

December 2011

GASB 45 Actuarial Valuation Report  
as of July 1, 2010  
Town of New Canaan, Connecticut



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## 1. Report highlights

Submitted in this report are the July 1, 2010 GASB 45 actuarial valuation results for the Town of New Canaan, the plan sponsor. The only purposes of this report are to:

- Present Mercer's actuarial estimates of the Plan's liabilities and expenses for the Town of New Canaan to incorporate, as the Town deems appropriate, in its financial statements; and
- Provide employer contribution rate for the fiscal year beginning July 1, 2011 and the fiscal year beginning July 1, 2012.

### Changes in plan provisions

For non-bargained Town employees who retire on or after July 1, 2011, provisions changed from

- the retiree's health premium is paid by the Town until death. Up to \$2,400 of premiums per year is reimbursed from the Town for spouse or family coverage

to

- the Town pays retiree health premium (single only coverage) subject to the retiree's premium contribution which is the same percentage as active employees in the PPO plan. Current premium contributions are:
  - July 1, 2011 - June 30, 2012: Retiree pays 13% of the premium
  - July 1, 2012 - June 30, 2013: Retiree pays 14% of the premiumThe Town's payments will not exceed \$2,400 per year for the retiree's or spouse's benefits.

For Department of Public Works employees who retire on or after January 1, 2012, provisions changed from

- the retiree's health premium is paid by the Town until death if participant retires at an unreduced retirement date.

to

- the Town pays retiree health premium (single only coverage) subject to the retiree's premium contribution which is the same as may be modified in the future for active employees. The retiree's premium contribution shall remain at the premium percentage in effect for active employees on the date of the employee's retirement. The Town payments will not exceed \$2,500 per year for the spouse's medical benefits through age 64. There is no spouse stipend for employees hired on or after July 1, 2010.

### Changes in actuarial assumptions

The mortality assumption was updated from the RP 2000, combined, no collar, sex-distinct mortality table projected with mortality improvements to 2010, to the same table projected to 2017.

The discount rate used to calculate the funded results was changed from 8.00% to 7.00% at the request of the Town of New Canaan Board of Finance.

The assumed pre-65 medical plan changed from assuming 50% of retirees elect the PPO plan and 50% of retirees elect the Comp plan to assuming 100% of retirees elect the PPO plan.

The claims cost assumptions were updated to reflect claims experience through 2010.

### Changes in actuarial methods

The actuarial methodology was changed this year to allow net negative employer costs when the retiree-paid portion of the premium is greater than claims cost. Please note that if the retirees who pay more than their claims cost stop participating, the Actuarial Accrued Liability and ARC can be expected to increase.

Compared with the prior valuation as of July 1, 2008, there were significant gains in liability and lower Annual Required Contributions (ARC) due to positive claims experience and the change in methodology of allowing negative costs. These gains were slightly offset by the changes in actuarial assumptions and plan provisions mentioned above.

We have performed the actuarial valuation for the Town of New Canaan as of July 1, 2010 and have rolled forward liability and assets assuming mid-year timing of benefit payments and contributions. Per the client's direction, we have shown liabilities at 7% and ARCs using level dollar amortization.

## 2. Important notices

Mercer has prepared this report exclusively for the Town of New Canaan, Connecticut (the Town). Mercer is not responsible for reliance upon this report by any other party. Subject to this limitation, the Town may direct that this report be provided to its auditors in connection with audits of the Plan or its sponsoring entities.

The only purposes of this report are to:

- Present Mercer's actuarial estimates of the Plan's liabilities and expenses for the Town of New Canaan to incorporate, as the Town deems appropriate, in its financial statements; and
- Provide employer contribution rate for the fiscal year beginning July 1, 2011 and the fiscal year beginning July 1, 2012.

This report may not be used for any other purpose; Mercer is not responsible for the consequences of any unauthorized use.

Decisions about benefit changes, granting new benefits, investment policy, funding policy, benefit security and/or benefit-related issues should not be made on the basis of this valuation, but only after careful consideration of alternative economic, financial, demographic and societal factors, including financial scenarios that assume future sustained investment losses.

The Town is solely responsible for selecting the plan's investment policies, asset allocations and individual investments. Mercer's actuaries have not provided any investment advice to the Town.

A valuation report is only a snapshot of a Plan's estimated financial condition at a particular point in time; it does not predict the Plan's future financial condition or its ability to pay benefits in the future and does not provide any guarantee of future financial soundness of the Plan. Over time, a plan's total cost will depend on a number of factors, including the amount of benefits the plan pays, the number of people paid benefits, the period of time over which benefits are paid, plan expenses and the amount earned on any assets invested to pay benefits. These amounts and other variables are uncertain and unknowable at the valuation date.

Because modeling all aspects of a situation is not possible or practical, we may use summary information, estimates, or simplifications of calculations to facilitate the modeling of future events in an efficient and cost-effective manner. We may also exclude

factors or data that are immaterial in our judgment. Use of such simplifying techniques does not, in our judgment, affect the reasonableness of valuation results for the plan.

To prepare the valuation report, actuarial assumptions, as described in Section 8, are used in a forward looking financial and demographic model to present a single scenario from a wide range of possibilities; the results based on that single scenario are included in the valuation. The future is uncertain and the plan's actual experience will differ from those assumptions; these differences may be significant or material because these results are very sensitive to the assumptions made and, in some cases, to the interaction between the assumptions.

