

**COVENTRY MUNICIPAL  
EMPLOYEES RETIREMENT PLAN  
FUNDING IMPROVEMENT PLAN**

*COVENTRY MUNICIPAL EMPLOYEES RETIREMENT PLAN*

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*FUNDING IMPROVEMENT PLAN  
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# COVENTRY MUNICIPAL EMPLOYEES RETIREMENT PLAN

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## FUNDING IMPROVEMENT PLAN

### Executive Summary

In accordance with Rhode Island General Laws Section 45-65-6, the Town is submitting this Funding Improvement Plan (Plan) to the Locally-Administered Pension Plans Study Commission. The Town had completed an actuarial valuation and an experience study as of July 1, 2011. Based on these results the funded status of the pension system is 25.3% and therefore, considered in critical status.

In the pages that follow, we describe our plans for increasing this ratio to the point that the plan is no longer considered in critical status. This will be accomplished through increased funding and negotiating pension benefit reductions with the members of the retirement system. We expect to achieve the goal of emerging from critical status in 19 years.

This funding improvement plan includes future funding projections (prepared by Milliman, Inc., the Town's actuary for the plan) under four scenarios, as summarized on Exhibits A through D of the Appendix. Exhibit A shows the projected results under the current plan provisions, and Exhibits B through D summarize the results reflecting proposed benefit provision changes. The proposed benefit changes outlined in this improvement plan are Town proposals, and are subject to collective bargaining.

### Current Funding

The Town has accepted the recommendations of our actuary for modifications to the actuarial assumptions. Based on these results, the actuary is recommending a FY 2013 pension contribution of \$1,068,188 to the trust based on a 22 year amortization with payments increasing 3.55% per year. The Town has budgeted \$559,077 for FY 2013, or 52.3% of the recommended contribution. This also represents 0.6% of our revenue.

### Future Funding

The Town has agreed to adopt a "phase-in" approach to contributing the Annual Required Contribution ("ARC") for the DB plan, with the phase-in starting in FY 2014. Under the phase-in approach, the Town's actual contribution to the DB plan increases such that the portion of the ARC actually contributed increases by 20 percentage points each year until it reaches 100% of the ARC by FY 2016.

In addition, the period for amortizing the unfunded accrued liability will be reset to 30 years (closed period) for the July 1, 2012 actuarial valuation (which will be used to determine the ARC for FY 2014), with a 3.55% growth assumption for the amortization payment.

**Exhibit A** shows the forecast of key values under this approach based on the actuarial assumptions adopted and new participants entering the plan to replace those retiring. This forecast reflects the current benefit provisions for the defined benefit plan.

The Town generally was contributing approximately \$550,000 to \$560,000 per year for the past several years. In order to support the substantial expected increase in funding contributions for the system, the Town must make changes to other line items in its budget, increase its revenue, and make changes to the current pension plan benefits.

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**Budget Reductions and Revenue Enhancements**

The Town of Coventry focuses on cost savings opportunities and will aggressively pursue these savings. Staffing levels will continue to be evaluated and efficiencies implemented wherever possible. Employee health care is a significant benefit cost that continues to increase. The Town, through its relationship with other communities in the WB collaborative, has been somewhat successful in its efforts to control annual cost increases. Energy audits of municipal and school properties have recently been completed. The resulting recommendations, including upgrading of equipment to more energy efficient technology, are being evaluated and sources of funding identified. The Town has also focused on alternative energy, including the recent installation of solar panels on a municipal building. The Town has signed a contract with a wind turbine developer for the installation of a turbine on Town owned property. Both of these projects will stabilize a portion of the Town's future electricity costs through long term electricity purchase contracts.

The Town's administration is very mindful of the extraordinary burden local property taxes continue to place upon the taxpayers. The attached revenue projections include tax increases only to fund increasing pension costs for this plan. Otherwise, the current operating budget is assumed to be level funded for the foreseeable future.

**Plan Changes**

Town Proposal 1

The Town proposes to make the following changes to Plan Provisions for the AFSCME group, subject to negotiations and collective bargaining:

- Currently, the employee contribution rate is 7.0%. We expect to increase this to 10.0%.
- Implement a 3-year wage freeze starting in 2012.
- Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing a 100% match of the employee contribution, up to a maximum of 10% of the employee's gross wages. Our actuary estimates that some new hires will not elect to make the maximum contribution into the defined contribution plan, such that the average employer contribution is 6% of compensation into that plan.

**Exhibit B** illustrates the forecast for Town Proposal 1.

Our actuary has projected that for FY 2014, the changes to the Plan Provisions outlined in Town Proposal 1 will reduce the costs, liabilities and the Town's projected contributions. In addition, the variability of the Town's projected contributions will be reduced over time, as new hires are covered by a defined contribution plan. The estimated FY 2014 results are as follows:

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	<b>Current Plan Provisions</b>	<b>Proposed Plan Provisions</b>
Employer Normal Cost	\$540,400	\$491,300*
Employee Normal Cost	380,200	432,400
Net Employer Normal Cost	160,200	58,900
Accrued Liability	18,458,500	17,843,100
Actuarial Value of Assets	4,780,900	4,780,900
Unfunded Accrued Liability	13,677,600	13,062,200
Funded Ratio	25.9%	26.8%
ARC (FY 2014)	959,600	831,200*
Town Contributions	694,200	603,900*

\*Includes \$9,700 in expected employer contributions to proposed defined contribution plan

Alternative proposals have also been reviewed (Town Proposals 2 and 3):

Town Proposal 2 (Alternative Proposal)

The Town proposes to make the following changes to Plan Provisions for the AFSCME group, subject to negotiations and collective bargaining:

- Currently, the employee contribution rate is 7.0%. We expect to increase this to 10.0%.
- Implement a 3-year wage freeze starting in 2012.
- Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing 10% of the employee's gross wages.

**Exhibit C** illustrates the forecast for Town Proposal 2.

Our actuary has projected that for FY 2014, the changes to the Plan Provisions outlined in Town Proposal 2 will reduce the costs, liabilities and the Town's projected contributions. In addition, the variability of the Town's projected contributions will be reduced over time, as new hires are covered by a defined contribution plan. The estimated FY 2014 results are as follows:

	<b>Current Plan Provisions</b>	<b>Proposed Plan Provisions</b>
Employer Normal Cost	\$540,400	\$497,700*
Employee Normal Cost	380,200	432,400
Net Employer Normal Cost	160,200	65,300
Accrued Liability	18,458,500	17,843,100
Actuarial Value of Assets	4,780,900	4,780,900
Unfunded Accrued Liability	13,677,600	13,062,200
Funded Ratio	25.9%	26.8%
ARC (FY 2014)	959,600	837,600*
Town Contributions	694,200	610,300*

\*Includes \$16,100 in expected employer contributions to proposed defined contribution plan

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Town Proposal 3 (Alternative Proposal)

The Town proposes to make the following changes to Plan Provisions for the AFSCME group, subject to negotiations and collective bargaining:

- Currently, the employee contribution rate is 7.0%. We expect to increase this to 10.0%.
- Implement a 3-year wage freeze starting in 2012.

