USI CONSULTING GROUP

2025 MUNICIPAL PENSION & OPEB REPORT

This year marks the 7th anniversary of the Municipal Pension and OPEB report, which we began publishing in 2018.

The results are based on pension plan data from the June 30, 2024 Annual Comprehensive Financial Reports (ACFRs) of Connecticut municipalities. ACFR data is extensive and sometimes difficult to comprehend, so our team of actuarial experts have taken the guess work out of understanding the raw data so it's easier for plan sponsors to compare their plans to similar ones.

Similar to FYE 2023, investment returns for FYE 2024 were quite favorable and generally exceeded the actuarial assumptions for both pension and OPEB plans. As a result, funded ratios stabilized at FYE 2024 as most plan sponsors continued to maintain the long-term rate of return assumption for 2024.

Being efficient and effective are important aspects of any plan sponsor's workday. A growing number continue to embrace the use of technology and many are turning to online tools as a way to assist active participants, keep pace with the growing number of retirees now receiving benefits and to lower overall plan expenses.

We hope you find the 2025 Municipal Pension and OPEB report insightful. Please reach out to your USICG consultant with any questions.

Sincerely,

Steve A. Lemanski

Steve A. Lemanski

Sincerely,

Robert P. Lessard

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CONNECTICUT MUNICIPAL **PENSION PLANS**

200+ plans ▶ 71K+ participants | $17.8B actuarial accrued liability

CONNECTICUT MUNICIPAL **OPEB PLANS**

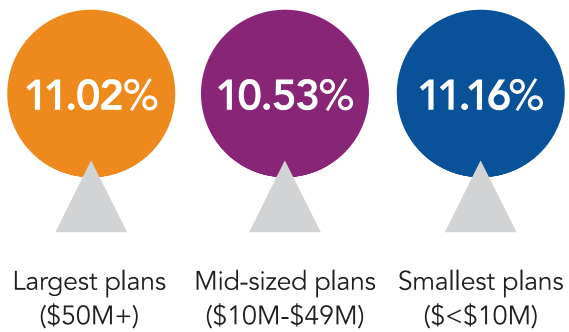
170+ plans ▶ 116K+ participants | $7.5B actuarial accrued liability

PENSION

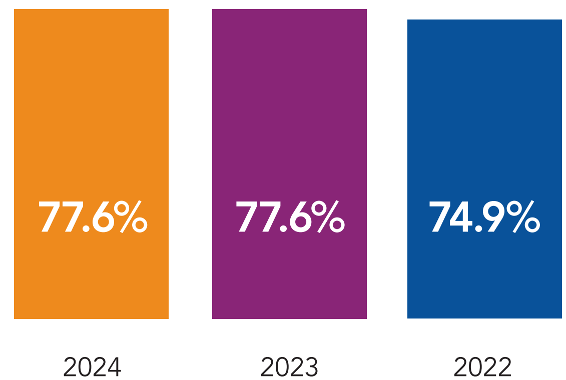

84.05
79.32
62.78
60.52
50.61
1000
2000
500
1500
2500
Monthly
Annual

KEY TAKEAWAYS | *Municipalities with pension plans*

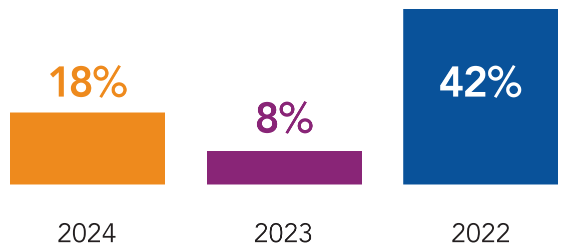
Investment returns for FYE 2024 were quite favorable and generally exceeded the actuarial assumptions.



The median funded ratio remained unchanged versus its 2023 level.



18% of plans reduced the long-term assumption rate, compared to 8% of plans in the previous report.



Our analysis of the money-weighted rate of return by plan size for FYE 2024 shows that the smallest plans (<$10M) had the highest average returns at 11.16%, while the mid-sized plans ($10M-$49M) and largest plans ($50M+) had lower returns of 10.53% and 11.02%, respectively.

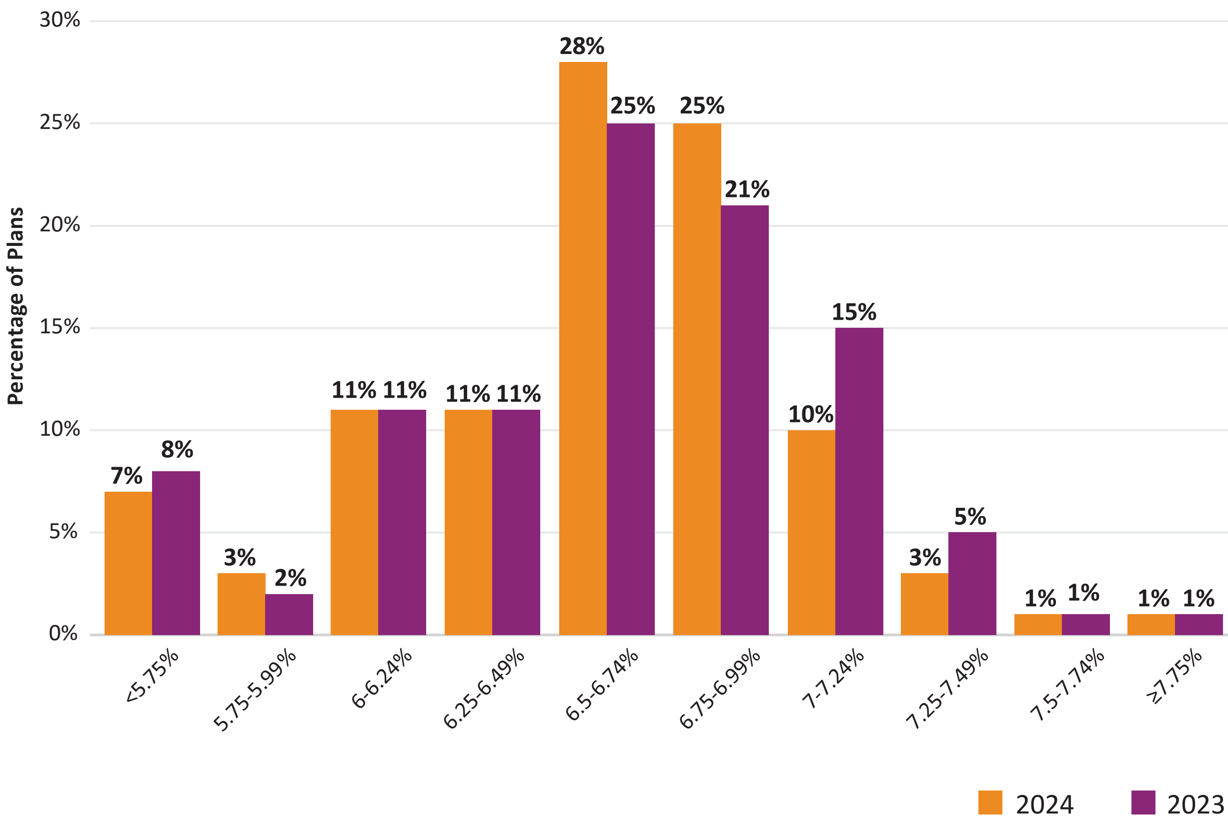
46% of the pension plans analyzed exceed the 80% funded mark, compared to 47% in the 2023 report. Those plans below the 50% funded level increased slightly to 17% this year, compared to 14% in the 2023 report.

This year, 12% of plans can boast pensions that are funded at 100% or higher, which is unchanged from 12% in last year's report.

Only 18% of pension plans reduced the long-term rate of return assumption from FYE 2023 to FYE 2024, with the most common reduction being 25 basis points (0.25%).

Interestingly, 3% of plans increased the long-term rate of return assumption for FYE 2024, in contrast to the longer-term trend of generally reducing this assumption.

