2026 MUNICIPAL PENSION & OPEB REPORT

Since 2018, the USI Retirement team has published the Municipal Pension and Other Post-Employment Benefits (OPEB) Report to help plan sponsors interpret complex data from Annual Comprehensive Financial Reports (ACFRs) and benchmark their plans against peers. The 2026 report reflects data as of June 30, 2025, and provides a clear view of funding trends, assumptions and long-term plan health across Connecticut municipalities.

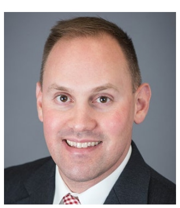
Connecticut municipal pension and OPEB plans showed measurable improvement in fiscal year 2025, supported by strong investment performance and continued funding discipline. The median pension funded ratio increased from the prior year. A majority of pension plans now exceed the 80% funded threshold, and there was an increase in plans that are fully funded. Actual investment returns generally surpassed actuarial assumptions in fiscal year 2025.

While market conditions supported improved funded status, plan sponsors remain focused on long-term sustainability. Assumptions have largely stabilized, with the average investment return assumption holding constant and fewer plans making downward adjustments compared to prior years. At the same time, many municipalities are prioritizing operational efficiency, adopting technology and digital tools to support participants, manage growing retiree populations and control administrative costs.

This report provides practical insights to support informed decision-making as municipalities continue to balance funding progress with evolving plan demands.

We trust you will find this report valuable and informative. Please reach out to your USI Retirement consultant with any questions or to discuss how these insights may apply to your plan.

Sincerely,



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CONNECTICUT MUNICIPAL **PENSION PLANS**

200+ plans ▶ **72K+** participants | **$18.3B** actuarial accrued liability

CONNECTICUT MUNICIPAL **OPEB PLANS**

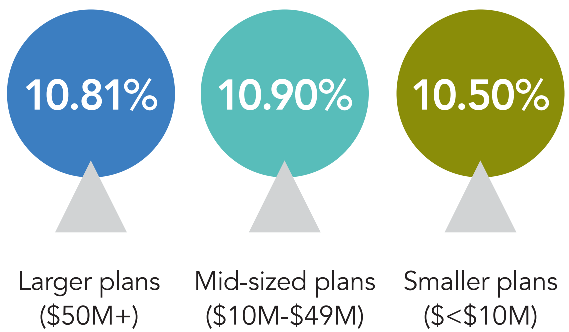
170+ plans ▶ **117K+** participants | **$7.4B** actuarial accrued liability

PENSION

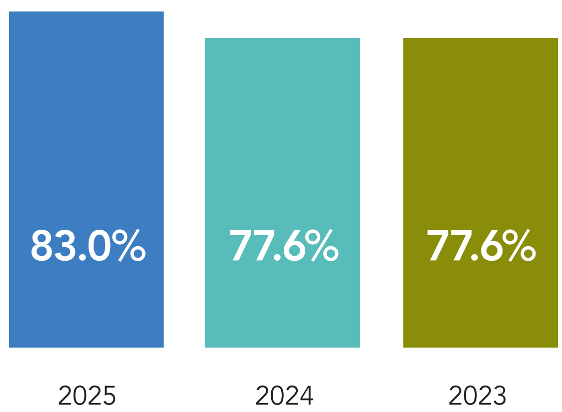
PENSION

KEY TAKEAWAYS | *Municipalities with pension plans*

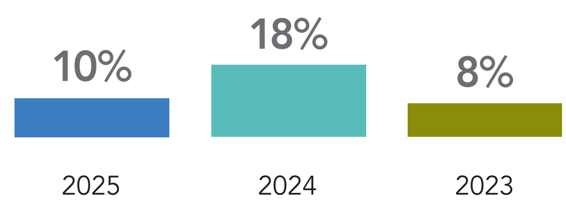
Investment returns for FYE 2025 were quite favorable and generally exceeded the actuarial assumptions.



Funded ratios increased from 2024 levels.



Fewer plans reduced long-term return assumptions.



Our analysis of the money-weighted rate of return by plan size for FYE 2025 shows lower returns among smaller plans. Plans under $10M averaged 10.50%, while mid-sized ($10M–$49M) and larger plans ($50M+) reported returns of 10.90% and 10.81%, respectively.

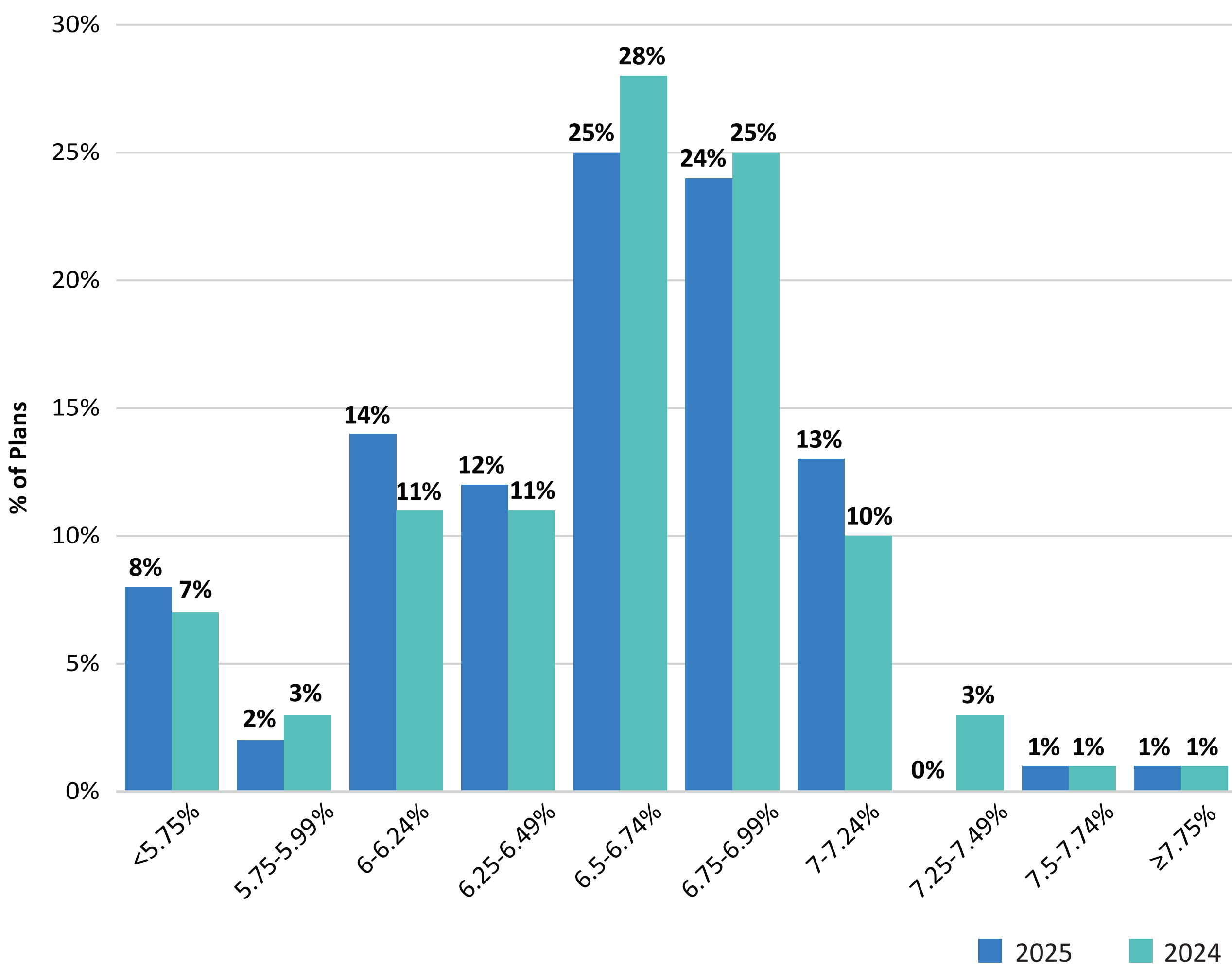
Among the pension plans analyzed, 55% now exceed the 80% funded mark, up from 46% in the 2024 report. Plans below the 50% funded level declined to 10%, compared to 17% in the prior year.

