



The Metropolitan District
water supply · environmental services · geographic information

**PERSONNEL, PENSION & INSURANCE COMMITTEE
SPECIAL MEETING
WEDNESDAY, JUNE 22, 2022
4:00 PM**

Location

Board Room
District Headquarters
555 Main Street, Hartford

Dial in #: (415)-655-0001
Access Code: 43808661#
[Meeting Video Link](#)

Commissioners

Avedisian	Pane
Currey	Patel
DiBella (Ex-Officio)	Salemi
Lester	Sweezy (VC)
Magnan	Taylor (C)
Marotta	
Quorum: 6	

-
1. CALL TO ORDER
 2. PUBLIC COMMENTS RELATIVE TO AGENDA ITEMS
 3. APPROVAL OF MEETING MINUTES OF MAY 11, 2022
 4. REPORT RE: MILLIMAN UPDATE - PENSION AND OPEB
 5. CONSIDERATION AND POTENTIAL ACTION RE: OPEB PAY-AS-YOU-GO EXCESS
 6. REPORT RE: GALLAGHER RECOMMENDATIONS FOR INSURANCE COVERAGE
 7. OPPORTUNITY FOR GENERAL PUBLIC COMMENTS
 8. COMMISSIONER COMMENTS & QUESTIONS
 9. ADJOURNMENT

RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2022 Valuation

Our team

Rebecca A. Sielman, FSA	<i>oversees public sector work in New England</i>
Yelena Pelletier, ASA	<i>handles day-to-day services we provide to the District</i>
Jolienne Deskus; Isaias Garibaldo; Suzanne Sheehan; Sharad Arora	
Laura Bucher, CPC, CEBS	<i>handles day-to-day administrative services we provide to the District assisted by April Schultz</i>

What we're working on

Not getting our publications via email? Just send a note to Jessica.Stanford@Milliman.com

Dear Actuary Milliman.com/en/periodicals/dear-actuary	<i>straightforward answers to common public plan questions</i>
Public Pension Funding Study Milliman.com/PPFS	<i>annual update on 100 largest US public pension plans</i>
Public Pension Funding Index Milliman.com/PPFI	<i>monthly updates reflecting current market conditions</i>
Milliman Medical Index Milliman.com/MMIfamilies	<i>annual update on cost of healthcare for a family of four</i>
Underwriting Risk and Innovation Milliman.com/en/insight/Cities-Underwriting-risk-and-innovation	<i>thought leadership on municipal workers' compensation risks</i>
Milliman Climate Resilience Forum	<i>3-day virtual conference with leaders from around the world</i>
CT Public Pension Forum Becky Sielman and Jenn Castelhana: Managing Contribution Volatility	<i>CTPublicPensionForum.com</i>
CT Society of CPAs Governmental Accounting & Auditing Conference Becky Sielman: The Importance of Sound Actuarial Assumptions	

About Milliman

1,000+	<i>public sector pension and OPEB clients</i>
1,100+	<i>pension outsourcing clients</i>
3,000+	<i>actuarial and consulting clients</i>
Top 10	<i>largest pension administrators in mid to large market</i>
250+	<i>Best-in-Class Awards from PLANSPONSOR Magazine</i>
64 million	<i>healthcare data for plan members</i>
1947	<i>the year we were founded</i>
\$1.4 B	<i>firm revenues in 2021</i>
4,600	<i>company employees</i>
67	<i>offices around the globe</i>

Our Mission

We serve our clients to protect the health and financial well-being of people everywhere.

