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*A.J. Tiniakos*  
Town Clerk

TOWN OF NEWINGTON  
EMPLOYEE INSURANCE AND PENSION BENEFITS COMMITTEE  
ROOM 201A AND VIA ZOOM  
Meeting Minutes – May 1, 2025

1. Call to Order

Chairperson A.J. Tiniakos called the meeting to order at 6:33 pm

2. Roll Call

**Members Present:** Virginia Ramos Rios, William Lichota, Dave Johnson, A.J. Tiniakos, and John Slusarski.

**Member Absent:** Jay Krusell, Scott Darna, Tim Manke, Anthony Miele, and Sam Sharma

**Staff Present:** Janet Murphy, Jennifer Massaro-Cook, and Lou Jachimowicz

3. Public Participation – none

4. Approval of meeting minutes of March 19, 2025 – motion by William Lichota, second by John Slusarski. The motion was approved unanimously.

5. New Business:

Lockton:

Tori from Lockton reviewed PEPM (Per Employee Per Month) trends by policy year quarter, noting a slight upward trend starting in January 2023 that has since leveled out as of April 2024. She explained that claims have been consistent overall, with July typically being the most favorable month due to seasonality. The PEPM graph represents combined data for the town and Board of Education. Claim costs begin to rise significantly after the first two quarters, with the second half of the policy year showing the largest increase. The total group accrual was discussed at \$1.273 million, and the figures are spread over 24 months to reflect seasonality and maintain consistent monthly budgeting. Janet discussed the health benefit agreement between the town and Board of Education, highlighting that if claims or required contributions come in under budget, the town receives funds back the following year; if over, the town absorbs the cost. The town currently faces a \$600,008 deficit with a gross loss ratio of 122.7%, representing 27.5% of the total population. The smaller population contributes to more volatile claim experience. RX claims account for 34.4% of total gross medical/RX claims YTD, up from 27% in the 2023–24 policy period, driven by both higher frequency and severity of large claims. The Board of Education shows a surplus of \$401,991 with a gross loss ratio of 95.4%, representing 72.5% of the total population. RX claims represent 34% YTD, up from 25.8% in the prior period. The combined group reflects a net deficit of \$198,017. However, with ISL reimbursements factored in—including two high-cost claimants exceeding \$206K through March 2025—the group moves into a net surplus of \$8,128. The gross loss ratio is 101.7%, with a net loss ratio of 99.9%. Tori also noted that net claims are expected to improve slightly for both groups, though RX spend has increased compared to last year. Additionally, the town secured a 2.5% savings on the 2025 base ISL fee despite an 18% cost increase, and negotiated a one-time \$120,000 premium credit. Stop-loss market conditions remain unfavorable, with no competitive quotes available this year.

UBS:

David Sears opened the discussion focusing on tariff uncertainty and the 2025 outlook. U.S. tariffs are projected to rise from 10% to 20% this year, reaching multi-decade highs. Craig highlighted weakening business and consumer sentiment, warning prolonged uncertainty could hurt the economy. While the worst tariff impacts might be avoidable, ongoing tension poses risks. Investor surveys show that dips in sentiment historically lead to positive returns within 3–12 months. UBS outlined three economic scenarios, the one most predicted would-be slower growth, but potential Fed rate cuts in the second half of 2025 and a recovery next year if recession is mild or avoided. The upside would be quicker tariff resolution, with focus shifting to AI and corporate earnings. The downside would result in a deeper

recession. David noted 2025 likely won't mirror the past two years of strong market gains. Despite recent volatility, the S&P is only down ~4% year-to-date. UBS recently updated its capital market assumptions, which guide asset allocation. They maintain two strategies: Strategic (3–5-year outlook) and Equilibrium (actuarial view). A new asset allocation model will be reviewed in future meetings. All pension plans (Police, Municipal, Admin & OPEB) are invested similarly, with OPEB holding slightly more in fixed income to support regular distributions. David also noted that the U.S. stock market alone can no longer be relied on to drive returns.

Milliman:

The new principal from Milliman began by reviewing the three pension plans, noting that FY24 was a strong year overall, with funded ratios remaining relatively flat compared to the previous year. The Police Pension Plan had three non-vested members terminated employment, and the Town received a refund of their contributions. There was clarification on member statuses; Active members are current employees. Retirees are collecting monthly benefits. Terminated members are not yet receiving benefits but will in the future. DROP members are still employed but have entered the Deferred Retirement Option Plan and will begin collecting benefits later. Investment returns have fluctuated over the past five years. FY24 returns are slightly below the 6% target. The large gain from FY21 is 80% recognized and will be fully recognized by July 2025. The 2022 loss is 60% recognized and will continue to affect the funded status for two more years, though recent gains are helping offset this. As of July 1, 2024, deferred gains and losses roughly cancel each other out. Market and actuarial asset values are equal. Using Milliman's assumptions, the expected long-term median return (excluding manager alpha) is 6.8%. Contributions within the Municipal Plan increased slightly more than expected. Many eligible employees have not yet retired, increasing liabilities. There were 7 retiree deaths (fewer than expected), resulting in a small loss. The plan's funded ratio is at 56%, a concern given its maturity. As participation declines, contribution demands will rise, though volatility will decrease once only retirees remain. FY23/24 saw a 13.65% return, and the funded ratio improved slightly from 43.4% to 44.1%, driven by strong investment performance and additional Town contributions, leading to lower required contributions

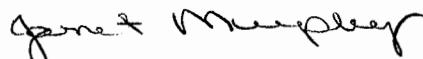
6. Remarks by Committee Members

Committee was overall impressed with Lockton this meeting in comparison to other meetings.

7. Next Meeting – TBD possible for August.

8. Motion for adjournment by Virginia Ramos Rios, second by Bill Lichota- meeting was adjourned at 8:22 p.m.

Respectfully submitted:



Janet Murphy, Director of Finance