



**"SUBMARINE CAPITAL OF THE WORLD"**

**Non-Departmental**

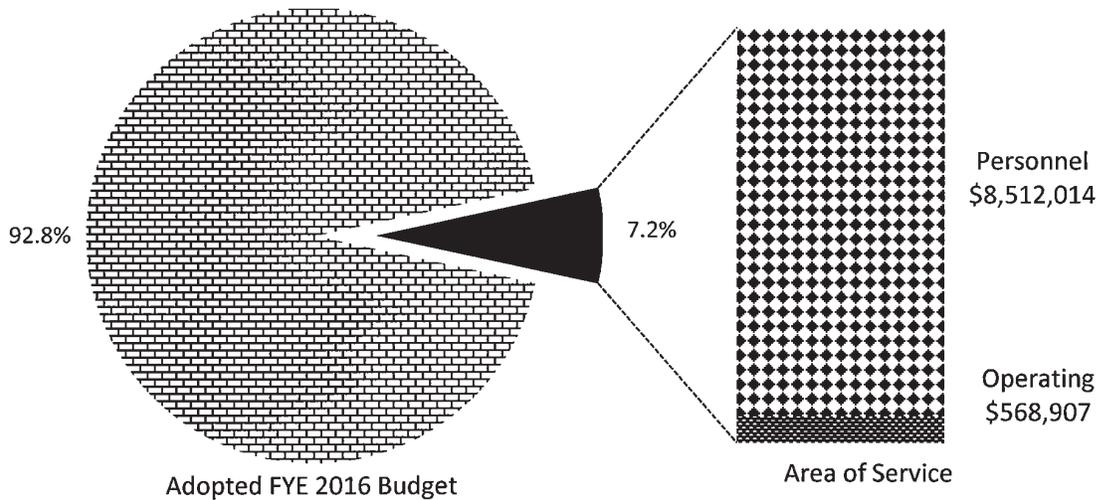
**Functions - 1070, 1071;**

**Function 1070;** includes the premium and administrative costs for property and liability insurance and unemployment claim payments.

**Function 1071;** Self-Funded Plans – includes contributions made by the Town to the Health Insurance Fund, Retirement Fund, Worker’s Compensation Fund and Other Post-Employment Benefits (OPEB) fund. These funds are used to pay the Town share of benefit costs for current employees and retirees.

# NON-DEPARTMENTALS

As a % of the Total Budget





TOWN OF GROTON  
 FYE 2016 BUDGET  
 FUNCTION HIGHLIGHTS

DEPARTMENT: Non-Departmentals			FUNCTION: Insurance & Claims 1070		
	ACTUAL FYE 2014	APPROVED ADJUSTED FYE 2015	ESTIMATED FYE 2015	RTM APPROVED FYE 2016	% Change FYE 2015 to FYE 2016
TOTAL	\$ 487,006	\$ 560,714	\$ 547,031	\$ 577,407	3.0%

**HIGHLIGHTS:**

- The overall increase in this budget is \$16,693 or 3.0%. Personnel Services are down \$1,827. Operating expenses are up \$18,520.
- Final premium rates for property and liability insurance are not determined until June, based on an actual experience. The premium costs for FYE 2015 are contained in the estimate column.
- Administration and Claims Payments cover deductible payments related to insurance claims.
- The Town is self-insured for unemployment and as such pays claims directly. For FYE 2016 all anticipated unemployment claims are budgeted here. These mainly arise from part-time and seasonal employees, such as Crossing Guards and Seasonal Groundkeepers. No funds have been budgeted for costs associated with changes in staff due to layoffs or other departmental actions. These additional costs have to be taken into account when considering personnel changes.

**Final Budget Result:**

During budget deliberations, no changes were made.

**PERSONNEL:**

- No personnel charged to this function.