Practice areas

Employee Benefits

Healthcare

Property & Casualty

Life & Financial Risk Management

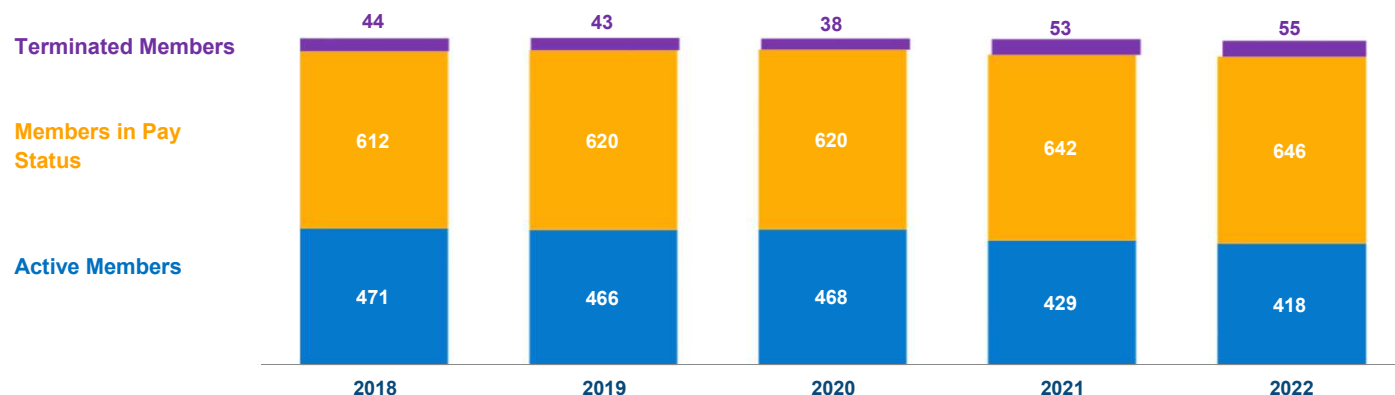
RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2022 Valuation

Page 1

Membership

Member Count



Active Members on January 1, 2022

Total	418
Average Age	50.2
Average Service	15.1
Total Payroll	\$44,206,618
Average Payroll	105,757

Age	Years of Service							Total
	0-4	5-9	10-14	15-19	20-24	25-29	30+	
< 25	2							2
25-29	14	1						15
30-34	18	13	2					33
35-39	15	7	4	3				29
40-44	14	10	16	8	3			51
45-49	5	9	12	2	13	6		47
50-54	3	15	11	9	17	8	8	71
55-59	9	13	5	18	23	14	15	97
60-64	2	8	7	6	23	7	10	63
65+		1	2	2	2	1	2	10
Total	82	77	59	48	81	36	35	418

Members in Pay Status on January 1, 2022

	Service Retirees	Disabled Retirees	Beneficiaries
Count	465	11	170
Average Age	71.5	56.8	77.4
Total Annual Benefit	\$18,209,141	\$307,146	\$1,903,099
Average Annual Benefit	39,159	27,922	11,195

RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

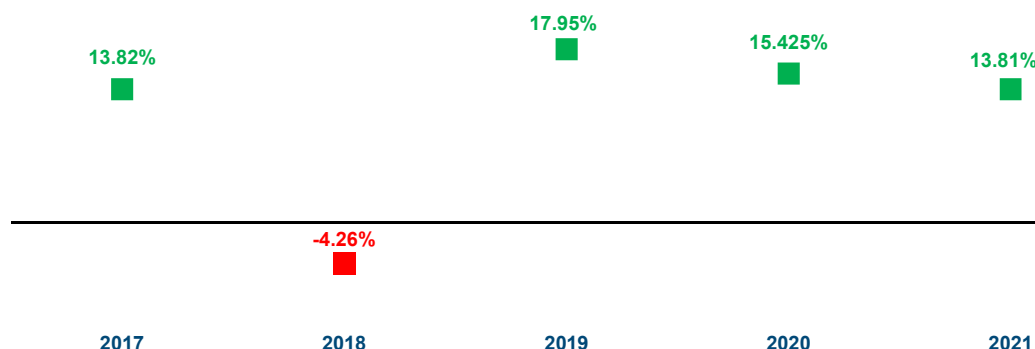
Highlights of the January 1, 2022 Valuation

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Assets

2021 saw another year of strong market performance with a rate of return of 13.81% on a Market Value basis. The chart below illustrates the ups and downs in the plan's investment returns.

