He asked if there was a number that would preclude the town getting into trouble like the State recently. Ms. Sielman stated the target was for all three plans to be fully funded and as the Town got closer to the target it might want to consider having a higher target to have a cushion for the future.

Councilor DelBuono asked what a comfortable percent to fund was and Ms. Sielman indicated if the Town was in the 80% range that would be considered a good point. She indicated that new mortality tables would be developed to show the retirees longevity.

Councilor Castelle stated that in 2004 the pension funding was 5.64% of the operating budget and was currently fifteen percent. If it continued, the fund would be approximately 22% of the budget. Mr. Salomone indicated that the Town always funded the recommended amount and if the Town held course, it would be in a better picture in ten years.

Ann Harter explained there would be a resolution for the funding policy at the next meeting.

B. Year End Transfers

Ann Harter gave a report on the transfers needed since some accounts were over extended and some had extra in them. Most of the transfer was needed for snow removal and salt ($90k). The money would come out of the Town Council contingency fund. Other items included Town Manager's salary adjustment, and the town attorney line item was $30k short due to extra legal cases. There was extra funds available from the Solid Waste and Conservation Commission accounts totally $43,500.

The Mayor asked if there was salt leftover from the winter and Mr. Salomone indicated there was. The attorney's fees were due mainly to Firestone.

C. Suspense List

Ann Harter indicated each year a suspense list was created by the tax collector and most were uncollected motor vehicle taxes. The Town had attempted to find the individuals but by placing them on the list still would attempt to collect the money due. The resolution would be voted on at the next Council meeting.

D. Job Description: Board Certified Behavior Analyst (A-8, Board of Education)

Mr. Salomone indicated the Board of Education had requested this since it was up to the Town Council to add job descriptions. By providing this service and not outsourcing it, the Town could save approximately $300k. Councilor Castelle asked if the salary was included in the savings and Mr. Salomone would have the information at the next meeting. Councilor McDonald asked how the savings was figured since they currently contracted for four individuals and were hiring only one. Mr. Salomone said the four were not full time but on an hourly basis.

VI. RESIGNATIONS/APPOINTMENTS

Councilor Banach moved the following:

RESOLVED:

That the Newington Town Council hereby accepts the resignation of Barbara DeMaio from the Board of Ethics, in accordance with a communication dated May 15, 2015.

The Council thanked her for her service and wished her well in her move.

The motion was seconded by Councilor Borjeson and the motion passed 8 – 0 (Councilor Nagel, absent).

Councilor Klett moved the following:

RESOLVED: that the Newington Town Council hereby makes the following appointment(s):

5. Board of Ethics

Name	Address	Party	Term	Replaces
Alternate: John Bottalico	**37 Valley View Drive**	**R**	**Immed. – 11/30/16**	**Vacant**

18. Library Renovations/Addition Project Building Committee

Name	Address	Party	Term	Replaces
NTC Rep: David Nagel	**1175 Willard Avenue**	**R**	**NTC Term**	**New position**
Public Rep: Steven Silvia	**45 Basswood Street**	**R**	**Immed. – Indefinite**	**New position**

The motion was seconded by Councilor DelBuono and passed 8 – 0 (Councilor Nagel, absent).

VII. TAX REFUNDS (Action Requested)

Councilor Marocchini moved the following:

RESOLVED:

That property tax refunds in the amount of $ 2,102.24 are hereby approved in the individual amounts and for those named on the "Requests for Refund of an Overpayment of Taxes," certified by the Revenue Collector, a list of which is attached to this resolution.

Motion seconded by Councilor Banach. Motion passed 8 – 0 (Councilor Nagel Absent).

VIII. MINUTES OF PREVIOUS MEETINGS

A. Regular Meeting, May 12, 2015

Councilor McDonald moved to accept the minutes as submitted. Motion seconded by Councilor Klett. Motion passed 8-0 (Councilor Nagel Absent)

IX. WRITTEN/ORAL COMMUNICATIONS FROM THE TOWN MANAGER, OTHER TOWN AGENCIES AND OFFICIALS, OTHER GOVERNMENTAL AGENCIES AND OFFICIALS AND THE PUBLIC

None

X. COUNCIL LIAISON/COMMITTEE REPORTS

Councilor Borjeson indicated that the Councilors have received the Town Manager's performance evaluation forms. He asked the Councilors to complete the forms no later than June 1 and indicated that the Town Manager Evaluation Subcommittee would meet the week of June 8.