Different assumptions or scenarios within the range of possibilities may also be reasonable and results based on those assumptions would be different. As a result of the uncertainty inherent in a forward looking projection over a very long period of time, no one projection is uniquely "correct" and many alternative projections of the future could also be regarded as reasonable. Two different actuaries could, quite reasonably, arrive at different results based on the same data and different views of the future. A "sensitivity analysis" shows the degree to which results would be different if you substitute alternative assumptions within the range of possibilities for those utilized in this report. We have not been engaged to perform such a sensitivity analysis and thus the results of such an analysis are not included in this report. At the Town's request, Mercer is available to perform such a sensitivity analysis.

Actuarial assumptions may also be changed from one valuation to the next because of changes in mandated requirements, plan experience, changes in expectations about the future and other factors. A change in assumptions is not an indication that prior assumptions were unreasonable when made.

The calculation of actuarial liabilities for valuation purposes is based on a current estimate of future benefit payments. The calculation includes a computation of the "present value" of those estimated future benefit payments using an assumed discount rate; the higher the discount rate assumption, the lower the estimated liability will be. For purposes of estimating the liabilities (future and accrued) in this report, you selected an assumption based on the expected long term rate of return on plan investments. Using a lower discount rate assumption, such as a rate based on long-term bond yields, could substantially increase the estimated present value of future and accrued liabilities.

Because valuations are a snapshot in time and are based on estimates and assumptions that are not precise and will differ from actual experience, contribution calculations are inherently imprecise. There is no uniquely "correct" level of contributions for the coming plan year.

Valuations do not affect the ultimate cost of the Plan, only the timing of contributions into the Plan. Plan funding occurs over time. Contributions not made this year, for whatever reason, including errors, remain the responsibility of the Plan sponsor and can be made in later years. If the contribution levels over a period of years are lower or higher than

necessary, it is normal and expected practice for adjustments to be made to future contribution levels to take account of this with a view to funding the plan over time.

Data, computer coding and mathematical errors are possible in the preparation of a valuation involving complex computer programming and thousands of calculations and data inputs. Errors in a valuation discovered after its preparation may be corrected by amendment to the valuation or in a subsequent year's valuation.

Certain actuarial assumptions, including discount rates, mortality tables and others identified in this report, are prescribed by the Town. The Town is responsible for selecting the plan's funding policy, actuarial valuation methods, asset valuation methods, and assumptions. The policies, methods and assumptions used in this valuation are those that have been so prescribed and are described in Sections 7 and 8. The Town is solely responsible for communicating to Mercer any changes required thereto.

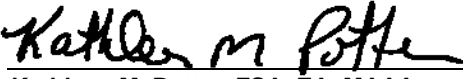

To prepare this report Mercer has used and relied on financial data and participant data supplied by the Town of New Canaan, Connecticut and summarized in the valuation report in Sections 5 and 6. The Town is responsible for ensuring that such participant data provides an accurate description of all persons who are participants under the terms of the plan or otherwise entitled to benefits as of July 1, 2010 that is sufficiently comprehensive and accurate for the purposes of this report. Although Mercer has reviewed the data in accordance with Actuarial Standards of Practice No. 23, Mercer has not verified or audited any of the data or information provided.

Mercer has also used and relied on the plan documents, including amendments, and interpretations of plan provisions, supplied by the Town of New Canaan as summarized in the valuation report in Section 9. We have assumed for purposes of this valuation that copies of any official plan document including all amendments and collective bargaining agreements as well as any interpretations of any such document have been provided to Mercer along with a written summary of any other substantive commitments. Town of New Canaan is solely responsible for the validity, accuracy and comprehensiveness of this information. If any data or plan provisions supplied are not accurate and complete, the valuation results may differ significantly from the results that would be obtained with accurate and complete information; this may require a later revision of this report. Moreover, plan documents may be susceptible to different interpretations, each of which could be reasonable, and that the different interpretations could lead to different valuation results.

The Town should notify Mercer promptly after receipt of this report if the Town disagrees with anything contained in the report or is aware of any information that would affect the results of the report that has not been communicated to Mercer or incorporated therein. The report will be deemed final and acceptable to the Town unless the Town promptly provides such notice to Mercer.

*Professional qualifications*

We are available to answer any questions on the material in this report or to provide explanations or further details as appropriate. Collectively, the undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report. We are not aware of any direct or material indirect financial interest or relationship, including investments or other services that could create a conflict of interest, that would impair the objectivity of our work.

	December 2, 2011
Kathleen M. Potter, FSA, EA, MAAA	Date
	December 2, 2011
Douglas L. Rowe, FSA, EA, MAAA	Date
<p>Mercer  Three James Center  1051 East Cary Street, Suite 900  Richmond, VA 23219  +1 804 344 2600</p>	

The information contained in this document (including any attachments) is not intended by Mercer to be used, and it cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code that may be imposed on the taxpayer.