**Exhibit D** illustrates the forecast for Town Proposal 3.

Our actuary has projected that for FY 2014, the changes to the Plan Provisions outlined in Town Proposal 3 will reduce the costs, liabilities and the Town's projected contributions. The estimated FY 2014 results are as follows:

	<b>Current Plan Provisions</b>	<b>Proposed Plan Provisions</b>
Employer Normal Cost	\$540,400	\$499,000
Employee Normal Cost	380,200	443,700
Net Employer Normal Cost	160,200	55,300
Accrued Liability	18,458,500	17,849,100
Actuarial Value of Assets	4,780,900	4,780,900
Unfunded Accrued Liability	13,677,600	13,068,200
Funded Ratio	25.9%	26.8%
ARC (FY 2014)	959,600	813,800
Town Contributions	694,200	588,700

**Exhibit E** provides the same forecast as Exhibit B (Town Proposal 1), except that actual return on investment is 0.5% less than the 7.0% assumption.

**Exhibit F** contains a summary of the actuarial assumptions. Please note that "proposed assumptions" have been adopted, and are consistent with those summarized on pages 7 through 9 of Milliman's March 21, 2012 Experience Study report.

**Exhibit G** contains a summary of the current plan provisions, as well as proposed plan changes.

The Town commissioned an analysis (**Exhibit H**) by Gabriel, Roeder, Smith & Company (GRS), actuary for the State Retirement Board. Upon review of the projected cost of the transition to MERS, the Town has determined that this option is unfeasible.

**Town of Coventry, RI**  
**Municipal Pension Projection (Current Benefit Provisions)**

**Exhibit A**

Values as of Valuation Date							Costs Projected to Following Fiscal Year												
Valuation Year	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Costs for FYE	Amort. Period	Past Service Cost	Expected Total Normal Cost	Expected Employee Contributions	Expected Employer Normal Cost	Expected Employer Admin Expense Load	Expected Interest	Total Employer ARC	Assumed Employer Contribution	Employer Contribution as a % of the ARC	Payroll	Benefit Payments	Revenue Forecast	Contribution as Share of Revenue
2011	17,352,400	4,385,300	12,967,100	25.3%	2013	22	813,800	519,300	365,700	153,600	30,900	69,900	1,068,200	559,100	52.3%	5,293,900	653,500	89,677,900	0.6%
2012	18,458,500	4,780,900	13,677,600	25.9%	2014	30	704,600	540,400	380,200	160,200	32,000	62,800	959,600	694,200	72.3%	5,476,900	689,200	89,813,000	0.8%
2013	19,631,400	5,284,200	14,347,200	26.9%	2015	29	754,100	562,300	393,800	168,500	33,000	66,800	1,022,400	944,100	92.3%	5,670,800	730,000	90,062,900	1.0%
2014	20,866,700	6,117,400	14,749,300	29.3%	2016	28	791,900	581,400	405,300	176,100	34,000	70,100	1,072,100	1,072,100	100.0%	5,871,800	800,400	90,190,900	1.2%
2015	22,131,500	7,179,400	14,952,100	32.4%	2017	27	821,000	609,500	421,400	188,100	35,000	73,100	1,117,200	1,117,200	100.0%	6,078,500	865,800	90,236,000	1.2%
2016	23,439,300	8,295,400	15,143,900	35.4%	2018	26	851,400	630,300	434,800	195,500	36,000	75,900	1,158,800	1,158,800	100.0%	6,292,400	918,800	90,277,600	1.3%
2017	24,807,400	9,494,100	15,313,300	38.3%	2019	25	882,800	657,500	449,500	207,800	37,000	79,000	1,206,600	1,206,600	100.0%	6,514,400	1,005,300		
2018	26,210,200	10,744,500	15,465,700	41.0%	2020	24	915,600	683,400	465,200	218,200	38,000	82,100	1,253,900	1,253,900	100.0%	6,745,400	1,091,000		
2019	27,652,500	12,058,400	15,594,100	43.6%	2021	23	949,700	713,700	481,200	232,500	39,000	85,400	1,306,600	1,306,600	100.0%	6,982,800	1,189,900		
2020	29,125,000	13,426,300	15,698,700	46.1%	2022	22	985,200	743,400	496,600	246,800	40,000	89,000	1,361,000	1,361,000	100.0%	7,229,800	1,308,100		
2021	30,609,500	14,837,200	15,772,300	48.5%	2023	21	1,022,100	774,600	514,600	260,000	41,000	92,600	1,415,700	1,415,700	100.0%	7,486,200	1,438,700		
2022	32,052,100	16,285,700	15,766,400	50.8%	2024	20	1,057,300	799,100	530,500	268,600	42,000	95,700	1,463,600	1,463,600	100.0%	7,748,900	1,585,400		
2023	33,512,100	17,755,600	15,756,500	53.0%	2025	19	1,096,100	832,400	550,400	282,000	43,000	99,500	1,520,600	1,520,600	100.0%	8,019,900	1,726,600		
2024	34,961,700	19,251,400	15,710,300	55.1%	2026	18	1,136,700	866,300	569,900	296,400	44,000	103,400	1,580,500	1,580,500	100.0%	8,300,700	1,871,700		
2025	36,395,000	20,779,800	15,615,200	57.1%	2027	17	1,178,700	901,600	590,100	311,500	45,000	107,400	1,642,600	1,642,600	100.0%	8,593,800	2,003,900		
2026	37,834,600	22,360,300	15,474,300	59.1%	2028	16	1,222,600	958,000	611,000	327,000	46,000	111,700	1,707,300	1,707,300	100.0%	8,896,900	2,150,000		
2027	39,259,200	23,985,200	15,274,000	61.1%	2029	15	1,268,100	975,200	632,000	343,200	47,000	116,100	1,774,400	1,774,400	100.0%	9,211,200	2,313,200		
2028	40,649,200	25,642,500	15,006,700	63.1%	2030	14	1,314,900	1,014,800	655,400	359,400	48,000	120,500	1,842,800	1,842,800	100.0%	9,539,500	2,470,600		
2029	42,019,500	27,345,500	14,674,000	65.1%	2031	13	1,363,800	1,056,000	677,500	378,700	49,000	125,300	1,916,800	1,916,800	100.0%	9,877,900	2,651,200		
2030	43,329,600	29,073,400	14,256,200	67.1%	2032	12	1,413,600	1,097,700	703,100	394,600	50,000	130,100	1,988,300	1,988,300	100.0%	10,228,600	2,767,200		
2031	44,660,600	30,904,400	13,756,200	69.2%	2033	11	1,465,400	1,140,700	728,700	412,000	52,000	135,000	2,064,400	2,064,400	100.0%	10,591,500	2,879,500		
2032	46,006,400	32,845,600	13,160,800	71.4%	2034	10	1,518,500	1,184,800	754,400	430,400	54,000	140,200	2,143,100	2,143,100	100.0%	10,965,900	2,984,200		
2033	47,372,600	34,917,700	12,454,900	73.7%	2035	9	1,572,100	1,229,700	782,200	447,500	56,000	145,200	2,220,800	2,220,800	100.0%	11,354,000	3,078,500		
2034	48,786,500	37,145,400	11,641,100	76.1%	2036	8	1,627,400	1,274,400	809,400	465,000	58,000	150,500	2,301,000	2,301,000	100.0%	11,755,800	3,175,200		
2035	50,246,000	39,537,600	10,708,400	78.7%	2037	7	1,684,200	1,320,700	837,900	482,800	60,000	155,900	2,382,900	2,382,900	100.0%	12,169,900	3,269,800		
2036	51,747,800	42,107,600	9,640,200	81.4%	2038	6	1,741,200	1,369,700	867,800	501,900	62,000	161,400	2,466,400	2,466,400	100.0%	12,599,100	3,372,400		
2037	53,291,200	44,865,000	8,426,200	84.2%	2039	5	1,797,500	1,417,800	898,000	519,800	64,000	166,700	2,548,000	2,548,000	100.0%	13,043,700	3,459,900		
2038	54,893,900	47,840,500	7,053,400	87.2%	2040	4	1,851,000	1,470,500	931,200	539,300	66,000	171,900	2,628,200	2,628,200	100.0%	13,503,000	3,518,700		
2039	56,608,600	51,080,100	5,528,500	90.2%	2041	3	1,903,600	1,522,000	962,800	559,200	68,000	177,200	2,707,800	2,707,800	100.0%	13,978,600	3,618,500		
2040	58,373,700	54,557,000	3,816,700	93.5%	2042	2	1,959,600	1,576,900	997,400	579,500	70,000	181,200	2,770,400	2,770,400	100.0%	14,472,000	3,708,800		
2041	60,230,700	58,299,800	1,930,900	96.8%	2043	1	1,930,900	1,632,900	1,032,500	600,400	72,000	182,200	2,785,500	2,785,500	100.0%	14,981,700	3,801,100		
2042	62,169,500	62,308,100	(138,600)	100.2%	2044	1	(138,500)	1,690,900	1,068,900	622,000	74,000	39,000	596,500	596,500	100.0%	15,509,700	3,874,700		
2043	64,220,800	66,572,100	(2,351,300)	103.7%	2045	1	(2,351,300)	1,750,900	1,106,700	644,200	76,000	(114,200)	0	0	100.0%	16,056,400	3,947,300		
2044	66,398,600	68,830,700	(2,432,100)	103.7%	2046	1	(2,432,100)	1,812,800	1,145,000	667,800	78,000	(118,000)	0	0	100.0%	16,622,600	4,053,200		
2045	68,661,800	70,558,100	(1,896,300)	102.8%	2047	1	(1,896,400)	1,878,300	1,185,800	692,500	80,000	(78,700)	0	0	100.0%	17,208,300	4,155,300		
2046	71,040,300	72,341,000	(1,300,700)	101.8%	2048	1	(1,300,700)	1,945,600	1,227,600	718,000	82,000	(35,000)	0	0	100.0%	17,815,600	4,268,900		