In addition, 19% of plans are funded at 100% or higher, an increase from 12% reported last year.

A smaller share of pension plans reduced the long-term rate of return assumption for FYE 2025, with 10% making changes compared to 18% in the prior year. The most common adjustment was a 25 basis point reduction.

A limited number of plans increased the long-term assumption. Most of these plans are unfunded, with assumption increases driven by higher risk-free bond rates.

LONG-TERM INVESTMENT RETURN ASSUMPTION (FYE 2025 VS. FYE 2024)



The average investment return assumption is 6.43% (median of 6.50%), which is unchanged from the 2025 report.

This assumption is generally mapped back to either the 2024 or 2023 actuarial valuation used in determining the employer's cash contribution amount (also known as the Actuarially Determined Employer Contribution, or ADEC).

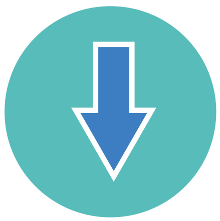
What is ADEC?

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

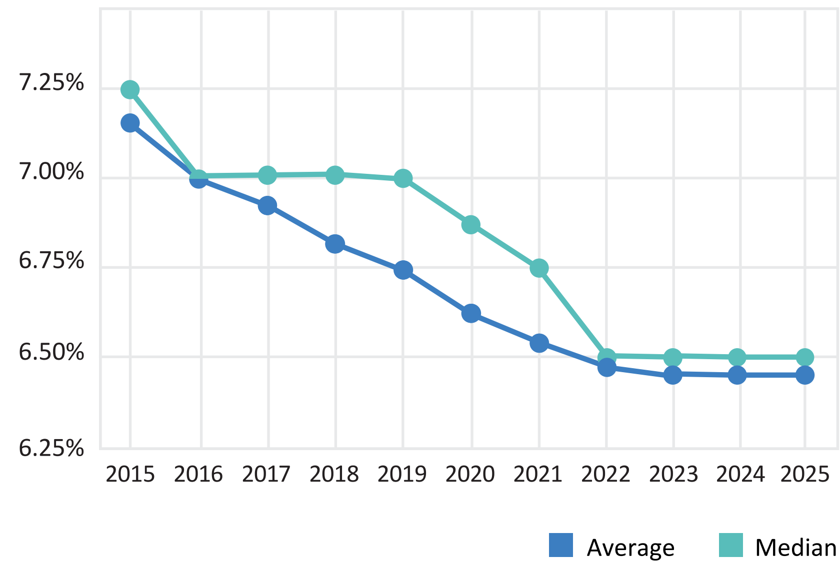
Keeping other assumptions unchanged, a decrease in the investment return assumption results in higher actuarial liability and ADEC, and a lower funded ratio.

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 2025.



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

Only 10% of plans reduced the long-term rate of return assumption from FYE 2024 to 2025, with the most common reduction being 25 basis points. 2% of plans increased this assumption for 2025.

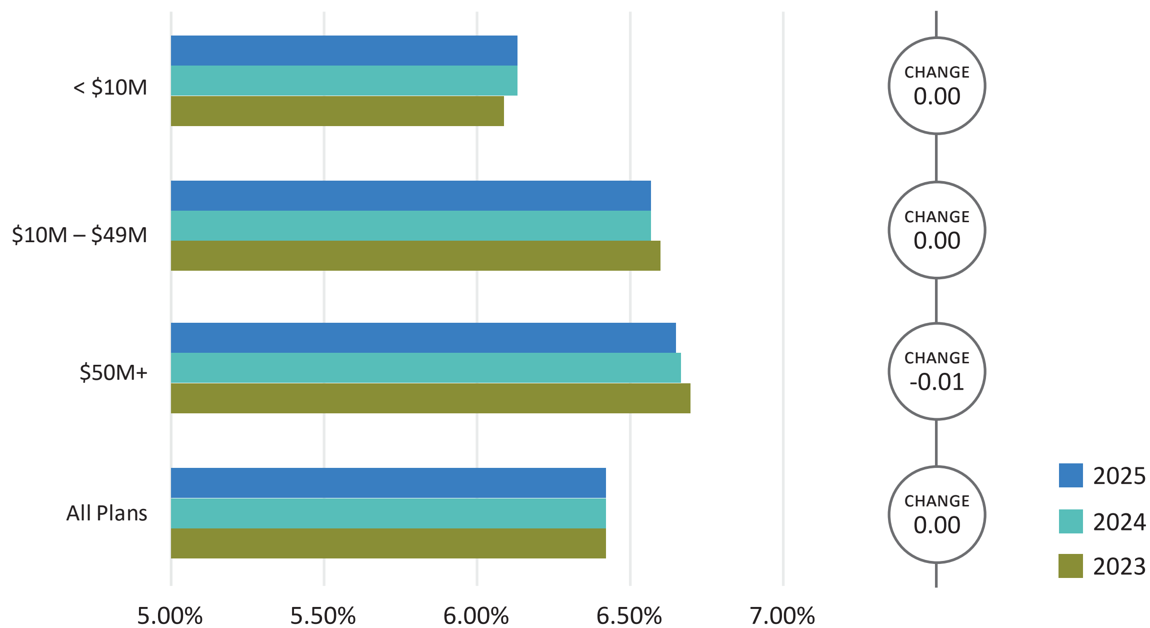


AVERAGE INVESTMENT RETURN ASSUMPTION BY PLAN SIZE

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

The average assumption for the under $10M and $10M – $49M groups did not change from FYE 2024 to FYE 2025. The $50M+ group showed a slight decrease from FYE 2024 to FYE 2025. The average for "All Plans" was unchanged from 2024 to 2025.

Plan Assets ($ millions)	% of Plans	Average Investment Return Assumption 2025	2024	2023	% Change
< $10	36%	6.12%	6.12%	6.07%	0.00%
$10 – $49	35%	6.54%	6.54%	6.60%	0.00%
$50+	29%	6.67%	6.68%	6.71%	-0.01%
All Plans	100%	6.43%	6.43%	6.43%	0.00%



