



HOOKER & HOLCOMBE, INC.
Benefit Consultants and Actuaries

65 LaSalle Road
West Hartford, CT 06107-2397

860-521-8400 tel
860-521-3742 fax
www.hhconsultants.com

ATTACHMENT C

**Town of
Trumbull
Retirement Plan**

Actuarial Report for ERISA
Cash Contribution Purposes

July 1, 2010

Ronald O. Schlee, F.S.A.
Consulting Actuary

Laura J. Hanson
Pension Analyst

January 26, 2011

Table of Contents

Certification	1
Introduction	2
Executive Summary	
Town Contribution for 2010-2011	3
Actuarial Gains/Losses	3
Asset Performance	3
Participant Data	4
Demographic Changes	4
Plan Changes	4
Assumption and Method Changes	4
Valuation Highlights	5
Valuation Exhibits	
A. Participant Data	6
B. Actuarial Balance Sheet	7
C. Development of Asset Values	8
D. Development of Unfunded Actuarial Accrued Liability and Funded Ratio	12
E. Contribution	13
F. Accounting Information	15
Actuarial Basis	
Description of Actuarial Method	16
Description of Actuarial Assumptions	17
Outline of Principal Plan Provisions	19

Certification

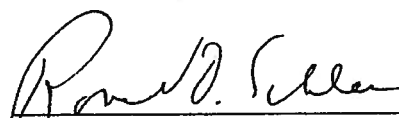
This report presents the results, as of July 1, 2010, of the biennial actuarial valuation for the Town of Trumbull Pension Plan. The valuation has been performed in accordance with generally accepted actuarial principles and practices. We have not reflected any changes in the actuarial assumptions or cost methods since the prior valuation.

In preparing this valuation, I have relied on employee data provided by the Plan Sponsor, and on asset and contribution information provided by the Trustee. I have audited neither the employee data nor the financial information, although I have reviewed them for reasonableness.

The results in this valuation report are based on the Plan as summarized in the Plan Provisions section of this report.

This report values the retirement benefits provided by the Town of Trumbull for its Town and Board of Education employees. It reflects the plan in accordance with negotiated contracts.

In my opinion, this valuation fairly reflects the actuarial position of the Town of Trumbull Pension Plan. I certify that the funding methods and assumptions that are the basis of this valuation are reasonable, and that the assumptions represent my best estimate of anticipated experience under the Plan.



Ronald O. Schlee, F.S.A.
Enrolled Actuary (08-3301)

January 26, 2011

Introduction

Purpose of the Valuation

The purpose of the valuation is to determine the range of cash contributions for the plan year.

The ultimate cost of a pension plan is based primarily on the level of benefits promised by the plan. The pension fund's investment earnings and employees' contribution serve to reduce the cost of plan benefits and expenses. Thus,

<i>Town's ultimate cost</i>	=	<i>benefits paid</i>	+	<i>expenses incurred</i>	-	<i>investment return</i>	-	<i>employee contributions</i>
-----------------------------	---	----------------------	---	--------------------------	---	--------------------------	---	-------------------------------

The actuarial cost method distributes this ultimate cost over the working lifetime of current plan participants. By means of this budgeting process, costs are allocated to both past and future years, and a cost is assigned to the current year. The current year's allocated cost, or normal cost, is the building block upon which the range of annual cash contributions is developed.

Information Available in the Valuation Report

The Executive Summary and Valuation Highlights are intended to emphasize the notable results of the valuation from the perspective of the Plan Sponsor. Supporting technical detail is documented in Valuation Exhibits and Actuarial Basis. A concise summary of the principal provisions of the Plan is outlined in Plan Provisions.

Executive Summary

Town Contribution for 2010-2011

The actuarial valuation as of July 1, 2010 produces the contribution for the 2010-2011 Plan Year. The actuarially calculated contribution payable (after allowing for employee contributions) follows:

2010-2011		2008-2009	
Amount	% of Payroll	Amount	% of Payroll
\$4,472,000	24.4%	\$3,911,000	22.4%

In general, the contribution, expressed in dollars, can be expected to increase as payroll increases. This expectation results because the actuarial cost method produces normal costs which theoretically remain constant as a percent of payroll when all assumptions are met.

