



**ACTUARIAL VALUATION REPORT  
AS OF JULY 1, 2008**

**CITY OF STAMFORD  
CERF, POLICE, FIREFIGHTER, AND WPCA  
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS**

**February 2009**



February 23, 2009

Ms. Sandra Dennies  
Director of Administration  
Stamford Government Center  
888 Washington Blvd  
Stamford, CT 06904

Dear Sandy:

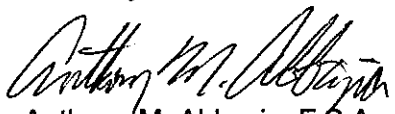
This report presents the results of our Actuarial Valuation Report as of July 1, 2008 for the City of Stamford's CERF, Police, Firefighter, and WPCA Postretirement Benefits Other than Pensions.

The purpose of the valuation is to determine the benefit obligations of the City's participants and determine the cost of the plan in accordance with the GASB 45 standard with respect to the accounting and reporting for postemployment benefits other than pensions (OPEB). The valuation was based on census data supplied by the City, per capita unit costs calculated by Buck Consultants, and the program provisions described in Exhibit B of this report. The valuation was prepared using an 8.0% discount rate assuming the City will prefund the OPEB obligation and a 6.0% discount rate if the City does not prefund the obligation.

This report was prepared under the supervision of the plan's actuaries, who are Fellows of the Society of Actuaries, and are Members of the American Academy of Actuaries, who have met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The Table of Contents, which immediately follows, outlines the material contained in this report.

Sincerely,

  
Anthony M. Abbazia, F.S.A.  
Principal, Consulting Actuary

  
Brian Kane, F.S.A.  
Director, Consulting Actuary

2008 City OPEB Report.doc  
11105

**THE CITY OF STAMFORD  
POSTRETIREMENT BENEFITS OTHER THAN PENSIONS  
JULY 1, 2008 VALUATION**

**TABLE OF CONTENTS**

<b><u>SECTION</u></b>	<b><u>ITEM</u></b>	<b><u>PAGE</u></b>
I	Executive Summary	1
II	Member Data	2
III	Liability Summary	3
IV	Valuation Results at 8.0%	5
V	Valuation Results at 6.0%	6
VI	Projected Cash Flow	7
VII	Overview of Actuarial Assumptions and Methods	8
 <b><u>EXHIBIT</u></b>		
A	Outline of Actuarial Assumptions and Methods	9
B	Summary of Benefit Provisions	13
C	Summary of GASB 43 and 45	16

**SECTION I****EXECUTIVE SUMMARY**

1. At the request of the City of Stamford, Buck Consultants has prepared this valuation of postretirement benefits other than pensions as of July 1, 2008. The purpose of the valuation is to determine the benefit obligation of the City's participants and determine the cost of the plan in accordance with the GASB 43 and 45 standards with respect to the accounting and reporting for post-employment benefits other than pensions (OPEB).
2. The City provided individual census data for active employees, current retirees and covered spouses, (including surviving spouses). A summary of the data is presented in Section II.
3. Exhibit A outlines the full set of actuarial assumptions and methods used in the valuation. The per-capita medical plan unit costs were developed by Buck Consultants using the current pre-Medicare unit costs, the plan provisions described in Exhibit B and the Buck Consultants manual pricing program.
4. Exhibit B outlines the plan provisions for CERF, Police, Firefighter, and WPCA employees, used in the valuation.
5. Exhibit C contains a Summary of the GASB 45 accounting standard.
6. A summary of the principal results of the valuation as of July 1, 2008 is as follows:

<b><u>Valuation Data</u></b>	<b><u>July 1, 2008</u></b>	
<b><u>Liabilities (000's)</u></b>	8.0%	6.0%
Active Participants	\$ 74,098	\$ 99,725
Inactives	\$ 59,993	\$ 72,063
Total	\$134,091	\$171,788
<b><u>Annual Required Contribution (ARC)</u></b>	8.0%	6.0%
30 year level percent amortization	\$12,197	\$14,253

7. The projected cash flow for the 2009 fiscal year is \$6,349,000. A projection of future cash flows for the next 30 years is shown in Section V.

