



TOWN OF OLD SAYBROOK FIRE COMPANY NO. 1 RETIREMENT PLAN

**Actuarial Valuation as of July 1, 2019
To Determine Funding for Fiscal Year 2020-21 and Fiscal Year 2021-22**

Prepared by

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Certification

We have performed an actuarial valuation of the Plan as of July 1, 2019 to determine funding for fiscal year 2020-21 and fiscal year 2021-22. This report presents the results of our valuation.

The ultimate cost of a pension plan is the total amount needed to provide benefits for plan members and beneficiaries and to pay the expenses of administering the plan. Pension costs are met by contributions and by investment return on plan assets. The principal purpose of this report is to set forth an actuarial recommendation of the contribution, or range of contributions, which will properly fund the plan, in accordance with applicable government regulations. In addition, this report provides:

- A valuation of plan assets and liabilities to review the year-to-year progress of funding.
- Information needed to meet disclosure requirements.
- Review of plan experience for the previous year to ascertain whether the assumptions and methods employed for valuation purposes are reflective of actual events and remain appropriate for prospective application.
- Assessment of the relative funded position of the plan, i.e., through a comparison of plan assets and projected plan liabilities.
- Comments on any other matters which may be of assistance in the funding and operation of the plan.

This report may not be used for purposes other than those listed above without Milliman's prior written consent. If this report is distributed to other parties, it must be copied in its entirety, including this certification section.

Milliman's work is prepared solely for the internal business use of the Town of Old Saybrook ("Town"). To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions: (a) the Town may provide a copy of Milliman's work, in its entirety, to the Town's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Town; and (b) the Town may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

In preparing this report, we relied on employee census data and financial information as of the valuation date, furnished by the Town. We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Certification

The calculations reported herein have been made on a basis consistent with our understanding of ERISA and the related sections of the tax code. Additional determinations may be needed for purposes other than meeting funding requirements, such as judging benefit security at plan termination or meeting employer accounting requirements. On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices.

We further certify that, in our opinion, each actuarial assumption, method and technique used is reasonable taking into account the experience of the Plan and reasonable expectations. Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: 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 the actuarial assignment, we did not perform an analysis of the potential range of such future measurement.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.



Rebecca A. Sielman, FSA
Consulting Actuary

Section I - Executive Summary Changes Since the Prior Valuation

Plan Changes

None.

Changes in Actuarial Methods and Assumptions

The method for calculating the Actuarial Value of Assets was revised to recognize market gains and losses asymptotically over a five year period.

The period for amortizing the Unfunded Accrued Liability was lengthened from 17 years to 20 years. The Unfunded Accrued Liability is amortized as a level percent over a closed 20 year period starting July 1, 2019.

This valuation reflects the adoption of the PUB-2010 public safety mortality table with generational projection of future improvements in longevity per the MP Ultimate table. In addition, the interest rate assumption was lowered from 7.50% to 7.125%.

All of these changes combined increased the Unfunded Accrued Liability by \$345,000 and increased the Actuarially Determined Contribution by \$5,000.

Other Significant Changes

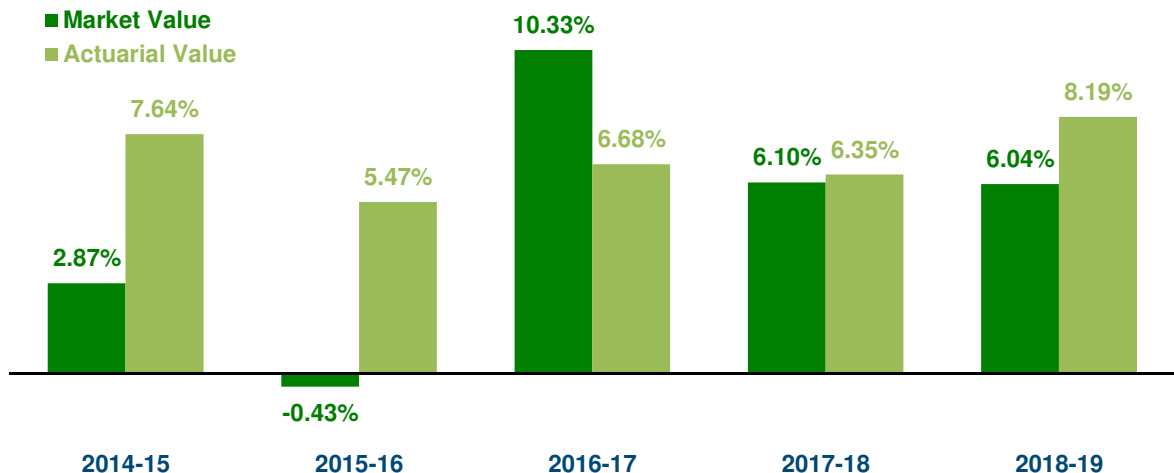
None.

Section I - Executive Summary Assets

There are two different measures of the plan's assets that are used throughout this report. The Market Value is a snapshot of the plan's investments as of the valuation date. The Actuarial Value is a smoothed asset value designed to temper the volatile fluctuations in the market by recognizing investment gains or losses asymptotically over five years.

	Market	Actuarial
Value as of July 1, 2017	\$1,044,580	\$1,075,773
Town and Member Contributions	173,587	173,587
Investment Income	65,461	70,645
Benefit Payments and Administrative Expenses	(116,919)	(116,919)
Value as of July 1, 2018	1,166,709	1,203,086
Town and Member Contributions	183,747	183,747
Investment Income	72,522	61,802
Benefit Payments and Administrative Expenses	(116,243)	(116,243)
Value as of July 1, 2019	1,306,735	1,332,392

For fiscal year 2017-18, the plan's assets earned 6.10% on a Market Value basis and 6.35% on an Actuarial Value basis. The actuarial assumption for this period was 7.50%; the result is an asset loss of about \$15,000 on a Market Value basis and a loss of about \$13,000 on an Actuarial Value basis. For fiscal year 2018-19, the plan's assets earned 6.04% on a Market Value basis and 8.19% on an Actuarial Value basis. The actuarial assumption for this period was 7.50%; the result is an asset loss of about \$18,000 on a Market Value basis and a gain of about \$5,000 on an Actuarial Value basis. Historical rates of return are shown in the graph below.

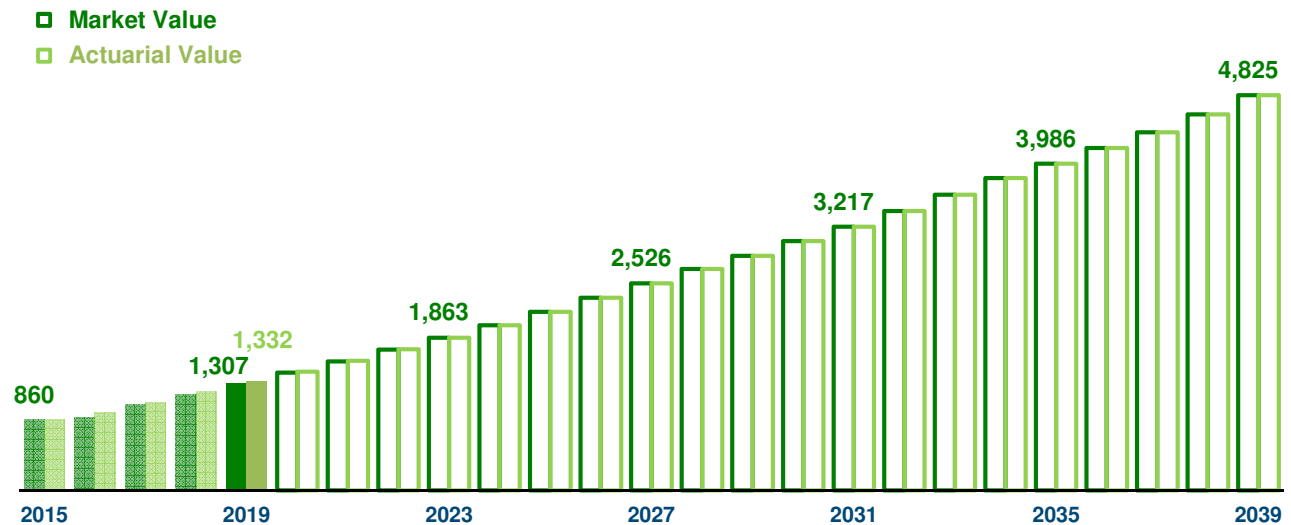


Please note that the Actuarial Value currently exceeds the Market Value by \$26,000. This figure represents investment losses that will be gradually recognized in future years. This process will exert upward pressure on the Town's contribution, unless there are offsetting market gains.