Actuarial Gains/Losses

It would be extremely coincidental if any of our actuarial assumptions were exactly realized. An actuarial gain or loss results when we compare actual experience to assumed or expected experience. There was an overall actuarial loss during the past two years of about \$3.9 million.

Asset performance, utilizing an actuarial or "smoothed" method approach, was the major factor. The experience of demographic assumptions is discussed below.

Asset Performance

The investment return for the past two years is summarized below:

	Plan Year 2009-2010	Plan Year 2008-2009
Market Value Basis	14.3%	(16.0)%
Actuarial Value Basis	(0.9)%	(6.2)%

The Actuarial Value of assets, rather than the Market Value, is used to determine plan contributions. The use of the Actuarial Value smoothes out fluctuations that are inherent in the Market Value.

The July 1, 2010 actuarial valuation assumed an investment return of 7.5%. When the actual return on the actuarial value of assets exceeds this assumption, an actuarial gain results; when the actual return is less than assumed, an actuarial loss results. The net return over the two years ending June 30, 2010 was (3.6%) per year, producing a loss of approximately \$4.1 million.

Participant Data

The July 1, 2010 valuation used a salary increase assumption of 4.00% per year. However, liability increases from increasing salaries was slightly less than that anticipated by the valuation assumption. Thus, an actuarial gain of approximately \$850,000 resulted.

Demographic Changes

The following table shows the actual versus expected experience for each active and non-active decrement over the last two years.

	Expected 2008-2010	Actual 2008-2010	Expected 2010-2012
Active			
Turnover	20.6	23	21.3
Deaths	3.9	2	4.0
Disabilities	2.1	0	2.2
Retirements	24.2	30	25.9
Retired			
Deaths	30.5	18	28.0
Terminated Vesteds			
Deaths	1.1	0	1.0

Plan Changes

There were no changes to the Plan.

Assumption and Method Changes

There were no changes.

Valuation Highlights

	July 1, 2010	July 1, 2008
Number of participants*		
Active	453	433
Terminated Vested	69	79
Retired and Beneficiaries	<u>320</u>	<u>288</u>
Total	842	800
Total plan salaries	\$18,308,000	\$17,476,000
Average plan salary	40,415	40,454
Actuarial present value of future benefits	77,527,092	71,754,760
Asset value		
Market	16,052,762	18,285,380
Actuarial	16,807,159	19,572,031
Town's normal cost		
In dollars	1,153,000	1,210,000
Percentage of payroll	6.3%	6.9%
Contribution		
In dollars	4,472,000	3,911,000
Percentage of payroll	24.4%	22.4%

* 2008 counts adjusted subsequent to publishing of prior report.

Participant Data

Participant Data					
	Active Town	Active BOE	Terminated Vested	Retired	Total
Total participants					
July 1, 2008	175	257	83	309	824
Adjustments	0	1	-4*	-21**	-24
Retirements	-18	-12	-18	+48	0
Disability vested					0
Non-service	0	0	0	N/A	0
Service connected	0	0	N/A	N/A	0
Terminations					
Vested	-7	-3	+10	0	0
Non-vested	0	0	0	N/A	0
Withdrew contributions	-7	-6	-2	N/A	-15
Deaths	-1	-1	0	-18	-20
New beneficiaries	N/A	N/A	N/A	+5	+5
Certain Period Ended	N/A	N/A	N/A	-3	-3
Rehires	0	0	0	0	0
Transfers in	0	0	0	0	0
Transfers out	0	0	0	0	0
New entrants	+14	+61	N/A	N/A	+75
Ineligibles	<u>0</u>	<u>0</u>	<u>N/A</u>	<u>N/A</u>	<u>0</u>
Total participants					
July 1, 2010	156	297	69	320	842
Vested status					
Fully vested	101	144			
Partially vested	35	85			
Not vested	20	68			
Total annual salary#					
July 1, 2008	\$ 9,209,840	\$8,265,714			
July 1, 2010	10,003,283	8,304,248			
Average annual salaries#					
July 1, 2008	\$ 52,627	\$ 32,162			
July 1, 2010	57,162	27,960			
Total monthly benefits					
July 1, 2008			\$47,452	\$226,133	
July 1, 2010			30,861	281,804	

* Removed TV's with zero benefits

** Deaths of retirees without beneficiaries prior to 7/1/2008

Includes assumed 4% increase for coming year

Actuarial Balance Sheet

The key elements of the actuarial funding process are illustrated in the Actuarial Balance Sheet. The format of the balance sheet captures the essential purpose of an actuarial cost method - the determination of whether assets are sufficient to provide for pension benefits. The valuation components illustrated below are for the Projected Unit Credit Cost Method.

