

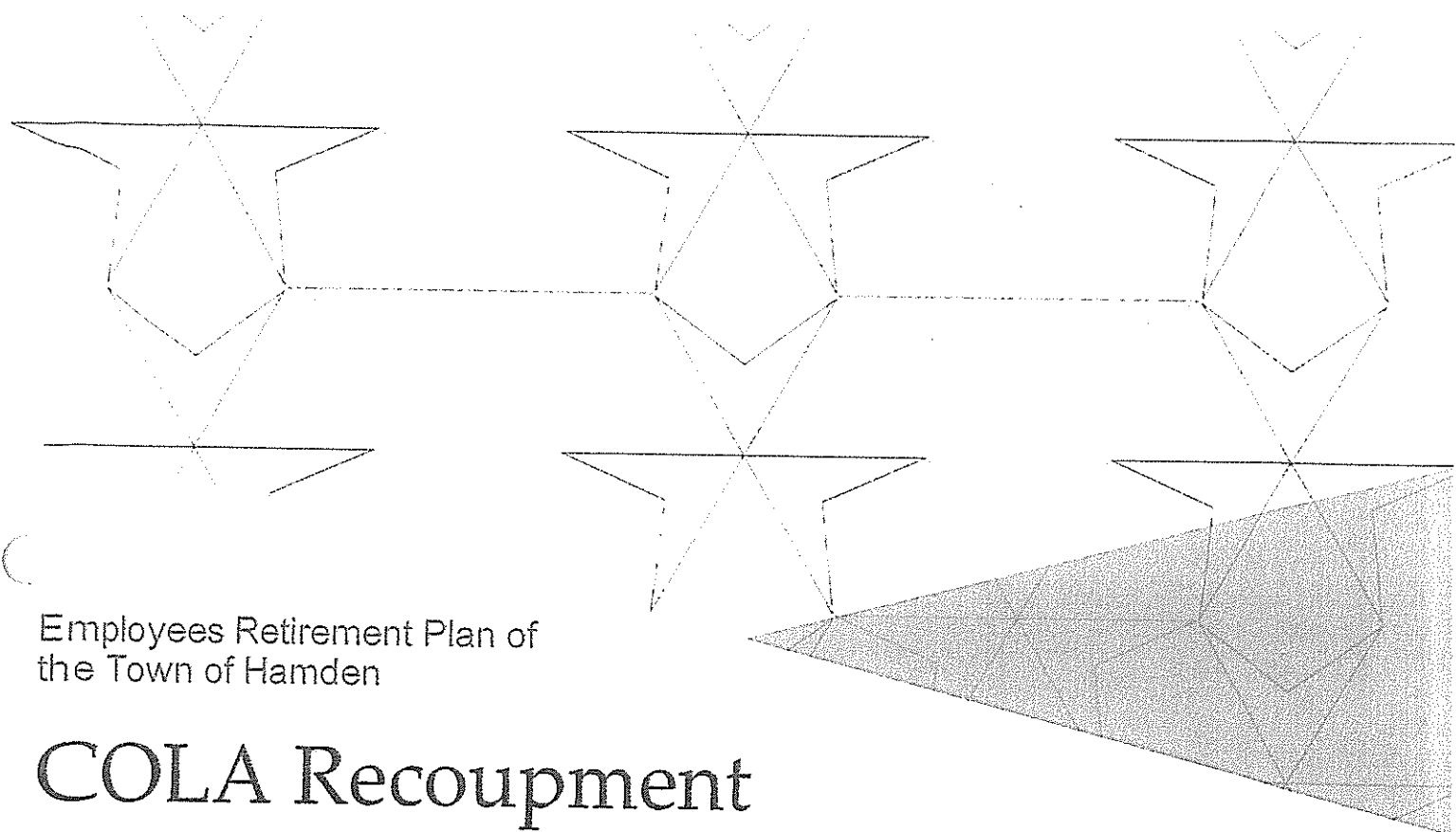
AGENDA
HAMDEN EMPLOYEES RETIREMENT BOARD
Wednesday, October 21, 2020 @ 2:00 PM
ELECTRONIC SPECIAL MEETING
Electronic Special Meeting pursuant to Paragraph 1 of Executive Order 7B.
This will be a 100% Electronic Meeting.
Public Questions can be emailed to rmorgan@hamden.com
Click on the link below to join the meeting.
<https://zoom.us/j/93424302462>