LONG-TERM INVESTMENT RETURN ASSUMPTION (FYE 2024 VS. FYE 2023)



The average investment return assumption is 6.43% (median of 6.50%), which is unchanged from the 2024 report.

This assumption is generally mapped back to either the July 1, 2023 or July 1, 2022 actuarial valuation used in determining the employer's cash contribution amount (also known as the Actuarially Determined Employer Contribution, or ADEC).

What is ADEC?

Actuarially Determined Employer Contribution: The amount actuarially calculated each year that is required to be contributed by an employer to a pension plan's pool of assets in order to ensure there will be enough funds to pay promised pension benefits.

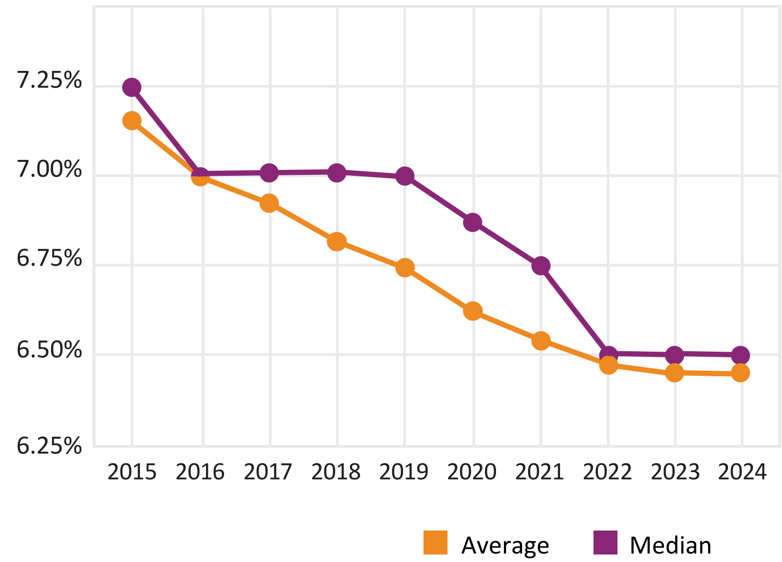
AVERAGE AND MEDIAN INVESTMENT RETURN ASSUMPTION TRENDS

All else being equal, a lower investment return assumption results in higher actuarial liability and ADEC, and a lower funded ratio.

When looking at trends, the average long-term rate of return assumption has declined by 71 basis points (from 7.14% to 6.43%), from FYE 2015 to 2024.

The median assumption declined 75 basis points (from 7.25% to 6.50%) during that same period.

Only 18% of plans reduced the long-term rate of return assumption from FYE 2023 to 2024, with the most common reduction being 25 basis points. Interestingly, 3% of plans increased this assumption for 2024.

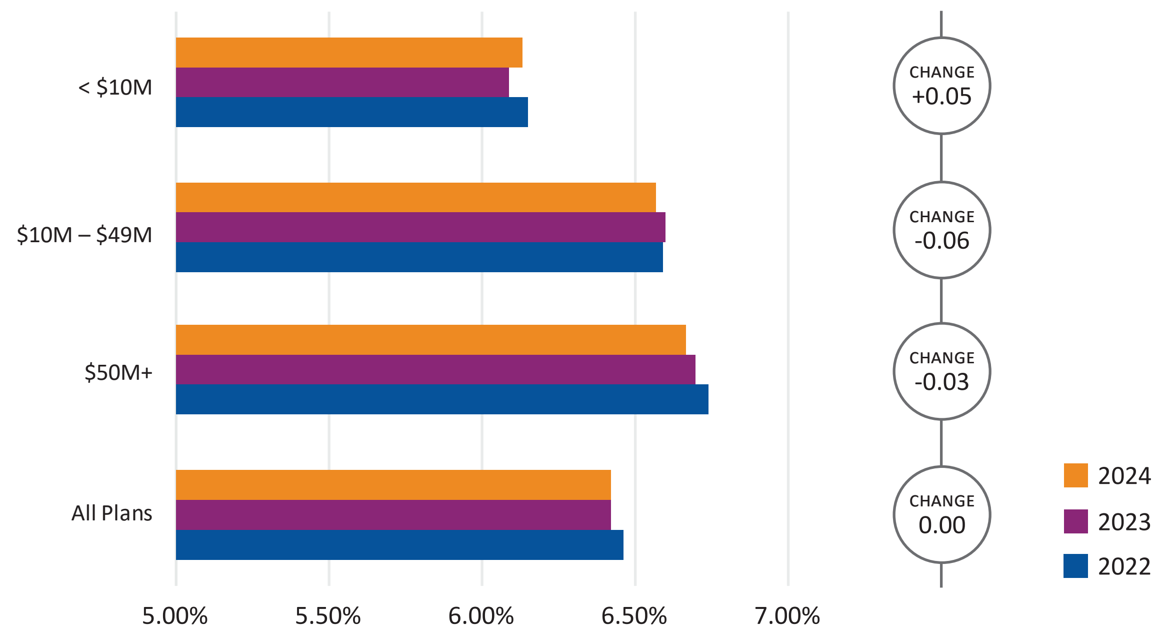


AVERAGE INVESTMENT RETURN ASSUMPTION BY PLAN SIZE

When looking at the investment return assumption based on plan size by assets (under $10M, $10M to $49M, $50M plus), the results show that as plan size increases, the average investment return assumption increases as well.

In the under $10M group, the average assumption increased from 6.07% in FYE 2023 to 6.12% in FYE 2024. The $10M to $49M and 50M+ groups showed decreases from FYE 2023 to FYE 2024. The average for "All Plans" was unchanged from 2023 to 2024.

		Average Investment Return Assumption			
Plan assets ($ millions)	% of plans	2024	2023	2022	% Change
< $10	37%	6.12%	6.07%	6.15%	0.05%
$10 – $49	34%	6.54%	6.60%	6.59%	-0.06%
$50+	29%	6.68%	6.71%	6.74%	-0.03%
All Plans	100%	6.43%	6.43%	6.46%	0.00%



FUNDED RATIO

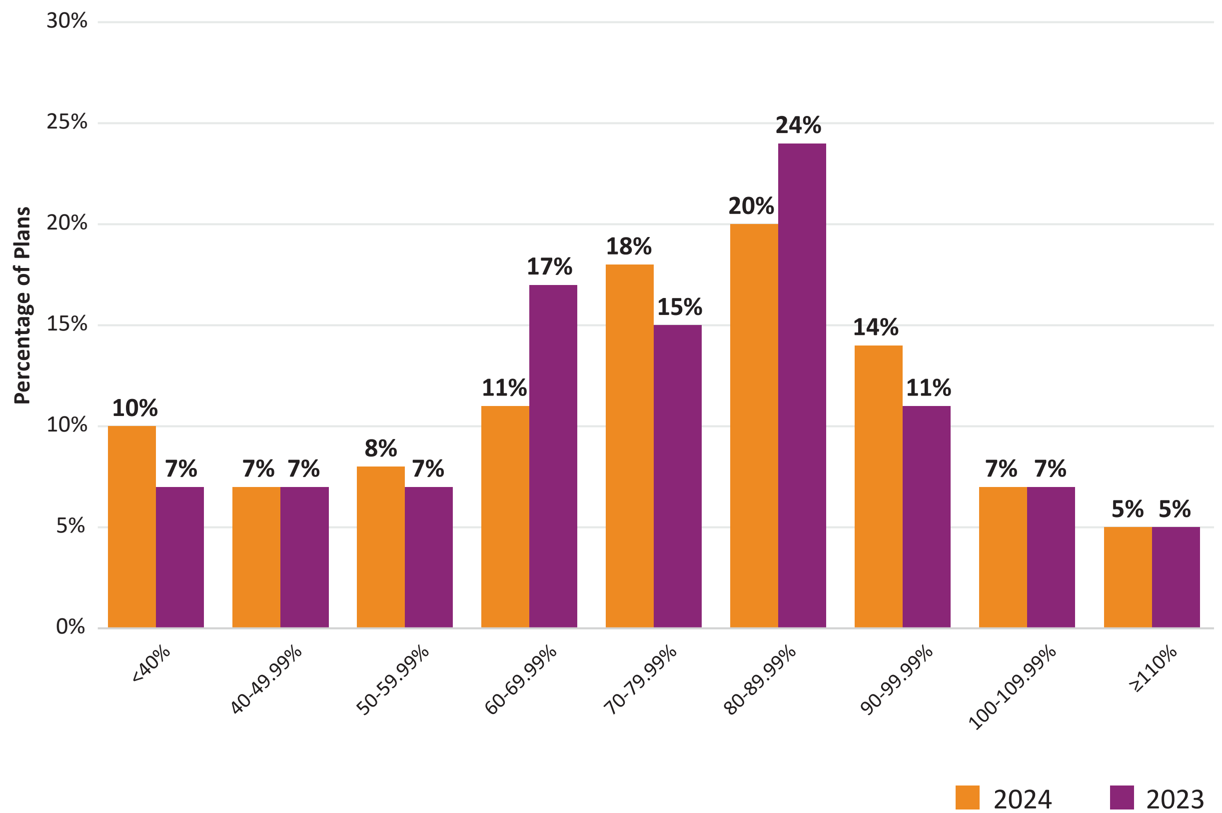
Favorable investment returns for FYE 2024 helped to stabilize the median funded ratio this year.