Includes reset of amortization period to 30 years for July 1, 2012 actuarial valuation.

This projection is based on the actuarial assumptions from the 2011 Experience Study and data used in the July 1, 2011 valuation. The explanatory notes contained in those reports, including statements of reliance and limitations on use, continue to apply. This projection assumes new members enter the system.

This work product was prepared solely for the Town of Coventry, RI for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Interest Rate Assumption	7.00%
Actual Return on MVA	7.00%
Payroll Growth Rate	3.55%

**Town of Coventry, RI**  
**Municipal Pension Projection (Proposed Changes for DB Plan, and New Hires Covered by DC Plan - 6% Assumed Employer Contribution)**

**Exhibit B**

Value as of Valuation Date				DB Plan Costs Projected to Following Fiscal Year										DC Plan Costs								
Valuation Year	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Costs for FYE	Amort. Period	Past Service Cost	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Admin Expense Load	Interest	Total Employer ARC	Assumed Employer Contribution	Employer Contribution as % of the ARC	DB Plan Payroll	Benefit Payments	DC Plan Payroll	Employer Contribution	Total Employer Contribution	Revenue Forecast	Contribution as Share of Revenue
2011	17,552,400	4,385,300	12,967,100	25.3%	2013	22	813,800	519,300	365,700	153,600	30,900	69,900	1,068,200	559,100	52.3%	5,293,900	653,900	0	0	559,100	89,677,900	0.6%
2012	17,845,100	4,780,900	13,062,200	26.8%	2014	29	686,600	481,600	452,400	49,200	32,000	53,700	821,500	594,200	72.3%	4,954,600	688,900	160,900	9,700	603,900	89,722,700	0.7%
2013	18,870,200	5,338,700	13,531,500	28.3%	2015	28	726,500	465,500	413,100	52,400	33,000	56,800	868,700	802,200	92.3%	4,737,800	728,700	297,500	17,900	820,100	89,938,900	0.9%
2014	19,910,300	6,093,400	13,816,900	30.6%	2016	27	758,600	446,300	403,100	43,200	34,000	58,500	894,300	894,300	100.0%	4,529,400	797,100	432,600	26,000	920,500	90,059,100	1.0%
2015	20,983,500	7,008,100	13,975,400	33.4%	2017	26	785,700	432,400	392,500	39,900	35,000	60,300	920,900	920,900	100.0%	4,371,400	861,000	763,600	45,800	966,700	90,085,500	1.1%
2016	22,038,400	7,903,100	14,135,300	35.9%	2018	25	814,900	416,300	382,100	34,200	36,000	62,000	947,100	947,100	100.0%	4,264,900	911,700	1,049,900	63,000	1,010,100	90,128,900	1.1%
2017	23,098,000	8,824,000	14,274,000	38.2%	2019	24	845,100	404,400	370,400	34,000	37,000	64,100	980,200	980,200	100.0%	4,138,800	993,600	1,361,300	81,700	1,061,900		
2018	24,130,000	9,738,700	14,391,300	40.4%	2020	23	876,500	384,300	355,700	28,600	38,000	66,000	1,009,100	1,009,100	100.0%	3,973,400	1,073,400	1,720,600	103,200	1,112,300		
2019	25,128,800	10,652,800	14,476,000	42.4%	2021	22	908,500	369,500	341,200	28,300	39,000	68,300	1,044,100	1,044,100	100.0%	3,816,000	1,164,100	2,076,500	124,600	1,168,700		
2020	26,085,800	11,550,900	14,534,900	44.3%	2022	21	941,900	351,200	323,400	27,800	40,000	70,700	1,080,400	1,080,400	100.0%	3,641,500	1,269,900	2,457,800	147,500	1,227,900		
2021	26,977,100	12,419,100	14,558,000	46.0%	2023	20	976,500	326,600	303,600	25,000	41,000	72,800	1,115,100	1,115,100	100.0%	3,420,100	1,385,400	2,893,900	173,600	1,286,700		
2022	27,784,100	13,244,500	14,539,600	47.7%	2024	19	1,011,400	302,100	281,700	20,400	42,000	75,200	1,149,000	1,149,000	100.0%	3,205,400	1,515,500	3,327,700	199,700	1,348,700		
2023	28,484,400	14,003,200	14,481,200	49.2%	2025	18	1,047,700	275,100	260,800	14,300	43,000	77,300	1,182,300	1,182,300	100.0%	2,950,500	1,657,100	3,808,100	228,500	1,410,800		
2024	29,074,900	14,703,700	14,371,200	50.6%	2026	17	1,084,800	250,200	240,000	10,200	44,000	79,700	1,218,700	1,218,700	100.0%	2,718,700	1,758,200	4,273,700	256,400	1,475,100		
2025	29,546,200	15,339,900	14,206,400	51.9%	2027	16	1,122,500	226,500	220,200	6,500	45,000	82,100	1,255,900	1,255,900	100.0%	2,499,000	1,864,500	4,738,600	284,300	1,540,200		
2026	29,913,600	15,926,500	13,987,100	53.2%	2028	15	1,161,300	201,800	201,800	3,000	46,000	84,700	1,295,000	1,295,000	100.0%	2,289,500	1,982,400	5,201,300	312,100	1,607,100		