TOWN OF GROTON  
SUMMARY COST CENTER  
FYE 2016 ADOPTED BUDGET

2-Jun-2015

AREA OF SERVICE: NON-DEPARTMENTALS  
DEPARTMENT: NON-DEPARTMENTALS  
FUNCTION: INSURANCE & CLAIMS 1070

	ACTUAL FYE 2014	ADJUSTED FYE 2015	ESTIMATE FYE 2015	REQUEST FYE 2016	MANAGER FYE 2016	COUNCIL FYE 2016	RTM FYE 2016
<b>APPROPRIATION</b>							
Personnel Services	0	10,327	8,000	8,500	8,500	8,500	8,500
Operating Expenses	487,006	550,387	539,031	568,907	568,907	568,907	568,907
<b>Total Appropriation</b>	<b>\$487,006</b>	<b>\$560,714</b>	<b>\$547,031</b>	<b>\$577,407</b>	<b>\$577,407</b>	<b>\$577,407</b>	<b>\$577,407</b>
<b>COST CENTERS</b>							
10700 GENERAL LIABILITY	373,479	397,520	398,602	423,264	423,264	423,264	423,264
10701 MV LIA & PHY DAMAGE	73,852	79,391	69,560	74,755	74,755	74,755	74,755
10702 PUBLIC OFFICIAL LIAB	36,418	39,996	36,588	36,588	36,588	36,588	36,588
10703 SHELLFISH COMMISSION	3,257	3,480	4,281	4,300	4,300	4,300	4,300
10705 ADMIN & CLAIM PAYMEN	0	30,000	30,000	30,000	30,000	30,000	30,000
10706 UNEMPLOYMENT	0	10,327	8,000	8,500	8,500	8,500	8,500
<b>Total Cost Centers</b>	<b>\$487,006</b>	<b>\$560,714</b>	<b>\$547,031</b>	<b>\$577,407</b>	<b>\$577,407</b>	<b>\$577,407</b>	<b>\$577,407</b>
<b>FINANCING PLAN</b>							
GENERAL FUND	487,006	560,714	547,031	577,407	577,407	577,407	577,407
<b>Total Financing Plan</b>	<b>\$487,006</b>	<b>\$560,714</b>	<b>\$547,031</b>	<b>\$577,407</b>	<b>\$577,407</b>	<b>\$577,407</b>	<b>\$577,407</b>

TOWN OF GROTON  
SUMMARY COST CENTER  
FYE 2016 ADOPTED BUDGET

2-Jun-2015

AREA OF SERVICE: NON-DEPARTMENTALS  
DEPARTMENT: NON-DEPARTMENTALS  
FUNCTION: INSURANCE & CLAIMS 1070

	ACTUAL FYE 2014	ADJUSTED FYE 2015	ESTIMATE FYE 2015	REQUEST FYE 2016	MANAGER FYE 2016	COUNCIL FYE 2016	RTM FYE 2016
-----							
PERSONNEL SERVICES							
-----							
5154 UNEMPLOYMENT COMPENS	0	10,327	8,000	8,500	8,500	8,500	8,500
Total Personnel Services	\$0	\$10,327	\$8,000	\$8,500	\$8,500	\$8,500	\$8,500
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OPERATING EXPENSES							
-----							
5280 INSURANCE/RISK MGMT	487,006	520,387	509,031	538,907	538,907	538,907	538,907
5285 BUILDNG & PROPERTY D	0	10,000	10,000	10,000	10,000	10,000	10,000
5289 INSURANCE CLAIM PAYM	0	15,000	15,000	15,000	15,000	15,000	15,000
5290 PROFESS/TECHNICAL SE	0	5,000	5,000	5,000	5,000	5,000	5,000
Total Operating Expenses	\$487,006	\$550,387	\$539,031	\$568,907	\$568,907	\$568,907	\$568,907
GRAND TOTAL	\$487,006	\$560,714	\$547,031	\$577,407	\$577,407	\$577,407	\$577,407

TOWN OF GROTON  
FYE 2016 BUDGET  
PROGRAM OBJECTIVES

AREA OF SERVICE: Non-Departmentals

DEPARTMENT: Non-Departmentals  
FUNCTION: Insurance & Claims 1070

The Insurance & Claims function reflects those insurance premiums for coverages that the Town obtained through a bid process. Premiums for property, liability, and errors and omissions exposures are included here. The coverage may be refined during the year to address any changes in the Town's exposure.

**CC0 – General Liability**

- Reflects premiums not only for third party damages but property damage to Town owned property as well. Limits for flood and earthquake coverage are also included. The basic property damage deductible is \$10,000. An umbrella liability policy is also used to ride above the limits of the primary general liability policy to provide even broader coverage subject to a major self-insured retention of \$10,000 which is applicable only to exposure not covered on the primary layer. In addition, it reflects the premiums paid for the Police Version of Public Officials coverage. The deductible for this coverage is \$25,000. This will include wrongful entry, wrongful arrest, etc. This cost center also includes boiler coverage for the buildings and pump stations, the crime policy for money and securities, and fiduciary coverage.

**CC1 – Motor Vehicle Liability and Physical Damage**

- Reflects premiums paid on the Town's vehicles. Loaders and tractors are also included under this coverage if they are used on the road. The Town has a \$1,000 deductible on its collision and comprehensive liability coverage on all vehicles with full glass included.

**CC2 – Public Official Liability**

- Reflects the premium paid to protect Town officials in their decision-making capacity from errors and omissions exposures. Emergency Dispatch "911" coverage for errors and omissions is also included here. This coverage generally serves as additional legal defense coverage. It also includes bonding for the Tax Collector and Treasurer/Accounting Manager. The deductible for Public Official Liability coverage is \$25,000. The deductible for Employment Practice Liability is \$15,000.