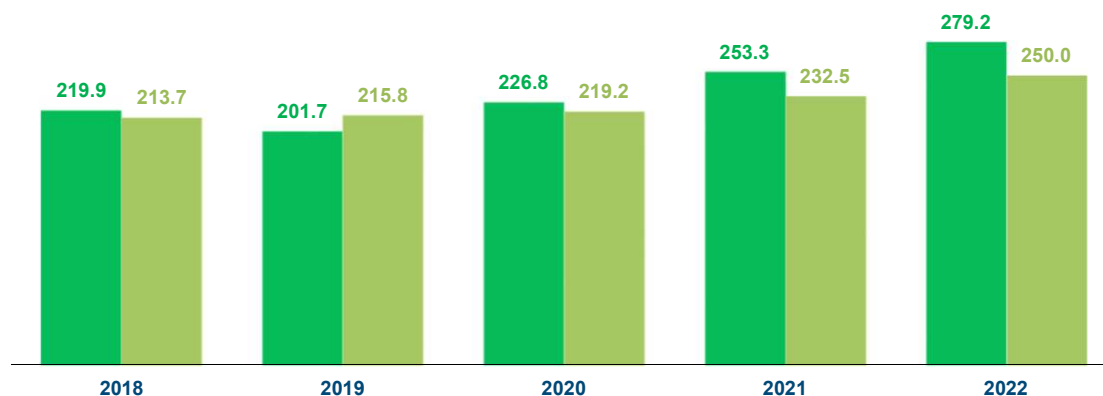
Returns



In order to dampen the volatility of the market and prevent large swings in the District's contribution, we smooth investment gains or losses over five years. The resulting Actuarial Value of Assets is shown alongside the Market Value of Assets in the chart below.

Balances (\$ millions)

Market value
Actuarial value



RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

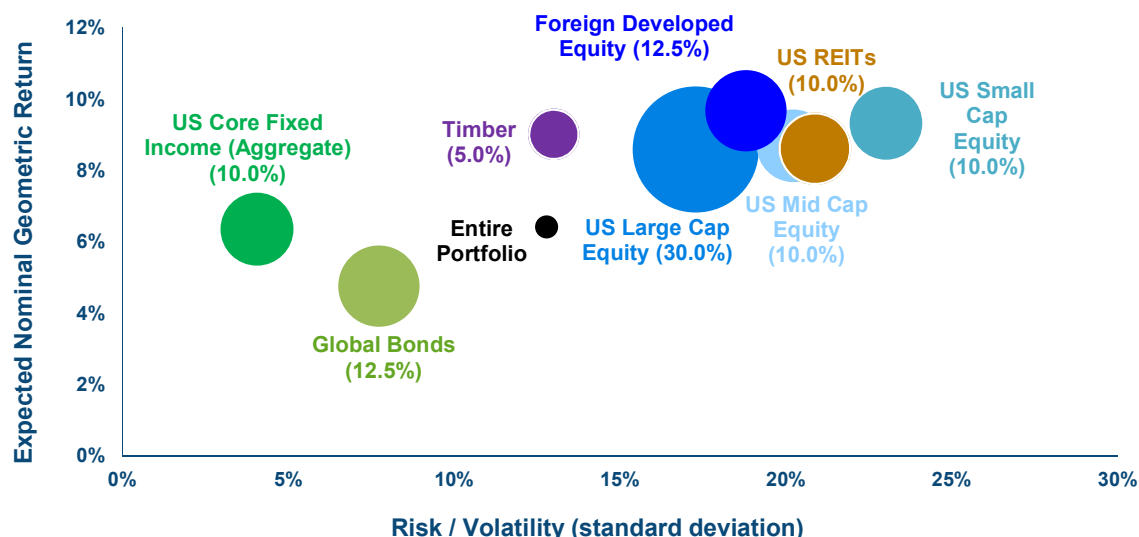
Highlights of the January 1, 2022 Valuation