2027	30,159,000	16,450,700	13,708,300	54.6%	2029	14	1,201,100	182,800	181,900	900	47,000	87,400	1,336,400	1,336,400	100.0%	2,077,200	2,110,600	5,676,300	340,600	1,677,600		
2028	30,262,100	16,897,700	13,364,400	55.8%	2030	13	1,242,100	160,900	163,300	(2,400)	48,000	90,100	1,377,800	1,377,800	100.0%	1,859,500	2,228,700	6,169,500	370,200	1,748,000		
2029	30,224,300	17,276,400	12,947,900	57.2%	2031	12	1,283,900	145,900	145,000	(1,100)	49,000	93,200	1,425,000	1,425,000	100.0%	1,678,100	2,361,200	6,634,300	398,100	1,823,100		
2030	30,012,300	17,567,300	12,445,000	58.5%	2032	11	1,325,700	122,600	127,700	(5,100)	50,000	95,900	1,466,500	1,466,500	100.0%	1,466,500	2,429,700	7,139,500	428,400	1,894,900		
2031	29,703,100	17,837,500	11,865,600	60.1%	2033	10	1,369,000	107,900	114,200	(6,300)	52,000	99,100	1,513,800	1,513,800	100.0%	1,307,500	2,489,600	7,602,300	456,100	1,969,900		
2032	29,289,200	18,091,700	11,197,500	61.8%	2034	9	1,415,400	95,400	101,300	(5,900)	54,000	102,300	1,563,800	1,563,800	100.0%	1,166,300	2,535,200	8,056,700	483,400	2,047,200		
2033	28,786,600	18,349,900	10,436,700	63.7%	2035	8	1,459,000	82,900	89,900	(7,000)	56,000	105,600	1,613,600	1,613,600	100.0%	1,026,600	2,564,700	8,521,200	511,300	2,124,900		
2034	28,197,000	18,633,500	9,563,500	66.1%	2036	7	1,504,100	72,300	79,400	(7,100)	58,000	108,900	1,663,800	1,663,800	100.0%	917,700	2,585,800	8,966,300	538,000	2,201,800		
2035	27,529,500	18,953,800	8,575,700	68.9%	2037	6	1,548,900	62,000	69,700	(7,700)	60,000	112,100	1,713,200	1,713,200	100.0%	809,000	2,603,600	9,420,900	565,300	2,278,500		
2036	26,786,500	19,318,000	7,468,500	72.1%	2038	5	1,593,200	53,700	61,300	(7,600)	62,000	115,300	1,763,000	1,763,000	100.0%	708,500	2,619,800	9,880,000	592,800	2,355,800		
2037	25,959,400	19,731,200	6,228,200	76.0%	2039	4	1,634,400	44,500	52,700	(8,200)	64,000	118,300	1,808,600	1,808,600	100.0%	615,800	2,611,100	10,344,200	620,700	2,429,300		
2038	25,089,200	20,222,900	4,866,300	80.6%	2040	3	1,675,600	38,800	47,200	(8,400)	66,000	121,300	1,854,400	1,854,400	100.0%	534,000	2,568,400	10,809,300	648,600	2,505,000		
2039	24,196,500	20,832,600	3,363,900	86.1%	2041	2	1,709,500	33,700	41,400	(7,700)	68,000	123,900	1,893,700	1,893,700	100.0%	479,500	2,551,400	11,260,700	675,600	2,569,300		
2040	23,198,800	21,542,000	1,656,800	92.9%	2042	1	1,656,800	28,300	35,900	(7,600)	70,000	120,300	1,839,600	1,839,600	100.0%	410,200	2,517,800	11,742,000	704,500	2,544,100		
2041	22,184,400	22,368,700	(184,300)	100.8%	2043	1	(184,300)	24,400	31,200	(6,800)	72,000	(8,300)	0	0	100.0%	359,900	2,478,500	12,217,400	733,000	733,000		
2042	21,117,300	23,251,000	(2,113,700)	110.0%	2044	1	(2,113,700)	20,700	27,100	(6,400)	74,000	(143,200)	0	0	100.0%	311,900	2,412,500	12,705,800	762,300	762,300		
2043	20,096,300	22,511,600	(2,215,300)	111.0%	2045	1	(2,215,300)	17,700	23,600	(5,900)	76,000	(150,200)	0	0	100.0%	272,400	2,339,400	13,201,200	792,100	792,100		
2044	19,077,000	21,398,000	(2,321,000)	112.2%	2046	1	(2,320,900)	15,000	19,700	(4,700)	78,000	(137,300)	0	0	100.0%	237,100	2,287,900	13,708,500	822,500	822,500		
2045	17,991,000	20,467,400	(2,476,400)	113.8%	2047	1	(2,476,400)	12,000	16,300	(4,300)	80,000	(168,000)	0	0	100.0%	189,600	2,224,100	14,244,100	854,600	854,600		
2046	16,939,000	19,552,500	(2,593,500)	115.3%	2048	1	(2,593,500)	10,000	13,400	(3,400)	82,000	(176,000)	0	0	100.0%	156,800	2,160,900	14,783,200	887,000	887,000		

Includes reset of amortization period to 29 years for July 1, 2012 actuarial valuation.

This projection is based on the actuarial assumptions from the 2011 Experience Study, proposed plan design changes for the AFSCME union employees and data used in the July 1, 2011 valuation (assumed to be first reflected in the July 1, 2012 valuation). New hires are covered under a proposed DC plan, with an assumed 6% employer contribution. The explanatory notes contained in those reports, including statements of reliance and limitations on use, continue to apply. This projection assumes new members are not covered by the current DB plan.