**CC3 – Shellfish Commission**

- Insurance costs.

**CC5 – Administration and Claim Payments**

- Includes payments made for professional services associated with liability insurances and to claimants that are within the deductible amount.

**CC6 - Unemployment**

- Includes estimates for unemployment compensation payments for the fiscal year. The Town is self insured in regards to this claims area.

TOWN OF GROTON  
FYE 2016 BUDGET  
FUNCTION HIGHLIGHTS

DEPARTMENT: Non-Departmentals

FUNCTION: Self Funded Plans 1071

	ACTUAL FYE 2014	APPROVED ADJUSTED FYE 2015	ESTIMATED FYE 2015	RTM ADOPTED FYE 2016	% Change FYE 2015 to FYE 2016
TOTAL	\$ 8,298,185	\$ 8,688,311	\$ 8,688,311	\$ 8,503,514	(2.1%)

**A more detailed narrative on this function follows along with a chart denoting Benefit Allocations by Function and Employee Affiliation.**

**HIGHLIGHTS:**

- The overall decrease in this budget is \$107,848 or 2.1%.
- Only benefit costs charged to the General Fund are included in this function.
- Employee Benefits (10710) represents contributions from the General Fund to the Retirement Fund, to the Health Insurance Fund for self-insured active employees and retirees, and to the Worker's Compensation Trust Fund. It also includes the premium cost for life insurance benefits. Cost Center decrease of 2.3%.
- Retiree Health Benefits (10711) represents the cost to the Town of premium based retiree health benefits. The increase is attributable to an increase in the number of retirees. Cost Center increase of 12.5%.
- Heart & Hypertension (10712) represents the amortized annual cost to cover current heart and hypertension claims for police officers and their spouses. Cost Center decrease of 13.9%.
- OPEB (Other Post Employment Benefits) (10713) represents funds pertaining to the liability associated with post employment benefits other than pension benefits, as required by the Governmental Accounting Standards Board's Statement No. 45. Cost Center increase of 2.1%.

**Final Budget Result:**

During budget deliberations, the Town Council reduced Health Insurance by \$107,848. The RTM sustained this change.

**PERSONNEL:**

- No personnel charged to this function.

TOWN OF GROTON  
SUMMARY COST CENTER  
FYE 2016 ADOPTED BUDGET

2-Jun-2015

AREA OF SERVICE: NON-DEPARTMENTALS  
DEPARTMENT: NON-DEPARTMENTALS  
FUNCTION: SELF FUNDED PLANS 1071

	ACTUAL FYE 2014	ADJUSTED FYE 2015	ESTIMATE FYE 2015	REQUEST FYE 2016	MANAGER FYE 2016	COUNCIL FYE 2016	RTM FYE 2016
----- APPROPRIATION -----							
Personnel Services	8,298,185	8,688,311	8,688,311	8,611,362	8,611,362	8,503,514	8,503,514
-----							
COST CENTERS -----							
10710 EMPLOYEE BENEFITS	6,331,300	6,598,961	6,598,961	6,445,423	6,445,423	6,353,379	6,353,379
10711 RETIREE HEALTH BENEF	623,193	657,558	657,558	739,614	739,614	723,810	723,810
10712 HEART & HYPERTENSION	224,548	219,108	219,108	188,612	188,612	188,612	188,612
10713 OPEB LIABILITY	1,119,144	1,212,684	1,212,684	1,237,713	1,237,713	1,237,713	1,237,713
Total Cost Centers	\$8,298,185	\$8,688,311	\$8,688,311	\$8,611,362	\$8,611,362	\$8,503,514	\$8,503,514
-----							
FINANCING PLAN -----							
STATE GRANTS	14,356	0	0	0	0	0	0
GENERAL FUND	8,283,829	8,688,311	8,688,311	8,611,362	8,611,362	8,503,514	8,503,514
Total Financing Plan	\$8,298,185	\$8,688,311	\$8,688,311	\$8,611,362	\$8,611,362	\$8,503,514	\$8,503,514