Section I - Executive Summary

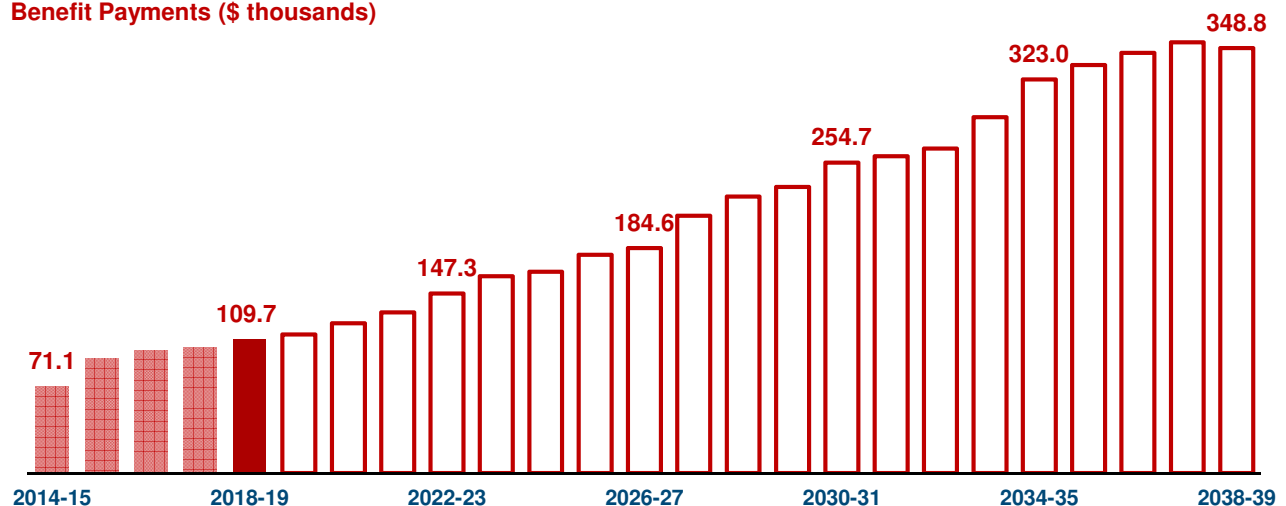
Assets (continued)

The graph below shows how this year's asset values compare to where the plan's assets have been over the past several years and how they are projected to change over the next 20 years. For purposes of this projection, we have assumed that the Town always contributes the Actuarially Determined Contribution and the investments always earn the assumed interest rate each year.



In 2018-19, the plan paid out \$109,685 in benefits to members. Over the next 20 years, the plan is projected to pay out a total of \$4,657,721 in benefits to members.

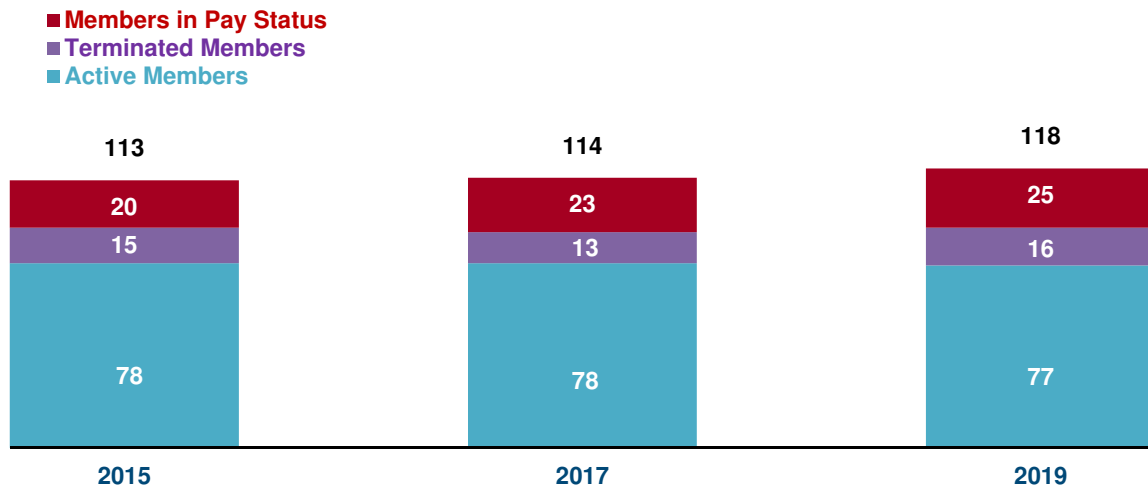
Benefit Payments (\$ thousands)



Section I - Executive Summary

Membership

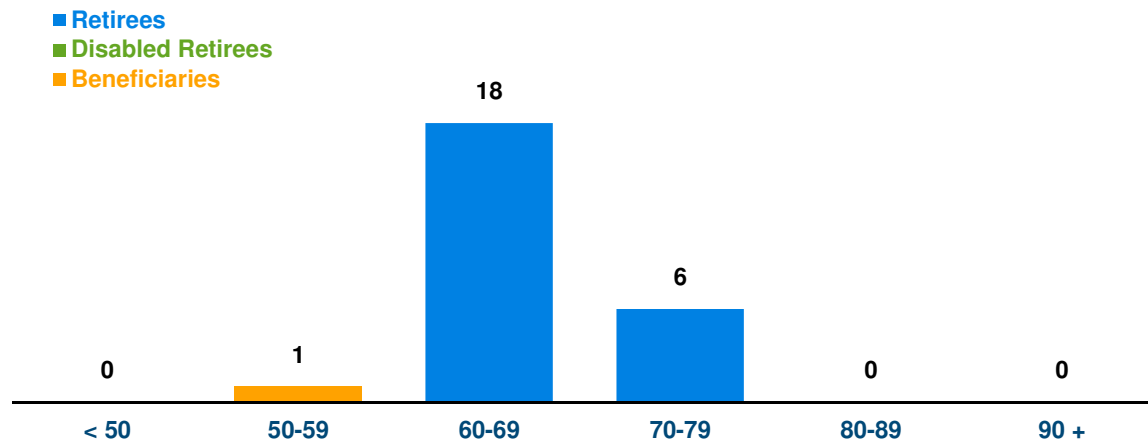
There are three basic categories of plan members included in the valuation: (1) members who are receiving monthly pension benefits, (2) former employees who have a vested right to benefits but have not yet started collecting, and (3) active employees who have met the eligibility requirements for membership. Full valuations are only performed in odd-numbered years, so membership information is not available for even-numbered years.



Members in Pay Status on July 1, 2019

Retirees	24	Average Age	70.4
Disabled Retirees	0	Total Annual Benefit	\$108,555
Beneficiaries	1	Average Annual Benefit	4,342
Total	25		

The members in pay status fall across a wide distribution of ages:



Section I - Executive Summary

Membership (continued)

Terminated Vested Members on July 1, 2019

Count	16
Average Age	53.9
Total Annual Benefit	\$55,737
Average Annual Benefit	3,484

Nonvested Members Due Refunds on July 1, 2019

Count	0
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Active Members on July 1, 2019

Count	77
Average Age	42.4
Average Service	13.5

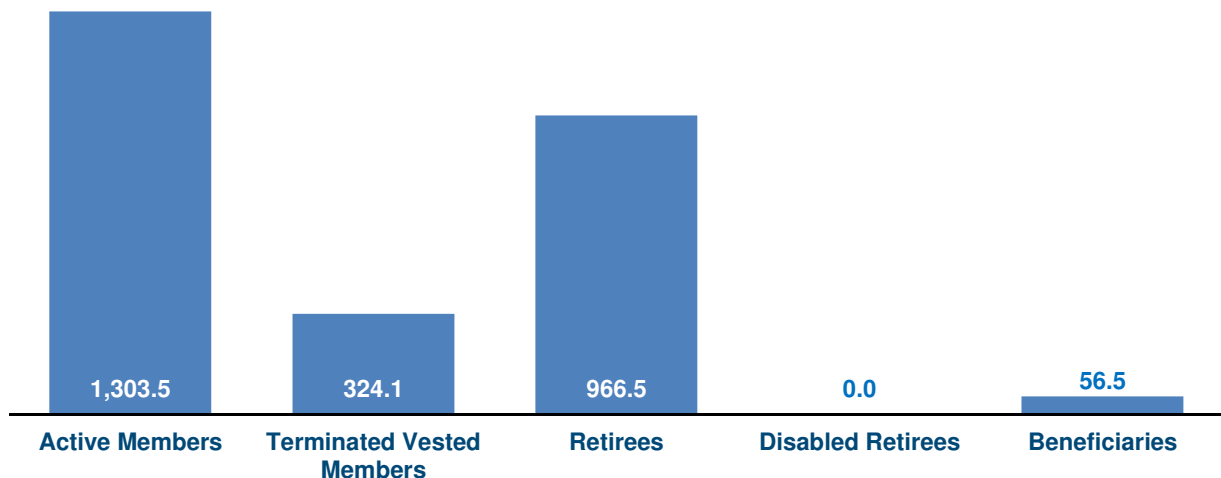
The table below illustrates the age and years of service of the active membership:

Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
< 25	12	6						18
25-29		1	2					3
30-34	2	1	3	3				9
35-39	2	1						3
40-44	1	1		1				3
45-49			2	1	1	1	1	6
50-54	1	4	4	2	1	2	1	15
55-59	1	2	1	3	2		1	10
60-64		2		1	1		3	7
65+	2	1						3
Total	21	19	12	11	5	3	6	77

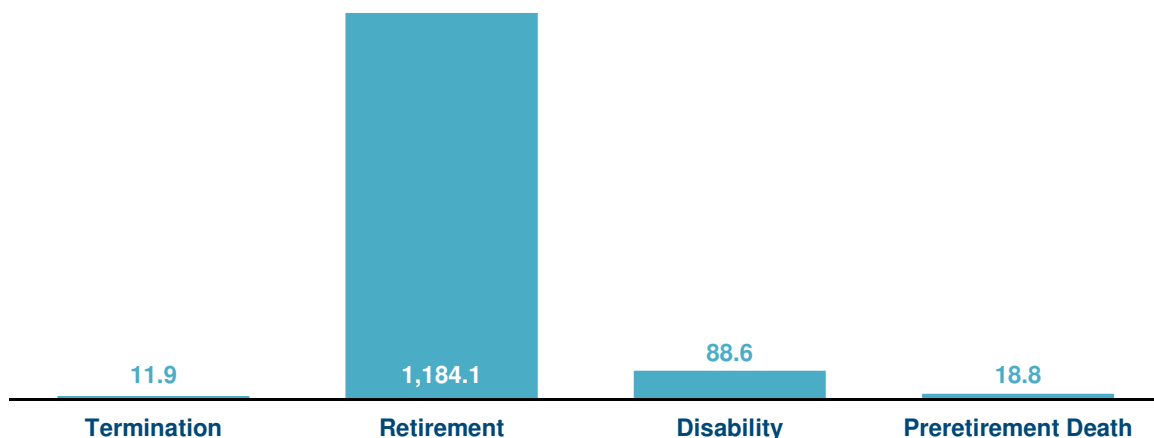
Section I - Executive Summary

Accrued Liability

The Accrued Liability as of July 1, 2019 equals \$2,650,565, which consists of the following pieces (in \$ thousands):



The Accrued Liability for active members can be broken down further by the different types of benefits provided by the plan:



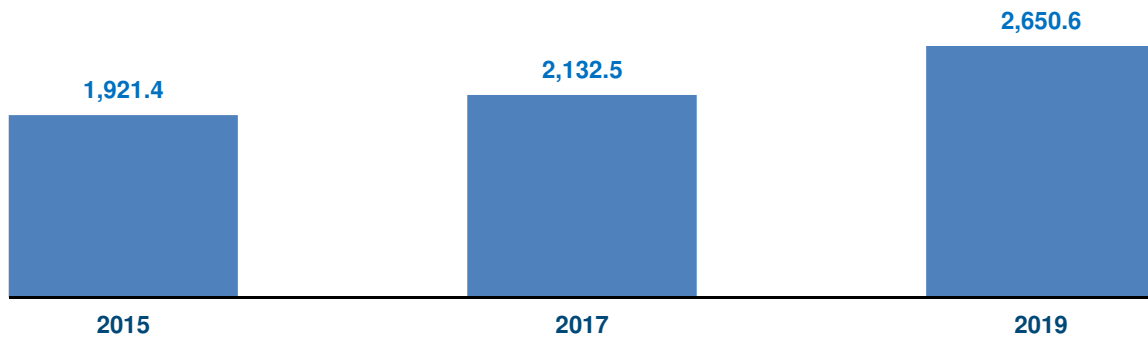
For purposes of determining the Town's contribution, the Accrued Liability is measured using the Entry Age Normal Level Dollar actuarial cost method. A different actuarial cost method, Entry Age Normal Level Percent, is required to be used to measure liability for financial reporting purposes per GASB 67/68. As of July 1, 2019, the Entry Age Normal Level Percent Accrued Liability is \$2,522,476

Section I - Executive Summary

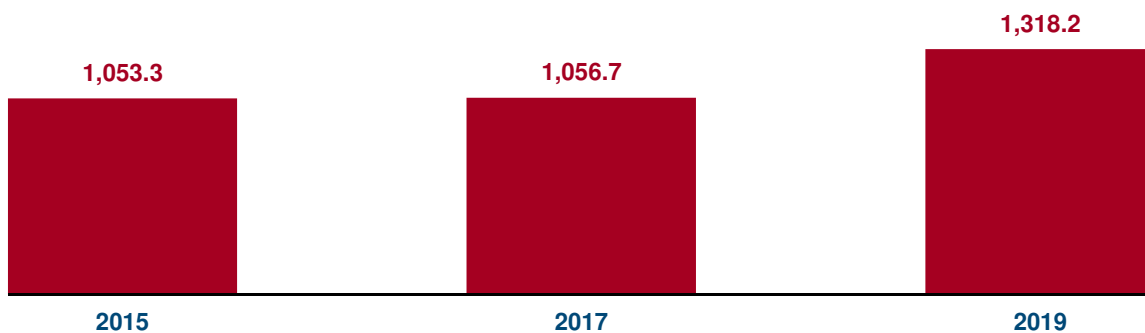
Funded Status

The Accrued Liability grows over time as active members earn additional benefits, and goes down over time as members receive benefits; it may also change when there are changes to the plan provisions or changes in the actuarial assumptions. The Unfunded Accrued Liability is the dollar difference between the Accrued Liability and the Actuarial Value of Assets; the Funded Ratio is the ratio of the two.

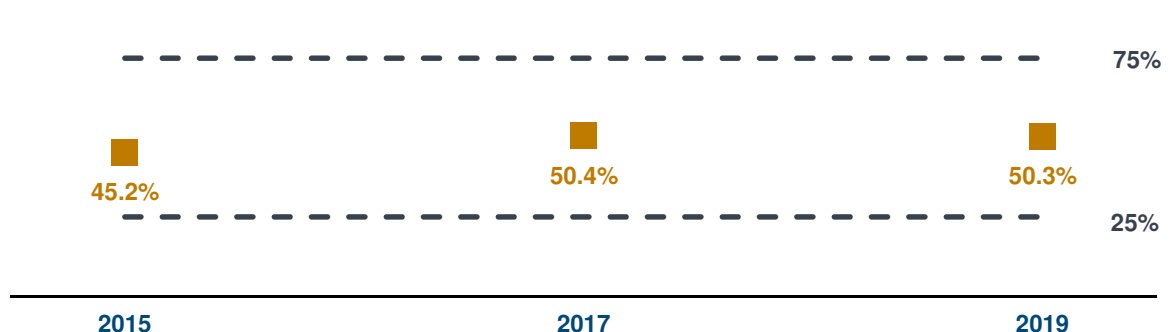
Accrued Liability (\$ thousands)



Unfunded Accrued Liability (\$ thousands)



Funded Ratio

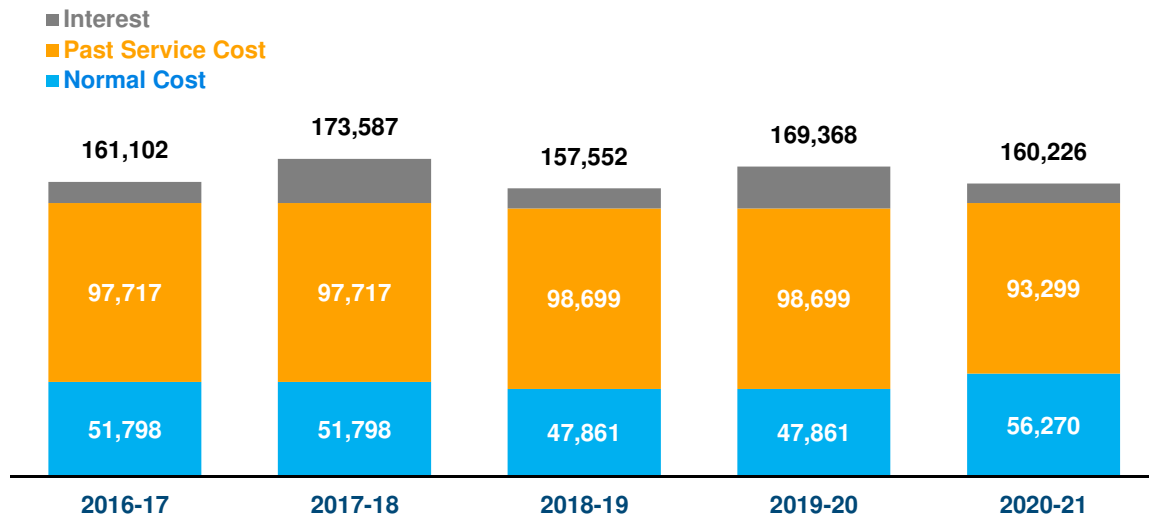


Section I - Executive Summary

Actuarially Determined Contribution

The Actuarially Determined Contribution consists of three pieces: a Normal Cost payment to fund the benefits earned each year, a Past Service Cost to gradually reduce any unfunded or surplus liability, and Interest to reflect the timing of the contribution relative to the valuation date.