XI. PUBLIC PARTICIPATION – IN GENERAL

Mady Kenny, 53 Crestview Drive: Ms. Kenny inquired about the number of students involved with the BCBA program and also requested clarification of language in the proposed job description that "These statements are not intended to be an exhaustive list of all duties and responsibilities required of all personnel within this position."

Steven Silvia, 45 Basswood Street: Mr. Silvia presented reusable water bottles to the Councilors in appreciation of the Council and to save resources. He said that in talking with Dr. Collins regarding the new position the person could handle a caseload of eight and there were currently four cases. The individual would be utilized fifty percent and might be able to help other districts. He was curious as to how the person would be allocated and how the $300k would be saved.

XII. REMARKS BY COUNCILORS

Councilor Borjeson wanted everyone to know that there were several focus groups last week at the Senior Center to review outreach and what things the Center could be doing. The Senior Recognition dinner was held earlier and was a nice event. He wanted to thank the TPZ for promoting a proposal for Amara. He thought what was developed was thorough and fair. He remarked that the service after the Memorial Day Parade was the nicest one he had attended.

Councilor Marocchini said the Newington Children's Theater would be having Once on this Island Jr. May 29 – June 7. He urged the public to support the local theater.

Councilor Klett asked the Town Manager to give some feedback on an email received regarding cycling and if the suggestion could be accommodated. She had been in Mill Pond Park with her wheelchair bound mother and at one point could not maneuver the chair and had to turn around. The section was by the pool and Mr. Salomone said he would have Engineering take a look at it. She agreed with Councilor Borjeson about the Memorial Day Parade.

Councilor DelBuono enjoyed getting the background on each name at the Memorial Day ceremony. She asked Mr. Salomone about the information requested on committee members and when it would be received. He stated the Town Attorney was working on it.

Councilor McDonald stated it was time for the Town to consider how they could create a bicycle culture in town and with neighboring towns. Creating a way to get to each of the busway stations could be considered with safe crosswalks, lights, etc. She stated the project approved by the TPZ was a revenue generating project despite rumors to the contrary. She agreed with the Councilors regarding the parade and thanked the Lt. Governor for attending. The Councilor thanked the Volunteer Ambulance and Police for their professionalism and rapid response when her mother fell recently.

Mayor Woods agreed the Memorial Day Parade and ceremony were wonderful events and thanked the committee for their hard work.

XIII. ADJOURNMENT

Councilor Marocchini moved to adjourn the meeting at 9:05 p.m. and was seconded by Councilor Castelle. The motion passed 8-0 (Councilor Nagel, absent).

Respectfully Submitted,

Linda Irish-Simpson
Clerk of the Council

Cc: T. Lane, Town Clerk
Attach.

TOWN OF NEWINGTON PENSION PLANS

JULY 1, 2014 VALUATIONS
Summary of Principal Results

	Administrative	Municipal	Police	Total
Membership as of July 1, 2014				
Active Members	10	114	58	182
Terminated Vested Members	2	9	0	11
Members in Pay Status	33	181	68	282
Total Members	45	304	126	475
Payroll	$864,498	$7,037,357	$5,765,839	$13,667,694
Assets and Liabilities as of July 1, 2014				
Market Value of Assets	$5,843,728	$22,813,406	$33,973,643	$62,630,777
Actuarial Value of Assets	5,426,265	21,260,237	31,673,813	58,360,315
Accrued Liability for Active Members	2,743,115	19,584,713	16,548,639	38,876,467
Accrued Liability for Terminated Vested Members	384,670	469,385	0	854,055
Accrued Liability for Members in Pay Status	8,508,711	21,014,171	39,057,966	68,580,848
Total Accrued Liability	11,636,496	41,068,269	55,606,605	108,311,370
Unfunded Accrued Liability	6,210,231	19,808,032	23,932,792	49,951,055
Funded Ratio	46.6%	51.8%	57.0%	53.9%
Actuarially Determined Contribution for FY2016				
Net Normal Cost	$28,496	$280,140	$727,185	$1,035,821
Past Service Cost/(Credit)	420,902	1,342,502	2,611,100	4,374,504
Actuarially Determined Contribution	449,398	1,622,642	3,338,285	5,410,325