This year, 46% of the pension plans analyzed exceeded the 80% funded mark, down slightly from 47% in the 2024 report.

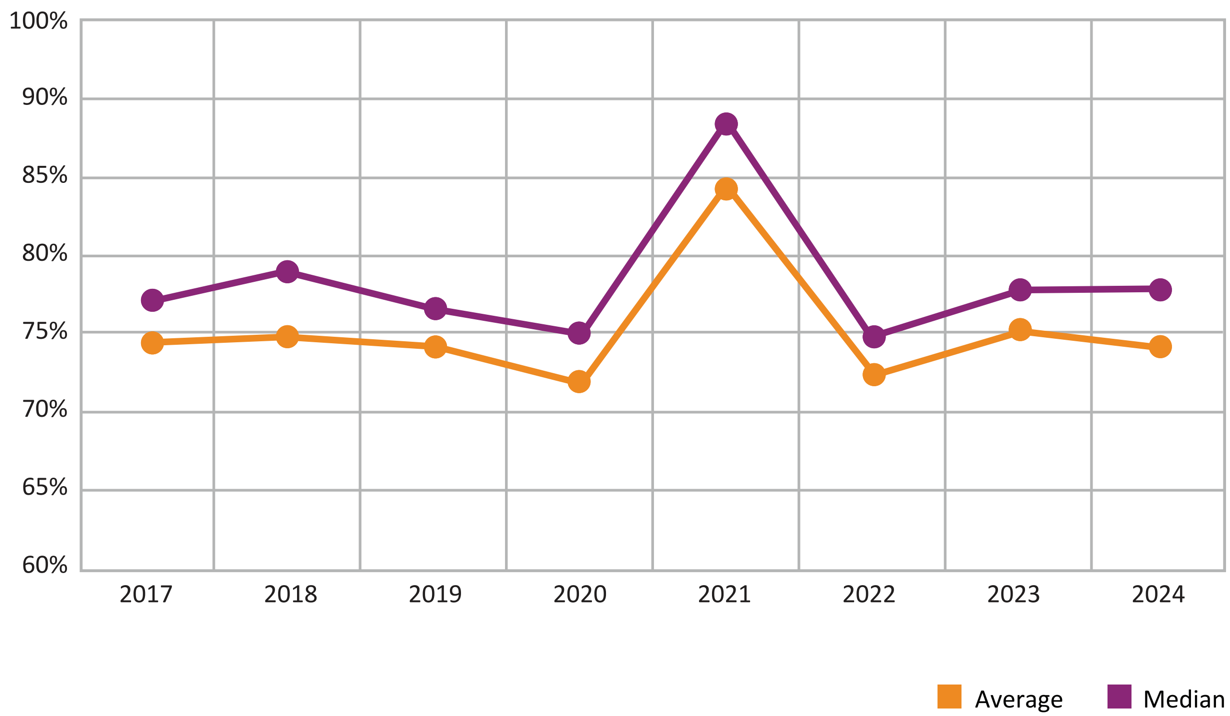
Plans below the 50% funded level increased to 17% this year, an increase of 3 percentage points above the 14% cited in last year's report.

This year, 12% of plans can boast pensions that are funded at 100% or higher, which is unchanged from the 2023 report.

Overall, the median funded ratio remained unchanged at 77.6% for 2024 versus 2023.



AVERAGE AND MEDIAN FUNDED RATIO TRENDS



The average funded ratio (Market Value of Assets divided by Entry Age Normal Accrued Liability) is 74.3% (median of 77.6%), versus 75.3% (median of 77.6%) in the 2024 report.

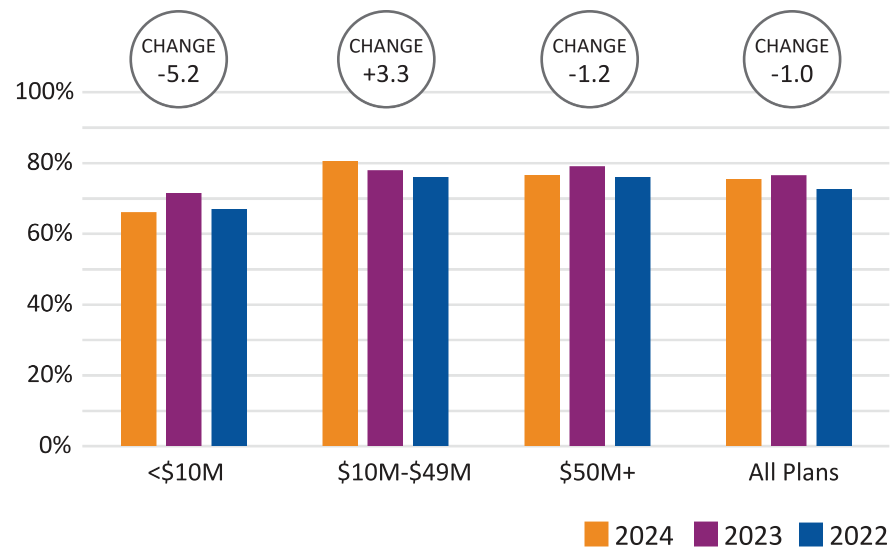
The median of 77.6% is unchanged compared to the 2023 ACFR data, but is still at a notably lower level when compared to the recent peak in 2021 (85.8% average and 88.2% median). The average funded ratio declined slightly from 75.3% in 2023 to 74.3% in 2024.

AVERAGE FUNDED RATIO BY PLAN SIZE

Consistent with prior years, the results show that as plan size increases the average funded ratio tends to increase as well.

Connecticut municipal pension plans in the <$10M category show a decrease of more than 5% in the average funded ratio, from 70.9% in 2023 to 65.7% in this year's report. The $50M+ category shows a slight decrease from 79.7% in 2023 to 78.5% in the 2024 report, consistent with a slight decrease in the "All Plans" category. The $10M - $49M category experienced an increase from 76.7% in 2023 to 80.0% in 2024.

