

**TOWN OF STRATFORD
PROPOSED OPERATING BUDGET
FISCAL YEAR 2009**

**01 - GENERAL FUND
251 - EMPLOYEE BENEFITS**

ORG	OBJ	DEPARTMENT/DESCRIPTION	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ACTUAL	FY 2008 BUDGET	FY 2009 MAYOR PROPOSED	PERCENT CHANGE
EMPLOYEE BENEFITS								
01251	6052	Social Security	\$ 1,382,890	\$ 1,438,404	\$ 1,485,789	\$ 1,523,675	\$ 1,650,000	8.29%
01251	6053	Hospital Insurance	\$ 6,995,946	\$ 7,503,427	\$ 7,874,361	\$ 8,801,618	\$ 9,252,631	5.12%
01251	6054	Life Insurance	\$ 101,495	\$ 112,375	\$ 97,647	\$ 112,000	\$ 112,000	0.00%
01251	6055	401a Retirement Plan	\$ 506,903	\$ 569,018	\$ 627,035	\$ 690,000	\$ 788,000	14.20%
01251	6056	Longevity	\$ 158,717	\$ 174,910	\$ 171,165	\$ 168,100	\$ 176,300	4.88%
01251	6057	Unemployment Compensation	\$ 32,088	\$ 77,897	\$ 66,182	\$ 55,000	\$ 68,000	23.64%
01251	6058	Uniform Maintenance	\$ 55,690	\$ 62,591	\$ 69,085	\$ 65,000	\$ 71,000	9.23%
01251	6060	Police/Fire Annuity	\$ 989,055	\$ 1,056,450	\$ 1,048,672	\$ 1,195,000	\$ 1,103,000	-7.70%
01251	6062	Safety Shoes	\$ 2,200	\$ 2,100	\$ 1,900	\$ 2,300	\$ 2,300	0.00%
01251	6063	Pension Deposit	\$ 3,902,685	\$ 4,473,840	\$ 4,921,800	\$ 5,455,120	\$ 5,389,656	-1.20%
01251	6064	POB Debt Service	\$ 9,114,695	\$ 9,114,190	\$ 9,116,538	\$ 9,111,416	\$ 9,112,950	0.02%
		OPEB Trust Fund	\$ -	\$ -	\$ -	\$ -	\$ 302,357	0.00%
01251	6067	Pension Indirect Costs	\$ -	\$ 23,200	\$ -	\$ -	\$ -	0.00%
			\$23,242,364	\$24,608,402	\$25,480,173	\$27,179,229	\$ 28,028,194	3.12%



BASIC BUDGET LINE ITEM JUSTIFICATION

Department	Employee Benefits	2009 Proposed Budget
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251-6052	Social Security	\$ 1,650,000
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Social Security benefits calculated at 7.65% of all wage earnings for non-police and non-fire personnel. Line item has a revenue-offset.

251-6053	Hospital Insurance	\$ 9,252,631
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This account provides for health, dental and hospitalization insurance for employees and retirees. Due to successful negotiations last year with Anthem, the FY 09 renewal has a 7.25% increase which is lower than the industry norm for municipality healthcare costs. We anticipate that our renewal in FY 10, even with a RFP, will increase at a minimum 12% due to rising administrative costs.

251-6055	401a Retirement Plan	\$ 788,000
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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	\$ 1,103,000
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Calculated at 7.65% of all wage earnings for Police and Fire personnel.

251-6063	Pension Deposit	\$ 5,389,656
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Provides for the annual required contribution to the employee defined benefit pension fund. This amount is \$39,886 less than budgeted in FY 08.

251-6064	POB Debt Service	\$ 9,112,950
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This account provides for the Pension Obligation Bond (POB) debt service.



251-6_____ OPEB Trust Fund \$ 302,357

The Other Post Employment Benefits (OPEB) Trust Fund is a new budget line that shows the amount above annual Expected Benefit Payouts needed to begin funding the Annual Required Contribution (ARC) for the Police, Fire and Town retiree medical program over seven years. This figure is based on the OPEB Program actuarial valuation as of July 1, 2007 prepared by Milliman Inc.

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.