FUNDED RATIO

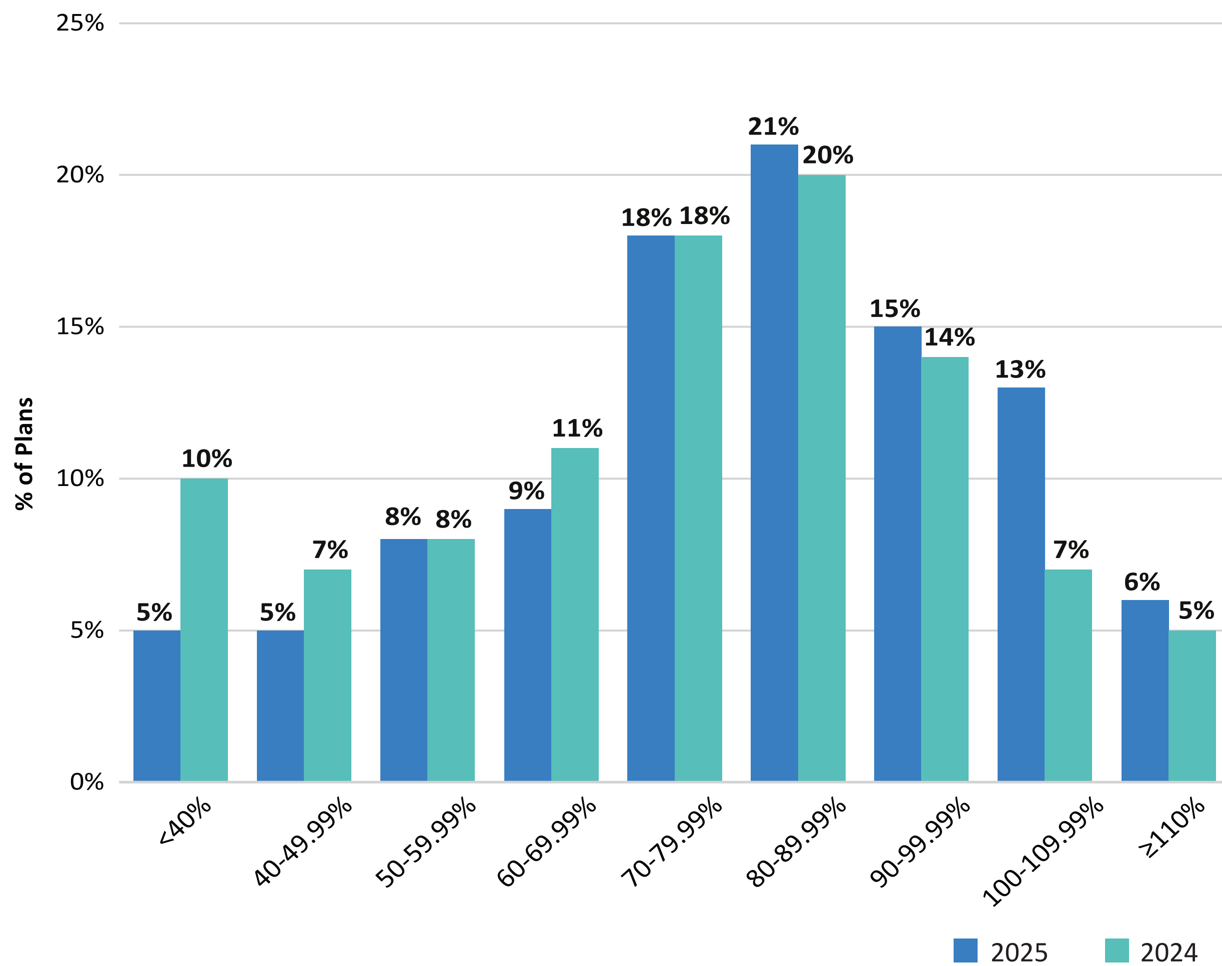
Favorable investment returns for FYE 2025 helped to increase the median funded ratio this year.

Among the pension plans analyzed, 55% exceeded the 80% funded mark, up from 46% in the 2025 report.

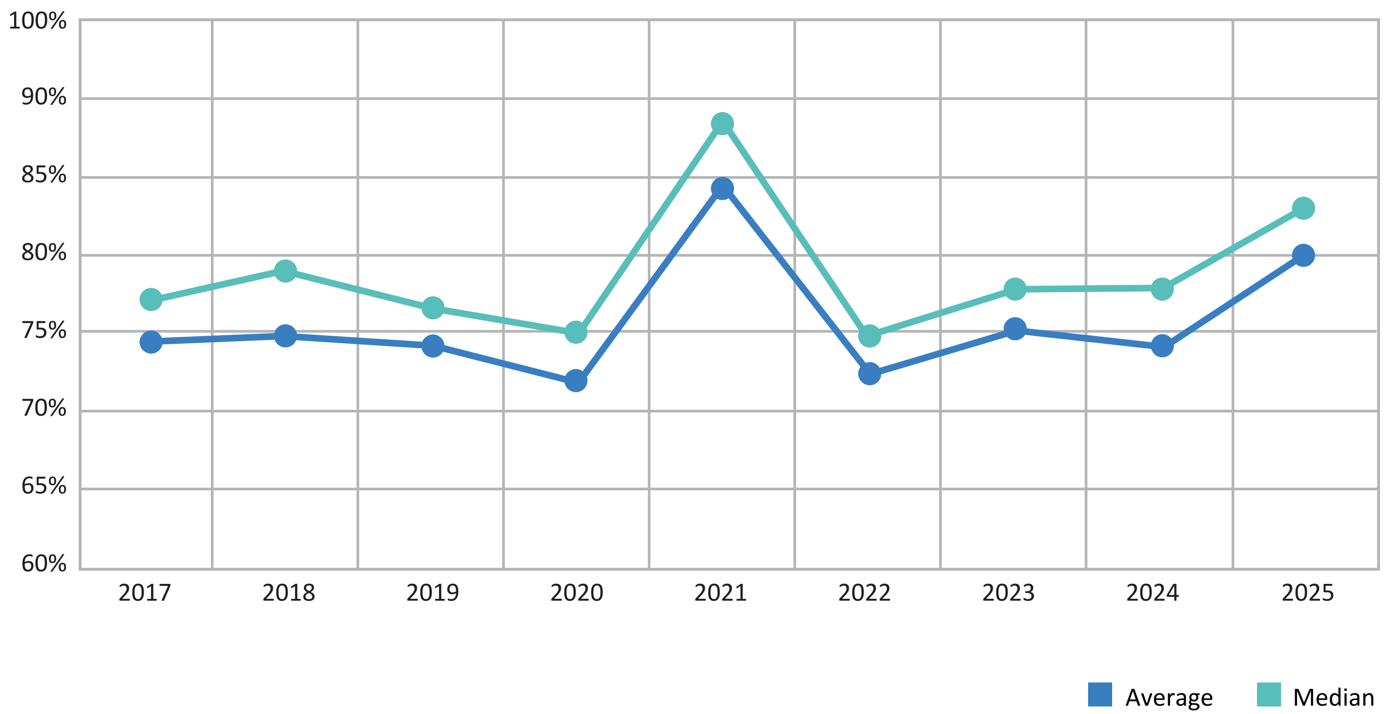
Plans below the 50% funded level declined to 10%, a 7-percentage-point improvement from the 17% reported last year.

Among all plans reviewed, 19% have reached funded levels of 100% or higher, reflecting a 7-percentage-point increase from the 2025 report.

Overall, the median funded ratio increased to 83.0%, up from 77.6% for 2024.



AVERAGE AND MEDIAN FUNDED RATIO TRENDS



The average funded ratio (Market Value of Assets divided by Entry Age Normal Accrued Liability) is 80.0% (median of 83.0%), versus 74.3% (median of 77.6%) in the 2025 report.

The median of 83.0% represents an increase from the 2024 ACFR data, but is still at a lower level when compared to the recent peak in 2021 (85.8% average and 88.2% median). The average funded ratio increased from 74.3% in 2024 to 80.0% in 2025.

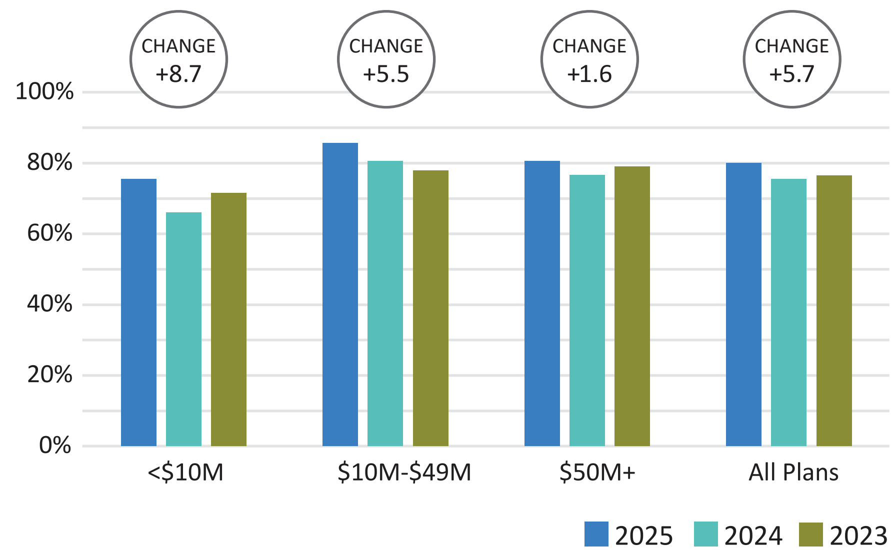
AVERAGE FUNDED RATIO BY PLAN SIZE

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

The data shows that Connecticut municipal pension plans have higher funded ratios than the past year in all plan size categories.