TOWN OF GROTON  
SUMMARY COST CENTER  
FYE 2016 ADOPTED BUDGET

2-Jun-2015

AREA OF SERVICE: NON-DEPARTMENTALS  
DEPARTMENT: NON-DEPARTMENTALS  
FUNCTION: SELF FUNDED PLANS 1071

	ACTUAL FYE 2014	ADJUSTED FYE 2015	ESTIMATE FYE 2015	REQUEST FYE 2016	MANAGER FYE 2016	COUNCIL FYE 2016	RTM FYE 2016
-----							
PERSONNEL SERVICES							
-----							
5152 RETIREMENT	2,463,323	2,551,268	2,551,268	2,162,321	2,162,321	2,162,321	2,162,321
5153 HEALTH INSURANCE	3,775,841	3,880,411	3,880,411	3,909,726	3,909,726	3,817,682	3,817,682
5155 WORKER'S COMP	63,846	137,837	137,837	343,693	343,693	343,693	343,693
5158 LIFE INSURANCE	28,290	29,445	29,445	29,683	29,683	29,683	29,683
5159 HEART & HYPERTENSION	224,548	219,108	219,108	188,612	188,612	188,612	188,612
5160 HEALTH-RETIREE-CURRE	623,193	657,558	657,558	739,614	739,614	723,810	723,810
5170 OTHER POSTEMPLOY BEN	1,119,144	1,212,684	1,212,684	1,237,713	1,237,713	1,237,713	1,237,713
-----							
Total Personnel Services	\$8,298,185	\$8,688,311	\$8,688,311	\$8,611,362	\$8,611,362	\$8,503,514	\$8,503,514

TOWN OF GROTON  
FYE 2016 BUDGET  
PROGRAM OBJECTIVES

AREA OF SERVICE: Non-Departmental

DEPARTMENT: Non-Departmental  
FUNCTION: Self-Funded Plans 1071

The Town of Groton has established Fiduciary/Internal Service Funds for Health Insurance, Retirement, Workers Compensation/Heart and Hypertension and Other Post-Retirement Benefits (OPEB). This function contains the general fund contributions to these funds to cover the benefit costs attributable to general fund employees. The Golf Course and the Sewer Fund also make contributions to these funds for their employees since they are Special Revenue Funds. Expenditures from these funds are for the sole purpose of covering the cost of employee benefits.

**OBJECTIVES**

- Continue to contribute to the plans based on the actuarially determined recommended annual contribution.
- While maximizing the benefits and services that employees receive for each dollar spent, seek to reduce and/or limit the growth in Town contributions to these funds through changes in plan design and increased cost sharing with employees and retirees.

**CC0 – Employee Benefits:**

**Retirement**

- The Town has its own Retirement System established by a Special Act of the legislature and implemented through a Retirement Ordinance. The system is funded by contributions from employees and the Town and returns on investment. By Town Charter, the Retirement Board is responsible for the management of the retirement fund. An annual Actuarial Evaluation is completed containing actuarial gains and losses over the prior year and the recommended employer contributions to the fund. This function contains the general fund portion of the recommended contribution.

**Health Insurance & Life Insurance**

- The Town has entered into an Administrative Services Only Agreement (ASO) with Anthem whereby they administer the town's health insurance program and pay claims. Annually a recommended annual contribution is actuarially determined to cover the cost of projected claims and administrative costs. Thus, the Town directly pays based on its own claims rather than pay an annual premium. Aggregate and individual stop loss insurance is purchased to protect against major claims. The Town does purchase Medicare Supplemental Insurance and Life Insurance on a premium basis.

**Workers' Compensation**

- As is the case with health insurance, the Town is self-insured for Worker's Compensation, pays on a claims basis compared to paying for worker's compensation insurance. The Town uses a Third Party Administrator (TPA) to handle claims management and limits claim liability through the purchase of excess claims insurance. An annual actuarial evaluation is also completed including a recommended annual contribution.

**CC1 – Retiree Health Benefit:**

- Reflects payment made to the Health Insurance Fund out of which payments are made to cover health benefits for retirees and their families based on negotiated labor agreements.

**CC2 – Heart & Hypertension**

- Reflects payments made to the Trust Fund to pay for heart and hypertension benefits to police officers.

**CC3 – Other Post-Employment Benefits (OPEB)**

- In 2004 the Government Accounting Standards Board determined that municipalities should treat retiree health benefits similar to pension benefits, that is recognize and set aside a portion of the costs during the course of employment. Since FYE 2005 the town has been making contributions to the OPEB Trust Fund based on an actuarial evaluation and has established a plan to reach the annual recommended contribution by FYE 2017. Given the magnitude of the unfunded liabilities municipalities were not expected to fully fund the ARC provided they had and followed a plan to reach the ARC within a ten year period.

**Highlights 1071 - Self Funded Plans**

This function contains the benefit costs for general fund employees including contributions to the following:

- Health Insurance Fund including Life insurance
- Retirement Fund
- Worker’s Compensation Fund including Heart & Hypertension benefits
- Other Post Employment Benefit Fund (OPEB)
- Health insurance costs for retirees from general fund positions are also included in this function.

Benefit costs for employees charged to Special Revenue Funds (Golf Course and Sewer Operating) are appropriated in those funds.