### 3. Valuation results

#### Unfunded Actuarial Accrued Liability July 1, 2010

<u>Town (including Police, Fire, DPW, Library)</u>	<u>7.00%</u>
1. Actuarial Accrued Liability	
a. Retired employees	\$ 2,247,068
b. Active participants	10,399,993
c. Total	<u>\$ 12,647,061</u>
2. Actuarial Value of Assets	2,840,472
3. Unfunded Actuarial Accrued Liability (1.c. - 2.)	\$ 9,806,589
<u>Board of Education</u>	<u>7.00%</u>
1. Actuarial Accrued Liability	
a. Retired employees	\$ 1,210,338
b. Active participants	1,512,565
c. Total	<u>\$ 2,722,903</u>
2. Actuarial Value of Assets	611,551
3. Unfunded Actuarial Accrued Liability (1.c. - 2.)	\$ 2,111,352

Annual Required Contribution Under GASB - 45  
 Fiscal Year Ending June 30, 2011 if based on 2010 valuation

	Level Dollar
<u>Town (including Police, Fire, DPW, Library)</u>	<u>7.00%</u>
Normal Cost at Beginning of Year	\$ 711,200
Amortization of Unfunded Actuarial Accrued Liability Over 30 Years	738,577
Total (not less than zero)	1,449,777
Interest to middle of year	50,742
Total Annual Required Contribution	\$ 1,500,519

	Level Dollar
<u>Board of Education</u>	<u>7.00%</u>
Normal Cost at Beginning of Year	\$ 103,966
Amortization of Unfunded Actuarial Accrued Liability Over 30 Years	159,015
Total (not less than zero)	262,981
Interest to middle of year	9,204
Total Annual Required Contribution	\$ 272,185

The ARC amounts shown above are valid only if based on the July 1, 2010 valuation liabilities.

We have performed the actuarial valuation for the Town of New Canaan as of July 1, 2010 and have rolled forward liability and assets to July 1, 2011 and July 1, 2012 assuming mid-year timing of benefit payments and contributions.

The Town contributed \$500,000 in addition to benefit payments during FY2011. The projected UAL at July 1, 2011 is calculated based on the actual contribution amount. For all of the following exhibits in this section, the calculation of assets, liabilities, and ARCs have assumed the following:

- no changes in plan provisions,
- no further changes in assumptions,
- no new hires after the valuation date,
- actual experience matches the assumptions for all actuarial assumptions in the Actuarial Basis section of this report, and
- no changes in Medicare other than the routine indexing of payments.

### Projected Unfunded Actuarial Accrued Liability

July 1, 2011

<u>Town (including Police, Fire, DPW, Library)</u>	<u>7.00%</u>
1. Actuarial Accrued Liability	
a. Retired employees	\$ 2,456,733
b. Active participants	<u>11,370,375</u>
c. Total	\$ 13,827,108
2. Actuarial Value of Assets	3,465,126
3. Unfunded Actuarial Accrued Liability (1.c. - 2.)	\$ 10,361,982
<u>Board of Education</u>	<u>7.00%</u>
1. Actuarial Accrued Liability	
a. Retired employees	\$ 1,239,522
b. Active participants	<u>1,549,037</u>
c. Total	\$ 2,788,559
2. Actuarial Value of Assets	746,039
3. Unfunded Actuarial Accrued Liability (1.c. - 2.)	\$ 2,042,520

Projected Annual Required Contribution Under GASB - 45  
Fiscal Year Ending June 30, 2012

Town (including Police, Fire, DPW, Library)	7.00%
<hr/>	
Normal Cost at Beginning of Year	\$ 760,984
Amortization of Unfunded Actuarial Accrued Liability Over 30 Years	780,406
Total (not less than zero)	1,541,390
Interest to middle of year	53,949
Total Annual Required Contribution	\$ 1,595,339

Board of Education	7.00%
<hr/>	
Normal Cost at Beginning of Year	\$ 111,244
Amortization of Unfunded Actuarial Accrued Liability Over 30 Years	153,831
Total (not less than zero)	265,075
Interest to middle of year	9,278
Total Annual Required Contribution	\$ 274,353

Projected Unfunded Actuarial Accrued Liability  
July 1, 2012

<u>Town (including Police, Fire, DPW, Library)</u>	<u>7.00%</u>
1. Actuarial Accrued Liability	
a. Retired employees	\$ 2,682,738
b. Active participants	<u>12,416,380</u>
c. Total	\$ 15,099,118
2. Actuarial Value of Assets	4,848,721
3. Unfunded Actuarial Accrued Liability (1.c. - 2.)	\$ 10,250,397
 <u>Board of Education</u>	 <u>7.00%</u>
1. Actuarial Accrued Liability	
a. Retired employees	\$ 1,272,525
b. Active participants	<u>1,590,282</u>
c. Total	\$ 2,862,807
2. Actuarial Value of Assets	842,235
3. Unfunded Actuarial Accrued Liability (1.c. - 2.)	\$ 2,020,572

Projected Annual Required Contribution Under GASB - 45  
Fiscal Year Ending June 30, 2013

	Level Dollar
<u>Town (including Police, Fire, DPW, Library)</u>	<u>7.00%</u>
Normal Cost at Beginning of Year	\$ 814,253
Amortization of Unfunded Actuarial Accrued Liability Over 30 Years	772,002
Total (not less than zero)	1,586,255
Interest to middle of year	55,519
Total Annual Required Contribution	\$ 1,641,774
	Level Dollar
<u>Board of Education</u>	<u>7.00%</u>
Normal Cost at Beginning of Year	\$ 119,031
Amortization of Unfunded Actuarial Accrued Liability Over 30 Years	152,178
Total (not less than zero)	271,209
Interest to middle of year	9,492
Total Annual Required Contribution	\$ 280,701

## Expected net employer payments\* - Next 10 years

<b>Fiscal Year Ending June 30</b>	<b>Town</b>	<b>Board of Education</b>
2011	\$450,465	\$228,204
2012	492,889	231,867
2013	554,839	191,474
2014	617,113	213,404
2015	648,200	227,860
2016	695,641	229,180
2017	739,310	239,746
2018	851,649	256,708
2019	987,253	241,903
2020	1,106,045	240,638

\*After required retiree contributions.