Plan assets ($ millions)	% of plans	Average Funded Ratio 2024	2023	2022	% Change
< $10	37%	65.7%	70.9%	67.7%	-5.2%
$10 – $49	34%	80.0%	76.7%	75.1%	3.3%
$50+	29%	78.5%	79.7%	75.4%	-1.2%
All Plans	100%	74.3%	75.3%	72.4%	-1.0%

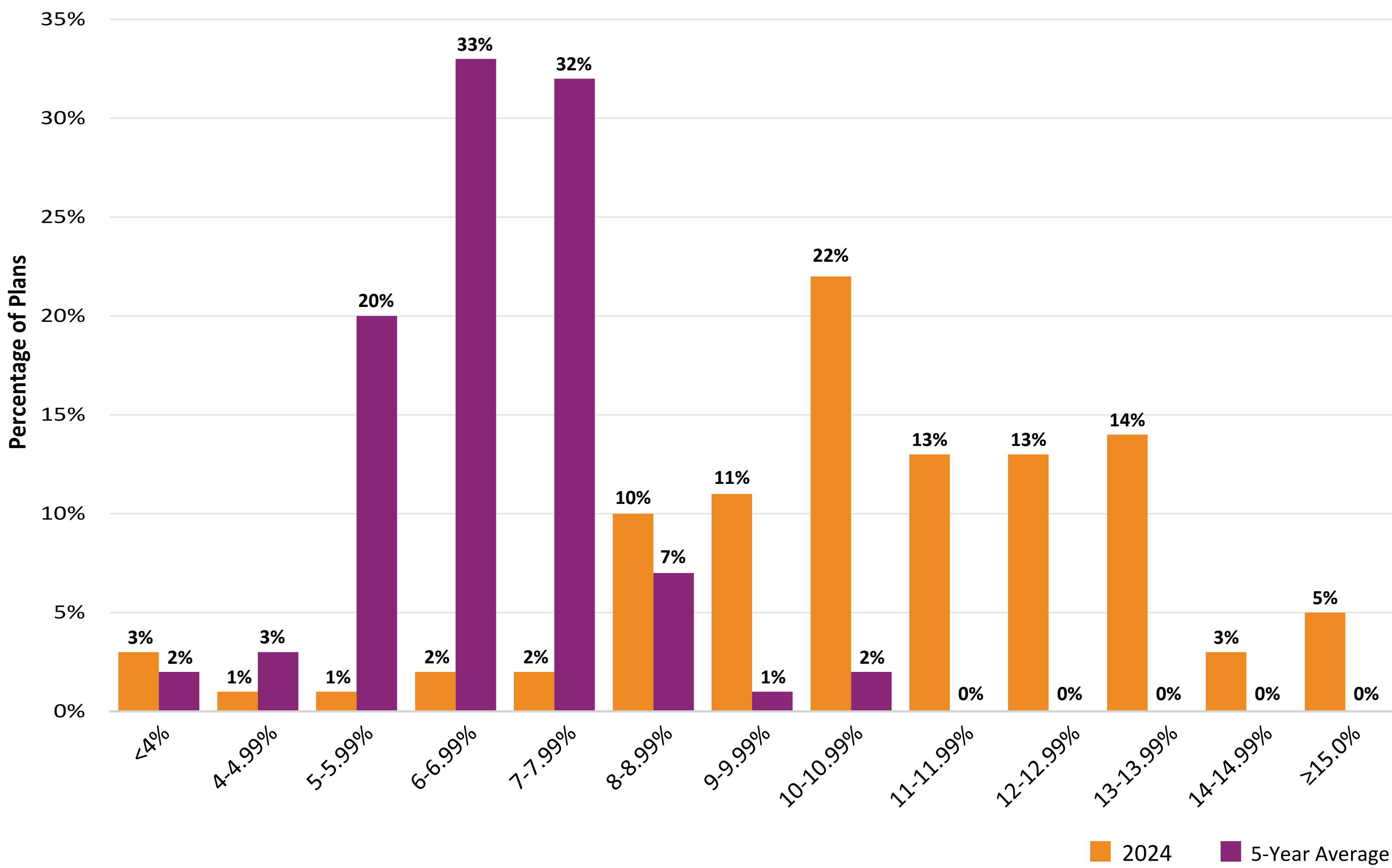


FYE 2024 RETURN VS. 5-YEAR AVERAGE RETURN

The average money-weighted rate of return for FYE 2024 is +10.90% (median is +10.94%), vs. +9.11% average/+9.25% median for FYE 2023.

The 5-year (compounded) average money-weighted rate of return for the period ending June 30, 2024 is +6.71% average / +6.77% median, vs. +5.74% average / +5.78% median for the 5-year period ending June 30, 2023.

Similar to Fiscal Year 2023, returns for Fiscal Year 2024 generally continued to exceed the actuarial assumptions for public sector pension plans.



MONEY-WEIGHTED RATE OF RETURN BY PLAN SIZE

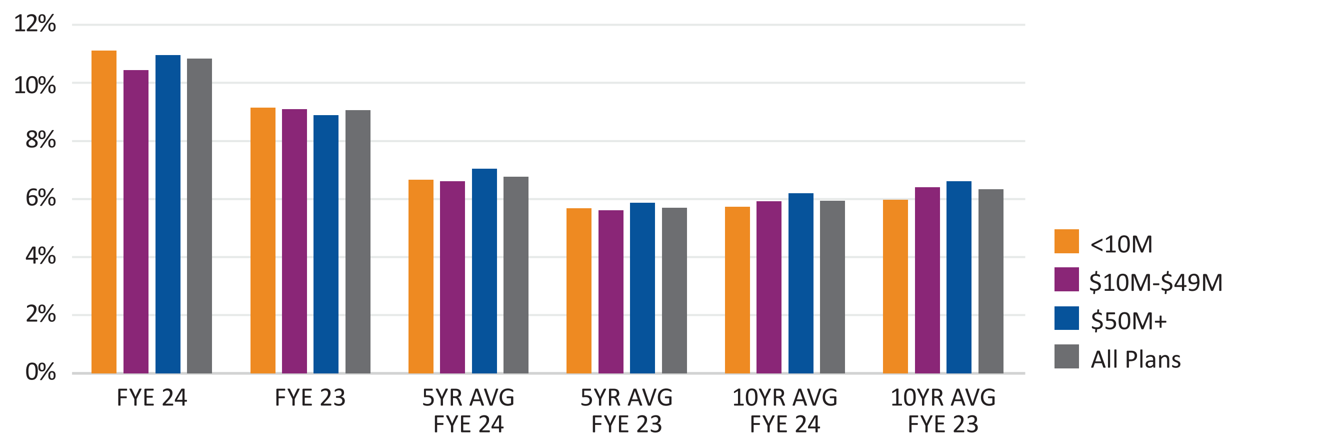
The 5-year (compounded) average money-weighted rate of return for the period ending June 30, 2024 is +6.71% average / +6.77% median, vs. +5.72% average / +5.78% median for the 5-year period ending June 30, 2023.

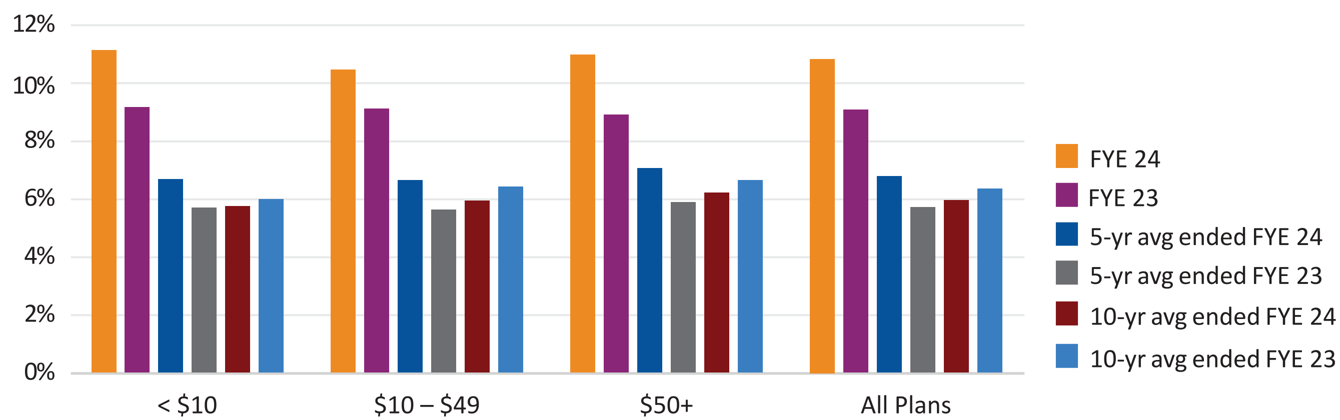
The 10-year (compounded) average money-weighted rate of return for the period ending June 30, 2024 is +5.95% average / +6.04% median, vs. +6.31% average / +6.39% median for the 10-year period ending June 30, 2023.