**SECTION II****Member Data as of July 1, 2008**

	<u>CERF</u>	<u>Police</u>	<u>Fire</u>	<u>WPCA</u>	<u>Total</u>
<b><u>Active Members</u></b>					
Number	763	293	271	32	1,359
Total Pay	\$41,902,649	\$19,962,689	\$18,460,909	\$2,098,262	\$82,424,509
Average Age	49	44	44	52	47
Average Service	12	16	15	15	14
Average Pay	\$54,918	\$68,132	\$68,121	\$65,571	\$60,651
<b><u>Life</u></b>					
<b><u>Retirees</u></b>					
Number	0	199	141	0	340
Average Age	N/A	66	71	N/A	68
Total Life Insurance	\$0	\$796,000	\$584,000	\$0	\$1,380,000
<b><u>Part B</u></b>					
<b><u>Retirees</u></b>					
Number	530	221	154	8	913
Average Age	75	65	69	64	71
<b><u>Medical</u></b>					
<b><u>Retirees and Widows</u></b>					
Number	471	199	173	8	851
Average Age	74	67	71	64	72
<b><u>Spouses</u></b>					
Number	176	108	103	5	392
Average Age	70	62	66	63	67

84 of the 763 active CERF participants and 83 of the 647 individuals currently covered by the medical benefit provide, or have provided, services to the Board of Education

**SECTION III****Liability Summary at 8.00%**

July 1, 2008

	<u>CERF</u>	<u>Police</u>	<u>Fire</u>	<u>WPCA</u>	<u>Total</u>
<b><u>Active</u></b>					
Medical Benefits	\$ 23,495,698	\$ 23,694,078	\$ 17,362,577	\$ 1,575,625	\$ 66,127,978
Medicare Part B	4,790,105	1,512,700	1,277,196	235,274	7,815,275
Life Insurance	<u>0</u>	<u>84,531</u>	<u>70,446</u>	<u>0</u>	<u>154,977</u>
Total	\$ 28,285,803	\$ 25,291,309	\$ 18,710,219	\$ 1,810,899	\$ 74,098,230
 <b><u>Retirees, Widows, and Spouses</u></b>					
Medical Benefits	\$ 17,725,147	\$ 17,808,576	\$ 13,569,994	\$ 621,007	\$ 49,724,724
Medicare Part B	5,847,823	2,298,914	1,483,971	92,666	9,723,374
Life Insurance	<u>0</u>	<u>292,157</u>	<u>252,181</u>	<u>0</u>	<u>544,338</u>
Total	\$ 23,572,970	\$ 20,399,647	\$ 15,306,146	\$ 713,673	\$ 59,992,436
 Total Liability	 \$ 51,858,773	 \$ 45,690,956	 \$ 34,016,365	 \$ 2,524,572	 \$ 134,090,666
 Projected Benefit Payments	 \$ 2,902,122	 \$ 1,787,320	 \$ 1,553,153	 \$ 106,312	 \$ 6,348,907

**SECTION III****Liability Summary at 6.00%****July 1, 2008**

	<u>CERF</u>	<u>Police</u>	<u>Fire</u>	<u>WPCA</u>	<u>Total</u>
<b><u>Active</u></b>					
Medical Benefits	\$ 30,933,307	\$ 30,054,024	\$ 24,826,333	\$ 2,061,420	\$ 87,875,084
Medicare Part B	6,903,692	2,379,444	2,007,302	330,793	11,621,231
Life Insurance	<u>0</u>	<u>124,465</u>	<u>104,489</u>	<u>0</u>	<u>228,954</u>
Total	\$ 37,836,999	\$ 32,557,933	\$ 26,938,124	\$ 2,392,213	\$ 99,725,269
 <b><u>Retirees, Widows, and Spouses</u></b>					
Medical Benefits	\$ 20,928,772	\$ 21,809,730	\$ 16,148,682	\$ 732,000	\$ 59,619,184
Medicare Part B	6,950,203	2,912,718	1,815,520	114,283	11,792,724
Life Insurance	<u>0</u>	<u>354,950</u>	<u>296,122</u>	<u>0</u>	<u>651,072</u>
Total	\$ 27,878,975	\$ 25,077,398	\$ 18,260,324	\$ 846,283	\$ 72,062,980
Total Liability	\$ 65,715,974	\$ 57,635,331	\$ 45,198,448	\$ 3,238,496	\$ 171,788,249
Projected Benefit Payments	\$ 2,902,122	\$ 1,787,320	\$ 1,553,153	\$ 106,312	\$ 6,348,907

