Learnings from the 03/07/2014 meeting on Pension/OPEB/Financial Ratings attended by representatives from BOF, BOS, BOE and RBAC.

Presenters: Richard Sych President and Consulting Actuary Hooker & Holcombe and Janette Marcoux Senior Vice President with FirstSouthwest.

Maintaining Brookfield's Bond Rating with Standard and Poor (AAA) and Moody (AA1) and honoring the covenants previously promised requires that Brookfield take specific actions on its pension, fund balance and OPEB obligations. Our advisors suggested the town prioritize these three obligations as follows:

1. **Pension**: It is essential that Brookfield continue to fund the full Actuarially Determined Contribution-ADC (previously ARC) annually. The ADC includes the "normal cost" of funding the current year earned liabilities plus any unfunded liability amortized over 15 years. The rating agencies look at Brookfield's pension funding annually (not only when the town goes out for bonding). Funding less than 100% of the ADC would be contrary to statements made to the rating agencies and bondholders in November 2013, and would result in a loss of credibility in the marketplace.

2. **Fund Balance**: The fund balance for the town is currently below the 7.5% that was agreed upon by the BOS/BOF/BOE as the minimal level that Brookfield would have going forward. The town needs to have a plan to move back to at least that minimum level over the next couple of years. The rating agencies need to see specific actions being taken to execute that plan to get back to the 7.5%.

   Our current target of 7.5% fund balance as a percent of annual spending target is low. While some Connecticut towns with comparable demographics have percentages as high as 13%, a percent of 10% may be appropriate for Brookfield according to Janette.

3. **OPEB**: Brookfield's financial advisors strongly recommend the town develop a "Plan" for OPEB. The plan should include a list of actions that the town has already taken and plans to take, to address these agreed upon obligations. The plan should include a timeline and source of funding. The rating agencies need to see demonstrable steps and a plan that can be executed.

   Setting up an official "OPEB Trust" is an important ingredient of the plan. The actuaries indicated that the discount rate would increase from 4% (currently used) to 6.5% if Brookfield had a funded trust. If the OPEB money continued as Pay-Go through budget (and no trust existed), the discount rate would not change.

Conclusion: The consensus of the group in attendance concluded that reducing the 2014-2015 ADC as a way come up with funds to begin funding OPEB Trust and to set aside funds for roads and facility maintenance is not the approach for Brookfield at this time. Brookfield faces challenges similar to other municipalities including the need to find funding to increase the current fund balance, develop plan for meeting OPEB liabilities, meet the ADC annually, increase reserve for road maintenance and funding a reserve for facility maintenance. All of these are important challenges for Brookfield's management to address and determine a best path forward for the community.