The money-weighted rate of return by plan size, both for FYE 2024 and for the equivalent 5-year period, revealed an improved market performance versus FYE 2023 in all plan size categories. The money-weighted rate of return by plan size for the 10-year period showed slightly reduced market performance versus FYE 2023 in all plan size categories.

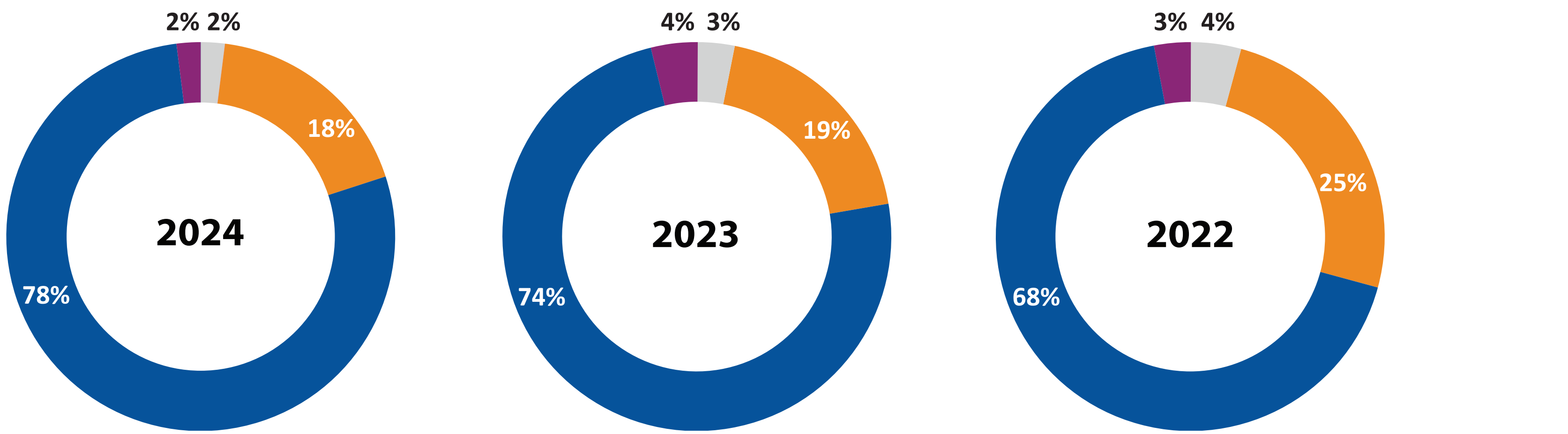
This year, the analysis shows that smaller plans generally achieved a higher average money-weighted rate of return versus larger plans for FYE 2024. Over the longer term, however, larger plans achieved higher returns than smaller plans.

Plan assets ($ millions)	FYE 24	FYE 23	5-year average ended FYE 24	5-year average ended FYE 23	10-year average ended FYE 24	10-year average ended FYE 23
< $10	11.16%	9.20%	6.62%	5.70%	5.75%	5.98%
$10 – $49	10.53%	9.15%	6.58%	5.64%	5.92%	6.38%
$50+	11.02%	8.95%	6.97%	5.87%	6.19%	6.58%
All Plans	10.90%	9.11%	6.71%	5.72%	5.95%	6.31%





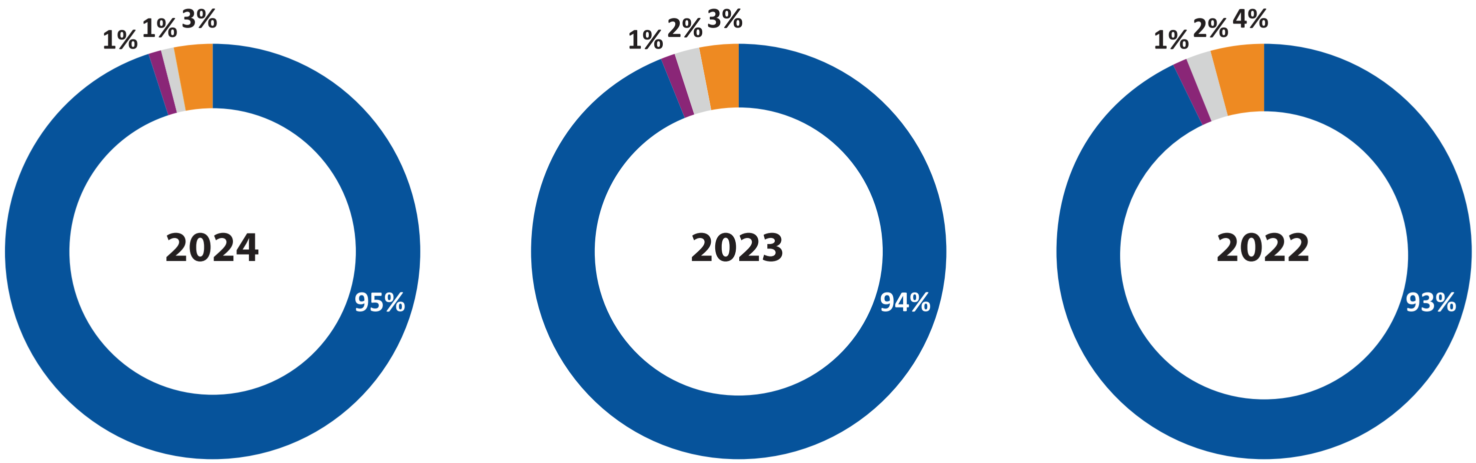
MORTALITY TABLE ASSUMPTION



The Society of Actuaries (SOA) periodically publishes mortality studies reflecting updated life expectancies based on large databases of pensioner mortality experience. As of the June 30, 2024 ACFRs, 78% of Connecticut plan sponsors were using the Pub-2010 public sector mortality table, which represents a 4% increase in use compared to 2023.

The next most common mortality tables in use by Connecticut public pension plans is the RP-2014 Mortality Table (18% versus 19% in 2023). Only 4% of Connecticut pension plans were using an assumption reflecting either the older RP-2000 table or some other mortality basis in 2024, a reduction of 3% versus 7% of plans in the 2023 report.

MORTALITY IMPROVEMENT SCALE ASSUMPTION



Because actuarial valuations involve calculating liability associated with providing benefits to participants, both today and for many years into the future, actuaries also consider the potential effect of future improvements in life expectancies.