This work product was prepared solely for the Town of Newington for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

PENSION PLANS - HISTORICAL FUNDING
Based on July 1, 2014 Valuations

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability	(3) Unfunded Accrued Liability (2) - (1)	(4) Funded Ratio (1) / (2)	For Fiscal Year	(5) Actuarially Determined Contribution	(6) Actual Town Contribution	(7) Percent Funded (5) / (6)
07/01/2005	$48,440,315	$67,953,249	$19,512,934	71.3%	2006-07	$2,180,481	$2,180,481	100%
07/01/2006	50,163,865	70,824,574	20,660,709	70.8%	2007-08	2,293,643	2,293,643	100%
07/01/2007	53,664,414	74,550,539	20,886,125	72.0%	2008-09	2,361,779	2,361,779	100%
07/01/2008	56,495,050	80,260,486	23,765,436	70.4%	2009-10	2,690,870	2,690,870	100%
07/01/2009	55,780,444	85,219,568	29,439,124	65.5%	2010-11	3,255,717	3,255,717	100%
07/01/2010	55,015,997	88,196,364	33,180,367	62.4%	2011-12	3,619,705	3,619,705	100%
07/01/2011	52,483,132	94,448,739	41,965,607	55.6%	2012-13	4,123,178	4,923,178	84%
07/01/2012	51,545,859	96,755,411	45,209,552	53.3%	2013-14	4,496,826	4,496,826	100%
07/01/2013	53,593,089	104,603,750	51,010,661	51.2%	2014-15	5,225,599	TBD	TBD
07/01/2014	58,360,315	108,311,370	49,951,055	53.9%	2015-16	5,410,325	TBD	TBD

This work product was prepared solely for the Town for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

PENSION PLANS - LONG RANGE FORECAST
Based on July 1, 2014 Valuations

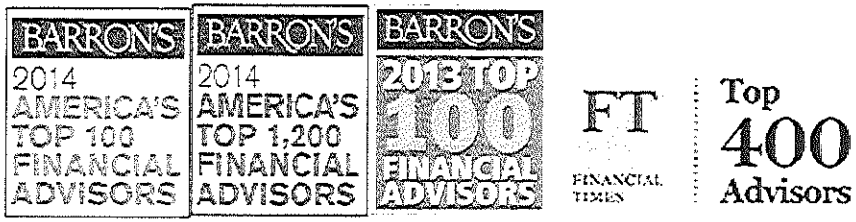
This forecast is based on the results of the July 1, 2014 actuarial valuations and assumes that the Town will pay the Actuarially Determined Contribution each year, the assets will return the assumed interest rate on a market value basis each year, and there are no future changes in the actuarial methods or assumptions or in the plan provisions. Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets.