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Interest Rate Assumption

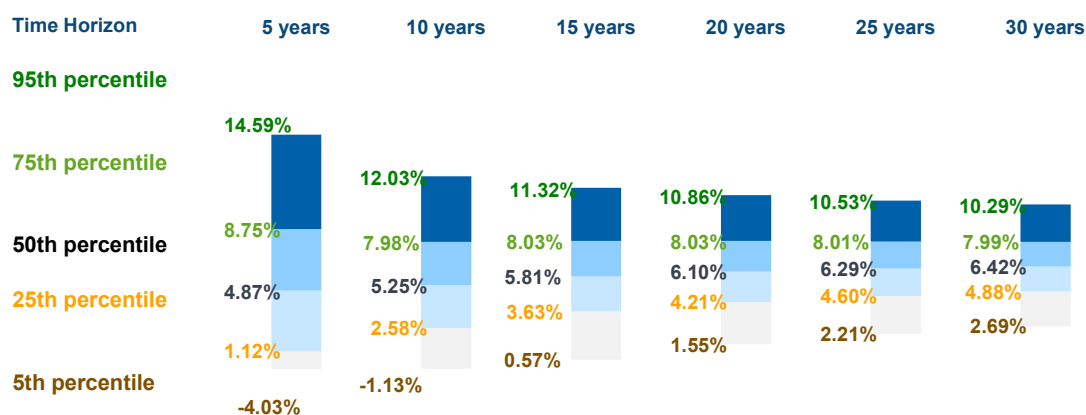
The interest rate assumption is based on the expected long-term return of the plan's investments. Using Milliman's December 31, 2021 Capital Market Assumptions, the target asset allocation has the following risk / return dimensions:

Asset Allocation



In any given year, the plan's investment return can range from very high to very low. As we look at longer and longer periods, the high and low years balance out and the annualized return should converge to the 50th percentile, or median. Using Milliman's December 31, 2021 Capital Market Assumptions, the expected long-term annualized median return of the portfolio, without reflecting a margin for manager alpha, is 6.4%.

Distribution of Expected Nominal Returns Over Time Without Margin for Manager Alpha



RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

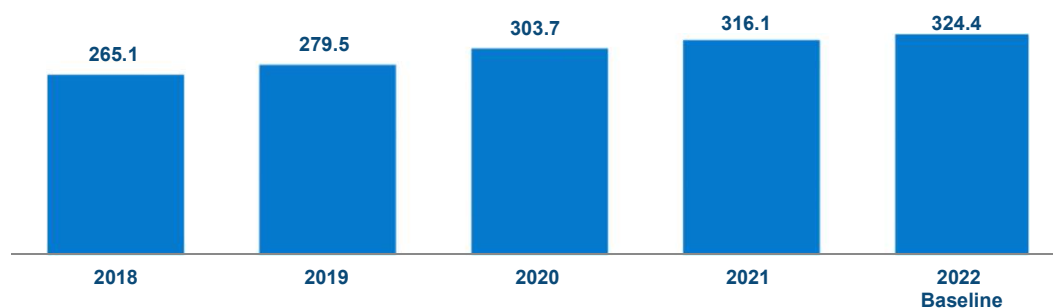
Highlights of the January 1, 2022 Valuation

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Funded Status

The Accrued Liability grows over time as active members earn additional benefits, and goes down over time as retired members receive benefits. The Unfunded Accrued Liability is the dollar difference between the Accrued Liability and the Actuarial Value of Assets; the Funded Ratio is the ratio of the two.