The actuarial present value of current and prospective plan benefits is the liability that must be balanced by current and prospective assets. The Present Value of Future Employer Normal Cost is the balancing item. It represents the prospective asset from Town contributions that will be made for costs allocated to the future.

	July 1, 2010	July 1, 2008
1. Liabilities – Present Value of Future Benefits		
Actuarial Accrued Liability		
a. Active participants	\$32,518,889	\$31,674,605
b. Terminated vested participants	2,520,521	4,529,374
c. Retired participants and beneficiaries	<u>27,823,633</u>	<u>21,500,560</u>
d. Total	62,863,043	57,704,539
e. Increase due to expected future service	<u>14,664,049</u>	<u>14,050,221</u>
f. Total	77,527,092	71,754,760
2. Assets		
a. Actuarial Value of Assets	\$16,807,159	\$19,572,031
b. Prospective valuation assets		
i. Unfunded Actuarial Accrued Liability	46,055,884	38,132,508
ii. Present Value of Future Employer Normal Costs	8,833,715	9,645,172
iii. Present Value of Future Employee Contributions	<u>5,830,334</u>	<u>4,405,049</u>
c. Total	77,527,092	71,754,760

Development of Asset Values

The Actuarial Value of assets is used in the determination of plan contributions. It phases in recognition of gains and losses. A method of smoothing is used because the Market Value can swing widely from one year to the next, resulting in undesirable fluctuations in pension contributions. The smoothing is accomplished by recognizing gains and losses over a three-year period at 33¹/₃% per year.

Relationship of Actuarial Value to Market Value	
1. Market value 7/1/2010	\$ 16,052,762
2. Gain / (loss) not recognized in actuarial value 7/1/2010	(754,397)
3. Preliminary actuarial value 7/1/2010: (1)-(2)	16,807,159
4. Preliminary actuarial value as a percentage of market value: (3)÷(1)	104.7%
5. Gain / (loss) recognized for corridor min/max	N/A
6. Actuarial value 7/1/2010 after corridor min/max: (3)+(5)	16,807,159
7. Actuarial value as a percentage of market value: (6)÷(1)	104.7%

Recognition of Gain / (Loss) in Actuarial Value					
Year	(a) Gain / (loss)	(b) Recognized as of 7/1/2009	(c) Recognized in current year: 33.33% of (a)	(d) Total recognized as of 7/1/2010: (b)+(c)	(e) Not recognized as of 7/1/2010: (a)-(d)
2007-2008	\$ (2,477,822)	\$ (1,651,882)	\$ (825,940)	\$ (2,477,822)	\$ 0
2008-2009	(4,245,177)	(1,415,059)	(1,415,059)	(2,830,118)	(1,415,059)
2009-2010	990,993	0	<u>330,331</u>	330,331	<u>660,662</u>
Total			(1,910,668)		(754,397)

Asset Development		
	2009-2010	2008-2009
1. Market Value of Assets, July 1	\$14,913,075	\$18,285,380
2. Adjustment	0	0
3. Income, July 1 to June 30		
a. Employer contributions	2,025,000	1,825,000
b. Employee contributions	858,290	731,851
c. Investment income	349,935	390
d. Net realized and unrealized gains/(losses)	<u>1,751,811</u>	<u>(2,767,132)</u>
e. Total income: (a) + (b) + (c) + (d)	4,985,036	(209,891)
4. Outgo, July 1 to June 30		
a. Annuity benefits paid	3,642,852	3,037,816
b. Refunds	118,033	0
c. Expenses – Investment related	26,250	124,498
d. Expenses – Administrative	58,214	100
e. Foreign taxes	<u>0</u>	<u>0</u>
f. Total outgo: (a) + (b) + (c) + (d) + (e)	3,845,349	3,162,414
5. Market value of assets, June 30: (1) + (2) + (3) – (4)	16,052,762	14,913,075
6. Accrued contribution	<u>N/A</u>	<u>N/A</u>
7. Total	16,052,762	14,913,075