The Town and the Board of Education jointly established and contribute annually to self-funded plans for Health Insurance and Worker’s Compensation. The Town of Groton operates its own pension plan under a Special Act of the Legislature and implemented by a Pension Ordinance adopted by the Town Council. Non-certified employees of the Board of Education also participate in the plan as do paid employees of the Poquonnock Bridge Fire Department. Each contributes to the retirement plan as part of their annual budget.

The allocation of benefits to the various functions is summarized on a chart following this narrative. Prorated benefits are listed by function and employee affiliation. Employee benefits are determined by collective bargaining agreements and the Terms and Conditions of Employment for Non-Union Employees.

**Contributions to the Retirement Fund (\$2,162,321)**

An actuarial evaluation is completed annually to measure actuarial gains and losses from the previous year in order to determine recommended employer contributions to the retirement fund. The Retirement Fund’s Market Value was \$108.1 million as of June 30, 2014, up from \$95.0 million in 2013, a 13.7% increase. Actuarial liabilities continue to grow as active members earn additional benefits. This growth exceeds reductions to the liability resulting from benefit payments. Liabilities now exceed assets by \$18.1 million down from \$23.4 million in 2013. The resulting Funded Ratio of 84.9% is up from 79.58% in 2013.

For 2014, the plan experienced \$ 2.6 million dollars in net actuarial gains and increase from \$1.1 million loss in 2013. The primary source of actuarial gains (\$1.5 million) resulted from an investment return that was higher than the actuarial assumption of 7.75%.

While the market value of investment return for 2014 was 15.80%, the actuarial value was 9.36%, above the assumed 7.75% return which produced this investment gain. The difference is attributable to the smoothing of investment gains/losses over a five year period. Smoothing serves to moderate potential large swings in actuarial loses/gains and required contributions if investment gains and losses were recognized on an annual basis.

The differences between Actuarial Value Return (smoothed) to the Market Value Return can be seen in the following chart.

FYE	2009	2010	2011	2012	2013	2014
Market Value Return	-15.96%	13.50%	18.55%	3.41%	11.60%	15.80%
Actuarial Value Return	1.14%	0.67%	3.24%	2.32%	5.90%	9.36%
Actuarial Assumption	8.25%	8.00%	8.00%	8.00%	8.00%	7.75 %

The actuarial value of plan assets is now less than the market value resulting in an unrecognized actuarial gain of \$6.06 million, which in contrast to unrecognized losses will have the impact of lowering required contributions.

The recommended contribution for FYE 2016 as a percentage of payroll is 13.6% for the Town portion of the plan less than the 15.6% percentage for FYE 2015. The general fund contribution of \$2,162,321 included in this function is down \$388,947 or 15.37% down from the 3.5% increase in FYE 2015.

In summary, the retirement plan seems to be stabilizing in terms of the plan’s operations and required annual contributions. The plans funded ratio of approximately 85% is comparable to the average of other plans of similar size and asset allocation. This position is attributable to the Town’s and the Board of Education’s long standing policy of fully funding the plan based on the annual recommended actuarial contribution.

**Health Insurance General Fund Contribution (\$4,649,340)**

Annually, the Town works collaboratively with our health insurance consultant AON. This effort ensures that the renewals received from Anthem are accurately projecting expected claims while providing an analysis of future trends. This narrative and the chart projections are based on AON's figures for FYE 2016 which were compiled and representative of January 2015. As stated in the narrative last year, the Board of Education utilizes projections from the same document.

A compilation of the health insurances inclusive of the following: General Fund, Golf Course Fund and the Sewer Operating Fund for FYE 2016 are projected to be \$7,324,363, down \$3,489 or .1% from last year. This figure includes the cost for retirees and active employees in the self-funded plan, the premium costs for retirees in the over 65 premium based plan and Town contributions to employee Health Savings Accounts (HSA). Some reductions are realized by employee contributions applied toward a portion of the excess of fund balance. This results in a net cost of \$5,129,644 up from \$5,008,713, a 2.4% increase.

The general fund contribution for active employees and retirees is \$4,649,340, up \$111,370 or 2.5% increase from FYE 2015. This contribution amount is included in this function, allocated between actives and retirees.

The FYE 2016 2.5% increase in active employees and retirees contributions in contrast to the previous 2 years which show reductions in the Town contributions to the health insurance fund. In 2016, the amount of fund balance applied increased by \$111,370 or 2.5%.

The Town portion of the Self-funded Insurance Fund (General Fund, Golf Course and Sewer Operating) had a fund balance as of June 30, 2014 of \$2.69 million down from \$2.73 million the previous year. The fund balance reflects better than expected claims experience over the life of the fund.