The Actuarially Determined Contribution for fiscal year 2020-21 is shown graphically below, along with the comparable figures for the preceding four fiscal years. Note that the Normal Cost is relatively consistent from year to year, whereas the Past Service Cost tends to be more volatile since it reflects the impact of asset performance.

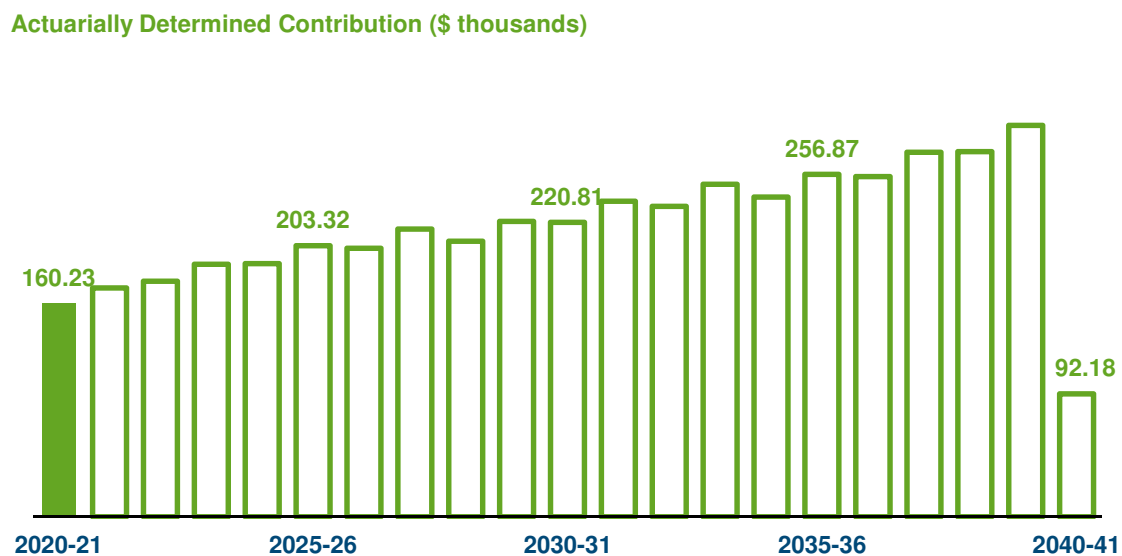
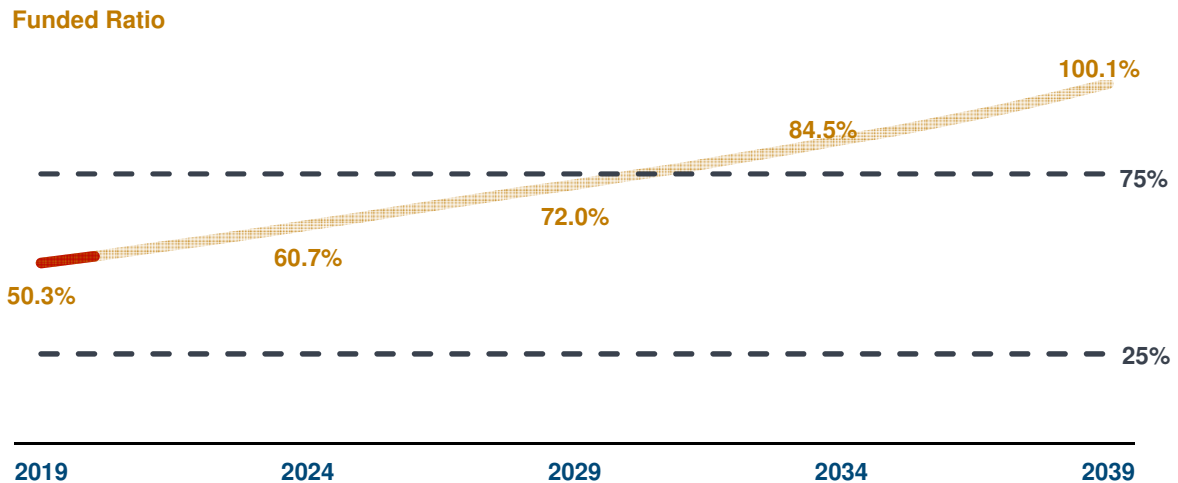


Since valuations are only performed in odd-numbered years, each valuation also produces the Actuarially Determined Contribution for the off year between valuations. Based on the July 1, 2019 valuation, the Actuarially Determined Contribution for fiscal year 2021-22 is \$171,642

Section I - Executive Summary

Long-Range Forecast

If the Town pays the Actuarially Determined Contribution each year, the investments earn exactly the assumed interest rate each year, and there are no changes in the plan provisions or in the actuarial methods and assumptions, then we project the following changes in the plan's funded status and the long-range contribution levels:

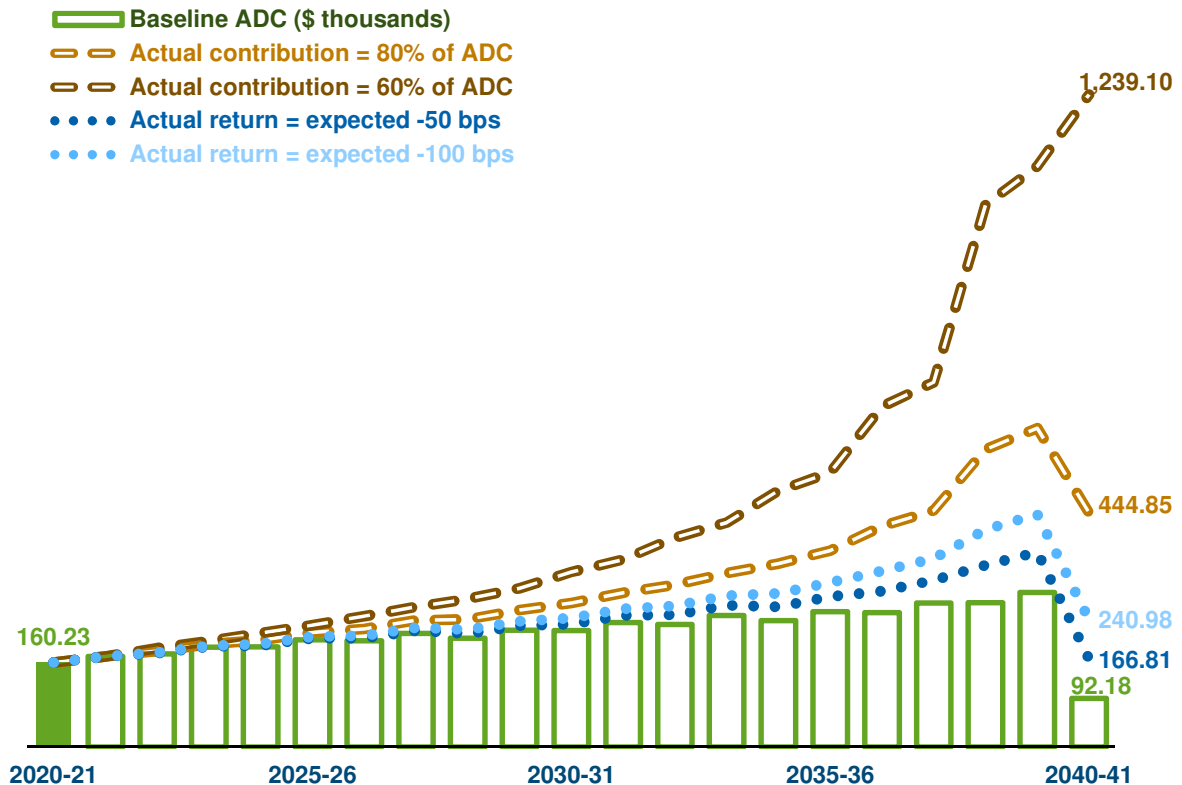


To the extent that there are future investment or liability gains or losses, changes in the actuarial assumptions or methods, or plan changes, the actual valuation results will differ from these forecasts. Please see Section III C for more details of the long range forecast.