The <$10M category experienced the largest increase, from 65.7% in 2024 to 74.4% in 2025. The $10M–$49M category also had a large increase, from 80.0% in 2024 to 85.5% in 2025. The $50M+ category experienced a modest increase, from 78.5% in 2024 to 80.1% in 2025.

		Average Funded Ratio			
Plan Assets ($ millions)	% of Plans	2025	2024	2023	% Change
< $10	36%	74.4%	65.7%	70.9%	8.7%
$10 – $49	35%	85.5%	80.0%	76.7%	5.5%
$50+	29%	80.1%	78.5%	79.7%	1.6%
All Plans	100%	80.0%	74.3%	75.3%	5.7%

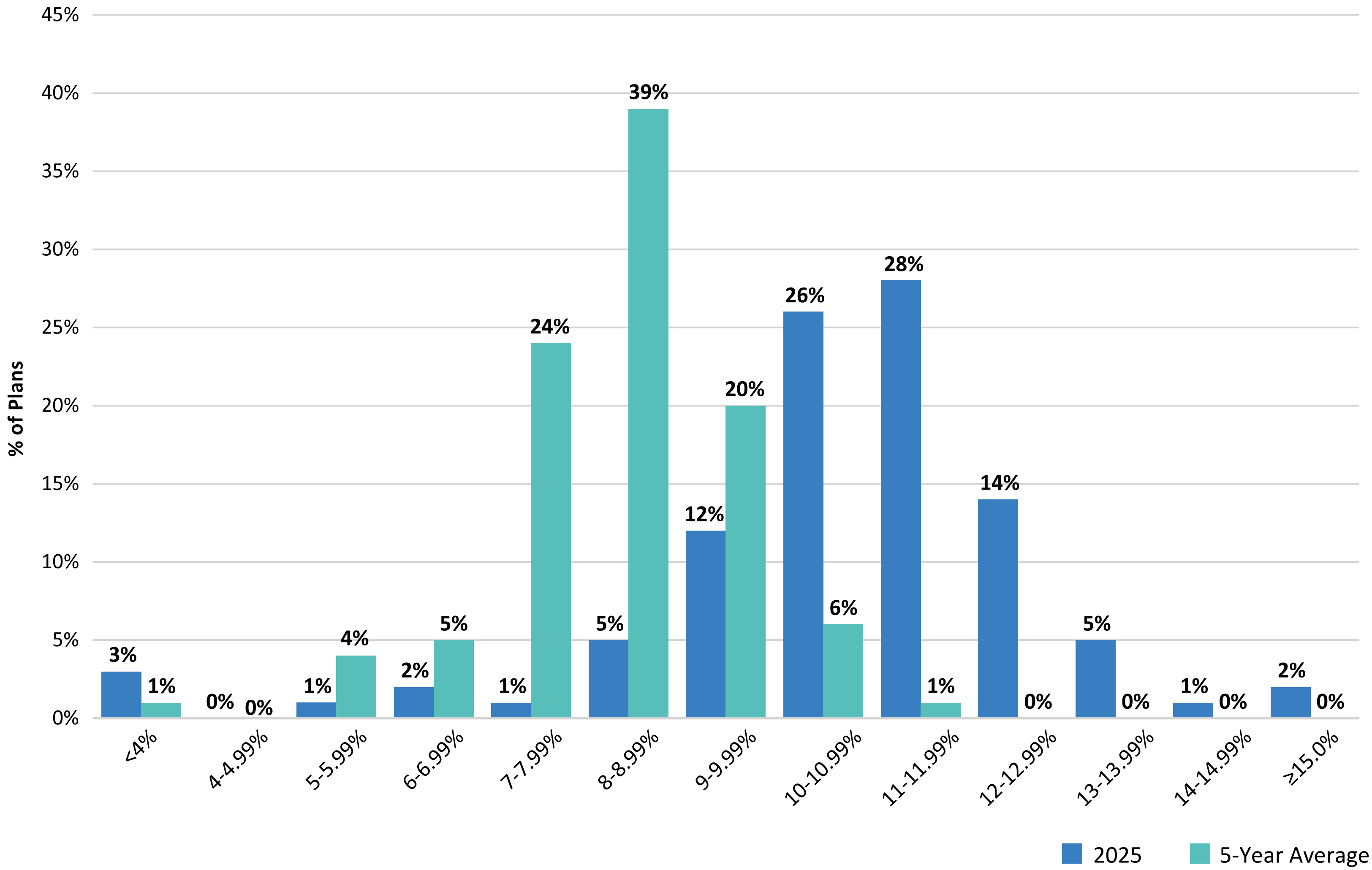


FYE 2025 RETURN VS. 5-YEAR AVERAGE RETURN

The average money-weighted rate of return for FYE 2025 is +10.74% (median is +11.02%), vs. +10.90% average/+10.94% median for FYE 2024.

The 5-year (compounded) average money-weighted rate of return for the period ending June 30, 2025 is +8.29% average / +8.47% median, vs. +6.71% average / +6.77% median for the 5-year period ending June 30, 2024.

Similar to Fiscal Year 2024, returns for Fiscal Year 2025 generally continued to exceed the actuarial assumptions for public sector pension plans.



MONEY-WEIGHTED RATE OF RETURN BY PLAN SIZE

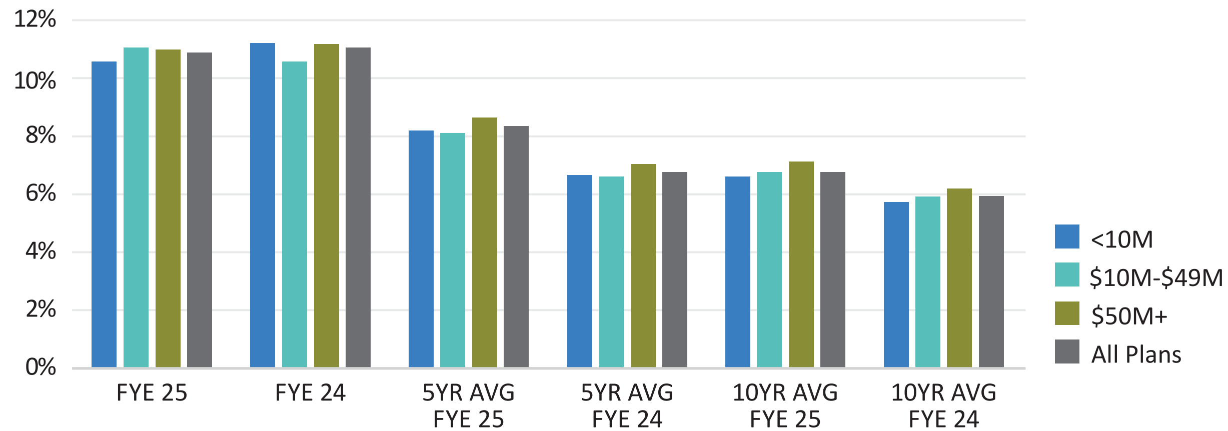
The 5-year (compounded) average money-weighted rate of return for the period ending June 30, 2025 is +8.29% average / +8.47% median, vs. +6.71% average / +6.77% median for the 5-year period ending June 30, 2024.