	FYE 2014	FYE 2015	FYE 2016
Renewal – Self-Insured	\$6,350,653	\$6,671,466	\$6,737,142
Premium Based Retiree Coverage	\$607,409	\$573,886	\$504,721
Total Renewal	\$6,958,061	\$7,245,352	\$7,241,863
Health Savings Account Contributions	\$70,500	\$82,500	\$82,500
Total Health Insurance Costs	\$7,028,562	\$7,327,852	\$7,324,363
Percentage Increase in Health Insurance Costs	6.2%	4.2%	-0.1%
Fund Balance – Town Portion	\$2,646,007	\$2,738,434	\$2,691,519
Corridor Amount	\$1,447,426	\$1,528,570	\$1,513,039
Available Fund Balance	\$1,198,581	\$1,211,864	\$1,078,480
Fund Balance Used	\$719,149	\$727,119	\$647,088
% of Available Fund Balance Used	60%	60%	60%
Total Health Insurance Costs	\$7,028,562	\$7,327,852	\$7,324,363
Less Fund Balance Used	(\$719,149)	(\$727,119)	(\$647,088)
Less Employee/Retiree Contributions	(\$1,457,803)	(\$1,592,020)	(\$1,547,631)
Equals Recommended Contribution - All Funds	\$4,851,609	\$5,008,713	\$5,129,644
Recommended Contribution – General Fund	\$4,399,034	\$4,537,970	\$4,649,340
Percentage Increase – General Fund Contribution	-1.8%	3.2%	2.5%

**Worker's Compensation General Fund Contribution (\$343,693)**

As is the case with the Retirement Fund, an actuarial evaluation of Worker's Compensation Fund is completed annually. The actuary recommends contribution levels based on a risk factor. For several years the Town and the BOE have used a recommended contribution based on a 65% risk factor; i.e. there is a 65% chance that the claims will be equal to or less than estimated. For FYE 2015, it was decided to base the contribution on estimated claims as is the case with the Health Insurance Fund. Contributions also cover the cost of the Third Party Administrator (TPA) hired to manage claims, legal services and excess claims insurance.

The recommended contribution for FYE 2016 based on the July 1, 2014 actuarial evaluation based on expected losses is \$331,610 a 149.5% percent increase from FYE 2015. As of that date, the Town's portion of the Workers Compensation Fund Balance stood at \$268,302 down from \$516,027 the previous year. For several years, the recommended contribution has been reduced by amortizing excess fund balance over a three year period. Excess fund balance is determined by subtracting the Incurred but Not Reported Claims (IBNR) from the fund balance. For FYE 2016, this resulted in a fund balance deficit of (\$142,765), with a three year amortization of (\$47,588). Adding

this amount to the recommended contribution results is a contribution of \$379,198 of which \$343,693 is attributable to the general fund.

This is a substantial increase, \$205,856 over the FYE 2015 general fund contribution of \$137,837. As the fund balance is drawn down, the amount available to offset the recommended contribution continues to decrease. Looking at the chart below the Recommended Contribution has not varied significantly from FYE 2011. The variation in the General Fund Contribution is directly attributable to the amount of fund balance available to offset the annual recommended contribution.

The following chart summarizes the information presented above.

FYE	2011	2012	2013	2014	2015	2016
Claims	\$ 183,332	\$ 153,867	\$ 164,326	\$270,608	TBD	TBD
Total WC Cost	\$ 235,672	\$ 221,770	\$ 222,124	\$ 340,080	TBD	TBD
Recommended Annual Contribution	\$ 234,540	\$ 199,038	\$ 212,410	\$ 214,608	\$ 221,822	\$331,610

WC Fund Bal	\$1,175,031	\$ 1,041,537	\$ 867,902	\$ 687,797	\$ 516,027	\$ 268,302
IBNR	\$ 212,727	\$ 181,530	\$ 242,834	\$ 256,835	\$ 306,966	\$411,067
Available Assets	\$ 962,304	\$ 860,007	\$ 625,068	\$ 430,962	\$ 209,061	(\$142,765)
3 Yr. Amortization	\$ 320,768	\$ 286,669	\$ 208,356	\$ 143,654	\$ 69,687	(\$47,588)
Fund Balance Applied	\$ 234,540	\$ 199,038	\$ 208,356	\$ 143,654	\$ 69,687	\$ 0
Actual Contribution – All Funds	\$ 0	\$ 0	\$ 4,054	\$ 70,954	\$ 152,135	\$ 379,198
Actual Contribution – General Fund	\$ 0	\$ 0	\$ 3,676	\$ 63,846	\$ 137,837	\$ 343,693

**Life Insurance (\$29,445)**

This amount covers the premium cost for providing life insurance benefits to general fund employees. The cost per \$1,000 of coverage is \$0.155. This rate has remained stable from FYE 2012 and is guaranteed through June 30, 2015.