SECTION IV

Valuation Results

July 1, 2008 at 8.00%

GASB 27 Accounting Methodology with 30 Year Level Percent of Pay Amortization

Determination of Amortization of Unfunded Liability as of July 1, 2008

	CERF	Police	Fire	WPCA	Total
Accumulated Postretirement Benefit Obligation (APBO)					
Retirees	\$ (23,572,970)	\$ (20,399,647)	\$ (15,306,146)	\$ (713,673)	\$ (59,992,436)
Actives - Eligible to Retire	(5,273,691)	(2,204,790)	(1,407,955)	(310,199)	(9,196,635)
Actives - Not Eligible to Retire	(23,012,112)	(23,086,519)	(17,302,264)	(1,500,700)	(64,901,595)
Total APBO	\$ (51,858,773)	\$ (45,690,956)	\$ (34,016,365)	\$ (2,524,572)	\$ (134,090,666)
Fair Value of Plan Assets	0	0	0	0	0
Unfunded Liability	\$ (51,858,773)	\$ (45,690,956)	\$ (34,016,365)	\$ (2,524,572)	\$ (134,090,666)
Amortization Over 30 Year Period (BOY)	2,676,979	2,358,593	1,755,944	130,320	6,921,836

Annual Required Contribution (ARC)

	CERF	Police	Fire	WPCA	Total
Normal Cost (BOY)	\$ 2,042,967	\$ 1,174,752	\$ 1,045,013	\$ 108,679	\$ 4,371,411
Amortization Payment (BOY)	2,676,979	2,358,593	1,755,944	130,320	6,921,836
Total Cost (Beginning of Year)	\$ 4,719,946	\$ 3,533,345	\$ 2,800,957	\$ 238,999	\$ 11,293,247
Interest to End of Year	377,596	282,668	224,077	19,120	903,461
Total ARC	\$ 5,097,542	\$ 3,816,013	\$ 3,025,034	\$ 258,119	\$ 12,196,708

SECTION V

Valuation Results

July 1, 2008 at 6.00%

GASB 27 Accounting Methodology with 30 Year Level Percent of Pay Amortization

Determination of Amortization of Unfunded Liability as of July 1, 2008

	CERF	Police	Fire	WPCA	Total
Accumulated Postretirement Benefit Obligation (APBO)					
Retirees	\$ (27,878,975)	\$ (25,077,398)	\$ (18,260,324)	\$ (846,283)	\$ (72,062,980)
Actives - Eligible to Retire	(6,275,505)	(2,643,273)	(1,713,441)	(366,431)	(10,998,650)
Actives - Not Eligible to Retire	(31,561,494)	(29,914,660)	(25,224,683)	(2,025,782)	(88,726,619)
Total APBO	\$ (65,715,974)	\$ (57,635,331)	\$ (45,198,448)	\$ (3,238,496)	\$ (171,788,249)
Fair Value of Plan Assets	0	0	0	0	0
Unfunded Liability	\$ (65,715,974)	\$ (57,635,331)	\$ (45,198,448)	\$ (3,238,496)	\$ (171,788,249)
Amortization Over 30 Year Period (BOY)	2,673,002	2,344,321	1,838,450	131,726	6,987,499

Annual Required Contribution (ARC)

	CERF	Police	Fire	WPCA	Total
Normal Cost (BOY)	\$ 2,881,649	\$ 1,779,448	\$ 1,649,081	\$ 149,251	\$ 6,459,429
Amortization Payment (BOY)	2,673,002	2,344,321	1,838,450	131,726	6,987,499
Total Cost (Beginning of Year)	\$ 5,554,651	\$ 4,123,769	\$ 3,487,531	\$ 280,977	\$ 13,446,928
Interest to End of Year	333,279	247,426	209,252	16,859	806,816
Total ARC	\$ 5,887,930	\$ 4,371,195	\$ 3,696,783	\$ 297,836	\$ 14,253,744