#### 4. Supplemental Information

The remainder of the report includes information supporting the results presented in the previous section.

- **Plan assets** shows the allocation of assets at the valuation date
- **Participant data** presents and describes the participant data used in the valuation.
- **Actuarial basis** describes the plan provisions, as well as the methods and assumptions used to value the plan. The valuation is based on the premise that the plan is ongoing.

## 5. Plan assets

### Asset Values as of June 30, 2010

	Value at June 30, 2010
Town	\$2,840,472
Total Board of Education	\$611,551
Total Assets at June 30, 2010	\$3,452,023

Assets are allocated based on a ratio of actuarial accrued liability as of July 1, 2010.

## 6. Participant data

### Census as of July 1, 2010

	(Medical and/or Dental) Number	Average Age	Average Service
Town			
Retirees	73	70.6	N/A
Spouses	32	71.3	N/A
Widows	10	81.1	N/A
Actives	200	48.5	13.7
Board of Education			
Retirees	122	76.5	N/A
Spouses	39	76.5	N/A
Widows	0	0.0	N/A
Actives	372	43.1	9.5

## 7. Actuarial methods and policies

### Actuarial cost method

The projected unit credit (PUC) cost method was used for this valuation. The objective under PUC is to fund each participant's benefits under the plan as they would accrue. Thus, the total value of the benefit to which each participant is expected to become entitled, is broken down into units, each associated with a year of past or future credited service. The amount of benefit attributed to past service is determined based on service to the valuation date.

A description of the calculation follows:

An individual's accrued benefit for valuation purposes is the projected benefit at assumed retirement date, or current age if later, multiplied by the ratio of service at the valuation date over service at the assumed retirement age. Service for this purpose is measured from date of hire.

The benefit deemed to accrue for an individual during a plan year is the excess of the accrued benefit for valuation purposes at the end of the plan year over the accrued benefit for valuation purposes at the beginning of the plan year. Both accrued benefits are calculated from the same projections to the various anticipated separation dates.

An individual's accrued liability is the present value of the accrued benefit for valuation purposes at the beginning of the plan year, and the normal cost is the present value of the benefit deemed to accrue in the plan year. If multiple decrements are used, the accrued liability and the normal cost for an individual are the sum of the component accrued liabilities and normal costs associated with the various anticipated separation dates. Such accrued liabilities and normal costs reflect the accrued benefits as modified to obtain the benefits payable on those dates and the probability of the individual separating on those dates.

The Plan's **normal cost** is the sum of the individual normal costs, and the Plan's **accrued liability** is the sum of the accrued liabilities for all participants under the Plan.

### Amortization of unfunded actuarial accrued liability

The unfunded actuarial liability is amortized as a level dollar amount over a period of 30 years. This is the maximum amortization period allowed by GASB 45.

Because the unfunded actuarial liability (UAL) is being amortized by an open or rolling amortization period (with re-amortization of the UAL in each valuation), the amortization amounts will never fully eliminate the UAL.

### Method for determining actuarial value of assets

The actuarial value of assets is the market value of assets. Asset smoothing may be introduced in the future when assets are a larger portion of the Actuarial Accrued Liability.

### Funding policy

The plan sponsor's funding policy is to contribute an amount equal to the Annual Required Contribution.

### Changes in actuarial methods since prior valuation

The actuarial methodology was changed this year to allow net negative employer costs when the retiree-paid portion of the premium is greater than claims cost.

### Development of health care cost trend rates

- The trend assumptions are comprised of three elements: the initial trend rate, the ultimate trend rate, and the grade-down period. Trend rates exclude the expected impact of aging since this impact is explicitly reflected elsewhere in the valuation. As with any assumption, each trend rate assumption reflects a single scenario chosen from a wide range of possibilities. The Plan's actual experience will differ from these assumptions since the future is uncertain and nobody can predict with any measure of certainty how much health care costs will rise next year or in the future.
- The initial trend rate is the expected increase in health care costs into the second year of the valuation (i.e., the first assumed annual increase in starting per capita rates). Initial rates are established separately for pre-Medicare medical claims, Medicare-eligible medical claims, prescription drug claims, and administrative expenses. These expected trend rates are based on market assessments and surveys and take into account actual historical experience, expected unit cost information, changes in utilization, plan design leveraging, cost shifting, and new technology. For valuation purposes, these trend rates are blended together based on a cost-weighted average basis.
- The assumed ultimate trend rate and grade-down period are based on macroeconomic principles. These assumptions reflect assumed long term general information, nominal gross domestic product growth rates, and the excess of national health expenditures over other goods and services, and an adjustment for an assumed impact of population growth.

### Impact of Health Care reform

Future plan costs, and therefore the liabilities for GASB 45 purposes, are expected to be impacted by the Patient Protection and Affordable Care Act (PPACA) of 2010.

Specifically, significant uncertainties exist regarding the excise tax on high cost plans set to take effect in 2018. Because of those uncertainties, calculation of a precise liability for this tax is impossible at this time. Given the way that the plan operates the tax may be combined active, early retiree, and post Medicare retiree combined -- which is beyond the our potential to measure at this time. At the Town's direction, this report includes no increase in liability to reflect the excise tax.