**Heart and Hypertension (\$188,612)**

For Police officers hired prior to July 1, 1996, it is presumed that injuries, illness or death due to heart disease or hypertension are job related and therefore are compensable injuries or illnesses. Claims are administered through the Worker's Compensation System. The \$188,612 is an annual contribution to the Worker's Compensation Fund based on an actuarial estimate of future liability for current claims. This is a 13.9% reduction from FYE 2015.

**Other Post Employment Benefit (OPEB) Liability:**

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement #45 entitled "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions". Retiree medical plans are required to disclose information about asset and liability levels and disclose historical contribution information. Actuarial valuations are required to determine liability levels and show historical contribution information.

The philosophy behind the statement is that post-employment benefits are part of the compensation that is paid to employees in return for services. Therefore, the cost of these benefits should be recognized while the employees are providing those services rather than after they have retired. This same philosophy has been applied to pension benefits for many years.

GASB allows for up to a 30 year amortization period for the liability and requires that an actuarial valuation be performed at least every two years in order to update the Town's OPEB liability amount and Annual Required Contribution (ARC).

FYE 2008 was the first year that the Town was required to recognize this liability on its financial statements. The July 1, 2014 valuation set the Town's OPEB liability at approximately \$46.3 million, with an Annual Required Contribution (ARC) of \$3.8 million. These amounts have increased from the July 1, 2013 valuation in which the liability was at \$43.6 million and the ARC was at \$3.6 million. Though GASB does not require that the ARC be funded, it does require an explanation of how the Town intends to fund that obligation.

Anticipating the magnitude of the liability and the potential to reduce future costs by establishing and beginning to contribute to a fund set aside for OPEB benefits, the Town began making general fund contributions for OPEB in FYE 2005. To date \$9.0 million has been contributed into the trust fund that was set up in FYE 2008. The recommended General Fund Contribution to the OPEB Trust Fund for FYE 2016 is \$1,237,713 with the remainder of \$127,863 being contributed from the Golf Course and Sewer Operating Funds for a total of \$1,365,576.

The net budget impact (NBI) of the \$3.8 million ARC, discussed above, is \$1.3 million since the Town is already contributing towards retiree health benefits. Bond rating agencies will also be looking for adherence to the plan to fund the ARC.

The table shows actual and recommended General Fund Contributions to OPEB over a ten year period to reach the \$1.392 million level.

<b>Ten Year Implementation to Net Budget Impact</b>				
FYE 2016 Proposed Budget				
\$ increase of \$27,095 for FYE 2016 and increase in the next year achieves 100% funding of Net Budget Impact (NBI) of \$1,392,672 in 10th year.				
Fiscal Year Ending	Fiscal Year Increase	Fiscal Year Contribution	Accumulated Contributions	Increase in FY Contribution
2005	\$ 150,000	\$ 150,000	\$ 150,000	-
2006	\$ -	\$ 150,000	\$ 300,000	0.0%
2007	\$ 290,000	\$ 440,000	\$ 740,000	193.3%
2008 **	\$ 156,700	\$ 596,700	\$ 1,336,700	35.6%
2009	\$ 196,500	\$ 793,200	\$ 2,129,900	32.9%
2010	\$ 240,500	\$ 1,033,700	\$ 3,163,600	30.3%
2011	\$ -	\$ 1,033,700	\$ 4,197,300	0.0%
2012	\$ 45,000	\$ 1,078,700	\$ 5,276,000	4.4%
2013	\$ 98,000	\$ 1,176,700	\$ 6,452,700	9.1%
2014	\$ 61,781	\$ 1,238,481	\$ 7,691,181	5.3%
2015	\$ 100,000	\$ 1,338,481	\$ 9,029,662	8.1%
2016	\$ 27,095	\$ 1,365,576	\$ 10,395,238	2.0%
2017	\$ 27,096	\$ 1,392,672	\$ 11,787,910	2.0%

\*\* First year of plan to fund the Net Budget Impact Dollar Amount

Under OPEB, actuarial valuations are required to be conducted at least every two years. Therefore, the ARC is likely to change. However, the establishment of and adherence to the plan is a crucial factor in minimizing the increase in the liability and maintaining bond ratings. We will continue to monitor this with the Town's actuaries and auditors.