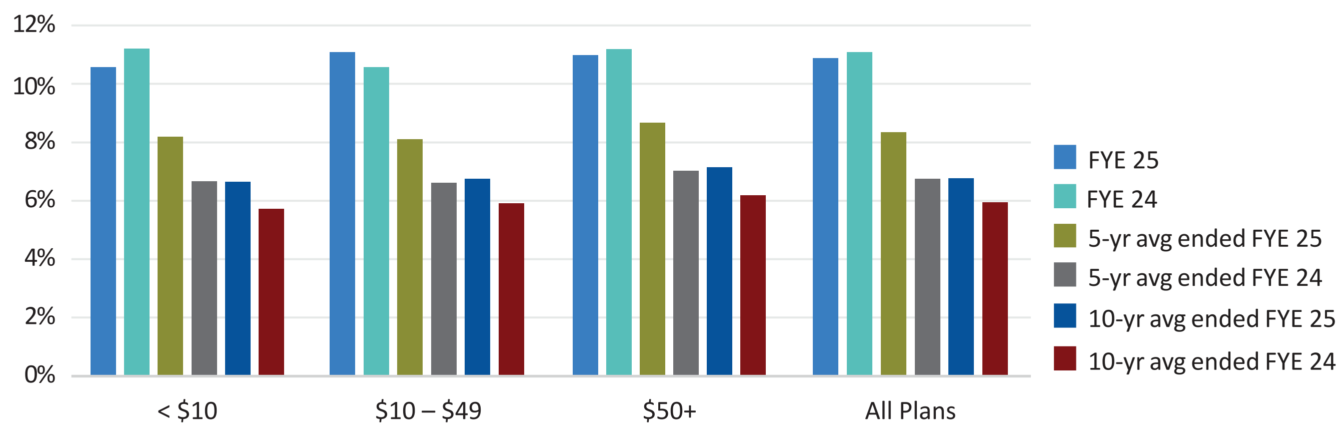
The 10-year (compounded) average money-weighted rate of return for the period ending June 30, 2025 is +6.79% average / +6.87% median, vs. +5.95% average / +6.04% median for the 10-year period ending June 30, 2024.

The money-weighted rate of return by plan size for FYE 2025, the equivalent 5-year period and the equivalent 10-year period showed improved market performance versus FYE 2024 in all plan size categories.

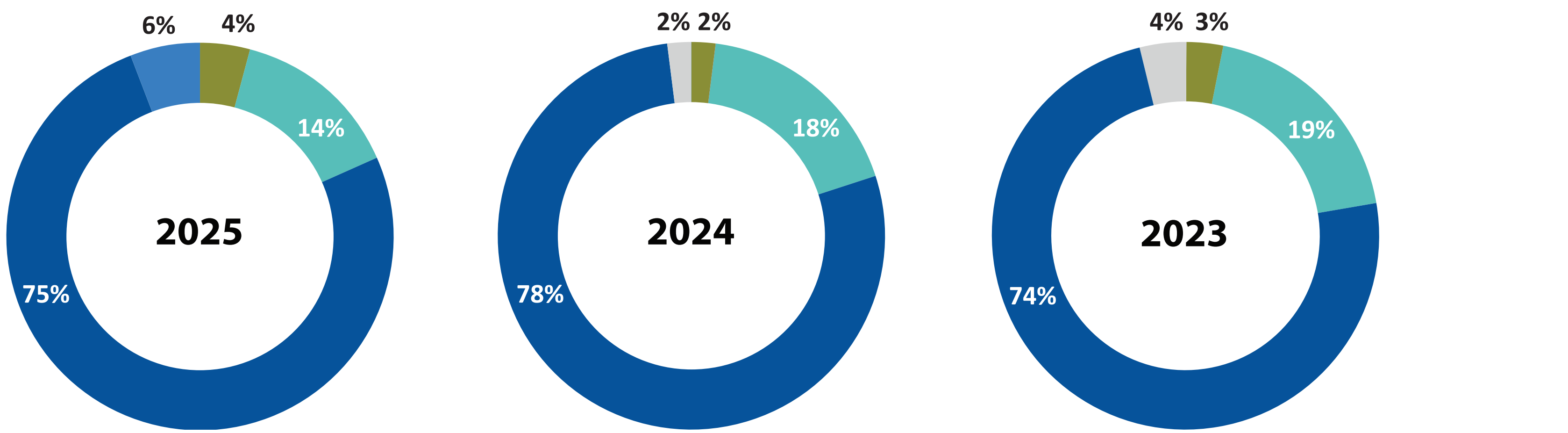
Results for FYE 2025 show that larger plans generally achieved a higher average money-weighted rate of return. Over the longer term, larger plans have also outperformed smaller plans.

Plan Assets ($ millions)	FYE 25	FYE 24	5-year average ended FYE 25	5-year average ended FYE 24	10-year average ended FYE 25	10-year average ended FYE 24
< $10	10.50%	11.16%	8.16%	6.62%	6.59%	5.75%
$10 – $49	10.90%	10.53%	8.14%	6.58%	6.78%	5.92%
$50+	10.81%	11.02%	8.63%	6.97%	7.02%	6.19%
All Plans	10.74%	10.90%	8.29%	6.71%	6.79%	5.95%





MORTALITY TABLE ASSUMPTION

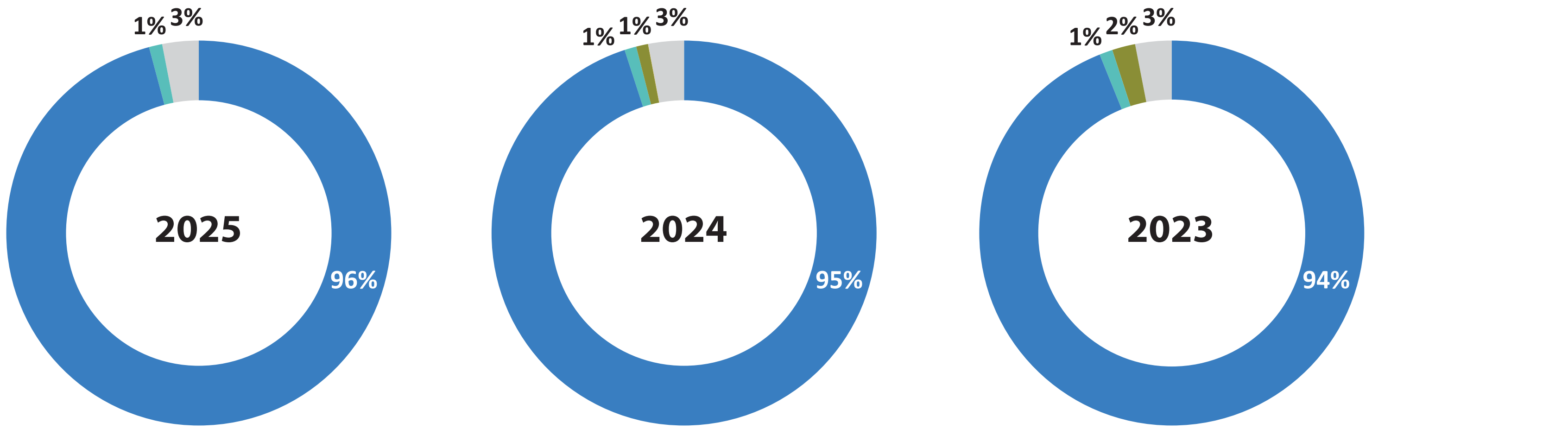


The Society of Actuaries (SOA) periodically publishes mortality studies reflecting updated life expectancies based on large databases of pensioner mortality experience. As of the June 30, 2025 ACFRs, 75% of Connecticut plan sponsors were using the Pub-2010 public sector mortality table, representing a 3% decrease compared to 2024.