## 8. Summary of actuarial assumptions

The following assumptions were used in valuing the liabilities and benefits under the plan. Certain actuarial assumptions, including discount rates, mortality tables and others identified in this report, are prescribed by the Town of New Canaan. The Town is responsible for selecting the assumptions used for this valuation.

The discount rate used for this valuation has been chosen by the plan sponsor and is dependent on the level of funding by the plan sponsor. If future contributions are less than currently planned, the discount rate used for the valuation may need to be reduced in order to comply with GASB 45, increasing the Plan's liabilities and ARC.

<i>Discount rate</i>	7.00%
<i>Mortality</i>	RP2000, combined, no collar, sex-distinct mortality table projected to 2017
<i>Disabled mortality</i>	The 1985 Pension Disability Table – Disabled Mortality for Males and Females

<i>Withdrawal</i>	<p><b>Police &amp; Fire:</b> 10% for each of the first two years of employment, then experience is assumed to follow the representative rates listed with “Other Employees”, modified to assume no terminations after ten years of service</p> <p><b>Teachers and Administrators:</b> Rates are from the June 30, 2008 valuation of the Connecticut State Teachers’ Retirement System</p>
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Service-based withdrawal			Age-based withdrawal		
Service	Male	Female	Age	Male	Female
0-1	0.1400	0.1200	25-37	0.0120	0.0350
1-2	0.0850	0.0900	38	0.0120	0.0310
2-3	0.0550	0.0700	39	0.0120	0.0270
3-4	0.0450	0.0600	40	0.0120	0.0230
4-5	0.0350	0.0550	41	0.0120	0.0190
5-6	0.0250	0.0500	42	0.0120	0.0160
6-7	0.0240	0.0450	43	0.0122	0.0150
7-8	0.0230	0.0350	44	0.0124	0.0140
8-9	0.0220	0.0300	45	0.0126	0.0130
9-10	0.0210	0.0250	46	0.0128	0.0120
			47	0.0130	0.0110
			48	0.0152	0.0115
			49	0.0174	0.0120
			50	0.0196	0.0125
			51	0.0218	0.0130
			52	0.0240	0.0130
			53	0.0272	0.0140
			54	0.0304	0.0150
			55	0.0336	0.0160
			56	0.0368	0.0170
			57	0.0400	0.0180
			58	0.0400	0.0180
			59	0.0400	0.0190

**Other Employees:** 30% for the first year of employment, 10% per year for the next four years, then experience is assumed to follow the representative rates below, modified to assume no terminations after eligibility for retirement

<b>Age</b>	<b>Terminations per 10,000</b>
25	398
30	293
35	213
40	156
45	111
50	72
55	42
60	20

*Disability incidence*      **Police & Fire:** 1985 Pension Disability Study Class 4 Unisex Table.  
**Other Employees:** 1985 Pension Disability Study Class 2 Male Table.

<i>Retirement rates</i>	Department of Public Works		Police & Fire	
	Age*	Percent Retiring	Age*	Percent Retiring
	60	10%	50	50%
	61	20%	51	25%
	62	100%	52	25%
	*With 25 years of service		53	50%
			54	50%
	Non-Union and Library		55	50%
	Age*	Percent Retiring	56	75%
	55-64	2%	57	100%
	65	90%	*With 20 years of service	
	66-69	75%		
	70	100%		
	*Meeting age 55 with 15 years of service or age 65 with 5 years of service			

Teachers and Administrators**				
Age	Unreduced		Reduced	
	Male	Female	Male	Female
50	27.5%	15.0%	2.0%	2.0%
51	27.5%	15.0%	2.0%	2.0%
52	27.5%	15.0%	3.0%	4.0%
53	27.5%	15.0%	3.0%	4.5%
54	27.5%	15.0%	5.0%	5.5%
55	38.5%	30.0%	5.0%	7.5%
56	38.5%	30.0%	7.0%	8.5%
57	38.5%	30.0%	10.0%	9.5%
58	38.5%	30.0%	11.0%	10.0%
59	38.5%	30.0%	12.0%	10.0%
60	22.0%	20.0%		
61-62	25.3%	22.5%		
63-64	27.5%	22.5%		
65	36.3%	30.0%		
66-69	27.5%	30.0%		
70-79	100.0%	40.0%		
80	100.0%	100.0%		

\*\*Rates are from the June 30, 2008 valuation of the Connecticut State Teachers' Retirement System.

*Retiree contribution increases* Retiree medical contributions are assumed to increase at the same rates as incurred claims. We assume a constant cost sharing in plan design between employer and employees.

*Marital status*

- Percentage married at retirement
  - Males ..... 80%
  - Females ..... 80%
- Age difference of spouses Males are assumed to be 3 years older than females.

