

**TOWN OF STRATFORD
ADOPTED OPERATING BUDGET
FISCAL YEAR 2011**

ORG	OBJ	DEPARTMENT/DESCRIPTION	FY 2007 ACTUAL	FY 2008 ACTUAL	FY 2009 ACTUAL	FY 2010 BUDGET	FY 2011 MAYOR PROPOSED	FY 2011 TC ADOPTED BUDGET	PERCENT CHANGE
EMPLOYEE BENEFITS									
01251	6049	Medical Reserve	-	-	-	-	-	240,000	0.0%
01251	6052	Social Security	1,485,789	1,577,610	1,611,680	1,650,000	1,750,000	1,750,000	6.1%
01251	6053	Medical Insurance	7,874,361	9,185,111	9,310,287	9,703,951	12,251,928	12,251,928	26.3%
01251	6054	Life Insurance	97,647	103,714	98,144	106,000	100,000	100,000	-5.7%
01251	6055	401a Retirement Plan	627,035	436,150	777,068	788,000	658,100	658,100	-16.5%
01251	6056	Longevity	171,165	166,130	159,860	155,000	160,000	160,000	3.2%
01251	6057	Unemployment Compensation	66,182	90,621	95,009	80,000	100,000	100,000	25.0%
01251	6058	Uniform Allowance	69,085	53,430	53,218	28,000	55,000	55,000	96.4%
01251	6060	Police/Fire Annuity	1,048,672	1,076,201	1,066,500	1,087,125	1,100,000	1,100,000	1.2%
01251	6062	Safety Shoes	1,900	1,500	1,647	2,300	2,300	2,300	0.0%
01251	6063	Pension Deposit	4,921,800	5,455,120	5,420,187	6,948,453	8,189,605	8,189,605	17.9%
01251	6064	POB Debt Service	9,116,538	9,111,416	9,112,951	9,114,313	9,112,923	9,112,923	0.0%
01251	6091	OPEB Trust Fund	-	-	302,357	589,743	589,743	589,743	0.0%
01251	6067	Pension Indirect Costs	-	-	-	-	-	-	0.0%
			25,480,173	27,257,002	28,008,906	30,252,885	34,069,599	34,309,599	13.4%

BASIC BUDGET LINE ITEM JUSTIFICATION

<u>Department</u>	<u>Employee Benefits</u>	<u>2011 Adopted Budget</u>
251-6049	Medical Expense Reserve	\$ 240,000
Reserve in Internal Service Fund to address FY10 shortfall and smooth impact of rising medical expenses in future budget cycles.		
251-6052	Social Security	\$ 1,750,000
Social Security benefits calculated at 7.65% of all wage earnings for non-police and non-fire personnel.		
251-6053	Medical Insurance	\$ 12,251,928
This account provides for health, dental and hospitalization insurance for employees and retirees.		
251-6055	401a Retirement Plan	\$ 658,100
This account provides for contributions made by employer on the employee's behalf to a 401a defined contribution retirement program - calculated at 8% of wage earnings for all plan participants.		
251-6060	Police/Fire Annuity	\$ 1,100,000
Calculated at 7.65% of all wage earnings, including Medicare, for Police and Fire personnel.		
251-6063	Pension Deposit	\$ 8,189,605
Provides for the annual required contribution to the employee defined benefit pension fund.		
251-6064	POB Debt Service	\$ 9,112,923
This account provides for the Pension Obligation Bond (POB) debt service.		



251-6091

OPEB Trust Fund

\$ 589,743

The Other Post Employment Benefits (OPEB) Trust Fund budget line shows the amount above annual Expected Benefit Payouts needed to begin funding the Annual Required Contribution (ARC) for all Town employees and Board of Education retiree medical program over seven years.

SIGNIFICANT CHANGES AND COMMENTARY

The Government Accounting Standards Board (GASB) Pronouncement 43 requires retiree medical plans to disclose information about asset and liability levels and show historical contribution information. GASB 43 applies in situations where a separate trust is established to pre-fund these benefits. GASB 45 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent for the fiscal year following implementation of GASB 43.

GASB 43 and 45 apply to any benefit that is provided after retirement except for pension benefits: medical insurance, dental, vision, and hearing benefits plus life insurance and long term care insurance. The philosophy driving the accounting standard is that these post-employment benefits are part of the compensation that is paid to employees in return for their services, and the cost of these benefits should be recognized while the employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 43 and 45 extend the same thinking to all other post-employment benefits.