Section I - Executive Summary

Long-Range Forecast (continued)

Pension benefits are paid for through a combination of contributions from the Town and from employees, and from investment income. If the Town pays less than the Actuarially Determined Contribution each year, or if the investments persistently earn less than the assumed interest rate, then the plan's funded status would suffer, and to compensate, the Town's contribution levels would be pushed higher. The risks of underfunding and underearning are illustrated in the hypothetical scenarios below:



The scenarios illustrated above are based on deterministic projections that assume emerging plan experience always exactly matches the actuarial assumptions; in particular that actual asset returns will be constant in every year of the projection period. Variation in asset returns, contribution amounts, and many other factors may have a significant impact on the long-term financial health of the plan, the liquidity constraints on plan assets, and the Town's future contribution levels. Stochastic projections could be prepared that would enable the Town to understand the potential range of future results based on the expected variability in asset returns and other factors. Such analysis was beyond the scope of this engagement.

Section I - Executive Summary

Summary of Principal Results

Membership as of	July 1, 2017	July 1, 2019
Active Members	78	77
Terminated Members	13	16
Members in Pay Status	<u>23</u>	<u>25</u>
Total Count	114	118
Assets and Liabilities as of	July 1, 2017	July 1, 2019
Market Value of Assets	\$1,044,580	\$1,306,735
Actuarial Value of Assets	1,075,773	1,332,392
Accrued Liability for Active Members	1,186,491	1,303,453
Accrued Liability for Terminated Members	148,077	324,131
Accrued Liability for Members in Pay Status	<u>797,882</u>	<u>1,022,981</u>
Total Accrued Liability	2,132,450	2,650,565
Unfunded Accrued Liability	1,056,677	1,318,173
Funded Ratio	50.4%	50.3%
Actuarially Determined Contribution for First Fiscal Year	2018-19	2020-21
Normal Cost	\$47,861	\$56,270
Past Service Cost	98,699	93,299
Interest	<u>10,992</u>	<u>10,657</u>
Actuarially Determined Contribution	157,552	160,226
Actuarially Determined Contribution for Second Fiscal Year	2019-20	2021-22
Normal Cost	\$47,861	\$56,270
Past Service Cost	98,699	93,299
Interest	<u>22,808</u>	<u>22,073</u>
Actuarially Determined Contribution	169,368	171,642

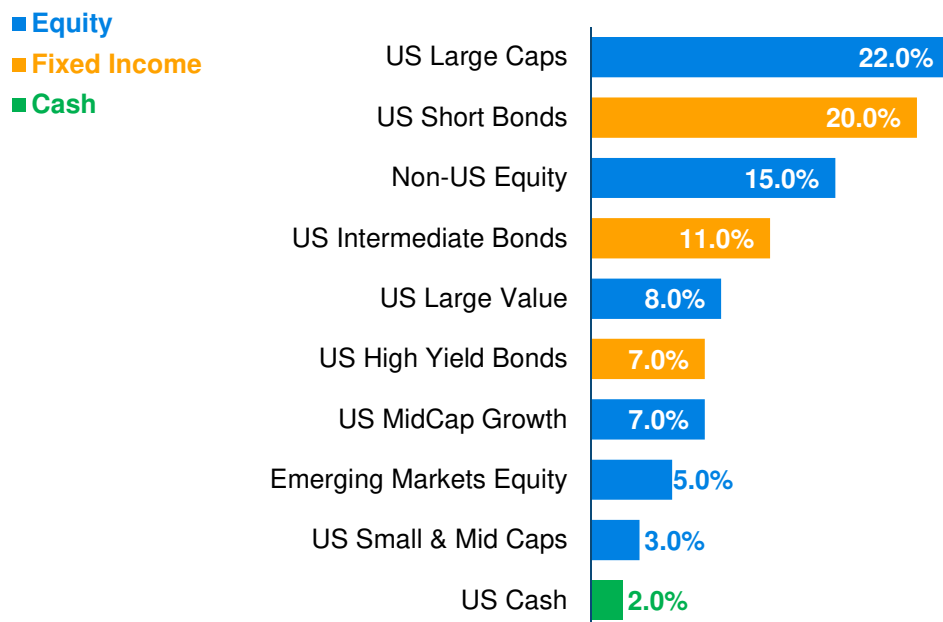
Section II - Plan Assets

A. Summary of Fund Transactions

	2017-18	2018-19
Market Value as of July 1	\$1,044,580	\$1,166,709
Town Contributions	173,587	183,747
Member Contributions	0	0
Net Investment Income	65,461	72,522
Benefit Payments	(103,057)	(109,685)
Administrative Expenses	(13,862)	(6,558)
Market Value as of June 30	1,166,709	1,306,735
Expected Return on Market Value of Assets	80,485	90,052
Market Value (Gain)/Loss	15,024	17,530
Approximate Rate of Return *	6.10%	6.04%

* The rates shown here are not the dollar or time weighted investment yield rate which measures investment performance. They are approximate net returns assuming all activity occurred on average midway through the year.

Target Asset Allocation as of June 30, 2019



Section II - Plan Assets

B. Development of Actuarial Value of Assets

In order to minimize the impact of market fluctuations on the contribution level, we use an Actuarial Value of Assets that recognizes gains and losses in equal installments ('non-asymptotically') over a five year period. The Actuarial Value of Assets as of July 1, 2019 is determined below.

1.	Expected Market Value of Assets:	
a.	Market Value of Assets as of July 1, 2018	\$1,166,709
b.	Town and Member Contributions	183,747
c.	Benefit Payments and Administrative Expenses	(116,243)
d.	Expected Earnings Based on 7.50% Interest	<u>90,052</u>
e.	Expected Market Value of Assets as of July 1, 2019	1,324,265
2.	Actual Market Value of Assets as of July 1, 2019	1,306,735
3.	Market Value (Gain)/Loss: (1e) - (2)	17,530
4.	Delayed Recognition of Market (Gains)/Losses	
	Plan Year End	(Gain)/Loss
	06/30/2019	\$17,530
	06/30/2018	15,024
	06/30/2017	(23,736)
	06/30/2016	60,567
	Percent Not Recognized	Amount Not Recognized
	80%	\$14,024
	60%	9,014
	40%	(9,494)
	20%	<u>12,113</u>
		25,657
5.	Actuarial Value of Assets as of July 1, 2019: (2) + (4)	1,332,392
6.	Return on Actuarial Value of Assets: (5) - [(1a) + (1b) + (1c)]	61,802
7.	Approximate Rate of Return on Actuarial Value of Assets	8.19%
8.	Actuarial Value (Gain)/Loss	(5,207)

Section III - Development of Contribution

A. Past Service Cost

In determining the Past Service Cost, the Unfunded Accrued Liability is amortized as a level percent over a closed 20 year period starting July 1, 2019.

	July 1, 2017	July 1, 2019
1. Accrued Liability		
Active Members	\$1,186,491	\$1,303,453
Terminated Members	148,077	324,131
Retirees	735,791	966,518
Disabled Retirees	0	0
Beneficiaries	<u>62,091</u>	<u>56,463</u>
Total Accrued Liability	2,132,450	2,650,565
2. Actuarial Value of Assets (see Section IIB)	1,075,773	1,332,392
3. Unfunded Accrued Liability: (1) - (2)	1,056,677	1,318,173
4. Funded Ratio: (2) / (1)	50.4%	50.3%
5. Amortization Period	19	20
6. Amortization Growth Rate	0.00%	3.00%
7. Past Service Cost: (3) amortized over (5)	98,699	93,299

Section III - Development of Contribution

B. Actuarially Determined Contribution

Valuations are performed only in odd-numbered years. Each valuation therefore is the basis for the Actuarially Determined Contribution for two successive fiscal years.

	July 1, 2017	July 1, 2019
First Fiscal Year	2018-19	2020-21
1. Total Normal Cost	\$44,061	\$49,470
2. Expected Member Contributions	0	0
3. Expected Administrative Expenses	3,800	6,800
4. Net Normal Cost: (1) - (2) + (3)	47,861	56,270
5. Past Service Cost (see Section IIIA)	98,699	93,299
6. Interest on (4) + (5) to the start of the first fiscal year	10,992	10,657
7. Actuarially Determined Contribution: (4) + (5) + (6)	157,552	160,226
Second Fiscal Year	2019-20	2021-22
8. Interest on (7) to the start of the second fiscal year	11,816	11,416
9. Actuarially Determined Contribution: (7) + (8)	169,368	171,642

Section III - Development of Contribution

C. Long Range Forecast

This forecast is based on the results of the July 1, 2019 actuarial valuation 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. 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. Actual results at each point in time will yield different values, reflecting the actual experience of the plan membership and assets.