		Values as of the Valuation Date					Cash Flows Projected to the Following Fiscal Year			
Valuation Date	Interest Rate	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio	Fiscal Year Ending	Town Contributions	Employee Contributions	Benefit Payments	Net Cash Flows
7/1/2014	7.500%	$108,311,370	$58,360,315	$49,951,055	53.9%	2016	$5,410,325	$779,000	($6,999,000)	($809,675)
7/1/2015	7.375%	113,325,000	64,389,000	48,936,000	56.8%	2017	5,536,000	768,000	(7,237,000)	(933,000)
7/1/2016	7.250%	117,840,000	68,846,000	48,994,000	58.4%	2018	5,828,000	757,000	(7,521,000)	(936,000)
7/1/2017	7.125%	122,355,000	74,295,000	48,060,000	60.7%	2019	6,082,000	736,000	(7,809,000)	(991,000)
7/1/2018	7.000%	126,830,000	79,519,000	47,311,000	62.7%	2020	6,430,000	723,000	(8,154,000)	(1,001,000)
7/1/2019	6.875%	131,259,000	84,009,000	47,250,000	64.0%	2021	6,939,000	705,000	(8,472,000)	(828,000)
7/1/2020	6.750%	135,519,000	88,696,000	46,823,000	65.4%	2022	7,553,000	695,000	(8,757,000)	(509,000)
7/1/2021	6.750%	137,840,000	93,772,000	44,068,000	68.0%	2023	7,938,000	681,000	(9,044,000)	(425,000)
7/1/2022	6.750%	139,956,000	99,520,000	40,436,000	71.1%	2024	8,303,000	668,000	(9,349,000)	(378,000)
7/1/2023	6.750%	141,862,000	105,741,000	36,121,000	74.5%	2025	8,758,000	656,000	(9,642,000)	(228,000)
7/1/2024	6.750%	143,547,000	112,428,000	31,119,000	78.3%	2026	9,512,000	642,000	(9,924,000)	230,000
7/1/2025	6.750%	145,006,000	119,719,000	25,287,000	82.6%	2027	4,767,000	632,000	(10,200,000)	(4,801,000)
7/1/2026	6.750%	146,232,000	127,975,000	18,257,000	87.5%	2028	3,057,000	625,000	(10,460,000)	(6,778,000)
7/1/2027	6.750%	147,214,000	131,585,000	15,629,000	89.4%	2029	3,172,000	627,000	(10,610,000)	(6,811,000)
7/1/2028	6.750%	147,962,000	133,393,000	14,569,000	90.2%	2030	3,301,000	616,000	(10,803,000)	(6,886,000)
7/1/2029	6.750%	148,612,000	135,287,000	13,325,000	91.0%	2031	3,444,000	611,000	(11,047,000)	(6,992,000)
7/1/2030	6.750%	149,075,000	137,227,000	11,848,000	92.1%	2032	3,602,000	611,000	(11,209,000)	(6,996,000)
7/1/2031	6.750%	149,304,000	139,187,000	10,117,000	93.2%	2033	3,787,000	608,000	(11,383,000)	(6,988,000)
7/1/2032	6.750%	149,385,000	141,274,000	8,111,000	94.6%	2034	4,014,000	606,000	(11,569,000)	(6,949,000)
7/1/2033	6.750%	149,285,000	143,506,000	5,779,000	96.1%	2035	4,322,000	613,000	(11,677,000)	(6,742,000)

For purposes of this forecast the amortization period declines to 1 year to illustrate the progress of the plan towards becoming fully funded; in actual practice the amortization period will not be less than 10 years in order to shield the Town from contribution volatility.

This work product was prepared solely for the Town for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

Introduction to our Team:



L. Marc Shegoski, Senior Institutional Consultant

- Marc has 33 years of investment consulting, portfolio management, and trading experience. Marc specializes in asset allocation, manager due diligence, portfolio construction, equity and fixed income trading. Marc was a partner in the development of the UBS Institutional Consulting Group, previously named PRIME Asset Consulting at Paine Webber & Kidder Peabody. Additionally, Marc was a founding partner of a New York Stock Exchange firm, a Director of the Office State Courts Administrator for the State of Missouri, and a Consultant to the Special Investigation Commission of the New Jersey Senate.
- Marc holds a Masters of Science with highest honors from the Harry S. Truman School of Government at the University of Missouri – Columbia, which he attended under a National Presidential Fellowship. Marc also holds a BA from Rutgers College, graduating with Distinction.