Development of Market Value Gain / (Loss) for 2008-2009 Plan Year		
1. Market value 7/1/2008	\$	18,285,380
2. Contributions		2,556,851
3. Benefit payments		3,037,816
4. Administrative expenses		100
5. Expected return at 7.50%		1,353,937
6. Expected value 7/1/2009: (1)+(2)-(3)-(4)+(5)		19,158,252
7. Market value 7/1/2009		14,913,075
8. Market value gain / (loss) for -1 Plan Year: (7)-(6)		(4,245,177)

Development of Market Value Gain / (Loss) for 2009-2010 Plan Year		
1. Market value 7/1/2009	\$	14,913,075
2. Contributions		2,883,290
3. Benefit payments		3,760,885
4. Administrative expenses		58,214
5. Expected return at 7.50%		1,084,503
6. Expected value 7/1/2010: (1)+(2)-(3)-(4)+(5)		15,061,769
7. Market value 7/1/2010		16,052,762
8. Market value gain / (loss) for -1 Plan Year: (7)-(6)		990,993

Rate of Return on Market Value of Assets					
Period Ending June 30	Average Annual Effective Rate of Return				
	1 Year	3 Years	5 Years	10 Years	15 Years
1995	14.3%				
1996	15.9				
1997	19.8				
1998	17.1				
1999	12.4				
2000	2.1				
2001	(6.3)				
2002	(8.7)				
2003	3.1				
2004	13.4				
2005	3.5				
2006	8.0				
2007	14.2				
2008	(4.8)				
2009	(16.0)				
2010	14.3	(3.0)%	2.4%	1.6%	5.3%

Rate of Return on Actuarial Value of Assets					
Period Ending June 30	Average Annual Effective Rate of Return				
	1 Year	3 Years	5 Years	10 Years	16 Years
1995	10.8%				
1996	15.7				
1997	18.2				
1998	18.6				
1999	14.0				
2000	7.1				
2001	(3.6)				
2002	4.6*				
2003	(5.2)				
2004	1.5				
2005	6.8				
2006	8.0				
2007	8.5				
2008	5.8				
2009	(6.2)				
2010	(0.9)	(0.6)%	2.9%	1.8%	6.2%

* Includes increase in actuarial value resulting from change in asset valuation method.

Development of Unfunded Actuarial Accrued Liability and Funded Ratio

	July 1, 2010	July 1, 2008	July 1, 2006
Actuarial Accrued Liability			
Active Members	\$32,518,889	\$31,674,604	\$26,842,052
Terminated Vested Members	2,520,521	4,529,374	2,247,150
Retired Members and Beneficiaries	<u>27,823,633</u>	<u>21,500,560</u>	<u>18,566,612</u>
TOTAL	62,863,043	57,704,539	47,655,814
Plan Assets - Actuarial Value	<u>16,807,159</u>	<u>19,572,031</u>	<u>18,292,145</u>
Unfunded Actuarial Accrued Liability	46,055,884	38,132,508	29,363,669
Funded Ratio (Plan Assets divided by Total Actuarial Accrued Liability)	26.7%	33.9%	38.4%

Contribution

Based on the employee data and asset information furnished us, and the plan provisions and the actuarial methods and assumptions outlined later in the report, we have developed the contribution for the Town as shown below:

	July 1, 2010		July 1, 2008	
		% of Covered Payroll*		% of Covered Payroll*
1. Normal cost for benefits	\$ 1,923,000	10.5%	\$ 1,822,000	10.4%
2. Administrative expenses	<u>0</u>	<u>0.0%</u>	<u>0</u>	<u>0.0%</u>
3. Total normal cost: (1) + (2)	1,923,000	10.5%	1,822,000	10.4%
4. Estimated employee contributions	<u>(770,000)</u>	<u>4.2%</u>	<u>(612,000)</u>	<u>3.5%</u>
5. Town's net normal cost: (3) - (4)	1,153,000	6.3%	1,210,000	6.9%
6. Annual 25 year amortization payment towards unfunded actuarial accrued liability**	<u>3,319,000</u>	<u>18.1%</u>	<u>2,701,000</u>	<u>15.5%</u>
7. Town's total contribution: (5) + (6)	4,472,000	24.4%	3,911,000	22.4%
8. Covered payroll (all members)	18,308,000		17,476,000	

* Percentages indicate contribution expressed as a percent of the covered payroll shown in item 8.