Valuation Date	Values as of the Valuation Date				Fiscal Year	Cash Flows Projected to the Following Fiscal Year			
	Accrued Liability	Actuarial Value of Assets	Unfunded Accrued Liability	Funded Ratio		Town Contributions	Member Contributions	Benefit Payments	Net Cash Flows
7/1/2019	\$2,650,565	\$1,332,392	\$1,318,173	50.3%	2020-21	\$160,226	\$0	(\$122,865)	\$37,361
7/1/2020	2,784,000	1,450,000	1,334,000	52.1%	2021-22	172,000	0	(132,000)	40,000
7/1/2021	2,919,000	1,582,000	1,337,000	54.2%	2022-23	177,000	0	(147,000)	30,000
7/1/2022	3,056,000	1,721,000	1,335,000	56.3%	2023-24	189,000	0	(162,000)	27,000
7/1/2023	3,190,000	1,863,000	1,327,000	58.4%	2024-25	190,000	0	(165,000)	25,000
7/1/2024	3,320,000	2,016,000	1,304,000	60.7%	2025-26	203,000	0	(179,000)	24,000
7/1/2025	3,457,000	2,177,000	1,280,000	63.0%	2026-27	201,000	0	(185,000)	16,000
7/1/2026	3,593,000	2,349,000	1,244,000	65.4%	2027-28	216,000	0	(211,000)	5,000
7/1/2027	3,734,000	2,526,000	1,208,000	67.6%	2028-29	207,000	0	(227,000)	(20,000)
7/1/2028	3,859,000	2,701,000	1,158,000	70.0%	2029-30	221,000	0	(235,000)	(14,000)
7/1/2029	3,975,000	2,864,000	1,111,000	72.1%	2030-31	221,000	0	(255,000)	(34,000)
7/1/2030	4,091,000	3,044,000	1,047,000	74.4%	2031-32	237,000	0	(260,000)	(23,000)
7/1/2031	4,198,000	3,217,000	981,000	76.6%	2032-33	233,000	0	(266,000)	(33,000)
7/1/2032	4,306,000	3,411,000	895,000	79.2%	2033-34	249,000	0	(292,000)	(43,000)
7/1/2033	4,417,000	3,609,000	808,000	81.7%	2034-35	240,000	0	(323,000)	(83,000)
7/1/2034	4,512,000	3,812,000	700,000	84.5%	2035-36	257,000	0	(335,000)	(78,000)
7/1/2035	4,584,000	3,986,000	598,000	87.0%	2036-37	255,000	0	(345,000)	(90,000)
7/1/2036	4,647,000	4,178,000	469,000	89.9%	2037-38	273,000	0	(353,000)	(80,000)
7/1/2037	4,706,000	4,372,000	334,000	92.9%	2038-39	274,000	0	(349,000)	(75,000)
7/1/2038	4,760,000	4,588,000	172,000	96.4%	2039-40	293,000	0	(350,000)	(57,000)

Section III - Development of Contribution

D. History of Funded Status

Valuation Date	Actuarial Value of Assets	Accrued Liability	Unfunded Accrued Liability	Funded Ratio
July 1, 2011	\$535,642	\$938,391	\$402,749	57.1%
July 1, 2013	672,022	1,480,253	808,231	45.4%
July 1, 2015	868,156	1,921,432	1,053,276	45.2%
July 1, 2017	1,075,773	2,132,450	1,056,677	50.4%
July 1, 2019	1,332,392	2,650,565	1,318,173	50.3%

Section III - Development of Contribution

E. History of Town Contributions

Fiscal Year	Actuarially Determined Contribution	Actual Town Contribution	Payroll	Actual Contribution as a Percent of Payroll
2011-12	\$66,174	\$65,368	N/A	N/A
2012-13	68,716	68,613	N/A	N/A
2013-14	74,213	74,213	N/A	N/A
2014-15	117,695	117,695	N/A	N/A
2015-16	127,111	127,411	N/A	N/A
2016-17	161,102	161,102	N/A	N/A
2017-18	173,587	173,587	N/A	N/A
2018-19	157,552	183,747	N/A	N/A
2019-20	169,368	TBD	N/A	N/A
2020-21	160,226	TBD	N/A	N/A
2021-22	171,642	TBD	N/A	N/A

Section IV - Membership Data

A. Reconciliation of Membership from Prior Valuation

Details of the changes in the Plan membership since the last valuation are shown below. Additional details on the Plan membership are provided in the remainder of Section IV.

	Active Members	Terminated Vested Members	Nonvested Members Due Refunds	Retirees	Disabled Retirees	Beneficiaries	Total
Count July 1, 2017	78	13	0	21	0	2	114
Terminated							
- no benefits due	(5)	-	-	-	-	-	(5)
- paid refund	-	-	-	-	-	-	0
- vested benefits due	(3)	3	-	-	-	-	0
Retired	(4)	-	-	4	-	-	0
Died							
- with beneficiary	-	-	-	-	-	-	0
- no beneficiary	-	-	-	(1)	-	(1)	(2)
Benefits expired	-	-	-	-	-	-	0
New member	11	-	-	-	-	-	11
Rehired	-	-	-	-	-	-	0
New Alternate Payee	-	-	-	-	-	-	0
Correction	-	-	-	-	-	-	0
Count July 1, 2019	77	16	0	24	0	1	118

Section IV - Membership Data
B. Statistics of Active Membership

	As of July 1, 2017	As of July 1, 2019
Number of Active Members	78	77
Average Age	43.4	42.4
Average Service	13.7	13.5

Section IV - Membership Data

C. Statistics of Inactive Membership

	As of July 1, 2017	As of July 1, 2019
Terminated Vested Members		
Number	13	16
Total Annual Benefit	\$36,932	\$55,737
Average Annual Benefit	2,841	3,484
Average Age	53.1	53.9
Nonvested Members Due Refunds		
Number	0	0
Retirees		
Number	21	24
Total Annual Benefit	\$88,494	\$103,863
Average Annual Benefit	4,214	4,328
Average Age	70.6	70.9
Disabled Retirees		
Number	0	0
Total Annual Benefit	\$0	\$0
Average Annual Benefit	0	0
Average Age	0.0	0.0
Beneficiaries		
Number	2	1
Total Annual Benefit	\$6,612	\$4,692
Average Annual Benefit	3,306	4,692
Average Age	72.4	58.2

Section IV - Membership Data

D. Distribution of Inactive Members as of July 1, 2019

	Age	Number	Annual Benefits
Terminated Vested Members	< 50	6	\$17,590
	50 - 59	8	34,042
	60 - 69	2	4,105
	70 - 79	0	0
	80 - 89	0	0
	90 +	<u>0</u>	<u>0</u>
	Total	16	55,737
Retirees	< 50	0	\$0
	50 - 59	0	0
	60 - 69	18	80,070
	70 - 79	6	23,794
	80 - 89	0	0
	90 +	<u>0</u>	<u>0</u>
	Total	24	103,863
Disabled Retirees	< 50	0	\$0
	50 - 59	0	0
	60 - 69	0	0
	70 - 79	0	0
	80 - 89	0	0
	90 +	<u>0</u>	<u>0</u>
	Total	0	0
Beneficiaries	< 50	0	\$0
	50 - 59	1	4,692
	60 - 69	0	0
	70 - 79	0	0
	80 - 89	0	0
	90 +	<u>0</u>	<u>0</u>
	Total	1	4,692

Section V - Analysis of Risk

A. Introduction

The results of this actuarial valuation are based on one set of reasonable assumptions. However, it is almost certain that future experience will not exactly match these assumptions. As an example, the plan's investments may perform better or worse than assumed in any single year and over any longer time horizon. It is therefore important to consider the potential impacts of these likely differences when making decisions that may affect the future financial health of the plan, or of the plan's members.

In addition, as plans mature they accumulate larger pools of assets and liabilities. The increase in size in turn increases the potential magnitude of adverse experience. As an example, the dollar impact of a 10% investment loss on a plan with \$1 billion in assets and liabilities is much greater than the dollar impact for a plan with \$1 million in assets and liabilities. Since pension plans make long-term promises and rely on long-term funding, it is important to consider how mature the plan is today, and how mature it may become in the future.

Actuarial Standard of Practice No. 51 (ASOP 51) directs actuaries to provide pension plan sponsors with information concerning the risks associated with the plan:

- Identify risks that may be significant to the plan.
- Assess the risks identified as significant to the plan. The assessment does not need to include numerical calculations.
- Disclose plan maturity measures and historical information that are significant to understanding the plan's risks.

This section of the report uses the framework of ASOP 51 to communicate important information about significant risks to the plan, the plan's maturity, and relevant historical plan data.

Please see Section III C for more information on the basis for the projected results shown on the following pages.