Ashley Martella, CFP®, CFA®, Senior Vice President – Wealth Management

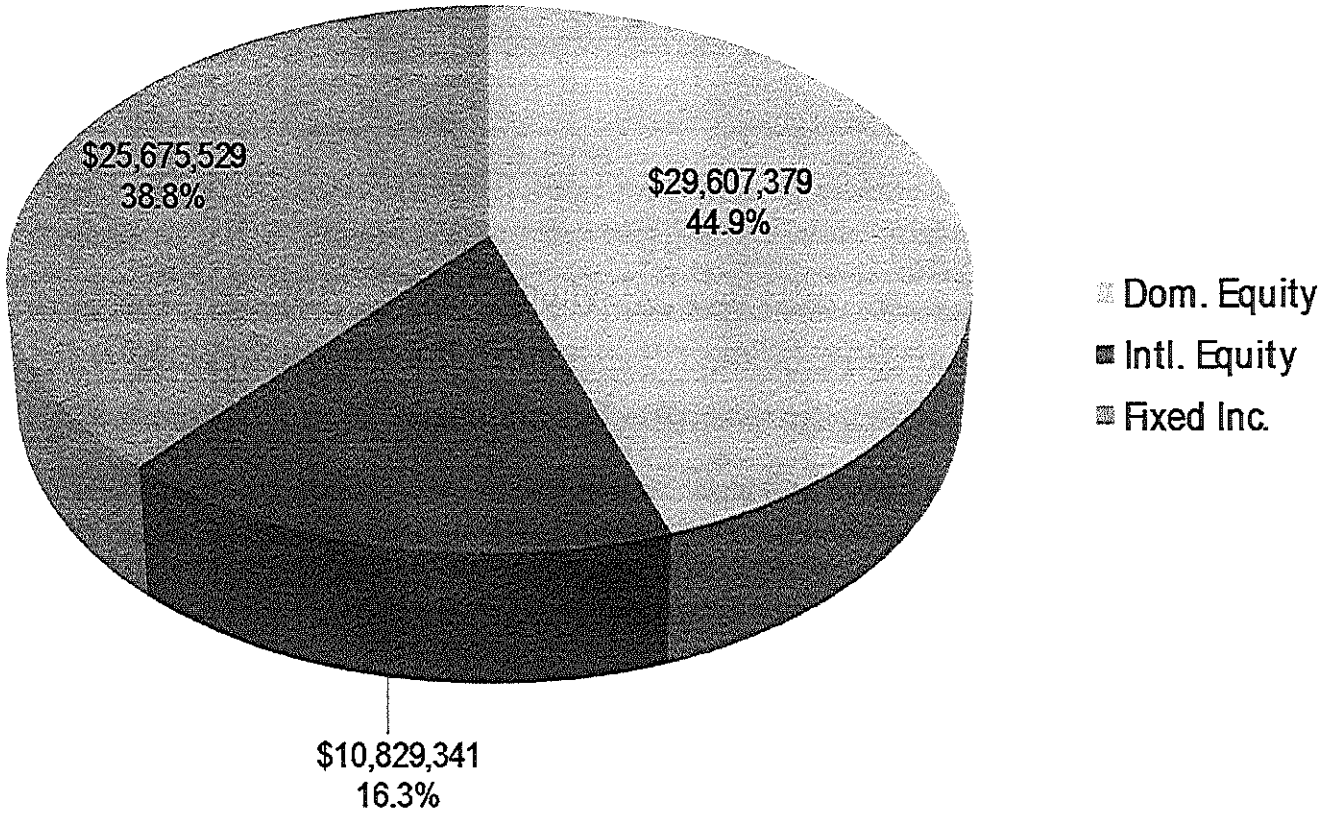
- Ashley joined UBS in 2005 after several years at Lehman Brothers, where he served as an analyst. He has received the CFA® and CFP® designations. Ashley also holds Series 7 and 66 securities licenses and is accredited to offer insurance. He earned a B.S. degree in finance and an M.B.A. from the University of Connecticut. Outside of work, Ashley is involved with several local charitable organizations and enjoys playing softball, tennis and skiing. He and his wife, Laura, live in Southington, CT., with their son, Austin and their daughter, Annabelle.

David Sears, CFP®, CIMA®, CRPS®, Institutional Consultant

- As an Institutional Consultant and Account Vice President who joined UBS in 2007, David was part of a select group chosen nationally to complete a focused wealth management and institutional consulting program. Now as a portfolio manager and consultant, David supports the Princeton-Hartford Investment Consulting Group with portfolio construction, asset allocation, risk management, investment manager research, equity and fixed income trading, portfolio reporting, and financial planning.
- David received his B.S. in Finance and Economics with high honors from The Rutgers Business School, Rutgers University. David is also a member of the Phi Beta Kappa honor society

Town of Newington –Pension Plans

Total Portfolio Value		Beginning Market Value
March 2015		October 1998
$66,129,512		**$15,044,237**
36,597,727	Police	8,404,186
23,635,376	Municipal	5,314,530
5,896,408	Administrative	1,325,521