This work product was prepared solely for the Town of Coventry, RI for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Interest Rate Assumption	7.00%
Actual Return on MVA	7.00%
Payroll Growth Rate	3.55%



**Town of Coventry, RI**  
**Municipal Pension Projection (Proposed Changes for DB Plan, and New Hires Covered by DC Plan - 10% Assumed Employer Contribution)**

**Exhibit C**

Values as of Valuation Date						DB Plan Costs Projected to Following Fiscal Year										DC Plan Costs						
Valuation Year	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Costs for FYE	Amort. Period	Past Service Cost	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Admin Expense Load	Interest	Total Employer ARC	Assumed Employer Contribution	Employer Contribution as % of the ARC	DB Plan Payroll	Benefit Payments	DC Plan Payroll	Employer Contribution	Total Employer Contribution	Revenue Forecast	Contribution as Share of Revenue
2011	17,352,400	4,385,300	12,967,100	25.3%	2013	22	813,800	519,300	365,700	153,600	30,900	69,900	1,068,200	559,100	52.3%	5,293,900	653,500	0	0	559,100	89,677,900	0.6%
2012	17,843,100	4,780,900	13,062,200	26.8%	2014	29	686,600	481,600	432,400	49,200	32,000	53,700	821,500	594,200	72.3%	4,954,600	688,900	160,900	16,100	610,300	89,729,100	0.7%
2013	18,870,200	5,338,700	13,531,500	28.3%	2015	28	726,500	465,500	413,100	52,400	33,000	56,800	868,700	802,200	92.3%	4,737,800	728,700	297,500	29,800	832,000	89,950,800	0.9%
2014	19,910,300	6,093,400	13,816,900	30.6%	2016	27	758,600	446,300	403,100	43,200	34,000	58,500	894,300	894,300	100.0%	4,529,400	797,100	432,600	43,500	937,600	90,056,400	1.0%
2015	20,983,500	7,008,100	13,975,400	33.4%	2017	26	785,700	432,400	392,500	39,900	35,000	60,300	920,900	920,900	100.0%	4,371,400	861,000	763,600	76,400	997,300	90,116,100	1.1%
2016	22,058,400	7,903,100	14,155,300	35.9%	2018	25	814,900	416,300	382,100	34,200	36,000	62,000	947,100	947,100	100.0%	4,264,900	911,700	1,049,300	104,900	1,052,000	90,170,800	1.2%
2017	23,098,000	8,824,000	14,274,000	38.2%	2019	24	845,100	404,400	370,400	34,000	37,000	64,100	980,200	980,200	100.0%	4,138,800	993,600	1,361,300	136,100	1,116,300		
2018	24,130,000	9,738,700	14,391,300	40.4%	2020	23	875,500	384,300	355,700	28,600	38,000	66,000	1,009,100	1,009,100	100.0%	3,973,400	1,073,400	1,720,600	172,100	1,181,200		
2019	25,128,800	10,652,800	14,476,000	42.4%	2021	22	908,500	369,500	341,200	28,300	39,000	68,300	1,044,100	1,044,100	100.0%	3,816,000	1,164,100	2,076,500	207,700	1,251,800		
2020	26,085,800	11,590,900	14,534,900	44.3%	2022	21	941,900	351,200	323,400	27,800	40,000	70,700	1,080,400	1,080,400	100.0%	3,641,500	1,269,900	2,457,800	245,800	1,326,200		
2021	26,977,100	12,419,100	14,558,000	46.0%	2023	20	976,300	326,600	303,600	23,000	41,000	72,800	1,113,100	1,113,100	100.0%	3,420,100	1,385,400	2,893,900	289,400	1,402,500		
2022	27,784,100	13,244,500	14,539,600	47.7%	2024	19	1,011,400	302,100	281,700	20,400	42,000	75,200	1,149,000	1,149,000	100.0%	3,205,400	1,515,500	3,327,700	332,800	1,481,800		
2023	28,484,400	14,003,200	14,481,200	49.2%	2025	18	1,047,700	275,100	260,800	14,300	43,000	77,300	1,182,300	1,182,300	100.0%	2,950,500	1,637,100	3,808,100	380,800	1,563,100		
2024	29,074,900	14,703,700	14,371,200	50.6%	2026	17	1,084,800	250,200	240,000	10,200	44,000	79,700	1,218,700	1,218,700	100.0%	2,718,700	1,758,200	4,273,700	427,400	1,646,100		
2025	29,546,200	15,339,800	14,206,400	51.9%	2027	16	1,122,500	226,300	220,200	6,300	45,000	82,100	1,255,900	1,255,900	100.0%	2,499,000	1,864,500	4,738,600	473,900	1,729,800		
2026	29,913,600	15,926,300	13,987,100	53.2%	2028	15	1,161,300	204,800	201,800	3,000	46,000	84,700	1,295,000	1,295,000	100.0%	2,289,500	1,982,400	5,201,300	520,100	1,815,100		
2027	30,159,000	16,450,700	13,708,300	54.6%	2029	14	1,201,100	182,800	181,900	900	47,000	87,400	1,336,400	1,336,400	100.0%	2,077,200	2,110,600	5,676,300	567,600	1,904,000		
2028	30,262,100	16,897,700	13,364,400	55.8%	2030	13	1,242,100	160,900	163,300	(2,400)	48,000	90,100	1,377,800	1,377,800	100.0%	1,859,500	2,228,700	6,169,500	617,000	1,994,800		
2029	30,224,300	17,276,400	12,947,900	57.2%	2031	12	1,283,900	143,900	145,000	(1,100)	49,000	93,200	1,425,000	1,425,000	100.0%	1,678,100	2,361,200	6,634,300	663,400	2,088,400		
2030	30,012,300	17,567,300	12,445,000	58.5%	2032	11	1,325,700	122,600	127,700	(5,100)	50,000	95,900	1,466,500	1,466,500	100.0%	1,466,500	2,429,700	7,139,500	714,000	2,180,500		
2031	29,703,100	17,837,500	11,865,600	60.1%	2033	10	1,369,000	107,900	114,200	(6,300)	52,000	99,100	1,513,800	1,513,800	100.0%	1,307,500	2,489,600	7,602,300	760,200	2,274,000		
2032	29,289,200	18,091,700	11,197,300	61.8%	2034	9	1,413,400	95,400	101,300	(5,900)	54,000	102,300	1,563,800	1,563,800	100.0%	1,166,300	2,535,200	8,056,700	805,700	2,369,500		
2033	28,786,600	18,349,900	10,436,700	63.7%	2035	8	1,459,000	82,900	89,900	(7,000)	56,000	105,600	1,613,600	1,613,600	100.0%	1,026,600	2,564,700	8,521,200	852,100	2,465,700		
2034	28,197,000	18,633,500	9,563,500	66.1%	2036	7	1,504,100	72,300	79,400	(7,100)	58,000	108,900	1,663,800	1,663,800	100.0%	917,700	2,585,800	8,966,300	896,600	2,560,400		
2035	27,529,500	18,953,800	8,575,700	68.9%	2037	6	1,548,900	62,000	69,700	(7,700)	60,000	112,100	1,713,200	1,713,200	100.0%	809,000	2,603,600	9,420,900	942,100	2,655,300		
2036	26,786,500	19,318,000	7,468,500	72.1%	2038	5	1,593,200	53,700	61,300	(7,600)	62,000	115,300	1,763,000	1,763,000	100.0%	708,500	2,619,800	9,880,000	988,000	2,751,000		
2037	25,959,400	19,731,200	6,228,200	76.0%	2039	4	1,634,400	44,500	52,700	(8,200)	64,000	118,500	1,808,600	1,808,600	100.0%	615,800	2,611,100	10,344,200	1,034,400	2,843,000		
2038	25,089,200	20,222,900	4,866,300	80.6%	2040	3	1,675,600	38,800	47,200	(8,400)	66,000	121,300	1,854,400	1,854,400	100.0%	534,000	2,568,400	10,809,300	1,080,900	2,935,300		
2039	24,196,500	20,832,600	3,363,900	86.1%	2041	2	1,709,500	33,700	41,400	(7,700)	68,000	123,900	1,893,700	1,893,700	100.0%	479,500	2,551,400	11,260,700	1,126,100	3,019,800		
2040	23,198,800	21,542,000	1,656,800	92.9%	2042	1	1,656,800	28,300	35,900	(7,600)	70,000	120,300	1,839,600	1,839,600	100.0%	410,200	2,517,800	11,742,000	1,174,200	3,013,800		
2041	22,184,400	22,368,700	(184,300)	100.8%	2043	1	(184,300)	24,400	31,200	(6,800)	72,000	(8,300)	0	0	100.0%	359,900	2,478,500	12,217,400	1,221,700	1,221,700		
2042	21,117,300	23,231,000	(2,113,700)	110.0%	2044	1	(2,113,800)	20,700	27,100	(6,400)	74,000	(143,200)	0	0	100.0%	311,900	2,412,500	12,705,800	1,270,600	1,270,600		
2043	20,096,300	22,311,600	(2,215,300)	111.0%	2045	1	(2,215,300)	17,700	23,600	(5,900)	76,000	(150,200)	0	0	100.0%	272,400	2,359,400	13,201,200	1,320,100	1,320,100		
2044	19,077,000	21,398,000	(2,321,000)	112.2%	2046	1	(2,320,900)	15,000	19,700	(4,700)	78,000	(157,300)	0	0	100.0%	237,100	2,287,900	13,708,500	1,370,900	1,370,900		
2045	17,991,000	20,467,400	(2,476,400)	113.8%	2047	1	(2,476,400)	12,000	16,300	(4,300)	80,000	(168,000)	0	0	100.0%	189,600	2,224,100	14,244,100	1,424,400	1,424,400		
2046	16,939,000	19,532,300	(2,593,300)	115.3%	2048	1	(2,593,300)	10,000	13,400	(3,400)	82,000	(176,000)	0	0	100.0%	156,800	2,160,900	14,783,200	1,478,300	1,478,300		