**Benefit Allocation by Function and Employee Affiliation**

FUNCTION NUMBER & DESCRIPTION	# of FTEs	Non-Union		GMEA	Steelworkers	Police Union	Pol Non-Union	Employee Benefits						TOTAL BENEFITS			
		Town Plan	ICMA					Retirement #5152	ICMA #5152	Health #5153 & #5160	Life #5158	Work Comp #5155	OPEB #5170		Heart & Hyper: #5159		
<b>GENERAL FUND :</b>																	
1005-TOWN CLERK	5.00	2.00		3.00				\$35,321		\$93,832	\$613	\$7,101	\$25,573				\$162,440
1010-EXECUTIVE MANAGEMENT	4.00	4.00						\$43,230		\$75,066	\$491	\$5,681	\$20,458				\$144,926
1011-INFORMATION TECHNOLOGY	7.00	2.00		5.00				\$21,615		\$131,365	\$859	\$9,942	\$35,802				\$199,582
1012-HUMAN RESOURCES	4.25	2.25	2.00					\$24,317	\$4,862	\$79,758	\$521	\$6,036	\$21,737				\$137,231
1013-FINANCE	19.00	4.00	2.00	13.00				\$129,334		\$356,563	\$2,331	\$26,984	\$97,176				\$612,388
1014-EMERGENCY COMMUNICATIONS	14.75	1.75		13.00				\$101,152		\$276,806	\$1,809	\$20,948	\$75,439				\$476,154
1024-PUBLIC SAFETY	73.00			4.00		66.00	3.00	\$1,129,489		\$1,369,954	\$8,954	\$103,676	\$373,360			\$188,612	\$3,174,045
1035-PUBLIC WORKS	52.25	5.75	3.00	12.50	31.00			\$325,883		\$980,549	\$6,409	\$74,206	\$267,234				\$1,654,261
1046-PLANNING & DEVELOPMENT	14.00	4.00		10.00				\$88,918		\$262,731	\$1,717	\$19,883	\$71,603				\$444,852
1051-HUMAN SERVICES	8.00	1.00		7.00				\$42,789		\$150,132	\$981	\$11,362	\$40,916				\$246,180
1063-LIBRARY	20.00	2.00	1.00	17.00				\$99,285	\$3,767	\$375,330	\$2,453	\$28,404	\$102,290				\$611,529
1064-PARKS & RECREATION	20.75	3.00	2.25	10.00	5.50			\$107,663	\$4,696	\$389,405	\$2,545	\$29,470	\$106,126				\$639,905
<b>GENERAL FUND: SUB-TOTAL: FYE 2016</b>	<b>242.00</b>	<b>31.75</b>	<b>5.25</b>	<b>94.50</b>	<b>36.50</b>	<b>66.00</b>	<b>3.00</b>	<b>\$2,148,996</b>	<b>\$13,325</b>	<b>\$4,541,492</b>	<b>\$29,683</b>	<b>\$343,693</b>	<b>\$1,237,713</b>			<b>\$188,612</b>	<b>\$8,503,514</b>
<b>OTHER FUNDS:</b>																	
2010-GOLF COURSE FUND	6.25	1.00	0.75		4.50			\$34,986	\$2,485	\$120,076	\$767	\$8,876	\$31,965				\$199,155
2020-SEWER FUND	18.75	3.25		3.50	12.00			\$115,592	\$0	\$360,228	\$2,300	\$26,629	\$95,898				\$600,646
<b>OTHER FUNDS: SUB-TOTAL: FYE 2016</b>	<b>25.00</b>	<b>4.25</b>	<b>0.75</b>	<b>3.50</b>	<b>16.50</b>	<b>0.00</b>	<b>0.00</b>	<b>\$150,578</b>	<b>\$2,485</b>	<b>\$480,304</b>	<b>\$3,067</b>	<b>\$35,505</b>	<b>\$127,863</b>				<b>\$799,802</b>
<b>TOTALS - ALL FUNDS-----FYE 2016</b>	<b>267.00</b>	<b>36.00</b>	<b>6.00</b>	<b>98.00</b>	<b>53.00</b>	<b>66.00</b>	<b>3.00</b>	<b>\$2,299,574</b>	<b>\$15,810</b>	<b>\$5,021,796</b>	<b>\$32,750</b>	<b>\$379,198</b>	<b>\$1,365,576</b>			<b>\$188,612</b>	<b>\$9,303,316</b>
FYE 2015 Adopted Budget: General & Other								\$2,757,475	\$15,601	\$5,008,713	\$32,500	\$152,135	\$1,338,481			\$219,108	\$9,524,013
<b>\$ Change from FYE 2015 to FYE 2016</b>								<b>(\$457,901)</b>	<b>\$209</b>	<b>\$13,083</b>	<b>\$250</b>	<b>\$227,063</b>	<b>\$27,095</b>			<b>(\$30,496)</b>	<b>(\$220,697)</b>
<b>% Change from FYE 2015 to FYE 2016</b>								<b>-16.6%</b>	<b>1.3%</b>	<b>0.3%</b>	<b>0.8%</b>	<b>149.3%</b>	<b>2.0%</b>			<b>-13.9%</b>	<b>-2.3%</b>