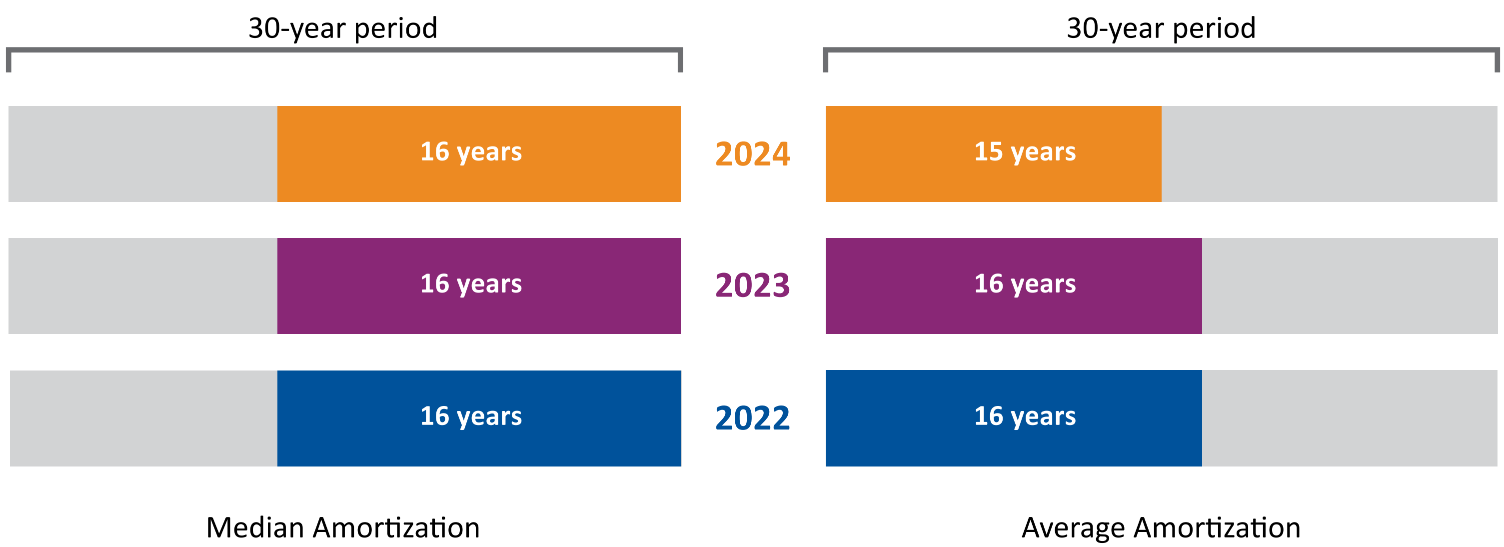
This effect is captured most often by way of a mortality improvement scale assumption, with the most common scale used in 2024 being Scale MP (95% of plans versus 94% of plans in 2023).

Very few plans are now using the next most common scales, which are Scale AA and Scale BB (1% each). Only 3% of plans are using no scale for the mortality improvement assumption in 2024.

- % of plans with MP
- % of plans with AA
- % of plans with BB
- % of plans with no scale

AMORTIZATION PERIOD

Connecticut's public pension plans continue to compare favorably with the 30-year amortization period that is generally considered to be the maximum for public sector pension plans.



The ADEC most commonly reflects two components: 1) the normal cost, which is the value of benefits expected to be earned by active participants during the upcoming year, and 2) an amortization payment, which is a contribution towards eliminating the pension plan's unfunded actuarial liability (or surplus, if applicable) over time.

Since a pension plan's unfunded actuarial liability is generally considered a long-term expense, the amortization payment, similar to a home mortgage, is recognized over time.

Connecticut public pension plans' amortization periods are reasonably consistent with national stats and compare favorably with the 30-year period that is generally considered to be the maximum for public sector plans.

OTHER POST-EMPLOYMENT BENEFITS (OPEB)

KEY TAKEAWAYS | *Municipalities with OPEB plans*

Percentage of funded OPEB plans and those funded by a trust remains unchanged.

53%

Unfunded

47%

Funded by OPEB trust

Fifty-three percent of OPEB plans are unfunded (unchanged from the 2024 report), with 47% of plans funded with an OPEB trust (also unchanged from the 2024 report).

Increase in average funded ratio.

54.2%

For those plans funded using an OPEB trust, the average funded ratio is 54.2%, a 13.1% increase vs. the average funded ratio of 41.1% in the 2024 report.

Increase in initial year health care trend assumptions.

6.45%

Initial year

4.34%

Ultimate

The average initial year health care trend assumption is 6.45% (median of 6.50%), and the average ultimate year health care assumption is 4.34% (median of 4.40%).

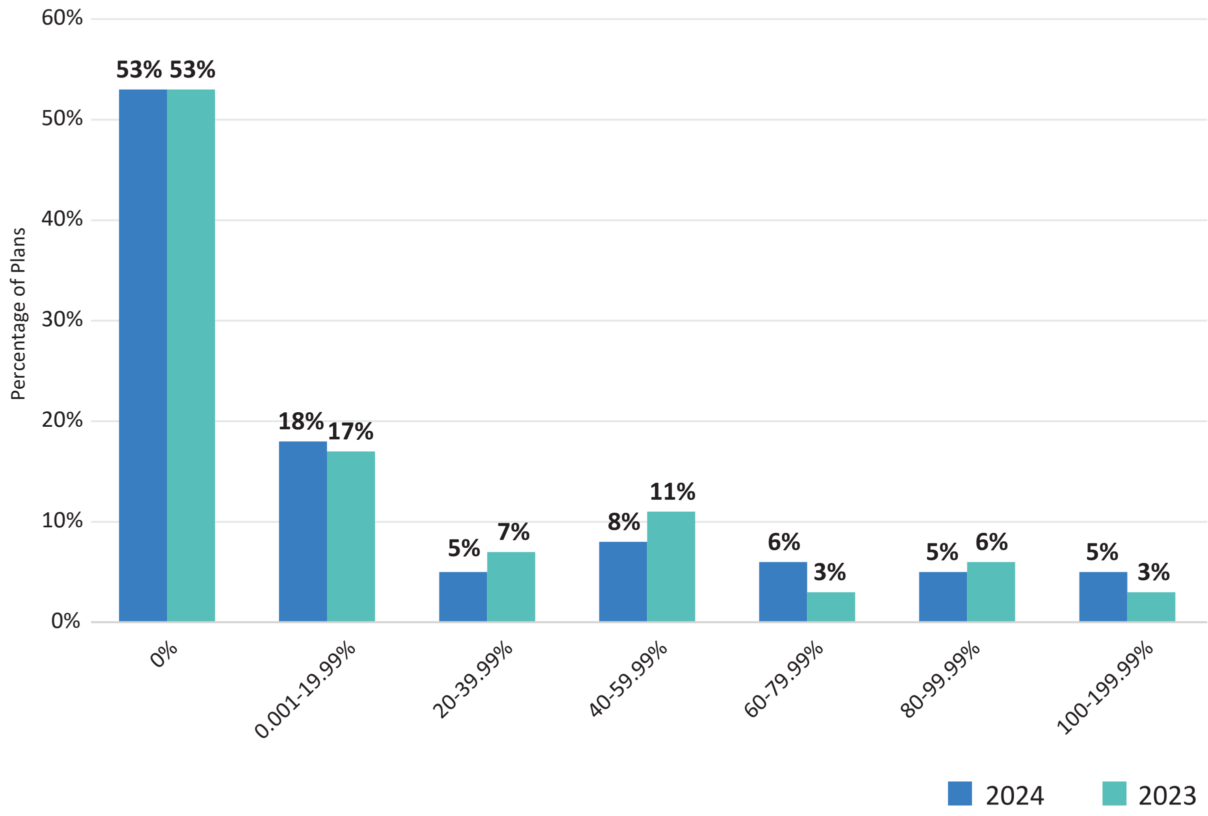
These statistics compare with last year's average initial year health care trend assumption of 6.19% (median of 6.50%) and an average ultimate year health care assumption of 4.37% (median of 4.40%).

Number of years to reach the ultimate trend remains unchanged.

11 years

The median number of years to reach the ultimate trend assumption is 11 years, which is unchanged from the median period of 11 years in the 2024 report.