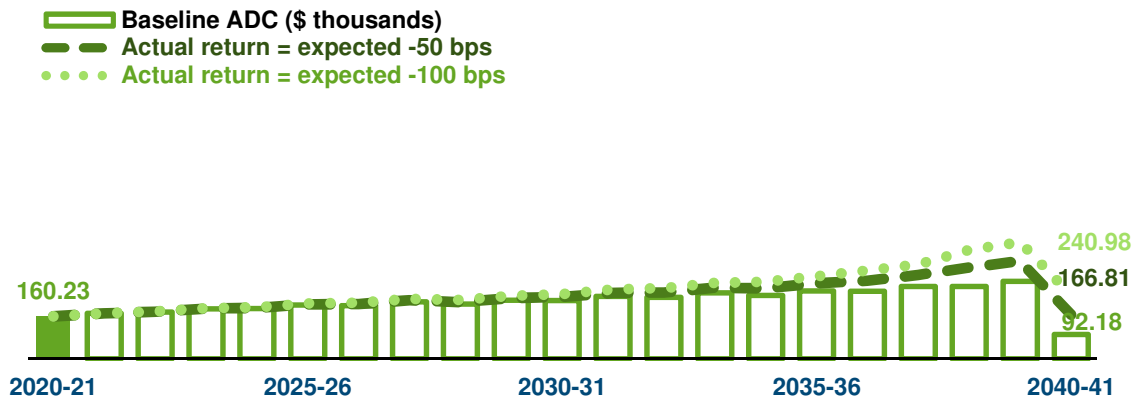
Section V - Analysis of Risk

B. Risk Identification and Assessment

Investment Risk

Definition: This is the potential that investment returns will be different than expected.

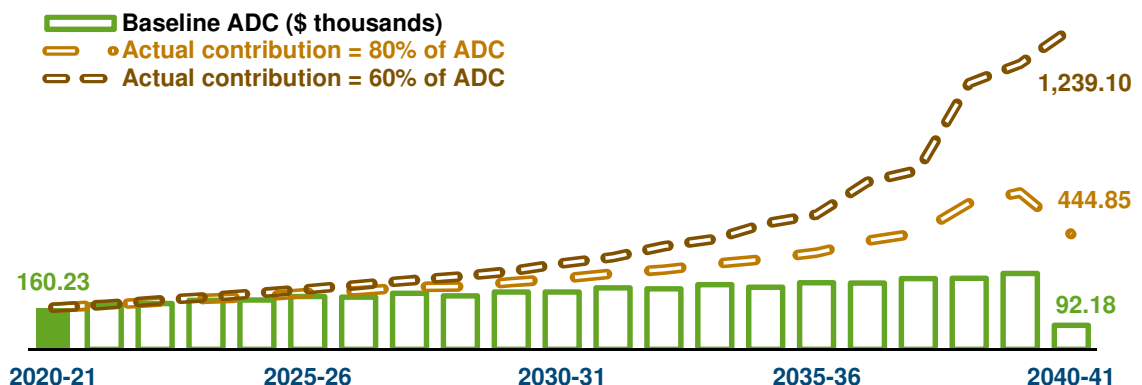
Identification: To the extent that actual investment returns differ from the assumed investment return, the plan's future assets, Actuarially Determined Contributions, and funded status may differ significantly from those presented in this valuation. The consequences of persistent underperformance on future Actuarially Determined Contribution levels are illustrated below:



Contribution Risk

Definition: This is the potential that actual future contributions will be less than the Actuarially Determined Contribution.

Identification: Over the past 8 years, actual contributions have been 102.7% of the Actuarially Determined Contribution in total. The consequences of persistent underfunding on future Actuarially Determined Contribution levels are illustrated below:



Section V - Analysis of Risk

B. Risk Identification and Assessment

Liquidity Risk

Definition: This is the potential that assets must be liquidated at a loss earlier than planned in order to pay for the plan's benefits and operating costs. This risk is heightened for plans with negative cash flows, in which contributions are not sufficient to cover benefit payments plus expenses.

Identification: In 2018-19, the plan had positive cash flow, with town and member contributions to the plan of \$183,747 compared to \$116,243 of benefit payments and administrative expenses paid out of the plan. We suggest that you consult with your investment advisors with respect to the liquidity characteristics of the plan's investment holdings.

Maturity Risk

Definition: This is the potential for total plan liabilities to become more heavily weighted toward inactive liabilities over time, and for plan assets and/or liabilities to become larger relative to the active member liability.

Identification: The plan is subject to maturity risk because as plan assets and liabilities continue to grow, the dollar impact of any gains or losses on the assets or liabilities also becomes larger.

Assessment: See Section V C for various measures of this plan's maturity level.

Inflation Risk

Definition: This is the potential for a pension to lose purchasing power over time due to inflation.

Identification: The members of pension plans without fully inflation-indexed benefits are subject to the risk that their purchasing power will be reduced over time due to inflation.

Assessment: This plan does not contain a mechanism to regularly increase benefits after retirement, so members bear all of the inflation risk.

Insolvency Risk

Definition: This is the potential that a plan will become insolvent; that is, assets will be fully depleted.

Identification: If a plan becomes insolvent, contractually required benefits must be paid from the plan sponsor's other remaining assets.

Assessment: Under the GASB 68 depletion date methodology, the plan is not projected to become insolvent. Please see the GASB 68 report for more details on the underlying analysis.

Section V - Analysis of Risk

B. Risk Identification and Assessment

Demographic Risks

Definition: This is the potential that mortality, turnover, retirement, or other demographic experience will be different than expected.

Identification: The pension liabilities reported herein have been calculated by assuming that members will follow patterns of demographic experience as described in Appendix B. If actual demographic experience or future demographic assumptions are different from what is assumed to occur in this valuation, future pension liabilities, Actuarially Determined Contributions, and funded status may differ significantly from those presented in this valuation. Formal Experience Studies performed on a regular basis are helpful in ensuring that the demographic assumptions reflect emerging plan experience.

Retirement Risk

Definition: This is the potential for members to retire and receive subsidized benefits that are more valuable than expected.

Identification: This plan does not provide subsidized early retirement benefits. The plan therefore bears little risk that retirement patterns will put upward pressure on subsequent Actuarially Determined Contributions.

Pensionable Earnings Risk

Definition: This is the potential for active members to add items to their pensionable earnings and receive pension benefits that are higher than expected.

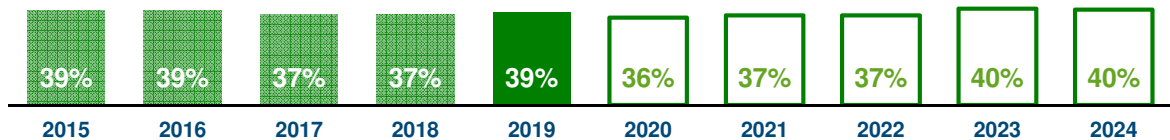
Identification: This plan's benefits are not based on pay, so it is not subject to pensionable earnings risk.

Section V - Analysis of Risk

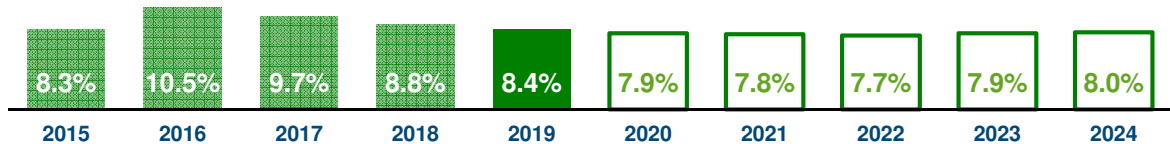
C. Maturity Measures

The metrics presented below are different ways of understanding the plan's maturity level, both in the past and as it is expected to change in the coming years.

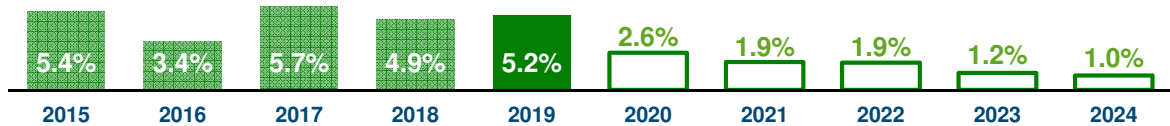
Accrued Liability for members in pay status compared to total Accrued Liability



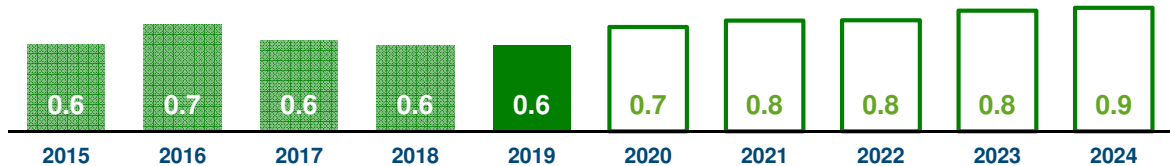
Benefit Payments compared to Market Value of Assets



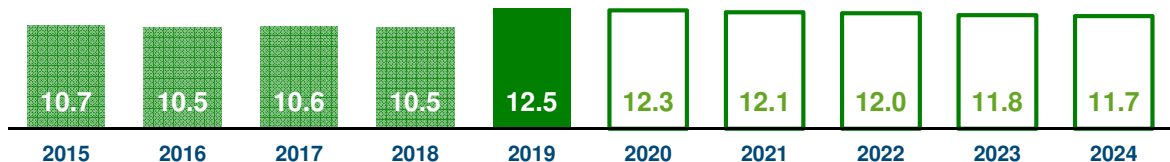
Net Cash Flows compared to Market Value of Assets



Benefit Payments compared to Town Contributions



Duration of Accrued Liability (based on GASB 68 sensitivity disclosures)



Appendix A - Actuarial Funding Method

The actuarial funding method used in the valuation of this Plan is known as the Entry Age Normal Level Dollar Method. The Actuarially Determined Contribution consists of three pieces: Normal Cost plus a Past Service Cost payment to gradually eliminate the Unfunded Accrued Liability plus Interest to reflect the timing of the contribution relative to the valuation date.