Town of Newington Pension Plans – Overview

Newington Pension Plans - current market value	**$66,129,511.54**
Historical Asset Allocation	50% equity / 50% fixed income
Current Asset Allocation	61.2% equity / 38.8% fixed income
2015 QTD rate-of-return (as of 3/31/15)	2.47%
Actuarial assumption – 7/01/2007	7.75%
Actuarial assumption – 7/01/2014	7.50%

FUNDING POLICY

Town of Newington
Administrative Pension Fund
Municipal Pension Fund
Police Pension Fund

Adopted xxx x, 2015

PURPOSE

This Funding Policy is a statement of the Town's objectives in funding the benefits to be paid by the Administrative Pension Fund, Municipal Pension Fund and the Police Pension Fund. It sets forth the strategy that the Town Council will use to determine the contributions needed to achieve those objectives.

OBJECTIVES

The Town's principle objectives are to:

1. Ensure that the Pension Funds have sufficient assets on hand to pay all benefits due.
2. Minimize the annual volatility of budgeted contributions.
3. Provide for equity among different generations of taxpayers with respect to bearing the costs of the benefits.
4. Ensure that all statutory funding requirements are satisfied.

FUNDING GUIDELINES

In order to achieve the objectives of this Funding Policy, the Town Council will base its contributions to the plans on Actuarially Determined Employer Contributions ("ADEC") prepared annually in compliance with all applicable Actuarial Standards of Practice. The ADEC will be determined using the following funding method elements:

1. The Entry Age Normal actuarial cost method will be used to determine the Normal Cost (the cost of benefits allocated to each year of employment) and the Actuarial Accrued Liability (the cost of benefits allocated to all past years of employment). The Entry Age Normal actuarial cost method has been selected because it allocates costs over an active member's working lifetime on a level-percent of pay basis.
2. In order to minimize the impact of investment volatility on the ADEC, an Actuarial Asset valuation method will be used that recognizes market gains or losses over a 5-year period in equal installments. A market gain or loss arises when the actual rate of return on the plan's investments is higher or lower than the assumed interest rate.

3. The plans currently have an Unfunded Actuarial Accrued Liability (UAAL), meaning that the Actuarial Accrued Liability is not fully covered by the Actuarial Value of Assets. The goal of the amortization policy is to achieve 100% funding over a period of time that provides for intergenerational taxpayer equity while minimizing contribution volatility. Effective with FY 15-16, the UAAL will be amortized over a 21-year closed period for the Administrative Pension Fund and Municipal Pension Fund and 11-year closed period for the Police Pension Fund. The amortization payment will be calculated as a level percent.
4. In order that the Town know the amount of the ADEC for a fiscal year before the budget for that fiscal year has been finalized, the ADEC will be determined based on an actuarial valuation performed as of July 1st of the calendar year prior to the calendar year in which the fiscal year begins. To illustrate, the July 1, 2014 actuarial valuation will determine the ADEC for the 2015-16 fiscal year.

UPDATES TO POLICY

This Funding Policy will be reviewed at least annually as part of the normal budgetary process, and will be updated following changes in the actuarial methods or assumptions, plan changes, changes in the statutory minimum required contribution, or any other events that result in either the Actuarial Accrued Liability or the Actuarial Value of Assets changing by more than 20% from one actuarial valuation date to the next. A comprehensive review of this Funding Policy will be conducted every five years.

APPROVED XXX xx, 2015

MINUTES - EMPLOYEE INSURANCE AND PENSION BENEFITS COMMITTEE

March 9, 2015

1) Call to Order: Chairperson Clarke Castelle called the meeting to order at 6:04 p.m. in the Helen Nelson Conference Room.

2) Roll Call: Members Present: Sharon Braverman, Clarke Castelle, Beth DelBuono (left at 8:50), Jon Kehl, Jay Slater, John Slusarski, Paul Vessella (left at 8:10) and Michael Wilbur

Members Absent: Dennis Doyle, Jay Krusell and Terrence Sullivan

Staff Present: Ann Harter, Charlene Drzata and Lou Jachimowicz

Others Present: Becky Sielman, Marc Shegoski, Ashley Martella and Dave McCluskey

3) Minutes: Jon Kehl made a motion to accept the minutes of November 17, 2014, seconded by Jay Slater. The motion passed unanimously.