** Amortization amount targets 90% of actuarial accrued liability. Amortization period is 25 years.

By department, the results follow:

Department	Compensation*	Contribution Allocation
Board of Education		
A: Teachers Aides	\$2,291,000	\$ 582,000
C: Custodians	3,121,000	793,000
L: Lunch Program	532,000	135,000
S: Supervisors, Dept. Heads, Non-Represented	1,383,000	350,000
T: Secretaries	<u>2,291,000</u>	<u>582,000</u>
Sub-Total	9,618,000	2,442,000
Town		
H: Highway Local 1303	2,280,000	579,000
M: Municipal Association	2,943,000	748,000
N: Nurses	801,000	204,000
S: Supervisors, Dept. Heads, Non-Represented	1,392,000	354,000
Y: Administrators	<u>568,000</u>	<u>144,000</u>
Sub-Total	7,984,000	2,029,000
Total	17,602,000	4,471,000

* Reported Compensation (i.e., before assumed 4% increase for coming year).

Accounting Information

The following information is based on Opinion No. 8 of the Accounting Principles Board on "Accounting for the Cost of Pension Plans." GASB #25 and #27 have replaced the requirements of APB No. 8. Nevertheless, we provide this information as a consistent comparison with information provided in prior valuations. This section, together with the rest of the Valuation Report, should supply sufficient information to your Auditors.

A requirement of APB No. 8 is to disclose the amount of your Present Value of Accumulated Benefits. The actuarially computed value of vested benefits represents the present value, at the date of determination, of the sum of (a) benefits payable to retired and disabled employees; and (b) the benefits expected to become payable to former employees who have terminated service with vested rights, at the date of determination; and (c) the benefits, based on service rendered prior to, and salary earned as of, the date of determination, expected to become payable at future dates to present employees who meet vesting eligibility requirements, taking into account the probable time that employees will retire.

	July 1, 2010	July 1, 2008
Actuarial present value of vested benefits		
Retired employees and beneficiaries	\$27,823,633	\$21,500,560
Terminated vested employees	2,520,521	4,529,374
Active employees with vested interest including accumulated employee contributions for non-vesteds	<u>23,986,098</u>	<u>23,005,379</u>
Total	54,330,252	49,035,313
Actuarial present value of non-vested benefits	<u>1,739,516</u>	<u>1,652,210</u>
Actuarial present value of accumulated plan benefits	56,069,768	50,687,523
Market Value of Assets (includes accrued contribution)	<u>16,052,762</u>	<u>18,285,380</u>
Unfunded present value of accrued benefits	40,017,006	32,402,143
Ratio of assets to total actuarial value of benefits	0.29	0.36

Description of Actuarial Methods

Asset Valuation Method

The Actuarial Value of assets used in the development of plan contributions phases in recognition of gains and losses (the difference between actual and expected asset value). Gains and losses are recognized over a three year period at $33\frac{1}{3}\%$ per year.

Actuarial Cost Method

Description of Current Actuarial Cost Method:

1. Basic cost method: Projected Unit Credit Actuarial Cost Method. The allocation of projected benefits between past years and future years is in proportion to service for benefit accrual.
2. The Town established 90% of the Actuarial Accrued Liability (AAL) as the funding target. Thus, the Unfunded AAL equals 90% of the AAL minus valuation assets.
3. The cost of benefits associated with anticipated vested terminations, deaths prior to retirement, and disabilities is directly calculated.

Description of Actuarial Assumptions

Investment return (net of investment management fees)

Valuation

Pre-retirement 7.5% per year.
Post-retirement 7.5% per year.

Salary increases

For determination of benefits 4.0% per year.

Entry date

Plan anniversary coincident with or next following the later of age 18 or one year of service.