The SOA published the Pub-2016 public sector mortality study in May 2025, and this assumption is expected to increase in use for future years. In 2025, 6% of Connecticut public pension plans used Pub-2016.

Among Connecticut public pension plans, 14% used the RP-2014 mortality table, versus 18% in 2024. Only 4% of plans used an assumption reflecting either the RP-2000 table or other mortality basis in 2025, unchanged from 2024.

MORTALITY IMPROVEMENT SCALE ASSUMPTION



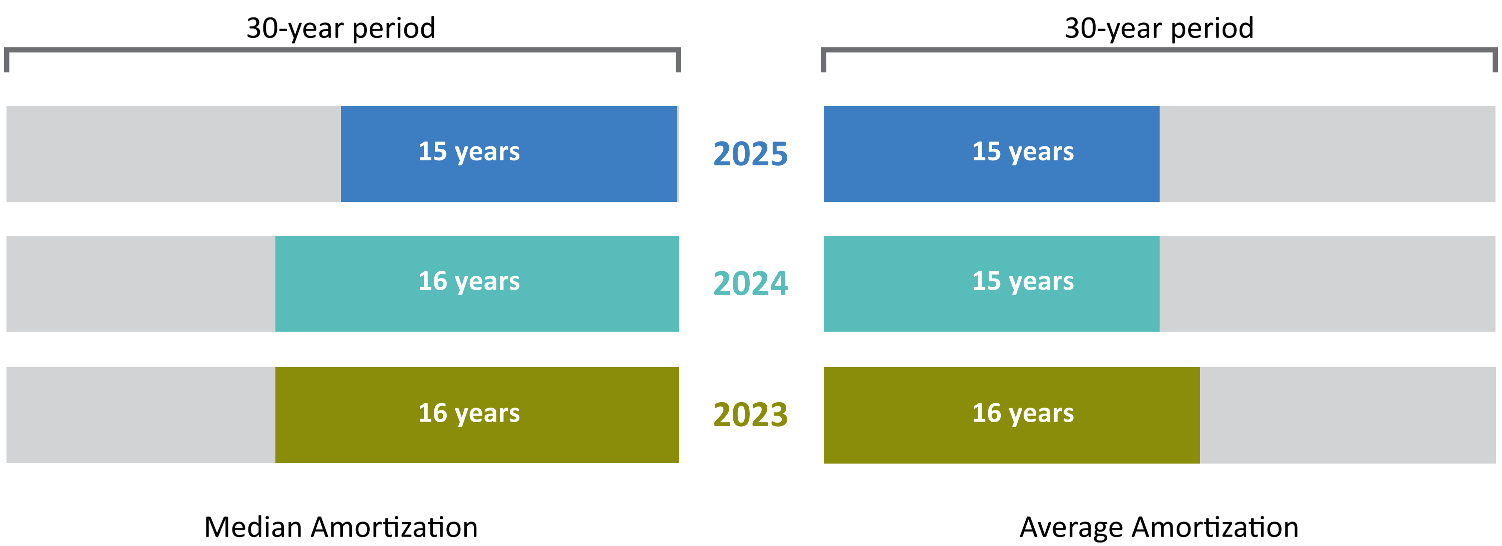
Because actuarial valuations involve calculating liability associated with providing benefits to participants, both today and for many years into the future, actuaries also consider the potential effect of future improvements in life expectancies.

This effect is captured most often by way of a mortality improvement scale assumption, with the most common scale in 2025 being Scale MP (96% of plans versus 95% of plans in 2024).

Among plans analyzed, 1% are now using Scale AA, while no plans are using Scale BB. Only 3% of plans use no mortality improvement 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 OPEB plans funded by a trust increased by 1%.

52%
Unfunded

48%
Funded by OPEB trust

52% of OPEB plans are unfunded (a 1% decrease from the 2025 report), with 48% of plans funded with an OPEB trust (a 1% increase from the 2025 report).

Average funded ratio increased.

56.1%

For those plans funded using an OPEB trust, the average funded ratio is 56.1%, a 1.9% increase vs. the average funded ratio of 54.2% in the 2025 report.

Initial year health care trend increased while ultimate rate slightly decreased.

6.70%
Initial year

4.29%
Ultimate

The average initial year health care trend assumption is 6.70% (median of 7.00%), and the average ultimate year health care assumption is 4.29% (median of 4.40%).

These statistics compare with last year's averages of 6.45% (median of 6.50%) for the initial year and 4.34% (median of 4.40%) for the ultimate health care trend assumption.

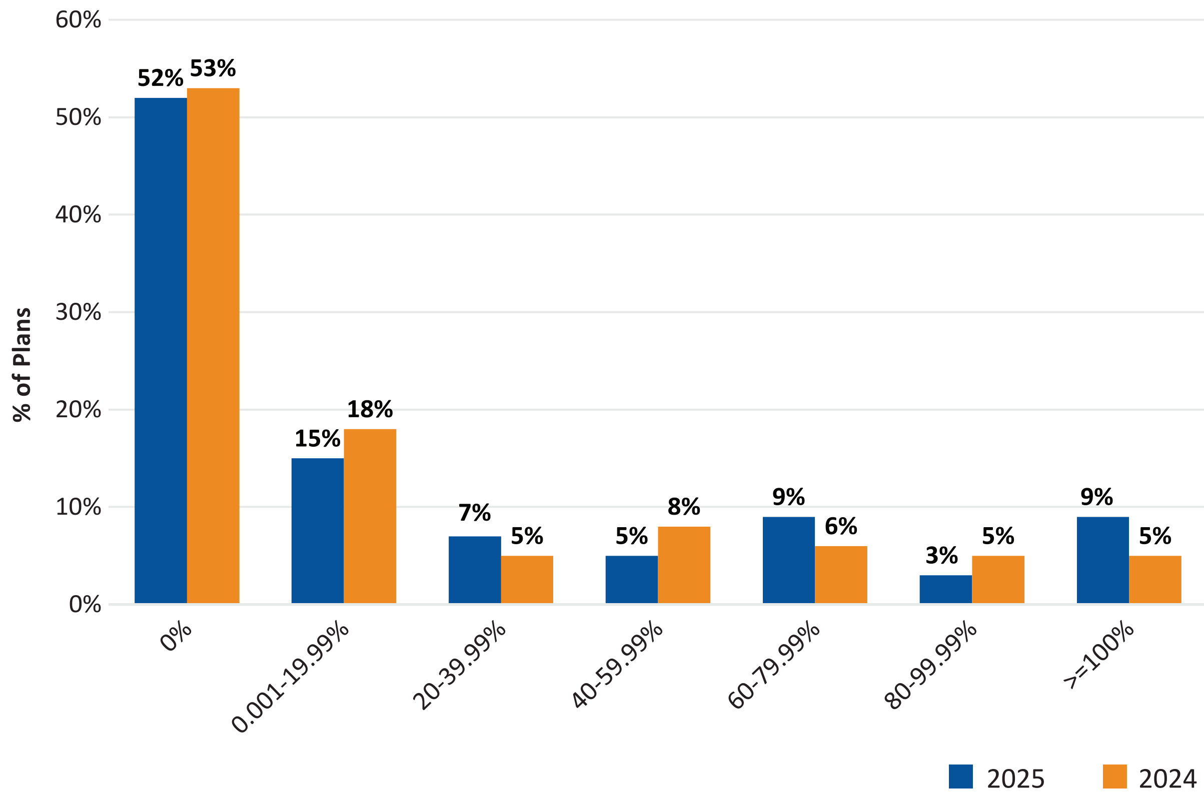
Number of years to reach the ultimate trend increased.

13
years

The median number of years to reach the ultimate trend assumption is 13 years, which is an increase of 2 years from the median period of 11 years in the 2025 report.