4) Public Participation: None

5) New Business:
a) Milliman: Becky Sielman reviewed the summary of the July 1, 2014 valuation results for the Administrative, Municipal and Police pension plans. Becky reported that the investments had a good year with a rate of return in the high 15% for all plans. There was no change in the interest rate assumption of 7.50%. A lengthy discussion followed on long range funding, liabilities and interest rate assumptions. Becky noted that the 7.50% assumption rate is a little too high and that the assumption rate will be gradually lowered by .125% per year to a rate Milliman feels is reasonable. Becky noted that the Town has consistently made 100% of the annual required contributions to the pension plans. The complete July 1, 2014 Valuation reports just received from Milliman will be made available to the committee on the Town's website. Becky reviewed the GASB 67 report for fiscal year ending June 30, 2014 for the Municipal Plan and noted that this report is identical for all three pension plans. Under GASB 67, additional reporting is required to be performed by actuaries for financial statement disclosures which includes more information on investment returns. Related to the GASB 67 pronouncement, Ms. Sielman reviewed the Funding Policy which is a statement of objectives in funding the Town's annual contribution. Ms. Sielman noted that the Funding Policy will be reviewed annually as part of the normal budgetary process. After further discussion, Jon Kehl made a motion to endorse the Funding Policy as presented by Becky Sielman. Seconded by Mike Wilbur. The motion passed unanimously. A brief discussion followed regarding the new mortality tables (RP-2014) that were recently released by the Society of Actuaries. Corporations are required to use them by 12/31/2017. Milliman's analysis of the projections scales included in the mortality tables were weighted too heavily. She explained that more research is required before public plans implemented the tables.

b) UBS: Marc Shegoski presented a summary of the market and economic outlook. Ashley Martella reviewed the Pension Fund Performance summary as of December 31, 2014. The 4th quarter returns for all pension plans were 2.55% which was ahead of the benchmark of 2.10%. Marc Shegoski reviewed the OPEB investment performance. The returns as of December 31, 2014 were 0.81% which was below the benchmark of 1.82%. After discussing the individual funds, UBS recommended that the 5% position in the Royce Premier Fund within OPEB be replaced with the Vanguard Mid Cap Index Fund. Jon Kehl made a motion to accept the recommendation to replace the Royce Premier Fund with the Vanguard Mid Cap Index Fund while UBS investigates other options. John Slusarski seconded the motion. The motion passed unanimously. Jon Kehl requested that the committee revisit in greater detail the merits of incorporating alternative investments as a piece of the portfolio at future meetings.

c) Lockton: Dave McCluskey reported that the 2014-15 plan year is running with a positive margin of $572,671 through January 2015. The Town has a positive margin of $39,859 and the Board of Education has a positive margin of $532,812. Dave reported that there is one large claim which exceeds 50% of the individual stop loss of $175,000. Dave reviewed the 2015-16 Anthem BC renewal. The overall increase is 2.4%. There were no increases in the Administrative and Stop loss fees. He noted that trend is running at 8%. The total 2015-16 budget change for the Town is 8.3% and .07% for the Board of Education. Dave noted that the teacher's contract was settled and includes the option to enroll in a High Deductible Health Plan with a Health Savings Account effective 7/1/15.

6) Chairperson Castelle allowed for public participation before Remarks by Committee Members:

Havital Miltz, 168 Nicholson Street, commented that she is all for High Deductible plans. Asked whether the groups would receive information about them. Dave McCluskey responded that educational sessions for employees will begin soon to explain the benefits of the plan.

Remarks by Committee Members: John Slusarski said he has pension plan handouts which he will send to the committee members.

7) Next Meeting: To be determined

8) Adjournment: Jay Slater made a motion to adjourn, seconded by Jon Kehl. The motion passed unanimously. The meeting adjourned at 9:10 p.m.

Respectfully submitted,

Charlene J. Drzata

Charlene J. Drzata
Insurance & Benefits Administrator

GFOA Best Practice: Guidelines for Funding Defined Benefit Pensions

Background. Governments that offer defined benefit pensions to their employees should fund the cost of those benefits in an equitable and sustainable manner. An actuarial valuation provides an employer with crucial information on the amount that needs to be contributed each period to fund the long-term cost of benefits promised to plan participants. Generally accepted accounting principles (GAAP) have required that this actuarially determined amount, known as the *actuarially required contribution* (ARC),[1] be calculated within standardized parameters and disclosed as part of an employer's annual financial report.