Includes reset of amortization period to 29 years for July 1, 2012 actuarial valuation.

This projection is based on the actuarial assumptions from the 2011 Experience Study, proposed plan design changes for the AFSCME union employees and data used in the July 1, 2011 valuation (assumed to be first reflected in the July 1, 2012 valuation). New hires are covered under a proposed DC plan, with a 10% employer contribution. The explanatory notes contained in those reports, including statements of reliance and limitations on use, continue to apply. This projection assumes new members are not covered by the current DB plan.

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Interest Rate Assumption	7.00%
Actual Return on MVA	7.00%
Payroll Growth Rate	3.55%

**Town of Coventry, RI**  
**Municipal Pension Projection (Proposed Plan Changes - DB Plan Remains Open to New Hires)**

**Exhibit D**

Values as of Valuation Date										Costs Projected to Following Fiscal Year									
Valuation Year	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Costs for FYE	Amort. Period	Past Service Cost	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Admin Expense Lead	Interest	Total Employer ARC	Assumed Employer Contribution	Employer Contribution as a % of the ARC	Payroll	Benefit Payments	Revenue Forecast	Contribution as Share of Revenue
2011	17,352,400	4,385,300	12,967,100	25.3%	2013	22	813,800	519,300	365,700	153,600	30,900	69,900	1,068,200	559,100	52.3%	5,293,900	653,500	89,677,900	0.6%
2012	17,849,100	4,780,900	13,068,200	26.8%	2014	30	673,200	499,000	443,700	55,300	32,000	53,300	813,800	588,700	72.3%	5,115,400	689,400	89,707,500	0.7%
2013	18,900,600	5,349,800	13,550,800	28.3%	2015	29	712,300	497,900	434,000	63,900	33,000	56,600	865,800	799,500	92.3%	5,035,300	729,700	89,918,300	0.9%
2014	19,982,400	6,120,200	13,862,200	30.6%	2016	28	744,200	493,600	433,300	60,300	34,000	58,700	897,200	897,200	100.0%	4,962,000	798,800	90,016,000	1.0%
2015	21,100,100	7,063,300	14,036,800	33.3%	2017	27	770,700	516,400	451,200	65,200	35,000	61,000	931,900	931,900	100.0%	5,135,500	863,400	90,050,700	1.0%
2016	22,242,900	8,023,600	14,219,300	36.1%	2018	26	799,400	532,500	465,700	66,800	36,000	63,100	965,300	965,300	100.0%	5,314,200	914,500	90,084,100	1.1%
2017	23,432,400	9,048,000	14,384,400	38.6%	2019	25	829,300	555,900	480,700	75,200	37,000	65,900	1,007,400	1,007,400	100.0%	5,500,100	997,400		
2018	24,640,500	10,107,400	14,533,100	41.0%	2020	24	860,400	576,300	496,600	79,700	38,000	68,400	1,046,500	1,046,500	100.0%	5,693,900	1,078,200		
2019	25,872,000	11,216,300	14,655,700	43.4%	2021	23	892,600	601,900	513,000	88,900	39,000	71,400	1,091,900	1,091,900	100.0%	5,892,500	1,170,000		
2020	27,124,500	12,364,200	14,760,300	45.6%	2022	22	926,400	627,000	527,800	99,200	40,000	74,600	1,140,200	1,140,200	100.0%	6,099,300	1,277,500		
2021	28,378,400	13,542,500	14,835,900	47.7%	2023	21	961,400	651,400	545,300	106,100	41,000	77,600	1,186,100	1,186,100	100.0%	6,314,000	1,395,600		
2022	29,626,700	14,748,000	14,878,700	49.8%	2024	20	997,800	676,300	560,600	115,700	42,000	80,800	1,236,300	1,236,300	100.0%	6,533,100	1,529,300		
2023	30,850,900	15,962,000	14,888,800	51.7%	2025	19	1,035,700	703,800	580,800	123,000	43,000	84,200	1,285,900	1,285,900	100.0%	6,758,600	1,656,000		
2024	32,055,900	17,201,500	14,854,400	53.7%	2026	18	1,074,700	732,000	600,000	132,000	44,000	87,600	1,338,300	1,338,300	100.0%	6,992,500	1,773,700		
2025	33,241,800	18,465,900	14,775,900	55.6%	2027	17	1,115,300	761,000	619,900	141,100	45,000	91,100	1,392,500	1,392,500	100.0%	7,237,600	1,898,700		
2026	34,421,000	19,773,500	14,647,500	57.5%	2028	16	1,157,300	791,400	641,000	150,400	46,000	94,800	1,448,500	1,448,500	100.0%	7,490,900	2,027,300		
2027	35,579,400	21,116,500	14,462,900	59.4%	2029	15	1,200,800	822,600	661,600	161,000	47,000	98,600	1,507,400	1,507,400	100.0%	7,753,500	2,169,400		
2028	36,704,400	22,484,600	14,219,800	61.3%	2030	14	1,246,000	855,700	685,000	170,700	48,000	102,500	1,567,200	1,567,200	100.0%	8,028,900	2,305,100		
2029	37,803,600	23,892,200	13,911,400	63.2%	2031	13	1,292,900	890,400	706,400	184,000	49,000	106,900	1,632,800	1,632,800	100.0%	8,312,400	2,459,100		
2030	38,838,900	25,321,900	13,517,000	65.2%	2032	12	1,340,300	925,100	732,000	193,100	50,000	110,800	1,694,200	1,694,200	100.0%	8,606,000	2,553,500		
2031	39,894,400	26,847,400	13,047,000	67.3%	2033	11	1,389,800	961,400	758,000	203,400	52,000	115,200	1,760,400	1,760,400	100.0%	8,909,800	2,644,700		
2032	40,958,100	28,473,800	12,484,300	69.3%	2034	10	1,440,400	998,700	783,700	215,000	54,000	119,800	1,829,200	1,829,200	100.0%	9,223,000	2,727,000		
2033	42,044,500	30,221,700	11,822,800	71.9%	2035	9	1,492,300	1,036,300	811,500	224,700	56,000	124,100	1,897,100	1,897,100	100.0%	9,547,700	2,798,100		
2034	43,173,400	32,116,400	11,057,000	74.4%	2036	8	1,545,800	1,073,900	839,000	234,900	58,000	128,700	1,967,400	1,967,400	100.0%	9,884,100	2,868,200		
2035	44,337,700	34,167,900	10,169,800	77.1%	2037	7	1,599,500	1,112,600	867,900	244,700	60,000	133,300	2,037,500	2,037,500	100.0%	10,229,900	2,941,400		
2036	45,546,500	36,387,700	9,158,800	79.9%	2038	6	1,654,200	1,153,700	898,400	255,300	62,000	138,000	2,109,500	2,109,500	100.0%	10,588,500	3,019,200		
2037	46,784,800	38,784,400	8,000,400	82.9%	2039	5	1,706,600	1,193,900	929,000	264,900	64,000	142,500	2,178,000	2,178,000	100.0%	10,960,000	3,082,500		
2038	48,102,700	41,387,600	6,715,100	86.0%	2040	4	1,762,200	1,237,800	963,000	274,800	66,000	147,200	2,250,100	2,250,100	100.0%	11,343,300	3,118,800		
2039	49,522,600	44,239,500	5,283,100	89.3%	2041	3	1,819,100	1,280,700	995,400	285,300	68,000	152,100	2,324,400	2,324,400	100.0%	11,740,200	3,190,300		
2040	50,942,800	47,323,100	3,619,700	92.9%	2042	2	1,839,500	1,326,400	1,030,600	295,800	70,000	154,400	2,359,700	2,359,700	100.0%	12,152,200	3,254,000		
2041	52,462,700	50,667,800	1,794,900	96.6%	2043	1	1,794,900	1,373,000	1,066,400	306,600	72,000	152,100	2,325,700	2,325,700	100.0%	12,577,300	3,319,200		
2042	54,037,100	54,250,600	(213,500)	100.4%	2044	1	(213,500)	1,421,200	1,103,400	317,800	74,000	12,500	190,700	190,700	100.0%	13,017,700	3,368,600		
2043	55,756,600	58,034,200	(2,277,600)	104.1%	2045	1	(2,277,600)	1,471,000	1,142,000	329,000	76,000	(131,100)	0	0	100.0%	13,473,600	3,417,700		
2044	57,600,700	59,860,000	(2,259,300)	103.9%	2046	1	(2,259,300)	1,522,400	1,181,200	341,200	78,000	(128,800)	0	0	100.0%	13,945,600	3,496,500		
2045	59,482,900	61,573,100	(2,090,200)	103.5%	2047	1	(2,090,200)	1,576,800	1,222,900	353,900	80,000	(115,900)	0	0	100.0%	14,433,700	3,573,400		
2046	61,507,200	63,367,700	(1,860,500)	103.0%	2048	1	(1,860,500)	1,632,900	1,265,800	367,100	82,000	(98,800)	0	0	100.0%	14,939,900	3,657,600		