OPEB

FUNDED RATIO FOR ALL PLANS

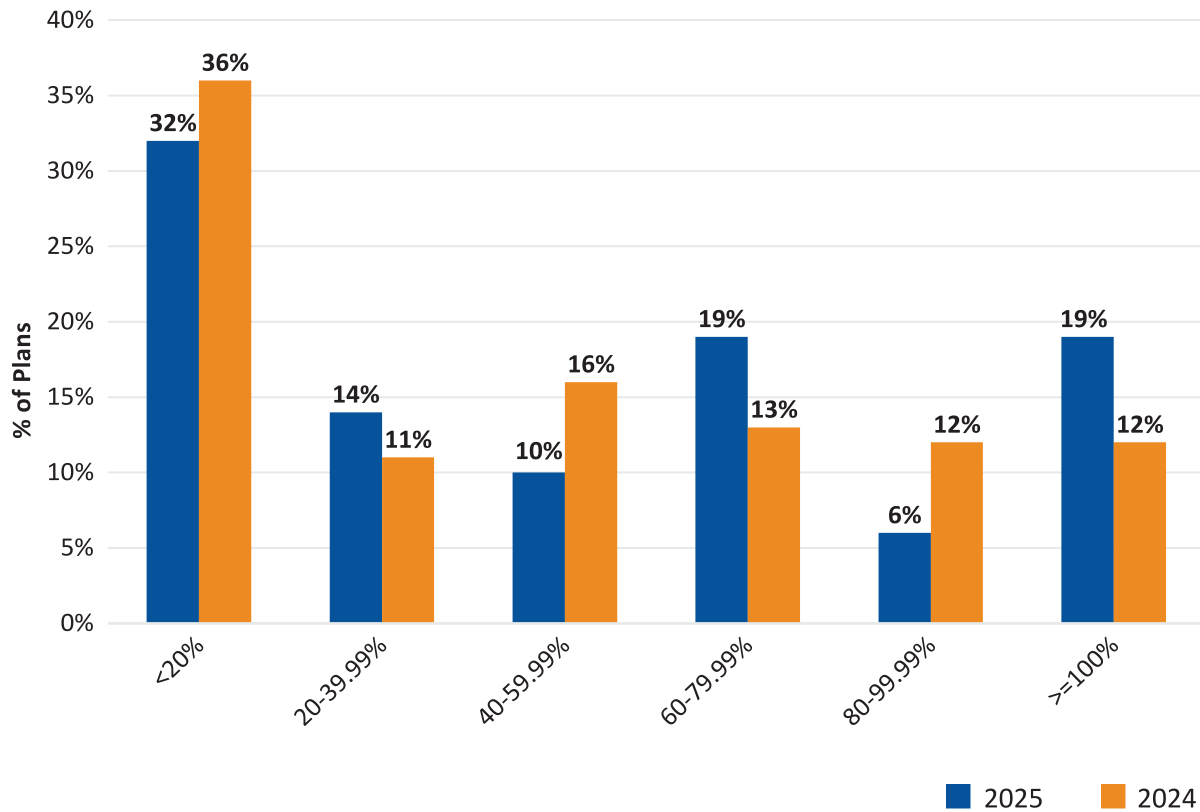


The rules governing how municipalities should report pension costs and other post-employment obligations are covered by the Government Accounting Standards Board (GASB). GASB is a private, non-governmental organization that creates accounting reporting standards for state and local governments.

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, 2025, approximately 52% of the OPEB plans in CT are unfunded, with the remaining 48% of plans funded via an OPEB trust. These statistics are slightly changed from the split of 53% unfunded vs. 47% funded in last year's report.

FUNDED RATIO FOR FUNDED PLANS ONLY

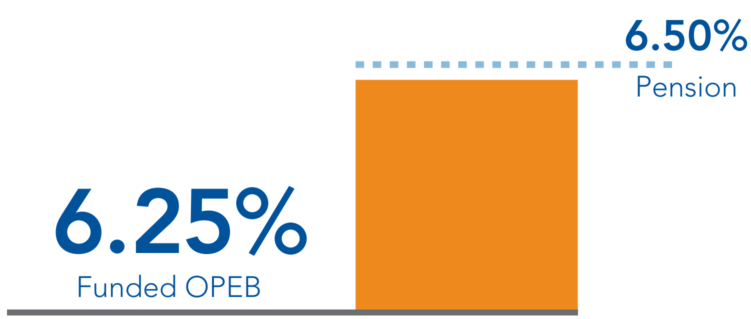


For the OPEB plans that are funded via a trust, the average funded ratio is 56.1% (median is 48.0%) as of June 30, 2025 vs. 54.2% average/(44.7% median) as of June 30, 2024.

32% of plans have a funded ratio of less than 20%, which is a 4% decrease from FYE 2024.

More plans are 100% funded, with 19% of plans funded at 100% or more in 2025 compared to 12% of plans funded at that level in 2024. This increase was mainly driven by favorable investment returns for FYE 2025.

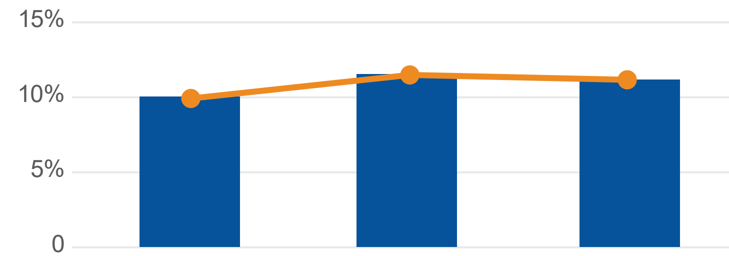
INVESTMENT RETURN ASSUMPTION



As of FYE 2025, the median investment return assumption for funded OPEB plans is 6.25% (unchanged for FYE 2024). This assumption is 25 basis points lower than the median investment return assumption for pension plans (6.50%).

MONEY-WEIGHTED RATE OF RETURN

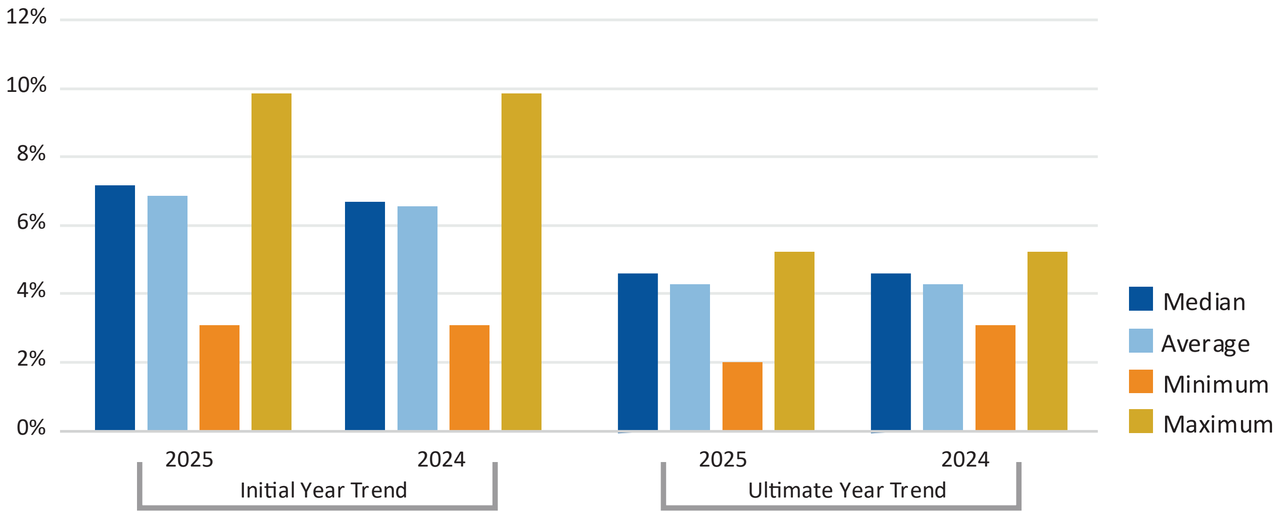
Similar to pension plans, funded OPEB plans generally experienced favorable returns in FYE 2025.