**SECTION VI****Projected Cash Flow**

<b>Fiscal Year</b>	<b>Life Amounts</b>	<b>Medical Amounts</b>	<b>Part B Amounts</b>	<b>Total</b>
2009	50,557	5,525,608	772,742	6,348,907
2010	52,372	6,348,686	859,585	7,260,643
2011	54,035	7,090,645	942,080	8,086,760
2012	55,323	7,954,548	1,016,987	9,026,858
2013	56,352	8,656,270	1,105,404	9,818,026
2014	57,125	9,085,895	1,189,939	10,332,959
2015	57,789	9,506,142	1,260,655	10,824,586
2016	58,516	10,059,686	1,338,196	11,456,398
2017	59,022	10,535,024	1,396,371	11,990,417
2018	59,504	11,276,554	1,453,350	12,789,408
2019	60,129	12,149,685	1,525,953	13,735,767
2020	60,940	12,902,805	1,608,364	14,572,109
2021	61,506	13,735,660	1,711,440	15,508,606
2022	61,998	14,405,182	1,825,765	16,292,945
2023	62,406	14,907,178	1,915,201	16,884,785
2024	62,881	15,644,815	2,040,557	17,748,253
2025	63,590	16,021,722	2,143,618	18,228,930
2026	64,360	16,683,953	2,261,523	19,009,836
2027	65,004	17,539,882	2,366,331	19,971,217
2028	65,525	18,066,243	2,478,347	20,610,115
2029	66,171	18,730,286	2,618,916	21,415,373
2030	66,710	19,044,960	2,774,739	21,886,409
2031	67,242	19,404,199	2,922,396	22,393,837
2032	67,483	19,454,524	3,033,071	22,555,078
2033	67,901	19,995,366	3,111,129	23,174,396
2034	68,056	20,218,933	3,234,259	23,521,248
2035	68,031	19,945,637	3,327,544	23,341,212
2036	67,792	19,884,516	3,431,938	23,384,246
2037	67,529	19,891,591	3,491,885	23,451,005
2038	67,101	19,767,800	3,570,370	23,405,271

## **SECTION VII**

### **OVERVIEW OF ACTUARIAL ASSUMPTIONS AND METHODS**

1. Exhibit A outlines the full set of actuarial assumptions and methods used in our valuation. The per-capita medical plan unit costs were developed based on premium equivalent rates as of June 30, 2008.
2. The establishment of the current per capita unit costs of medical coverage is an important step in the measurement process. Cost rates should reflect the actual differences in the cost of covering individuals reflecting their ages, whether or not they are covered by Medicare and the plan of benefits under which they have coverage. The 2008 per-capita unit costs used in the valuation were derived primarily from the claim experience and premium rates provided by the City.
3. The City provided premium equivalent rates for the self-insured plans. The final per capita rates were determined by age adjusting premium rates to the average age of the retiree group.

### **INCREASES IN FUTURE MEDICAL PLAN COSTS**

5. Increases in medical plan benefit costs occur for several reasons. Some are directly related to medical cost inflation while others are a function of plan provisions or changing demographics. The valuation explicitly models the effects of plan provisions such as deductibles and cost-sharing, changing demographics by age distribution, and medical cost inflation on covered expenses.
6. As each individual ages, chances are that health declines and incurred medical expenses increase. Based on experience studies for large corporate clients and on statistics published by the government, the valuation explicitly reflects age-related morbidity as indicated in Exhibit A.

**EXHIBIT A****OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

**VALUATION DATE:** July 1, 2008.

**ACTUARIAL COST METHOD:** Projected unit credit with benefits attributed on a level basis from date of hire until date of full eligibility for expected benefits. The unfunded accrued liability is being amortized on an open 30-year level percent of pay method.

**DISCOUNT RATE:** 8.0% and 6.0% per annum, compounded annually.

**SEPARATIONS FROM EMPLOYMENT:** Representative values of the assumed annual rates of withdrawal, disability, and retirement are as follows:

Age	Withdrawal		Disability
	Classified and WPCA Employees	Police Firefighters	
20	.1060	.0544	.0005
25	.0790	.0489	.0005
30	.0580	.0370	.0005
35	.0420	.0235	.0006
40	.0310	--	.0009
45	.0210	--	.0018
50	.0130	--	.0040
55	.0050	--	.0085
60	--	--	-- <sup>(1)</sup>

<sup>(1)</sup>.0174 for Police and Firefighters only.