Accrued Liability (\$ millions)

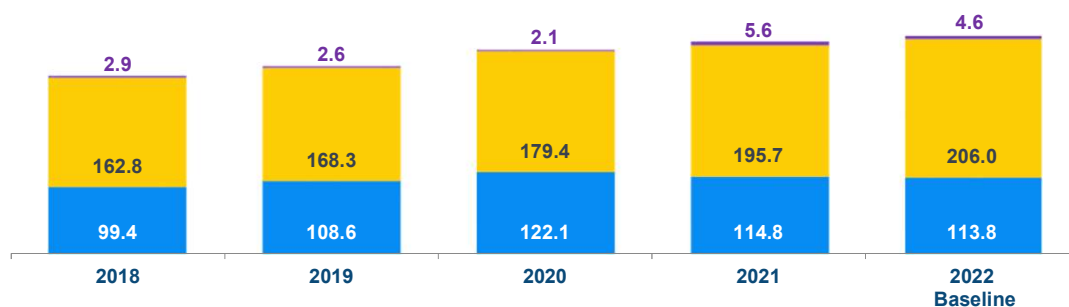


Accrued Liability By Member Group

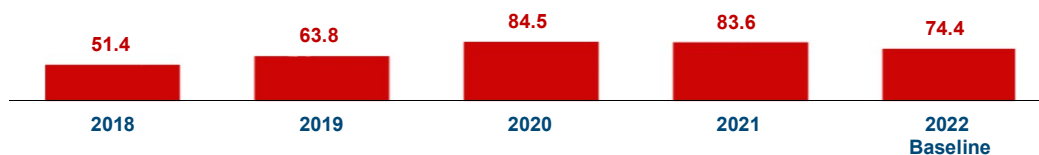
Terminated Members

Members in Pay Status

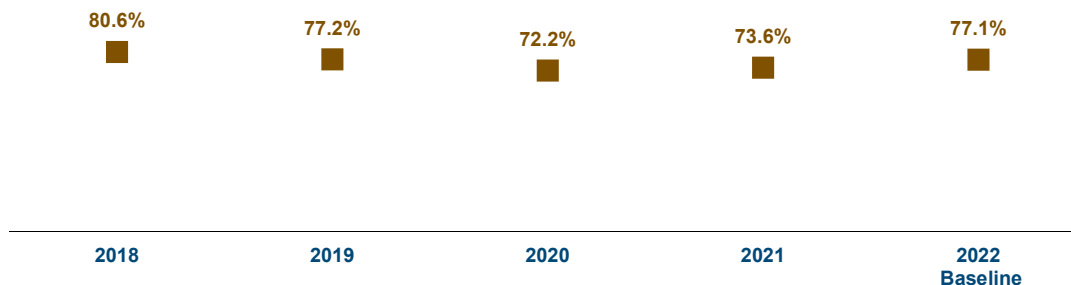
Active Members



Unfunded Accrued Liability (\$ millions)



Funded Ratio



RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2022 Valuation

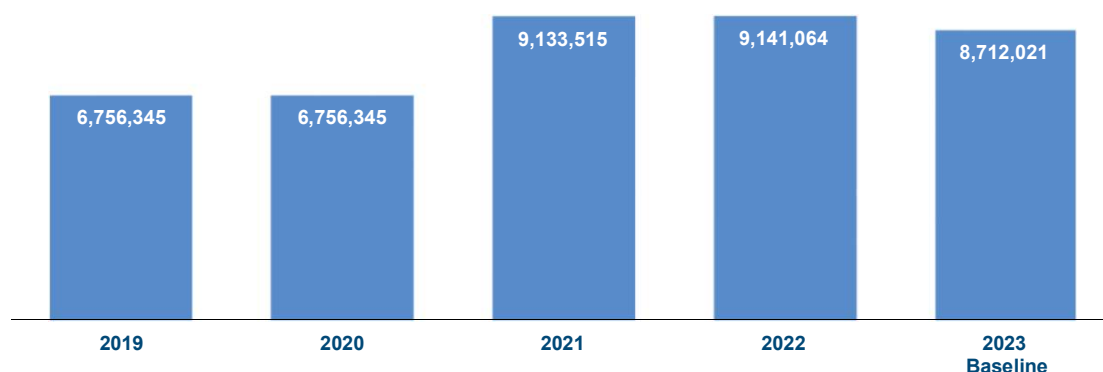
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Actuarially Determined Contribution