1. COLA discussion.

2. Executive Session.

3. Adjournment.

TOWN CLERK
HAMDEN, CT
2020 OCT 20 P 12:54
REC'D AND FILED BY



Employees Retirement Plan of
the Town of Hamden

COLA Recoupment

Topics for Consideration

August 12, 2020

Presenters: Deborah K. Brigham and Henry Nearing

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Status of Project

June 2020 Board Meeting

COLA Recoupment Analysis Presented to the Board

- Included background on the COLA overpayments
- Summarized the range of reductions necessary to current benefits to return them to “Plan levels”, and provided options for reducing the benefits prospectively
- Presented a range of potential recoupment periods for recapturing past overpayments
- Projected streams of benefits and expected savings in the Town’s actuarially determined contributions

July 2020 Board Meeting

Trustees approved a one-time reduction in benefits to all impacted retirees and survivors, effective September 1, 2020

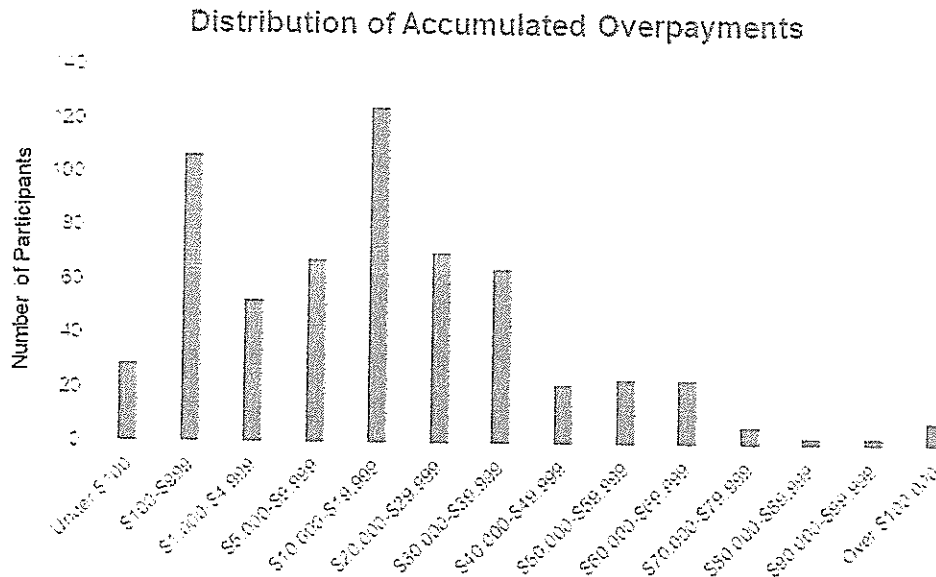
- Segal Benz Communications was hired to prepare letters to all impacted retirees and survivors
- A Segal Benz proposal for a second letter, to those who were not directly impacted, was subsequently approved by the Mayor on behalf of the Board

Late July/Early August 2020

- Segal, Plan Counsel, and Town staff drafted the letters noted above
- Segal matched the benefit adjustment data to the July check register provided by Zenith-American, and completed additional verification of the benefit reductions; Town Personnel Department reviewed listing
- Segal adjusted the data for any changes that have occurred since the June report was issued
- Letters were mailed out on August 11, 2020