*Participation rates*

Group	Medical	Dental	Spouse
Police	95%	95%	80%
Fire	95%	95%	80%
Library	40%	40%	40%
DPW	95%	95%	50%
Town Non-Union	95%	95%	80%
Teachers and Administrators	95%	95%	50%
Other Board of Education	95%	95%	80%

<i>Annual per capita claims cost</i>	The following claims costs are as of age 65.	
	<b>Pre-Medicare</b>	<b>Annual Claims Cost</b>
	Town and Library	\$12,900
	Board of Education	\$12,324
	<b>Medicare Eligible</b>	<b>Annual Claims Cost</b>
	Town and Library	\$4,452
	Board of Education	3,652
<i>Administrative expenses</i>	Included in the per-capita claims cost.	
<i>Valuation date</i>	July 1, 2010	
<i>Aging</i>	Sample ages	Increases
	55	2.50%
	60	2.50%
	64	0.50%
	65	2.50%
	70	2.50%
	75	2.00%
	80	1.10%
	85	0.50%
	90	0.20%
<i>Pre-65 plan election</i>	<p><i>Town and Library employees:</i> all future retirees who participate in the medical plan are assumed to elect the only Pre-Medicare plan available</p> <p><i>Board of Education employees:</i> all future retirees who participate in the medical plan are assumed to elect coverage in the PPO plan</p>	

<i>Health care cost trend rates</i>	The trend rates of incurred claims represent the rate of increase in employer claim payments:			
	Year	Pre-Medicare	Medicare-Eligible	Dental
	2010	8.04%	6.95%	5.63%
	2011	7.82%	6.93%	5.44%
	2012	7.61%	6.90%	5.24%
	2013	7.40%	6.88%	5.05%
	2014	7.20%	6.86%	4.85%
	2015	7.00%	6.83%	4.53%
	2016	6.81%	6.81%	4.50%
	2017	6.61%	6.61%	4.50%
	2018	6.42%	6.42%	4.50%
	2019	6.22%	6.22%	4.50%
	2020	6.02%	6.02%	4.50%
	2021	5.83%	5.83%	4.50%
	2022	5.63%	5.63%	4.50%
	2023	5.44%	5.44%	4.50%
	2024	5.24%	5.24%	4.50%
	2025	5.05%	5.05%	4.50%
	2026	4.85%	4.85%	4.50%
	2027	4.53%	4.53%	4.50%
	2028+	4.50%	4.50%	4.50%

*Future plan changes* It is assumed that the current plan and cost-sharing structure remains in place for all future years.

The discount rate used for this valuation has been chosen by the Town of New Canaan and is dependent on the level of funding by the Town. If future contributions are less than currently planned, the discount rate used for the valuation may need to be reduced in order to comply with GASB 45, increasing the plan's liabilities and Annual Required Contribution.

Changes in assumptions since prior valuation

The mortality assumption was updated from the RP 2000, combined, no collar, sex-distinct mortality table projected with mortality improvements to 2010, to the same table projected to 2017.

The discount rate used to calculate the funded results was changed from 8.00% to 7.00% at the request of the Town of New Canaan Board of Finance.

The assumed pre-65 medical plan changed from assuming 50% of retirees elect the PPO plan and 50% of retirees elect the Comp plan to assuming 100% of retirees elect the PPO plan.

The claims cost assumptions were updated to reflect claims experience through 2010.

## 9. Summary of plan provisions

Following is a summary of the major plan provisions used in the valuation of this report. Town of New Canaan is solely responsible for the validity, accuracy and comprehensiveness of this information. If any of the plan provisions shown below are not accurate and complete, the valuation results may differ significantly from those shown in this report and may require a revision of this report. Moreover, these plan provisions may be susceptible to different interpretations, each of which could be reasonable, and that the different interpretations could lead to different valuation results.

### Changes in plan provisions since prior valuation

For non-bargained Town employees who retire on or after July 1, 2011, provisions changed from

- the retiree's health premium is paid by the Town until death. Up to \$2,400 of premiums per year is reimbursed from the Town for spouse or family coverage

to

- the Town pays retiree health premium (single only coverage) subject to the retiree's premium contribution which is the same percentage as active employees in the PPO plan. Current premium contributions are:
  - July 1, 2011 - June 30, 2012: Retiree pays 13% of the premium
  - July 1, 2012 - June 30, 2013: Retiree pays 14% of the premiumThe Town's payments will not exceed \$2,400 per year for the retiree's or spouse's benefits.

For Department of Public Works employees who retire on or after January 1, 2012, provisions changed from

- the retiree's health premium is paid by the Town until death if participant retires at an unreduced retirement date.

to

- the Town pays retiree health premium (single only coverage) subject to the retiree's premium contribution which is the same as may be modified in the future for active employees. The retiree's premium contribution shall remain at the premium percentage in effect for active employees on the date of the employee's retirement. The Town payments will not exceed \$2,500 per year for the spouse's medical benefits through age 64. There is no spouse stipend for employees hired on or after July 1, 2010.

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<i>Eligibility</i>	<p><b>Police and Fire:</b> Age 50 with 20 years of service or retirement at a Disability Retirement Date</p> <p><b>DPW:</b> Age 65 with 5 years of service (Normal Retirement); unreduced retirement at age 60 with 25 years of service; or retirement at a Disability Retirement Date.</p> <p><b>Teachers and Administrators:</b> Age 60 with 20 years of service or 35 years of service at any age (Normal Retirement); or age 55 with 20 years of service or 25 years of service at any age (Early Retirement)</p> <p><b>All other employees:</b> Age 65 with 5 years of service (Normal Retirement); Age 55 with 15 years of service (Early Retirement); or retirement at a Disability Retirement Date</p>
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<i>Retiree premium amounts – Town and Library</i>	Monthly net retiree medical premiums before stipends are as follows:		
		Retiree Only	Retiree + 1
	Pre-Medicare:	\$920.15	\$1,833.73
	Medicare-Eligible:		
	Gross Premium	\$704.06	\$1,402.44
	Federal Medicare Part D Credit	(58.21)	(116.42)
	Town Medicare Part D Credit	(58.21)	(116.42)
	Net Retiree Premium	\$587.64	\$1,169.60