FUNDED RATIO FOR ALL PLANS

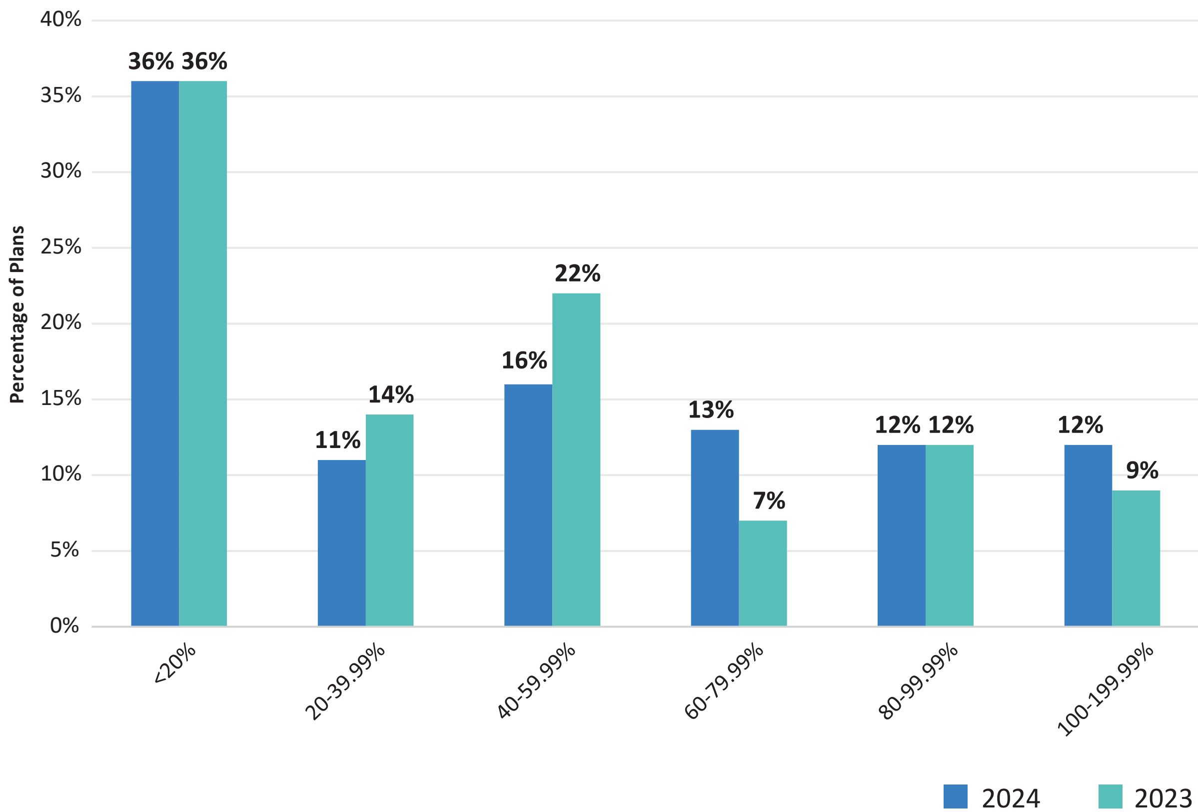


The rules governing how municipalities should report pension costs and other post-employment obligations are covered by the Government Accounting Standards Board (GASB). GASB is a private non-governmental organization that creates accounting reporting standards for state and local governments.

Many public sector OPEB plans continue to be unfunded arrangements, as GASB did not define actuarial measurements of liabilities until 2009.

As of June 30, 2024, approximately 53% of the OPEB plans in CT are unfunded, with the remaining 47% of plans funded via an OPEB trust. These statistics are unchanged from the split of 53% unfunded vs. 47% funded in last year's report.

FUNDED RATIO FOR FUNDED PLANS ONLY

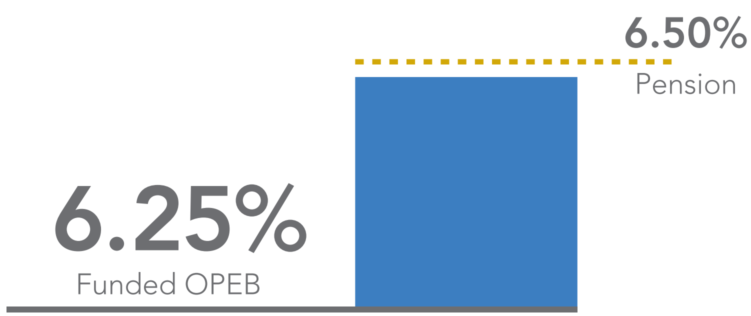


For the OPEB plans that are funded via a trust, the average funded ratio is 54.2% (median is 44.7%) as of June 30, 2024 vs. 41.1% average/ (36.5 % median) as of June 30, 2023.

Thirty-six percent of plans have a funded ratio of less than 20%, which is unchanged from FYE 2023.

More plans are 100% funded, with 12% of plans funded at 100% or more in 2024 compared to 9% of plans funded at that level in 2023. This increase was mainly driven by favorable investment returns for FYE 2024.

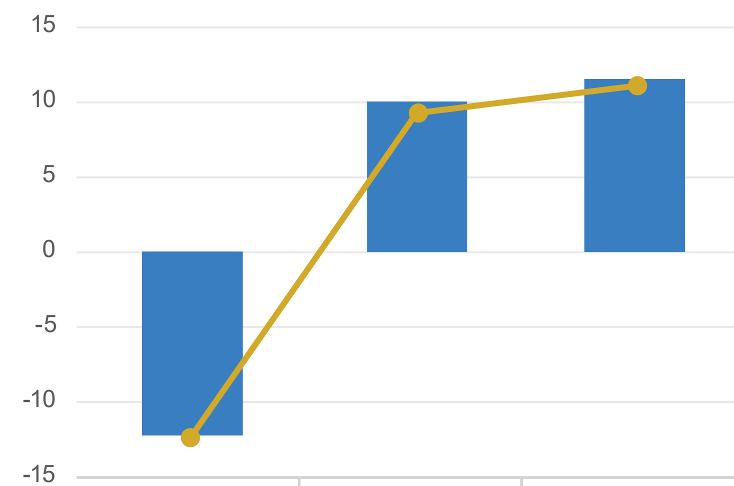
INVESTMENT RETURN ASSUMPTION



As of FYE 2024, the median investment return assumption for funded OPEB plans is 6.25% (unchanged for FYE 2023). This assumption is 25 basis points lower than the median investment return assumption for pension plans (6.50%).

MONEY-WEIGHTED RATE OF RETURN

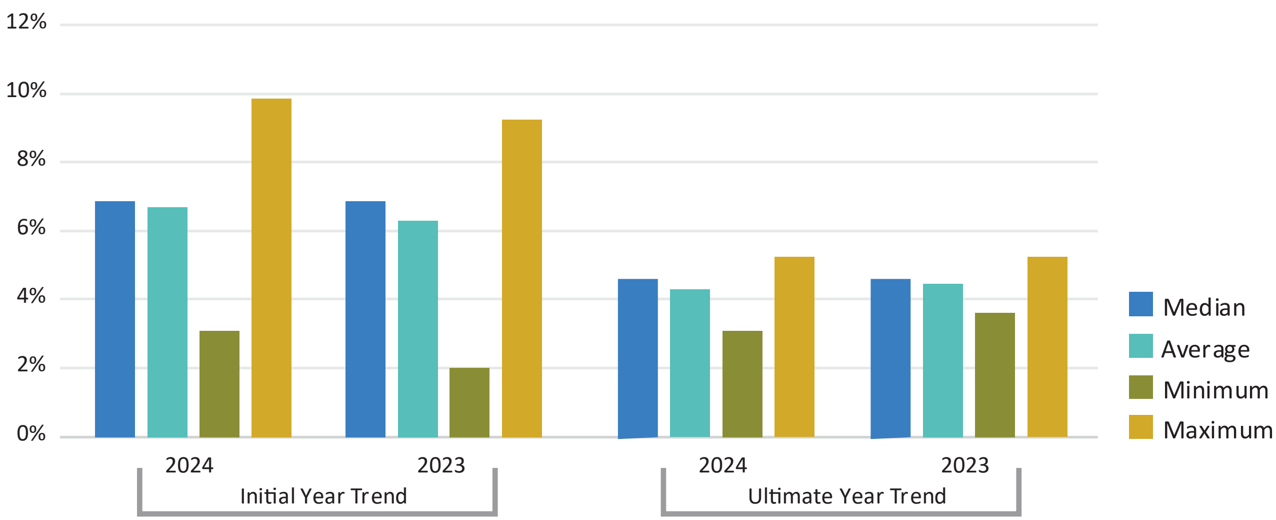
Similar to pension plans, OPEB plans generally experienced favorable returns in FYE 2024.