Recently, the Governmental Accounting Standards Board (GASB) changed its approach with regard to pension reporting and moved from one that served both the purposes of accounting/financial reporting and funding to one related solely to accounting/financial reporting. As a result, GAAP will no longer require that employers calculate and disclose an ARC in their financial reports starting with fiscal years ending on or after June 30, 2014. Likewise, the parameters (e.g., actuarial cost method, asset smoothing, and amortization) that have standardized how an ARC is calculated have been eliminated from GAAP. In the absence of ARC disclosures, it will be difficult for stakeholders, including policy-makers, employees and the public to determine whether obligations are being appropriately funded. Consequently, there is a pressing need for widely recognized, standardized guidelines as to what constitutes a sound funding plan for a state or local government employer that offers defined benefit pensions. The GFOA and ten other national associations[2] representing state and local governments and retirement systems developed a set of pension funding guidelines to meet this need.[3] The following recommendation is a practical application of those guidelines.

Recommendation. The Government Finance Officers Association (GFOA) recommends that every state and local government that offers defined benefit pensions formally adopt a funding policy that provides reasonable assurance that the cost of those benefits will be funded in an equitable and sustainable manner. Such a funding policy should incorporate each of the following principles and objectives:

1. Every government employer that offers defined benefit pensions should continue to obtain no less than biennially an actuarially determined contribution (ADC) to serve as the basis for its contributions;
2. The ADC should be calculated in a manner that fully funds the long-term costs of promised benefits, while balancing the goals of 1) keeping contributions relatively stable and 2) equitably allocating the costs over the employees' period of active service;
3. Every government employer that offers defined benefit pensions should make a commitment to fund the full amount of the ADC each period. For some government employers, a reasonable transition period will be necessary before this objective can be accomplished;
4. Every government employer that offers defined benefit pensions should demonstrate accountability and transparency by communicating all of the information necessary for assessing the government's progress toward meeting its pension funding objectives.

The GFOA intends to develop additional best practices that will provide specific guidance on the practical application of these principles and objectives to each of the three core elements of a comprehensive pension funding policy: actuarial cost method, asset smoothing, and amortization.

Notes

1. The new GASB standards no longer use the term "annual required contribution," or (ARC). Instead, the new standards refer to the disclosure of an "actuarially determined contribution" (ADC).
2. The other ten national organizations include: National Governors Association, National Conference of State Legislatures, Council of State Governments, National Association of Counties, National League of Cities, U.S. Conference of Mayors, International City/County Management Association), the National Association of State Auditors, Comptrollers and Treasurers, the National Association of State Retirement Administrators, and the National Council on Teacher Retirement. The Center for State and Local Government Excellence is convening this task force.
3. The GFOA Executive Board passed a resolution expressing the GFOA's support for the pension funding guidelines developed by the GFOA and nine other national associations. The resolution can be found at: http://www.gfoa.org/index.php?option=com_content&task=view&id=2539

RICHARD H. HARRIS is finance and compliance officer for the Denver Employees Retirement Plan. He has full responsibility for the relationship with the plan's actuary and is charged with the task of promoting a higher level of understanding of the plan's actuarial liabilities to relevant stakeholder groups, including the DERP board, the city administration, and the city council. Before joining DERP in 2004, Harris spent 18 years at Coors Brewing Company. He is also vice-chair of the GFOA's Committee on Retirement and Benefits Administration. He can be reached at rharris@derp.org.

Issued by:

National Governors Association (NGA)
National Conference of State Legislatures (NCSL)
The Council of State Governments (CSG)
National Association of Counties (NACo)
National League of Cities (NLC)
The U.S. Conference of Mayors (USCM)
International City/County Management Association (ICMA)
National Council on Teacher Retirement (NCTR)
National Association of State Auditors, Comptrollers and Treasurers (NASACT)
Government Finance Officers Association (GFOA)
National Association of State Retirement Administrators (NASRA)