Retirement age

Retirement probability based on the following:

Age	Town and Board of Education
55	3%
56	3
57	3
58	3
59	3
60	10
61	10
62	10
63	10
64	10
65	20
66	20
67	20
68	20
69	20
70	20
71	20
72	20
73	20
74	20
75	25
76	25
77	25
78	25
79	25
80	100

Mortality

Pre-retirement and Post-retirement

1994 Unisex Pensioners Mortality Table, with rates projected to 2012.

Termination prior to retirement

Sample Rates:

<u>Age</u>	<u>Rate</u>
20	7.94%
25	7.72
30	7.40
35	6.86
40	6.11
45	5.16
50	3.62
55	1.37
60	0.13
63	0.00

Administrative expenses

Estimate of bank fees incurred for administrative (not investment) assistance.

Disability – Non-Occupational

0.25% per year at each age.

Disability – Occupational

None.

Outline of Principal Plan Provisions

Name of Plan:	Town of Trumbull Retirement Plan.
Effective Date of Plan:	July 1, 1973.
Latest Plan Amendment/Restatement:	July 1, 1987.
Eligible Employees	All full-time employees not otherwise covered by a plan to which the Town makes a contribution.
Participation	The first July 1 following age 18 and completion of 12 months of continuous service with the Town.
Earnings	Base pay exclusive of extra compensation of any kind, such as overtime pay, bonuses, commissions, etc.
Final Earnings	Average earnings during the 36 consecutive months, while a participant, that produces the highest average.
Employee Contributions	Varies from 3.5% to 5.5% of earnings depending on Town/BOE contract. Interest credited at the rate of 5% per year compounded annually.
Service	Continuous employment with the Town. A period of six months or more but less than one year shall be deemed to be a full year of service; a period of less than six months shall be disregarded. Service will not be credited without corresponding employee contributions for participants who, prior to current plan, did not contribute when first eligible.
Normal Retirement	
Eligibility	The first day of the month following the earlier of: Age 62 and 5 years of Service (subject to vesting percentage), unreduced benefit with 10 years of Service, or Age 60 and age plus service equals at least 85.
Benefit	2.0% of Final Earnings for each year of Service. Maximum annual pension is 60% of Final Earnings. Minimum annual pension is \$1,200.

Early Retirement

- Eligibility Age 55 and 10 years of Service.
- Benefit Normal Retirement Benefit based on Final Earnings and Service to termination date, reduced ½% for each month the early retirement date precedes the normal retirement date.

Postponed Retirement

- Eligibility Mutual agreement, may continue work after normal retirement date.
- Benefit Normal Retirement Benefit based on Final Earnings and Service to Postponed Retirement.

Disability Benefit (non-work related):

- Eligibility Total and permanent disability and completion of 10 years of Service, eligible for Social Security Disability Benefits.
- Benefit Normal Retirement Benefit based on Final Earnings and Service to date of disability. Benefit commences at date of disability.

Disability Benefit (work related):

- Eligibility Eligible for Social Security Disability Benefits and Worker's Compensation Benefits. Disability must be work related.
- Benefit Disability benefit shown above with a minimum benefit of 66²/₃% of salary at time of disability. In no event shall the benefit plus the Worker's Compensation and Social Security Disability Benefit exceed 100% of the salary in effect for the position from which the annual employee was disabled.

Vesting

Eligibility

According to the following schedule:

<u>Years of Service</u>	<u>Vested %</u>
Less than 5 years	0%
5 years	50%
6 years	60%
7 years	70%
8 years	80%
9 years	90%
10 or more years	100%

Benefit

At Normal Retirement Date, Normal Retirement Benefit based on Final Earnings and Service to date of termination. Employee contributions must remain in the Plan or Vesting Benefit will be lost.

Cash refund of contribution, with credited interest to date of termination, for non-vested terminations and vested terminations who agree to forfeit retirement benefit.

Death Benefits

Pre-Retirement

Employee Contributions with credited interest to date of death.

In addition, the Pension Board will maintain a \$25,000 term life insurance policy for each participating employee (not part of pension plan).

Beneficiaries of fully vested deceased Participants have the option to receive 120 months of retirement benefits at the deceased Participant's Normal Retirement Date. To receive this benefit, however, the beneficiary may not receive the Participant's employee contributions with interest, and must assign the proceeds from the \$25,000 life insurance policy to the pension plan.

Post-Retirement

Dependent upon the form of benefit in effect for the Participant at time of death. In no event will a retiree and his beneficiary receive less than his employee contributions with credited interest to either his Early or Normal Retirement Date.