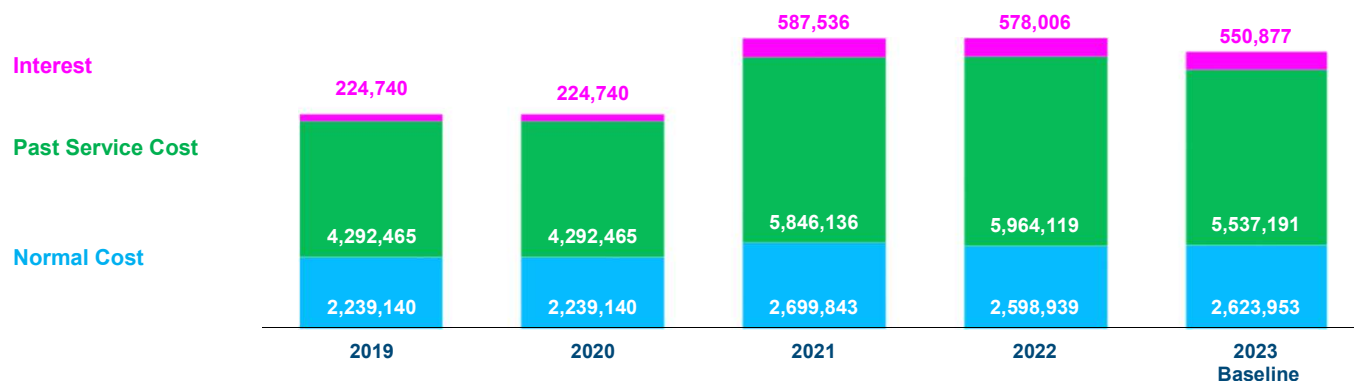
Beginning with the January 1, 2020 valuation, each valuation determines the Actuarially Determined Contribution for the fiscal year starting one year after the valuation date. (For example, the January 1, 2022 valuation determines the Actuarially Determined Contribution for the 2023 fiscal year.) Previously the Actuarially Determined Contribution was developed for the fiscal year starting on the valuation date. In order to transition from the prior valuation timing to the new valuation timing, the January 1, 2019 valuation was the basis for both the 2019 and 2020 fiscal years.

The Actuarially Determined Contribution consists of three pieces: Normal Cost plus a Past Service Cost payment to gradually eliminate the Unfunded Accrued Liability plus Interest to reflect the timing of the contribution relative to the valuation date.

Actuarially Determined Contribution



Note that the Normal Cost is relatively consistent from year to year, whereas the Past Service Cost tends to be more volatile since it reflects the impact of asset performance.



RETIREMENT PLAN FOR EMPLOYEES OF THE METROPOLITAN DISTRICT

Highlights of the January 1, 2022 Valuation

Summary of Key Results

	January 1, 2022 Results				
	2021 Valuation	Baseline No Changes	Updated Mortality	Lower Interest Rate	Lower Interest Rate More
Mortality Improvement Basis	MP-2019 Ultimate	MP-2019 Ultimate	MP-2021 Ultimate	MP-2021 Ultimate	MP-2021 Ultimate
Interest Rate	6.75%	6.75%	6.75%	6.625%	6.50%
Accrued Liability	\$316,125,499	\$324,398,194	\$319,646,279	\$323,759,839	\$327,957,481
Actuarial Value of Assets	232,515,605	250,046,904	250,046,904	250,046,904	250,046,904
Unfunded Accrued Liability	83,609,894	74,351,290	69,599,375	73,712,935	77,910,577
Funded Ratio	73.6%	77.1%	78.2%	77.2%	76.2%
Amortization Period	18	17	17	17	17
Amortization Growth Rate	3.50%	3.50%	3.50%	3.50%	3.50%
Past Service Cost	5,964,119	5,537,191	5,183,300	5,443,055	5,703,941
Total Normal Cost	4,821,667	4,845,109	4,765,843	4,904,337	5,047,510
Expected Employee Contributions	2,304,728	2,305,156	2,305,130	2,305,130	2,305,130
Expected Expenses	82,000	84,000	84,000	84,000	84,000
Net Normal Cost	2,598,939	2,623,953	2,544,713	2,683,207	2,826,380
Interest	578,006	550,877	521,641	538,365	554,471
Actuarially Determined Contribution	9,141,064	8,712,021	8,249,654	8,664,627	9,084,792
For Fiscal Year	2022	2023	2023	2023	2023