	2022	2023	2024
Funded OPEB	-12.09%	9.86%	11.12%
Pension	-12.06%	9.11%	10.90%

The average money-weighted rate of return for FYE 2024 for funded OPEB plans is 11.12%, a notable increase compared to 9.86% for FYE 2023. Pension plans also increased to 10.90% in 2024, compared to 9.11% the previous year.

HEALTH CARE COST TREND ASSUMPTION



	Initial Year Trend		Ultimate Year Trend		Years to Ultimate	
	2024	2023	2024	2023	2024	2023
Median	6.50%	6.50%	4.40%	4.40%	11	11
Average	6.45%	6.19%	4.34%	4.37%	20	19
Minimum	3.00%	2.00%	3.00%	3.60%	0	7
Maximum	9.80%	9.00%	5.20%	5.20%	70+	70+

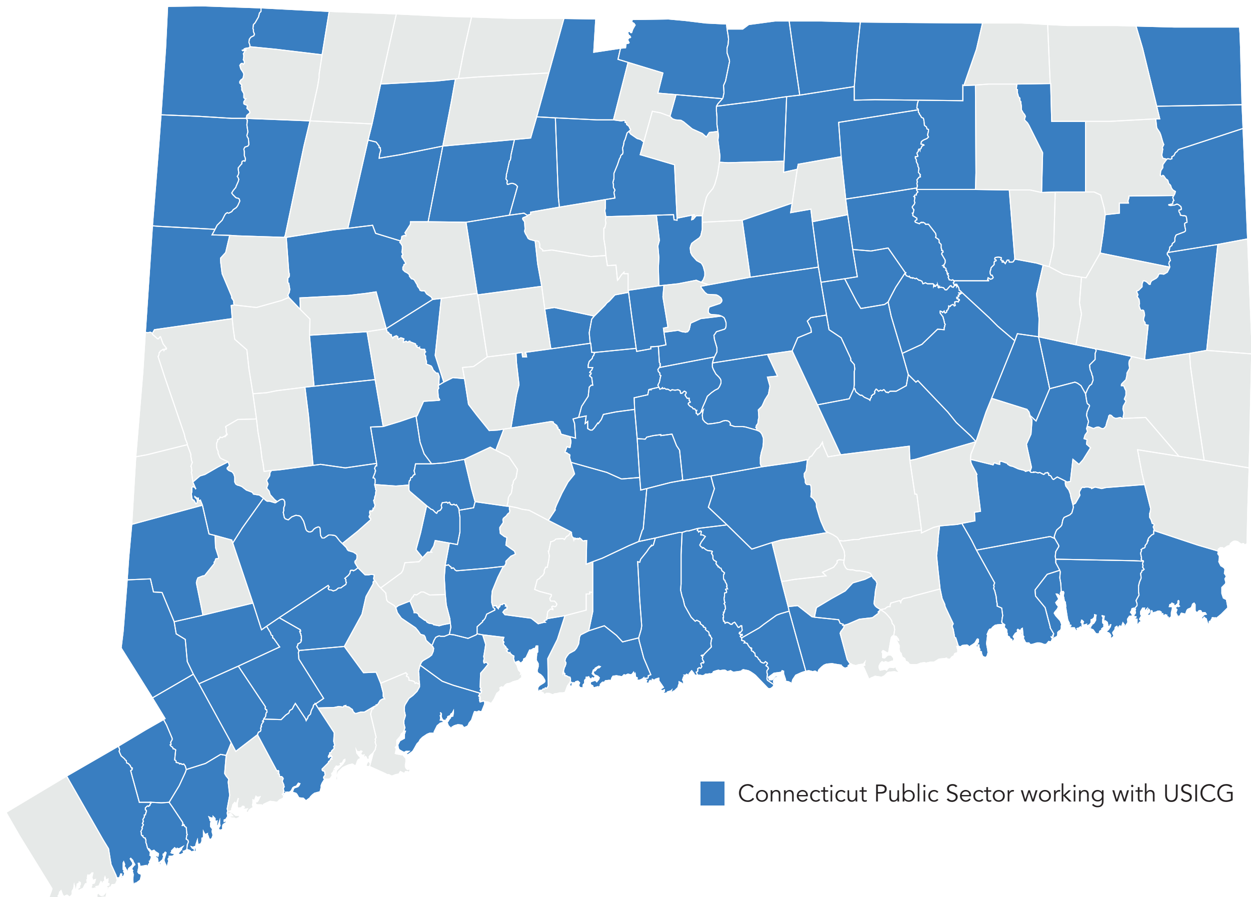
As of June 30, 2024, the average initial year health care trend assumption is 6.45% (median of 6.50%), and the average ultimate year health care assumption is 4.34% (median of 4.40%). These statistics compare with last year's average initial year health care trend assumption of 6.19% (median of 6.50%), and an average ultimate year health care assumption of 4.37% (median of 4.40%).

The average number of years to reach the ultimate trend assumption is 20 (versus 19 last year) with a median of 11 years (unchanged from last year).

The reason there is a large difference between the average and median is because the two most common approaches have very different grade-out periods. One approach generally grades down to the ultimate trend in 7-11 years, while the other approach (known as the "Gretzen model") grades down more gradually over 50-70+ years.

HOW USI CONSULTING GROUP (USICG) CAN HELP

Let us help you prudently manage your pension and OPEB plans for competitiveness, fiscal sustainability, administrative and accounting integrity, and regulatory compliance.



Pension and OPEB plans have provided public sector employees with a comfortable retirement for over 150 years. Today, 59% of municipal entities in Connecticut choose USI Consulting Group to deliver accurate information, on-point consulting, leading-edge technology and exceptional service.

Pension and OPEB plans provide security for employees, but managing a plan can be extremely complex due to changing regulations, accounting disclosure requirements and other state laws that may mandate or limit benefits offered to public sector employees.

Since 1975, we have been helping plan sponsors mitigate risk and the financial impact pension plans may have on their organization. Our skilled team of more than 80 actuaries fully understand the unique challenges of pension and OPEB obligations faced by the public sector and are ready to help you look at your plans from a different viewpoint. From intelligent plan design to investment governance to online participant services and education that helps employees appreciate the value of the benefit being provided, we have the creative solutions and know-how to improve the prediction and management of your plan costs and expenses.

5 REASONS WHY YOU SHOULD BE WORKING WITH USICG

1. **Deep expertise –** We work with more than 900 public sector entities in over 35 states, supporting more than 600,000 plan participants.
2. **Vast resources –** With 80 credentialed actuaries on staff, and more than 60 actuarial professionals to support them, we have a solution for just about every need.
3. **Broad knowledge –** Clients include state, county, municipal, utility, transit, university and school boards, and public health systems.
4. **Client satisfaction –** In a recent client survey, 91% of respondents stated the accuracy of information, reports or advice received meets or exceeds their expectations. Our consultants and the professionals who support them excel at going the extra mile to ensure client satisfaction.
5. **One size does not fit all –** Services support qualified and non qualified plans of all shapes and sizes.

Exceptional service, expertise and value are at your fingertips

USICG's team of experienced actuaries will join forces with your committee to develop an innovative pension and OPEB plan strategy designed around your specific goals. Discover how our unique approach to public sector retirement plan management, coupled with leading-edge technology, delivers customized solutions with proven financial impact.

Contact your USICG consultant or reach out to us directly at information@usicg.com to learn more.

Connect with us today | information@usicg.com | 860.633.5283 | usicg.com |

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