Monthly retiree dental premiums are as follows:

	Police and Fire	All Other Employees
Retiree	\$53.28	\$57.54
Retiree + 1	99.97	107.96
Family	157.17	169.73

*Retiree premium amounts – Board of Education*

Monthly net retiree premiums before stipends are as follows:

Teachers and Administrators:

	Medical	Dental	Total
PPO Plan, under 65			
Single	\$ 686.86	\$46.12	\$ 732.98
Single +1 under 65	1,476.36	103.10	1,579.46
Comp Plan, under 65			
Single	604.28	46.12	650.40
Single + 1 under 65	1,299.20	103.10	1,402.30
BMM 65+			
Single	467.00	46.12	513.12
Single + 1 under 65	1,153.00	103.10	1,256.10
Single + 1 over 65	931.00	103.10	1,034.10

Retired Union Staff:

	Medical	Dental	Total
PPO Plan, under 65			
Single	\$ 686.86	\$46.12	\$ 732.98
Single +1 under 65	1,476.36	103.10	1,579.46
Comp Plan, under 65			
Single	604.28	46.12	650.40
Single + 1 under 65	1,299.20	103.10	1,402.30
BMM 65+			
Single	467.00	46.12	513.12
Single + 1 under 65	1,153.00	103.10	1,256.10
Single + 1 over 65	931.00	103.10	1,034.10

The retiree portion of the premium varies based on service and group.

*Cost sharing – Town Non-bargained*

**Non-bargained, retired before June 30, 2007:** Retiree is responsible for entire health premium. The Town provides a stipend of up to \$2,400 per year for both the retiree’s and spouse’s coverage.

**Non-bargained, retired June 30, 2007 – June 30, 2011:** The retiree’s health premium is paid by the Town until death. The Town provides a stipend of up to \$2,400 per year for spouse’s coverage.

**Non-bargained, retired on or after July 1, 2011:** The Town pays the retiree’s health premium (single only coverage) subject to the retiree’s premium contribution which is the same percentage rate as active employees in the PPO plan. Current premium contributions are:

- July 1, 2011 - June 30, 2012: Retiree pays 13% of the premium
- July 1, 2012 - June 30, 2013: Retiree pays 14% of the premium

The Town pays a stipend of up to \$2,400 per year for the both the retiree’s and spouse's benefits.

<i>Cost Sharing – Library</i>	<b>Library:</b> Retiree is responsible for entire health premium.
<i>Cost sharing – Public Works Union</i>	<p><b>DPW, retired before June 30, 2001:</b> Retiree is responsible for entire health premium.</p> <p><b>DPW, retired July 1, 2001 – June 30, 2007:</b> The retiree HMO premium is paid by the Town from time of unreduced retirement until age 65.</p> <p><b>DPW, retired July 1, 2007 – June 30, 2012:</b> The retiree’s health premium is paid by the Town until death if participant retires at an unreduced retirement date.</p> <p><b>DPW, retired on or after July 1, 2012:</b> The Town pays the retiree’s health premium (single only coverage) until death. The retiree’s premium contribution shall remain at the premium percentage in effect for active employees on the date of the employee’s retirement. The Town pays a stipend of up to \$2,500 per year for spouse’s medical benefits through age 64. There is no spouse stipend for employees hired on or after July 1, 2010.</p>
<i>Cost sharing - Police</i>	<p><b>Police, retired before June 30, 2000:</b> Retiree is responsible for entire health premium</p> <p><b>Police, retired July 1, 2000 – June 30, 2003:</b> Retiree’s health premium is paid by the Town until age 65. Stipend of up to \$2,200 of premiums per year for spouse coverage, until spouse is 65.</p> <p><b>Police, retired July 1, 2003 – June 30, 2007:</b> Retiree’s health and dental premiums are paid by the Town until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.</p> <p><b>Police, retired July 1, 2007+:</b> Retiree’s health premium is paid by the Town until death. Retiree’s dental premium is paid by the Town until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.</p>
<i>Cost sharing - Fire</i>	<p><b>Fire, retired before July 1, 1994:</b> Town pays up to \$750 per year towards health premium.</p> <p><b>Fire, retired July 1, 1994 – June 30, 2000:</b> Town pays retiree health premium until age 65.</p> <p><b>Fire, retired July 1, 2000 – June 30, 2003:</b> Town pays retiree health premium until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.</p> <p><b>Fire, retired July 1, 2003 – June 30, 2007:</b> Town pays retiree health and dental premiums until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.</p> <p><b>Fire, retired July 1, 2007+:</b> Town pays retiree health premium until death, dental premium until age 65. Stipend of up to \$2,500 of premiums per year for spouse coverage, until spouse is 65.</p>