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The Metropolitan District Commission Hartford County, CT

Insurance Program 2021 – 2022

What Is Gallagher's Role?

Bidding Strategy

Options to Consider Based on Program Analysis

Gallagher's Activity and Progress

Renewal Timeline

Presented by Gallagher

Ronni Rausch, CPCU, LIA
Area SVP – Client Executive

Ronni_Rausch@ajg.com

508 397 5935

June 22, 2022



Gallagher

Insurance | Risk Management | Consulting

Insurance Program 2021-2022

CASUALTY										
Total Coverage	Total Limit: No Limit	Total Limit per Occurrence: \$750M	Total Limit per Occurrence: \$65M	Total Limit per Occurrence: \$51M	Total Limit per Occurrence: \$51M	Total Limit per Occurrence: \$51M	Total Limit per Occurrence: \$5M	Total Limit per Claim: \$3M	Total Limit per Occurrence: \$1M	Total Limit per Occurrence: \$1M
	No Limit	\$750,000,000	\$25,000,000 / \$25,000,000 THIRD EXCESS LIABILITY							
			\$10,000,000 / \$10,000,000 SECOND EXCESS LIABILITY							
			\$15,000,000 / \$15,000,000 PRIMARY EXCESS LIABILITY INCLUDING PRODUCTS							
			Excess Police \$10,000,000 / \$10,000,000	\$1,000,000	\$1,000,000	\$1,000,000 / \$3,000,000	\$5,000,000 / \$5,000,000	\$3,000,000	\$1,000,000 / \$1,000,000	\$1,000,000 / \$1,000,000
			Primary \$5,000,000 / \$5,000,000							
Policy	Excess Workers Compensation (Statutory-limits defined by law)	Property (damage to MDC property)	Police Professional Liability	Excess Employer's Liability Workers Compensation (Not Statutory)	Excess Auto Liability	Excess General Liability (damage to other's property)	Public Officials Liability	Fiduciary	Cyber Liability	Crime
Retentions	\$1,000,000	\$100,000	\$10,000	\$1,000,000	\$250,000	\$250,000	\$500,000	\$10,000	\$50,000	\$25,000

What Is Gallagher's Role and How it Benefits the District



- Gallagher acts as an outsourced Risk Manager that provides loss control and data analytics in addition to placing the insurance annually – Our role is to be your advocate at all times
 - Gather information regarding exposures and safety protocols and procedures
 - Provide options to existing coverages and additional lines as appropriate
 - Assist MDC in transferring risk where appropriate, assist with contract review
 - Field risk and insurance questions to support the MDC Team as needed
 - Obtain data analytics with regard to property mapping, coverage limits, pricing and retentions
 - Introduce Gallagher resources as appropriate
 - Manage the renewal process and the carriers, providing detailed marketing results
- Gallagher benefits the District by:
 - Providing sophisticated analytics to determine appropriate insurance coverages
 - Providing market access to ensure the lowest available pricing for those coverages during the annual renewal process
 - Providing information on risk and insurance related topical subjects
 - Providing annual stewardship