**RETIREMENT:**

**CERF and WPCA:** Representative values of the assumed annual rates of CERF and WPCA retirement among members in active service after completion of 30 years of service; age 55 and 15 years of service; age 60 and 10 years of service; or age 65, are as follows:

CERF and WPCA	
Age	Retirement
51-60	.05
62-65	1.00

**Police:** Representative values of the assumed annual rates of Police retirement among members in active service after completion of 25 years of service are as follows:

Police	
Age	Retirement
55	.50
56	.50
57	.50
58	.50
59	.50

An additional 50% probability of retirement is added upon attainment of 20 years of service and 100% of those members remaining beyond the earlier of age 60 with 25 years of service or age 65 are assumed to retire.

**Firefighters:** Representative values of the assumed annual rates of Firefighters' retirement among members in active service after completion of 30 years of service are as follows:

Fire	
Age	Retirement
55	.50
56	.50
57	.50
58	.50
59	.50

An additional 40% probability of retirement is added upon attainment of age 48 with 20 years of service if hired after January 1, 1981 and 20 years of service if hired before January 1, 1981. All members remaining beyond the earlier of age 60 with 30 years of service or age 65 are assumed to retire.

**SALARY INCREASES:** 4.5% per year.

**DEATHS:** According to the 1983 Group Annuity Mortality Table, with ages set forward 5 years for disabled participants.

**UNIT COSTS:** The 2008 assumed annual average per-capita incurred medical unit costs prior to age 65 are as follows:

<u>Plan</u>	<u>HealthNet</u>	<u>IPI</u>
Pre-Medicare	\$ 8,978	\$ 3,802
Post-Medicare	\$2,952*	\$ 3,802**

\* Community-rated rate

\*\* Reliable data on Medicare eligibility and claims split by Medicare status were not available. Since the premium rates were not separately identified, we used a single unit cost.

**AGE-RELATED MORBIDITY:** To allow for the incidence of increased cost of medical benefits with age, our per capita unit costs are adjusted per year of age. A sample of the increase in gross eligible charges by year of age was assumed to be:

<u>Age</u>	<u>Annual Increase</u>
40 - 64	3.5 %
65 - 74	2.5
75 - 78	2.0, grading down 0.5% per year
79+	0.0

**HEALTH CARE COST TREND RATES:** Representative values of future expected increases in net medical premiums are as follows:

<u>Year</u>	<u>Increase</u>
2008	10.0%
2009	9.0
2010	8.0
2011	7.0
2012	6.0
2013+	5.0

**Retiree Contribution:** For participants who are required to contribute, contributions are assumed to increase periodically with the Healthcare Cost Trend.

**MEDICARE COORDINATION:** For those participants who are eligible for Medicare, Medicare is assumed to remain the primary payor of medical benefits for retirees and spouses over age 65. The portion of Medicare eligible charges is assumed to remain constant in the future.

**MEDICAL PLAN ENROLLMENT AND DEPENDENT ASSUMPTION:** Reported data were used to identify current covered retirees, spouses and surviving spouses. All active employees were assumed to elect coverage under the HealthNet Plan and be eligible for Medicare upon attainment of age 65. We assumed 80% of active members are married. Husbands are assumed to be four years older than their wives. Married participants were assumed to elect family coverage.

**MISCELLANEOUS:** The valuation was prepared on an ongoing plan basis.

**EXHIBIT B**

**SUMMARY OF BENEFIT PROVISIONS**

**COVERAGES AVAILABLE**

Medical Plan benefits, Medicare Part B Reimbursement, and Life Insurance benefit

**RETIREMENT ELIGIBILITY**

- I. Police 20 years of service
- II. Firefighters 20 years of service, or;  
age 48 if hired after January 1, 1981.
- III. CERF and WPCA Age 50 and 25 years of service, or;  
Age 55 and 15 years of service, or;  
Age 60 and 10 years of service, or;  
Age 65, or;  
25 years of service for MAA only.

**MEDICAL**

I. Police

**Retire Before Age fifty-five (55):**

1. **Cost to age 65:** To receive medical coverage, the retiree must pay one-third (33.33%) and the City will pay two-thirds (66.66%) of the cost of such medical benefits plans.

2. **Cost Post 65:** The retiree must pay one-third (33.33%) of the cost for the supplementary coverage.