Includes reset of amortization period to 30 years for July 1, 2012 actuarial valuation.

This projection is based on the actuarial assumptions from the 2011 Experience Study, proposed plan design changes for the AFSCME union employees and data used in the July 1, 2011 valuation (assumed to be first reflected in the July 1, 2012 valuation). The explanatory notes contained in those reports, including statements of reliance and limitations on use, continue to apply. This projection assumes new members enter the system.

This work product was prepared solely for the Town of Coventry, RI for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Interest Rate Assumption	7.00%
Actual Return on MVA	7.00%
Payroll Growth Rate	3.55%

**Town of Coventry, RI**  
**Municipal Pension Projection (Same as Exhibit B, Except Actual Return on Investment is 0.5% Less Than Assumption)**

**Exhibit E**

Values as of Valuation Date					DB Plan Costs Projected to Following Fiscal Year										DC Plan Costs			Contribution as Share of Revenue				
Valuation Year	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Costs for FYE	Amort. Period	Past Service Cost	Expected Total Normal Cost	Employee Contributions	Employer Normal Cost	Admin Expense Load	Interest	Total Employer ARC	Assumed Employer Contribution	Employer Contribution as % of the ARC	DB Plan Payroll	Benefit Payments		DC Plan Payroll	Employer Contribution	Total Employer Contribution	Revenue Forecast
2011	17,352,400	4,385,200	12,967,100	25.3%	2015	22	813,800	519,300	365,700	153,600	30,900	69,900	1,068,200	559,100	52.3%	5,293,900	653,500	0	0	559,100	89,677,900	0.6%
2012	17,843,100	4,758,400	13,084,700	26.7%	2014	29	687,700	481,600	452,400	49,200	32,000	53,800	822,700	592,200	72.3%	4,954,600	688,900	160,900	9,700	604,900	89,723,700	0.7%
2013	18,870,200	5,289,500	13,580,700	28.0%	2015	28	729,100	465,500	413,100	52,400	35,000	57,100	871,600	804,800	92.3%	4,737,800	728,700	297,500	17,900	822,700	89,941,500	0.9%
2014	19,910,300	6,013,700	13,896,600	30.2%	2016	27	763,000	446,300	405,100	43,200	34,000	58,800	899,000	899,000	100.0%	4,529,400	797,100	432,600	26,000	925,000	90,043,800	1.0%
2015	20,983,500	6,893,900	14,089,600	32.9%	2017	26	792,100	432,400	392,500	39,900	35,000	60,700	927,700	927,700	100.0%	4,371,400	861,000	763,600	45,800	973,500	90,092,300	1.1%
2016	22,038,400	7,750,400	14,288,000	35.2%	2018	25	823,700	416,300	382,100	34,200	36,000	62,600	956,500	956,500	100.0%	4,264,900	911,700	1,049,300	63,000	1,019,500	90,138,300	1.1%
2017	23,098,000	8,628,100	14,469,900	37.4%	2019	24	856,700	404,400	370,400	34,000	37,000	64,900	992,600	992,600	100.0%	4,138,800	993,600	1,361,300	81,700	1,074,300		
2018	24,130,000	9,494,900	14,635,100	39.4%	2020	23	891,300	384,300	355,700	28,600	38,000	67,100	1,025,000	1,025,000	100.0%	3,973,400	1,073,400	1,720,600	103,200	1,128,200		
2019	25,128,800	10,356,700	14,772,100	41.2%	2021	22	927,100	369,500	341,200	28,300	39,000	69,600	1,064,000	1,064,000	100.0%	3,816,000	1,164,100	2,076,500	124,600	1,188,600		
2020	26,085,800	11,198,300	14,887,500	42.9%	2022	21	964,800	351,200	325,400	27,800	40,000	72,900	1,104,900	1,104,900	100.0%	3,641,500	1,269,900	2,457,800	147,500	1,252,400		
2021	26,977,100	12,006,200	14,970,900	44.5%	2023	20	1,003,900	326,600	303,600	25,000	41,000	74,800	1,142,700	1,142,700	100.0%	3,420,100	1,385,400	2,893,900	173,600	1,316,300		
2022	27,784,100	12,768,100	15,016,000	46.0%	2024	19	1,044,500	302,100	281,700	20,400	42,000	77,600	1,184,500	1,184,500	100.0%	3,205,400	1,515,500	3,327,700	199,700	1,384,200		
2023	28,484,400	13,460,600	15,023,800	47.3%	2025	18	1,087,000	275,100	260,800	14,500	43,000	80,000	1,224,300	1,224,300	100.0%	2,950,500	1,637,100	3,808,100	228,500	1,452,800		
2024	29,074,900	14,093,100	14,981,800	48.5%	2026	17	1,130,800	250,200	240,000	10,200	44,000	83,000	1,268,000	1,268,000	100.0%	2,718,700	1,758,200	4,273,700	256,400	1,524,400		
2025	29,546,200	14,660,200	14,886,000	49.6%	2027	16	1,176,200	226,500	220,200	6,300	45,000	85,900	1,313,400	1,313,400	100.0%	2,499,000	1,864,500	4,738,600	284,300	1,597,700		
2026	29,913,600	15,178,200	14,735,400	50.7%	2028	15	1,223,400	204,800	201,800	3,000	46,000	89,100	1,361,500	1,361,500	100.0%	2,289,500	1,982,400	5,201,300	312,100	1,673,600		