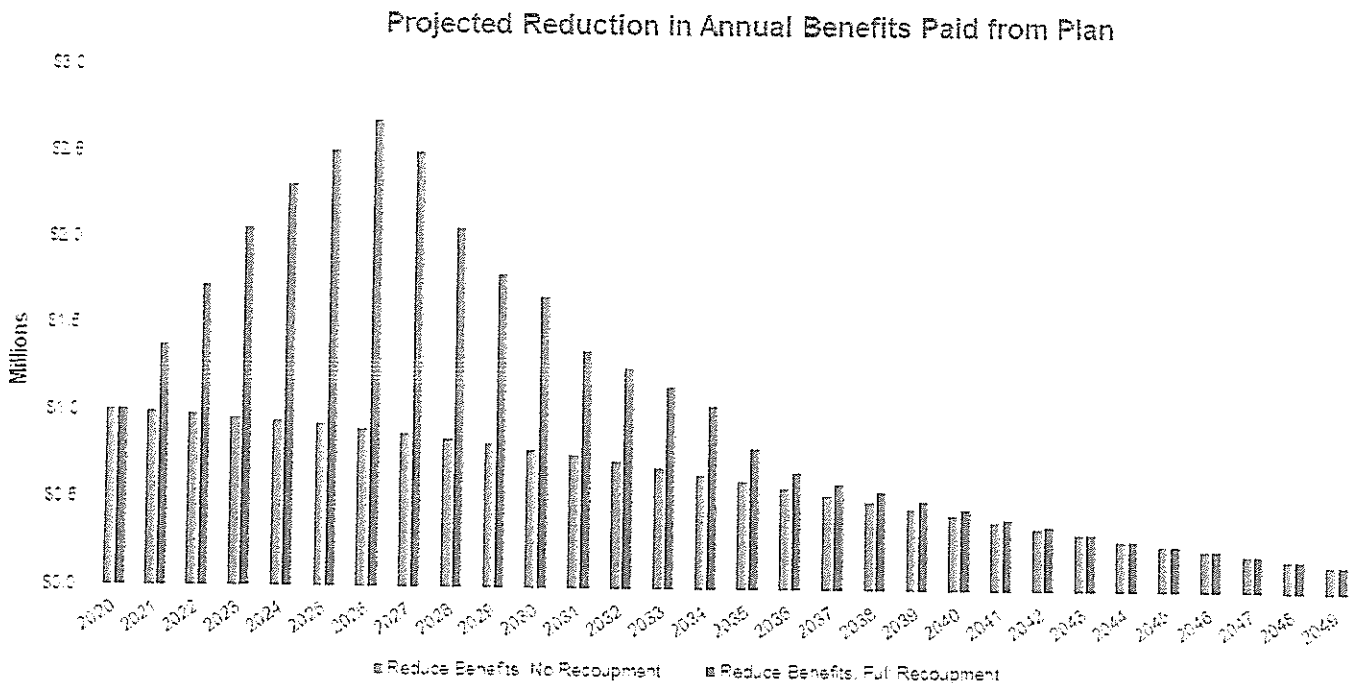
Potential Impact of Recoupment

- Reduction of future benefits to “plan levels” halts any future overpayments.
- Past overpayments are modest for some, but very significant for others.
- The Trustees should decide, in consultation with Counsel, whether recoupment is feasible.
- The chart below shows the distribution of accumulated overpayments, without interest.



Potential Impact of Recoupment

- The chart below was included in Segal’s report to the Board in June.
- The action already taken by the Trustees is reflected by the green bars.
- The purple bars indicate potential savings to the Plan if COLAs are frozen until the earlier of a participant’s death or full recoupment.



This chart assumes that 4% interest is charged on overpayment balances.

Potential Impact of Recoupment

- This chart was also included in Segal's report to the Board in June.
- It assumes that COLAs are frozen until full recoupment.
- The maximum years are usually for surviving spouses, whose benefits are generally half of what the deceased participant was receiving.

Retirement Year	Recoupment Period (Years)		Retirement	Recoupment Period (Years)	
	Minimum	Maximum		Minimum	Maximum
1981	6	6	1997	15	15
1982	9	9	1998	13	19
1983	5	6	1999	11	16
1984	7	7	2000	11	15
1985	7	8	2001	12	12
1986	9	11	2002	9	13
1987	7	7	2003	9	9
1988	8	10	2004	7	10
1989	10	14	2005	7	9
1990	13	17	2006	8	11
1991	17	25	2007	7	10
1992	16	24	2008	9	10
1993	16	25	2009	5	7
1994	16	21	2010	5	5
1995	15	22	2011	2	2
1996	15	21	2012-2014	Less than 1	Less than 1

This chart assumes that 4% interest is charged on overpayment balances.

Potential Impact of Recoupment

- The chart below shows the impact of the benefit reduction and recoupment on the Town's contributions, using the July 1, 2019 actuarial valuation as a baseline.
- Since the unfunded liability is amortized, savings should continue over the next 25 years.
- These liability results reflect the expectation that some of those who are impacted will not live long enough for full recoupment.

	Valuation Baseline	Reduce Benefits, No Recoupment	Reduce Benefits, Full Recoupment
Employer Normal Cost	\$2,400,049	\$2,400,049	\$2,400,049
Actuarial Accrued Liability	464,399,881	\$455,174,812	447,059,371
Actuarial Value of Assets	<u>165,099,558</u>	<u>\$165,099,558</u>	<u>165,099,558</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$299,300,323	\$290,075,254	\$281,959,813
Payment on UAAL	20,045,294	19,427,456	18,883,933
Adjustment for Timing	<u>785,587</u>	<u>763,963</u>	<u>744,939</u>
Recommended Contribution	\$23,230,930	\$22,591,467	\$22,028,922
Impact	--	-\$639,463	-\$1,202,008