A special meeting of the Town of West Hartford Pension Board was held on Monday, February 2, 2026 at 7:45 a.m. in room 217 of Town Hall. The meeting was called to order at 7:59 a.m.

I. Roll Call/Attendance

Pension Board Members: Chair Lazaro Guzman; Commissioners Al Lebow (phone), Perry Salonia; Pattie Lewis, Acting Director of Finance.

Participants/Guests: Mayor Shari Cantor (phone); Rick Ledwith, Town Manager; Lisa Newton, retired Acting Director of Finance; Lori Kearney, Human Resources Specialist; Lexi Davidoff, Personnel Analyst; Chris Kachmar, Fiducient Advisors; Jennifer Castelhano and Yelena Pelletier, Milliman.

Absent: John Mohring

II. Lazaro Guzman, Chair

A. Opening Comments

III. Jennifer Castelhano and Yelena Pelletier, Milliman

Pension Plan Actuarial Valuation Presentation – July 1, 2025

A. Key Takeaways:

- Assets earned 11.51%
- Funded ratio moved from 92.4% to 92.0%
- Updated the Mortality tables from Pub 2010 to Pub-2016
- Salary scale assumption was tweaked for the next 3 fiscal years
- The contribution for FY 26-27 Actuarially Determined Contribution will be $10.5 million: split $9.3 million coming from the Town Operating Budget and $1.2 million coming from the Pension Reserve Fund.

B. Plan Membership: Active employees continued to increase steadily over the last 5 years.

1. There were a total of 2342 members as of July 1, 2025.
2. Retirees make up the biggest portion of plan population. Of the 1276 members in pay status, over 1,000 are service retirees, 34 are retirees receiving disability pension, and 153 are beneficiaries. They receive $42 million in benefits per year.

3. There are 69 terminated employees who have vested status and 86 due a refund of pension contributions.
4. Active members total 911 with about half employed by the Town and half by the BOE. Of the actives, approximately half are in Part E of the plan.

C. <u>Plan Assets/Investments</u>:

1. For the returns on the plan's assets over the last 5 years, FY 24-25 showed another year of strong market performance following last year's similar strong performance, with a return of 11.5% on a Market Value basis. FY 23-24 showed a return of almost 13%, FY 22-23 with an 11% return, FY 21-22 down at -12%, and FY 20-21 resulted in a great return of 30% (the historical investment returns are illustrated on page 2).
2. On a compound basis, the return for that 5-year period was close to 9.93% which is above the assumed rate of return of 6.5%. The timing of that negative year was unfortunate for the Town's sale of pension obligation bonds.
3. The market value of plan assets dropped in 2022 and have been growing back, but have not yet reached the level they were at on July 1, 2021. A differentiation is made between the market value of assets and the actuarial value of assets. The actuarial value is a smoothed value calculated to avoid having market volatility translate into volatility in plan contributions.
4. Milliman phases in asset gains and losses over a 5-year period. As of July 1, 2025, the actuarial value of assets was $573.6 million as compared to a market value of $578 million, a difference of $4.4 million. The investment gains will be gradually recognized over the next five years. This process will exert downward pressure on the Town's contribution, unless there are offsetting market losses.
5. Despite the last two good years, there are still net losses that need to be phased in over the next several years. As mentioned last year, the FY 21-22 return continues to impact the value of plan assets.

D. Plan Assumptions: Milliman is recommending the following changes to the major assumptions at this time.

1. Mortality Table Assumption: The previous assumption was based on experience for public plans using the Pub-2010 table based on data from 2010. The Society of Actuaries released an updated 2016 version of the mortality table. Milliman recommends implementing the new Pub-2016 mortality table assumption at this time.

2. Salary Scale: Milliman recommends an adjustment to the salary scale assumption. This will include an extra 25 basis points for 3 years.

Impacts of these assumption changes are illustrated in the "Plus Assumption Changes" column on page 6 of the Milliman packet.

E. Funded Status:

1. The Accrued Liability increased this year to $623 million due to fewer retirements, more salary increases and a one-time data correction.
2. The Unfunded Accrued Liability was $315.2 million is 2020. After the issuance of pension obligation bonds, it lowered to $9.2 million in 2021. Since 2022, the Unfunded Accrued Liability has hovered around $40 to $50 million.
3. The Funded Ratio sat at 40.6% in 2020. With the issuance of the pension obligation bonds, it jumped to 98.5% in 2021. Since that year, it hovers around 92-93% (illustrated on page 4).

F. Actuarially Determined Contribution

Each valuation determines the Actuarially Determined Contribution (ADC) for the fiscal year starting one year later. The ADC consists of three pieces:

- Normal Cost (benefits earned by active members each year)
- Past Service Cost (unfunded accrued liability)
- Interest

1. The increase in Normal Cost from $6.4 million in FY 25-26 to $6.5 million in FY 26-27 is based on the plan and assumption changes. The issuance of the pension obligation bonds in 2022-2023 has reduced the past service cost over $17 million. (page 5)
2. The July 1, 2025 valuation determines the ADC for FY 26-27. The ADC as of the July 1, 2024 valuation for FY 25-26 was about $10 million.
3. For FY 26-27, the ADC is $10.5 million. That change results from fewer retirements, salary increases, asset performance, and one-time data correction.
4. To pay the ADC of $10.5 million for FY 26-27, $9.3 million will come from the Operating Budget and $1.2 million from the Pension Reserve Fund. The Pension Reserve Fund helps manage the volatility of the ADC and what the Town budgets from year to year. The Operating Budget payment is capped at whatever was in the paid the prior year plus 8%. The Pension Reserve fund pays the remainder. (page 7)
5. Of this $10.5 million, approximately $1.8 is allocated to BOE and $8.7 million is allocated to Town.

IV. Current vs. Proposed Target Allocation

Presentation by Chris Kachmar of Fiducient

A. The schematic on page 3 of the Fiducient presentation illustrates the asset assumption change. It will be a modest return of 35% to 40% of Fixed Income and 7.1% to 7% of Annualized Return.

B. Page 4 looks at the two Potential Target Allocations as they compare to the Current Target Allocation.
- Potential Target Allocation #1 gives more transparency
- Potential Target Allocation #2 is similar (almost identical)

C. The difference between these allocations will be the fees.
- Vanguard is 3 Basis points
- Fidelity is 2-1/2 Basis points (going up ½ Basis points)

Reason to change: Lower fees and change capitalization since Vanguard does not include it. Fidelity's mid cap gets 8% mix.

Motion by Chair Guzman to accept the Potential Target Allocation #2 proposed by Fiducient.
Seconded by Perry Salonia. All in favor. Motion passed.

Motion by Chair Guzman to accept the actuarial assumption changes proposed by Milliman to change the Mortality Table to Pub-2016 and the Salary Scale to Extra 25 bps for 3 years.
Seconded by Pattie Lewis. All in favor. Motion passed.

Motion by Chair Guzman accept the changes proposed by Fiducient.
Seconded by Pattie Lewis. All in favor. Motion passed.

IV. Adjournment
Motion by Chair Guzman to adjourn the meeting at 9:05 a.m.
Seconded by Pattie Lewis. All in favor. Motion passed.

Minutes submitted by Lexi Davidoff.
Attest,

Lexi Davidoff