The Normal Cost is determined by calculating the present value of future benefits for present active Members that will become payable as the result of death, disability, retirement or termination. This cost is then spread as a level dollar amount from entry age to termination as an Active Member. If Normal Costs had been paid at this level for all prior years, a fund would have accumulated. Because this fund represents the portion of benefits that would have been funded to date, it is termed the Accrued Liability. In fact, it is calculated by adding the present value of benefits for Retired Members and Terminated Vested Members to the present value of benefits for Active Members and subtracting the present value of future Normal Cost contributions.

The funding cost of the Plan is derived by making certain specific assumptions as to rates of interest, mortality, turnover, etc. which are assumed to hold for many years into the future. Since actual experience may differ somewhat from the assumptions, the costs determined by the valuation must be regarded as estimates of the true costs of the Plan.

The Unfunded Accrued Liability is the excess of the Accrued Liability over the assets which have been accumulated for the plan. This Unfunded Accrued Liability is amortized as a level percent over a closed 20 year period starting July 1, 2019.

The Actuarial Value of Assets is determined by recognizing market gains and losses asymptotically over a five year period.

The long-range forecasts included in this report have been developed by assuming that members will terminate, retire, become disabled, and die according to the actuarial assumptions with respect to these causes of decrement, and that pay increases, cost of living adjustments, and so forth will likewise occur according to the actuarial assumptions. Members who are projected to leave active employment are assumed to be replaced by new active members with the same age, service, gender, and pay characteristics as those hired in the past few years.

Appendix B - Actuarial Assumptions

Each of the assumptions used in this valuation was set based on industry standard published tables and data, the particular characteristics of the plan, relevant information from the plan sponsor or other sources about future expectations, and our professional judgment regarding future plan experience. We believe the assumptions are reasonable for the contingencies they are measuring, and are not anticipated to produce significant cumulative actuarial gains or losses over the measurement period.

Interest Rate	7.125% (prior: 7.50%)
Inflation	2.75%
Amortization Growth Rate	3.00% (prior: 0.00%)
Expenses	Prior year actual administrative expenses increased by 3% and rounded to the nearest \$100.
Officer Incentive Program	It is assumed that a member will serve no more than 15 years as an officer (5 year maximum for service credit as Chief).
Turnover	According to the following table:

Age	Male Rate	Female Rate
25	5.000%	7.500%
30	3.750%	5.625%
35	2.500%	3.750%
40	1.625%	1.955%
45	0.750%	0.150%
50+	0.000%	0.000%

Mortality	Current: PubS-2010 Mortality Table with generational projection per the MP ultimate scale, with employee rates before benefit commencement and healthy or disabled annuitant rates after benefit commencement. This assumption includes a margin for improvements in longevity beyond the valuation date. (Prior: RP-2000 Blue Collar Combined Healthy Mortality Table, Male and Female, with static projection of future mortality improvements to 2019 per Scale AA.)
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25% of all pre-retirement deaths are assumed to be service-connected and 75% are assumed to be non-service-connected.

Retirement	Age 65. All members older than the assumed retirement age as of the valuation date are assumed to retire immediately.
Disability	50% of the 1985 Pension Disability Table (DP-85) Class 1.
Marital Status	All active and terminated vested members are assumed to have an eligible spouse with females 3 years younger than males.

Appendix C - Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan. It is not intended to be, nor should it be interpreted as a complete statement of all plan provisions. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

Eligibility	Volunteers joining Old Saybrook Fire Company No. 1 after January 1, 1993 shall become members of the plan on the following January 1. Volunteers who have met conditions of qualifications as of January 1, 1993 became members on that date.
Credited Service	Whole years from date of participation, but not greater than 25 years. Effective July 1, 2014, service is capped at 30 years.
Normal Form of Benefit	Life Annuity.
Normal Retirement Date	Age 65.
Normal Retirement Benefit	<p>Effective July 1, 2014, \$270 multiplied by Years of Credited Service to a maximum of 30 years.</p> <p>For members who retire after July 1, 2003 but prior to July 1, 2014: \$215 multiplied by Years of Credited Service to a maximum of 25 years.</p> <p>For members who retired prior to July 1, 2003: \$174 multiplied by Years of Credited Service to a maximum of 25 years.</p> <p>Officer Incentive Program: Additional annual benefit per year of service as an officer with the Old Saybrook Fire Company No. 1. Rates are \$24 for Lieutenant, \$48 for Captain, \$72 for Assistant Chief, \$96 for Deputy Chief and \$120 for Chief (5 year maximum service credit as Chief).</p>
Early Retirement Date	The later of age 55 and the completion of 15 years of Credited Service.
Early Retirement Benefit	Benefit is based on Credited Service to actual retirement date reduced by 6% for each year by which Early Retirement Date precedes Normal Retirement Date.
Deferred Retirement Date	Members may continue to work beyond Normal Retirement.
Deferred Retirement Benefit	Benefit based on Credited Service to actual date of retirement.

Appendix C - Summary of Plan Provisions

Line of Duty Disability	If member becomes permanently and totally disabled in the line of duty, the member will receive \$8,100 annually plus any accrued Officers' Incentive benefit.
Non-Line of Duty Disability	If member who has 10 years of Credited Service becomes permanently and totally disabled while not in the line of duty, the member will receive \$270 multiplied by Years of Credited Service up to a maximum of 30 years, plus any accrued Officers' incentive benefit.
Pre-retirement Line of Duty Death Benefit	Upon the service related death of an active member, the surviving spouse or if no surviving spouse, surviving children under age 26 shall receive a death benefit equal to \$8,100 annually plus any accrued Officers' incentive benefit.
Pre-retirement Non-Line of Duty Death Benefit	A monthly survivor benefit payable on behalf of a member who has attained age 55 and completed 15 years of Credited Service, and who has a surviving spouse to whom the member has been married at least one year. The benefit will be 50% of the monthly retirement benefit which such member would have received had he or she retired on the day before death.
Pre-retirement Line of Duty Death Benefit	Upon the service related death of an active member, the surviving spouse shall receive a death benefit equal to \$8,100 annually, plus any accrued Officer's Incentive benefit.
Vesting	A member is 100% vested after 10 years of Credited Service.
Termination Benefit	Normal Retirement Benefit calculated using Credited Service through Date of Termination.

Appendix D - Glossary

Actuarial Cost Method - This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Actuarial Accrued Liability and the Normal Cost.

Accrued Liability - This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).

Actuarial Assumptions - With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. Some examples of key assumptions include the interest rate, salary scale, and rates of mortality, turnover and retirement.

Actuarial Present Value of Benefits - This is the present value, as of the valuation date, of future payments for benefits and expenses under the Plan, where each payment is: a) multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and b) discounted at the assumed interest rate.

Actuarial Value of Assets - This is the value of cash, investments and other property belonging to the plan, typically adjusted to recognize investment gains or losses over a period of years to dampen the impact of market volatility on the Actuarially Determined Contribution.

Actuarially Determined Contribution (“ADC”) - This is the employer’s periodic contributions to a defined benefit plan, calculated in accordance with actuarial standards of practice.

Attribution Period - The period of an employee’s service to which the expected benefit obligation for that employee is assigned. The beginning of the attribution period is the employee’s date of hire and costs are spread across all employment.

Interest Rate - This is the long-term expected rate of return on any investments set aside to pay for the benefits. In a financial reporting context (e.g., GASB 68) this is termed the Discount Rate.

Normal Cost - This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.

Past Service Cost - This is a catch-up payment to fund the Unfunded Accrued Liability over time (generally 10 to 30 years). A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each valuation date. Also known as the Amortization Payment.

Return on Plan Assets - This is the actual investment return on plan assets during the fiscal year.

Unfunded Accrued Liability - This is the excess of the Accrued Liability over the Actuarial Value of Assets.