	2023	2024	2025
Funded OPEB	9.86%	11.12%	10.61%
Pension	9.11%	10.90%	10.74%

The average money-weighted rate of return for FYE 2025 for funded OPEB plans is 10.61%, a small decrease compared to 11.12% for FYE 2024. Pension plans also decreased to 10.74% in 2025, compared to 10.90% in 2024.

HEALTH CARE COST TREND ASSUMPTION



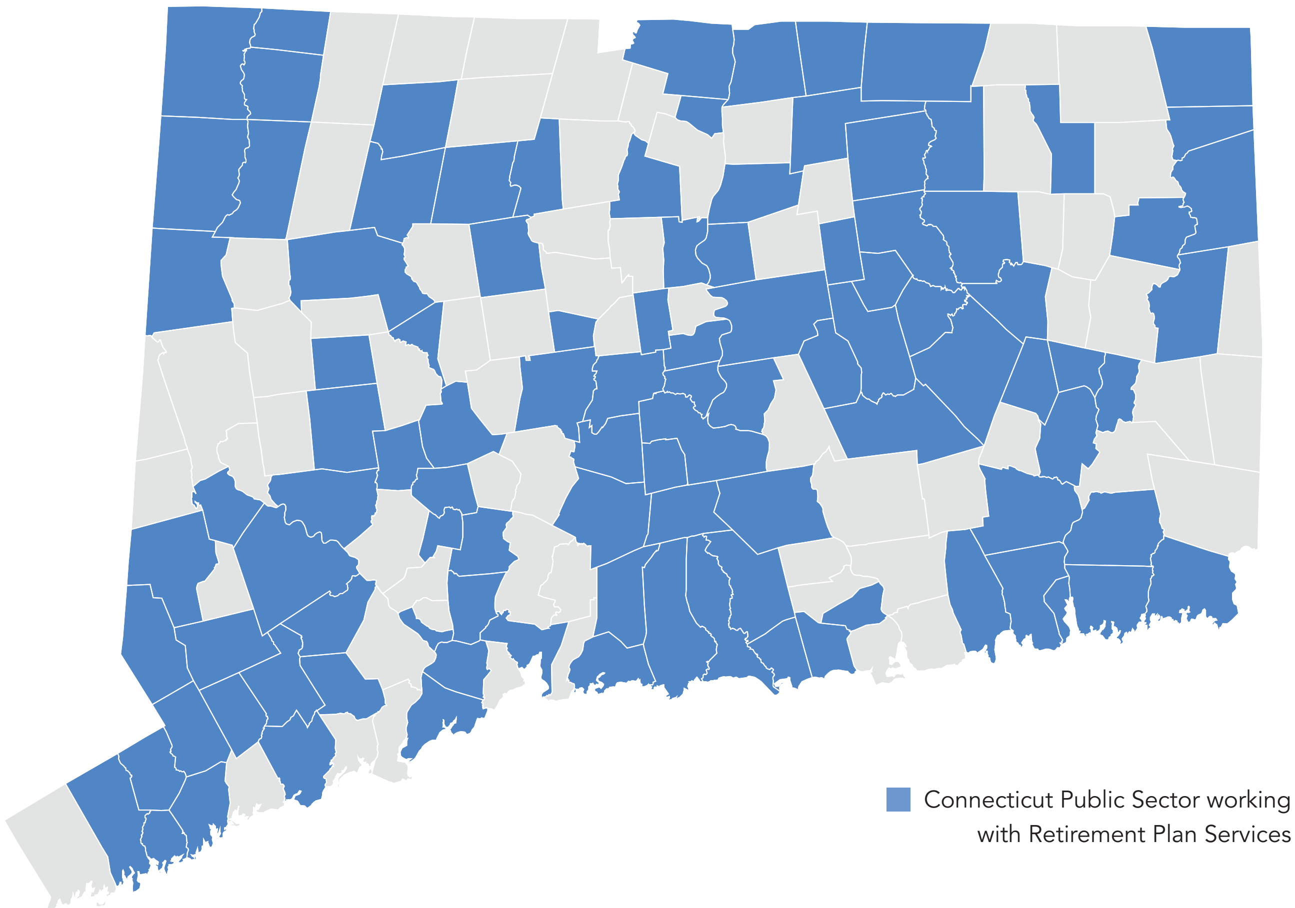
	Initial Year Trend		Ultimate Year Trend		Years to Ultimate	
	2025	2024	2025	2024	2025	2024
Median	7.00%	6.50%	4.40%	4.40%	13	11
Average	6.70%	6.45%	4.29%	4.34%	20	20
Minimum	3.00%	3.00%	2.00%	3.00%	0	0
Maximum	9.80%	9.80%	5.20%	5.20%	65+	70+

As of June 30, 2025, the average initial year health care trend assumption is 6.70% (median of 7.00%), and the average ultimate year health care assumption is 4.29% (median of 4.40%). These statistics compare with last year's average initial year health care trend assumption of 6.45% (median of 6.50%), and an average ultimate year health care assumption of 4.34% (median of 4.40%).

The average number of years to reach the ultimate trend assumption is 20 (unchanged from last year) with a median of 13 years (versus 11 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 7-15 years, while the other approach (known as the "Getzen model") grades down more gradually over 50-65+ years.

Connecticut Public Sector Entities served across Pension, OPEB, 403(b) and/or Investment Advisory Services



Pension and OPEB plans are a critical component of the total rewards offered to public sector employees across Connecticut. Today, a significant share of municipalities partner with USI for pension, OPEB, defined contribution and investment advisory services, reflecting the depth of our relationships and experience within the state.

Plan sponsors face increasing complexity driven by evolving regulations, funding pressures and the need to balance long-term obligations with near-term budget realities. Supporting these plans requires not only technical expertise, but also a clear understanding of local governance structures, stakeholder priorities and market dynamics.

Backed by more than 50 years of experience, our team delivers local insight and integrated solutions that support plan sponsors across Connecticut. By aligning actuarial, investment and consulting expertise, we help organizations manage risk, improve funding outcomes and strengthen plan oversight, positioning them to meet the needs of both employers and participants over the long term.

5 REASONS WHY YOU SHOULD BE WORKING WITH USI RETIREMENT

1. **Deep public sector experience** – We partner with more than 900 public sector entities across over 35 states, supporting more than 600,000 plan participants. This breadth of experience brings valuable perspective to each engagement.
2. **Scalable resources** – Our team includes 80 credentialed actuaries, supported by a broader group of experienced professionals, allowing us to deliver timely, high-quality solutions across a wide range of client needs.
3. **Comprehensive expertise** – Client engagements span state, county and municipal governments, as well as utilities, transit authorities, universities, school districts and public health systems — providing insight across diverse plan structures and challenges.
4. **Proven client outcomes** – In a recent client survey, 91% of respondents indicated that the accuracy and quality of our work meets or exceeds expectations, reflecting a consistent focus on delivering value.
5. **Tailored solutions** – Each plan sponsor faces unique challenges. Our services are designed to support both qualified and nonqualified plans of varying sizes and complexity, with strategies aligned to client-specific goals.

Experience and insights that drive results

USI Retirement brings together actuarial, investment and consulting expertise to support the full lifecycle of pension and OPEB plans. Our team works alongside plan sponsors to develop strategies aligned with their objectives, governance structures and long-term financial goals.

Through an integrated approach spanning plan design, funding strategy, investment oversight and the participant experience, we help strengthen decision-making and improve outcomes.

Contact your USI Retirement representative or reach out at information@usicg.com to learn more.