<i>Part D Stipend</i>	Every Town and Library participant in the retiree medical plan who has Medicare primary is eligible to receive \$58.21 per month as a credit for Medicare Part D coverage.
<i>Cost sharing – Board of Education Custodians</i>	For those employees hired before September 1, 1989, coverage is provided to the retiree only for life. The Board pays 50% or 63.75% of the premium, based on years of service.
<i>Cost sharing – Board of Education Secretaries</i>	For those employees hired before September 1, 1989, coverage is provided to the retiree only for life. The Board pays 50% or 63.75% of the premium, based on years of service.
<i>Cost sharing – Teachers and Administrators</i>	<p><b>Retired before September 1, 1993:</b> Insurance coverage is provided to retiree and spouse for life. Board pays 50%, 60%, or 75% based on years of service. Teachers Retirement Board reimburses \$110 per person per month.</p> <p><b>Retired September 1, 1993 to August 31, 2008:</b> Insurance coverage is provided to retiree and spouse for life if participant worked at least 15 years. Board pays a \$2,000 annual stipend until the retiree is 65. Teachers Retirement Board reimburses \$110 per person per month.</p> <p><b>Retired after August 31, 2008:</b> Insurance coverage is provided to retiree and spouse until they reach age 65. Board pays a \$2,000 annual stipend until the retiree is 65. Teachers Retirement Board reimburses \$110 per person per month for non Medicare-eligible retirees</p>
<i>Medical benefits – Town and Library</i>	Retirees may continue coverage in their Pre-Medicare Plan. Upon reaching Medicare – eligible status, plan pays secondary to Medicare.

	Century Preferred Benefit Program	
	In-Network	Out-of-Network
Calendar Year Deductible	Not Applicable	\$300 Individual; \$600 two people; \$750 family
Coinsurance	Not Applicable	30%
Out-of-Pocket Maximum	Not Applicable	\$1,300 Individual; \$2,600 two people; \$2,750 family
Lifetime Max. Per Person	Unlimited	Unlimited
<b>Outpatient Services</b>		
Medical Office Visit	\$15 Copay	Deductible & Coinsurance
Emergency Room Services	\$50 Copay	Paid as an In-Network Service
<b>Inpatient Services</b>		
	No Cost-Share	Deductible & Coinsurance
<b>Prescription Drugs</b>		
30-day supply	\$5/\$15/\$35	20% per prescription – generic or brand name prescription drugs
90-day supply	\$10/\$30/\$70	20% per prescription – generic or brand name prescription drugs

*Medical benefits –  
Board of Education*

	<b>CIGNA HealthCare PPO – Teachers, Administrators, and Non-Union Staff</b>	
	In-Network	Out-of-Network
Calendar Year Deductible	None	\$500 per person; \$1,000 family
Coinsurance	100%	80%
Out-of-Pocket Maximum	None	\$1,000 per person; \$3,000 family
Lifetime Max. Per Person	Unlimited	\$1,000,000
<b>Outpatient Services</b>		
Medical Office Visit	\$25 copay	80% after deductible
Emergency Room Services	\$100 copay per visit, waived if admitted	\$50 copay per visit (if not a true emergency, 80% after deductible)
<b>Inpatient Services</b>		
Inpatient Services	100% after \$100 per admission copay	\$100 per admission, then 80% after deductible
Prescription Drugs	Carved out to MEDCO	Carved out to MEDCO

	<b>CIGNA Open Access Plus Coinsurance (Comp Plan)</b>	
	In-Network	Out-of-Network
Calendar Year Deductible	\$250 per person; \$500 for two; \$750 family	\$500 per person; \$1,000 for two; \$1,500 family
Coinsurance	90%	70%
Out-of-Pocket Maximum	\$1,500 per person; \$3,000 for two; \$4,500 family	\$2,000 per person; \$4,000 for two; \$6,000 family
Lifetime Max. Per Person	Unlimited	\$1,000,000
<b>Outpatient Services</b>		
Medical Office Visit	90% after deductible	70% after deductible
Emergency Room Services	90% after deductible	90% after deductible (except if not true emergency, 70% after deductible)
<b>Inpatient Services</b>		
Inpatient Services	90% after deductible	70% after deductible
Prescription Drugs	Carved out to MEDCO	Carved out to MEDCO

<b>CIGNA HealthCare PPO – Union Staff</b>		
	In-Network	Out-of-Network
Calendar Year Deductible	None	\$200 per person; \$400 for two; \$600 family
Coinsurance	100%	80%
Out-of-Pocket Maximum	None	\$1,000 per person; \$2,000 for two; \$3,000 family
Lifetime Max. Per Person	Unlimited	\$1,000,000
<b>Outpatient Services</b>		
Medical Office Visit	\$20 copay	80% after deductible
Emergency Room Services	\$50 copay, waived if admitted	\$50 copay (except if not true emergency, 80% after deductible)
<b>Inpatient Services</b>		
Inpatient Services	100% after \$100 per admission copay	80% after deductible
Prescription Drugs	Carved out to MEDCO	Carved out to MEDCO

<b>CIGNA Base Major Medical (Medicare-eligible retirees)</b>		
	Basic	Major Medical
Calendar Year Deductible	None	\$150 single; \$300 family
Coinsurance	100%	80%
Lifetime Max. Per Person	None	\$1,000,000
<b>Outpatient Services</b>		
Medical Office Visit	Covered under Major Medical	80% of charges
Emergency Room Services	100% scheduled allowance	Covered under Basic
<b>Inpatient Services</b>		
Inpatient Services	100% scheduled allowance	Covered under Basic
<b>Prescription Drugs</b>		
Retail Pharmacy (30 day supply)	\$10 generic; \$25 preferred brand-name; \$40 non-preferred brand-name	50% after pharmacy deductible
Mail Order (90 day supply)	\$20 generic; \$50 preferred brand-name; \$80 non-preferred brand-name	50% after pharmacy deductible
Pharmacy Deductible	None	\$100 per individual

*Surviving spouse continuation provisions*

Eligible spouses can continue coverage.



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