TO OBTAIN THE CORRECT LEVEL OF COVERAGE AT THE MOST COMPETITIVE PRICE AVAILABLE IN THE MARKET AT THE TIME OF RENEWAL

- Preparation Required
 - Gallagher to Prepare a Renewal Document with Exposure Information Inclusive of All Lines
 - Gallagher to Select a List of Markets to Approach by Line of Coverage
 - Gallagher to Forward Submission to Markets
- Perform a Comprehensive Marketing Effort On All Lines
- Post Submission to Market
 - Gallagher to Follow Up with Incumbent Carriers and Request Indications On Pricing
 - Gallagher to Follow Up with All Other Underwriters and Determine Interest
 - Submit Timeline to Carriers
- Communication
 - In July Bi-Weekly Calls Commence
 - August – Weekly Calls Commence
- Post Quotes Obtained
 - Gallagher to Review and Negotiate Enhanced Terms, Conditions and Pricing
 - Gallagher to Provide an Executive Summary Detailing All Responses and Recommended Options

Renewal Timeline

Renewal: October 1, 2022

Target Date	Activity	Responsible Party	Completed
Week of June 5th	Renewal Information Request	AJG	
Week of June 5th	Budget Indications Presented Market Based Only	AJG	
Week of June 5th	Start Biweekly Renewal/Open Item Calls	AJG /MDC	
July 5 th to 7 th	Renewal Exposures returned to AJG	MDC	
Week of July 11 th	Review of applications and Submission to markets	AJG	
Week of July 18 th	Obtain Carrier Firm Indications	AJG	
Week of August 1 st	Start Weekly Calls	AJG / MDC	
Week of August 15 th	Final Primary Quotes due from carriers	AJG	
Week of August 22 nd	Final Excess Quotes due from carriers	AJG	
Week of August 29 nd	Present to MDC Risk and Insurance Team	AJG	
September 6 th – 9 th	Renewal proposal presented to PP&I Committee	AJG / MDC	
Prior to 10/1	Bind orders to markets	AJG / MDC	
Prior to 10/1	Binders delivered	AJG	
October 1st	Renewal coverage effective 12:01 am	-	



Gallagher

Insurance | Risk Management | Consulting

S	M	T	W	T	F	S
June 2022						
			1	2	3	4
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30		

S	M	T	W	T	F	S
July 2022						
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

S	M	T	W	T	F	S
August 2022						
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

S	M	T	W	T	F	S
September 2022						
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

Options to Consider at Renewal Based on Coverage Analysis



- Marketing of current coverages with requests for the following options
 - Crime: *current \$1M | options requested \$2M and \$3M*
 - Fiduciary: *current \$3M | option requested \$5M*
 - Cyber: *current \$1M | options requested \$2M and \$5M*
 - Casualty: *see slide 2 | option requested an additional \$25M*
- Marketing of current retention with requests for the following options
 - Excess Workers Comp: *current \$1M | option requested \$500K*
 - Excess Automobile & General Liability: *current \$250K | option requested \$500K*
 - Excess Property: *current \$100K | option requested \$250K*
 - Public Officials: *current \$500K | option requested \$100K*
- Obtain Quote Options for Coverage Recommendations
 - Include Ordinary Payroll
 - Increase Flood Limit
 - Include Quote for Physical Damage to Fleet While Parked at One Location
 - Maximize Sublimits – Identify Additional Cost, If Any
 - Request Option for Defense Outside of Limit

Gallagher's Activity and Progress



Insurance | Risk Management | Consulting

- **Completed**

- Requested Insurance Carriers to Transfer All Insurance Policies to Gallagher
- Reviewed All Insurance Policies
- Exposure Analysis / Gathered Exposure Information
- Benchmarked Limits
- Engaged Travelers Loss Control for a Site Visit

- **Upcoming**

- Commence Comprehensive Marketing
- Complete Retention Analysis
- Expand On Loss Control Initiative
- Property Valuation – Marshall & Swift
- Review Loss of Income Limits
- Calculate Loss Ratios