**Retire at or After Age fifty-five (55):** The City shall pay one hundred percent (100%) of the cost for such medical benefits plan made available to retirees under this agreement and one hundred percent (100%) of the cost for such supplementary coverage made available to retirees under this Agreement.

II. Firefighters

Retire Before Age fifty-five (55):

1. Cost to Age 65: To receive medical coverage, the employee must pay one-third (33.33%) and the City will pay two-thirds (66.66%) of the cost of such P.O.S. plan.
2. Cost Post 65: The retiree must pay one-third (33.33%) of the cost for the supplementary coverage.

Retire at or After fifty-five (55): Individuals will be required to contribute one percent (1%) of the annual pension, capped at \$21.66 per month towards the cost of such insurance.

III. CERF and WPCA (Nurse, MAA, Dental Hygienist, Teamster, UE)

1. Cost to age 65: To receive medical coverage, the retiree must pay one-third (33.33%) and the City will pay two-thirds (66.66%) of the cost of such medical benefits plans.
2. Cost Post 65: The retiree must pay one-third (33.33%) of the cost for the supplementary coverage.

IV. CERF and WPCA (Attorney, 1199, UAW)

1. Cost to Age 65: To receive medical coverage, the employee must pay one-third (33.33%) and the City will pay two-thirds (66.66%) of the cost of such P.O.S. plan.
2. Cost Post 65: The retiree must pay two-thirds (66.66%) of the cost for the supplementary coverage.

<u>HealthNet POS</u>		<u>In Network</u>	<u>Out of Network</u>
Deductible	Individual:	None	\$200
	Family:	None	\$400
Co-pay		\$10	N/A
Coinsurance		Plan pays 100% After Minimal copayments	Plan pays 80% of R&C in excess of the deductible
Out-of-Pocket Maximum	Individual:	\$400	\$1,200
	Family	\$800	\$2,400
Hospitalization		\$100 co-pay	Plan pays 80% of R&C in excess of the deductible.
Prescription Drug Co-payments	Generic:	\$10	
	Brand:	\$20	
	Mail Order:	\$10	
Medicare Coordination		Government Exclusion	
Medicare Part B Reimbursement: \$96.40/retiree only.			

### Life Insurance

- I. Police: The City shall provide and pay for a life insurance policy in the face amount of \$4,000.00 for each retired employee.
- II. Firefighters: The City shall provide and pay for a life insurance policy in the face amount of \$4,000.00 for each retired employee.
- III. CERF and WPCA: In general, the City has eliminated the retiree life insurance benefits for all active employees, and for those retirees with the benefit the liability has been transferred to the pension plan.

### Medicare Part B

When sixty-five (65) years of age or older, each employee shall receive premium reimbursement for coverage they pay for under Medicare Part B.

**EXHIBIT C****Summary of GASB 43 and 45**

<b><u>Item</u></b>	<b><u>GASB 43 and 45</u></b>
Actuarial Funding Method	Entry Age, Frozen Entry Age, Attained Age, Frozen Attained Age, Projected Unit Credit, Aggregate
Cost Determination	<p><b><u>Annual Required Contribution (ARC)</u></b></p> <p><u>Normal Cost</u> – value of accrual of benefits attributable to the current year, plus</p> <p><u>Amortization Cost</u> – amortization of unfunded liabilities over selected period. The period can be as long as 30 years or as short as 1 year. A minimum period of 10 years is applied to a significant decrease in unfunded actuarial accrued liability due to a change in actuarial cost method. The amortization method includes principal and interest and can be either level dollar or level percent of pay. If the employer contribution is not equal to the ARC, adjustments to the cost are required</p>
Transition Amortization	1 – 30 year amortization of unfunded liability (principal and interest) on a level dollar or level percent of pay
Amortization of Prior Service Cost	Impact of plan changes on liability is amortized the same as the Transition amount. Often combined into one base. Total amortization amount must be within acceptable range.
Amortization of Gains and Losses	Gains and Losses are amortized the same as the Transition amount. Often combined into one base. Total amortization amount must be within acceptable range.
Settlements, Curtailments, and Termination Benefits	Generally, the change in liability is amortized similar to a plan amendment. A change in employer structure (transaction) might be treated differently.