2027	30,159,000	15,634,900	14,524,100	51.8%	2029	14	1,272,600	182,800	181,900	900	47,000	92,400	1,412,900	1,412,900	100.0%	2,077,200	2,110,600	5,676,300	340,600	1,753,500		
2028	30,262,100	16,017,000	14,245,100	52.9%	2030	13	1,323,900	160,900	165,300	(2,400)	48,000	95,900	1,465,400	1,465,400	100.0%	1,829,500	2,228,700	6,169,500	370,200	1,833,600		
2029	30,224,300	16,334,800	13,889,500	54.1%	2031	12	1,377,300	143,900	145,000	(1,100)	49,000	99,700	1,524,900	1,524,900	100.0%	1,678,100	2,361,200	6,634,300	398,100	1,923,000		
2030	30,012,300	16,570,800	13,441,500	55.2%	2032	11	1,431,800	122,600	127,700	(5,100)	50,000	103,400	1,580,100	1,580,100	100.0%	1,466,500	2,429,700	7,139,500	428,400	2,008,500		
2031	29,703,100	16,793,900	12,909,200	56.5%	2033	10	1,489,500	107,900	114,200	(6,300)	52,000	107,400	1,642,600	1,642,600	100.0%	1,307,500	2,489,600	7,602,300	456,100	2,098,700		
2032	29,289,200	17,010,700	12,278,500	58.1%	2034	9	1,549,800	95,400	101,300	(5,900)	54,000	111,900	1,709,800	1,709,800	100.0%	1,166,300	2,535,200	8,056,700	483,400	2,193,200		
2033	28,786,600	17,243,600	11,543,000	59.9%	2035	8	1,613,700	82,900	89,900	(7,000)	56,000	116,400	1,779,100	1,779,100	100.0%	1,026,600	2,564,700	8,521,200	511,500	2,290,400		
2034	28,197,000	17,516,800	10,680,200	62.1%	2036	7	1,679,800	72,500	79,400	(7,100)	58,000	121,100	1,851,700	1,851,700	100.0%	917,700	2,585,800	8,966,300	538,000	2,389,700		
2035	27,529,500	17,844,600	9,684,900	64.8%	2037	6	1,749,200	62,000	69,700	(7,700)	60,000	126,100	1,927,600	1,927,600	100.0%	809,000	2,603,600	9,420,900	565,300	2,492,900		
2036	26,786,500	18,238,200	8,548,300	68.1%	2038	5	1,823,500	53,700	61,300	(7,600)	62,000	131,500	2,009,400	2,009,400	100.0%	708,500	2,619,800	9,880,000	592,800	2,602,200		
2037	25,959,400	18,708,500	7,251,100	72.1%	2039	4	1,902,900	44,500	52,700	(8,200)	64,000	137,100	2,095,800	2,095,800	100.0%	615,800	2,611,100	10,344,200	620,700	2,716,500		
2038	25,089,200	19,291,400	5,797,800	76.9%	2040	3	1,996,300	38,800	47,200	(8,400)	66,000	143,800	2,197,600	2,197,600	100.0%	534,000	2,568,400	10,809,300	648,600	2,846,200		
2039	24,196,500	20,038,000	4,158,500	82.8%	2041	2	2,113,300	33,700	41,400	(7,700)	68,000	152,200	2,325,800	2,325,800	100.0%	479,500	2,531,400	11,260,700	675,600	3,001,400		
2040	23,198,800	20,947,700	2,251,100	90.3%	2042	1	2,251,100	28,300	35,900	(7,600)	70,000	161,900	2,475,500	2,475,500	100.0%	410,200	2,517,800	11,742,000	704,500	3,180,000		
2041	22,184,400	22,075,800	108,600	99.5%	2043	1	108,600	24,400	31,200	(6,800)	72,000	12,200	185,900	185,900	100.0%	359,900	2,478,500	12,217,400	733,000	3,180,000		
2042	21,117,300	23,465,600	(2,348,300)	111.1%	2044	1	(2,348,300)	20,700	27,100	(6,400)	74,000	(159,600)	0	0	100.0%	311,900	2,412,500	12,705,800	762,500	3,180,000		
2043	20,096,300	22,643,300	(2,547,000)	112.7%	2045	1	(2,547,000)	17,700	23,600	(5,900)	76,000	(173,400)	0	0	100.0%	272,400	2,339,400	13,201,200	792,100	3,180,000		
2044	19,077,000	21,645,600	(2,568,600)	113.5%	2046	1	(2,568,600)	15,000	19,700	(4,700)	78,000	(174,700)	0	0	100.0%	237,100	2,287,900	13,708,500	822,500	3,180,000		
2045	17,991,000	20,650,100	(2,639,100)	114.7%	2047	1	(2,639,100)	12,000	16,300	(4,300)	80,000	(179,400)	0	0	100.0%	189,600	2,224,100	14,244,100	854,600	3,180,000		
2046	16,939,000	19,608,900	(2,669,900)	115.8%	2048	1	(2,669,900)	10,000	13,400	(3,400)	82,000	(181,400)	0	0	100.0%	156,800	2,160,900	14,783,200	887,000	3,180,000		

Includes reset of amortization period to 29 years for July 1, 2012 actuarial valuation.

This projection is based on the actuarial assumptions from the 2011 Experience Study, proposed plan design changes for the AFSCME union employees and data used in the July 1, 2011 valuation (assumed to be first reflected in the July 1, 2012 valuation). New hires are covered under a proposed DC plan, with an assumed 6% employer contribution. The explanatory notes contained in those reports, including statements of reliance and limitations on use, continue to apply. This projection assumes new members are not covered by the current DB plan.

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Interest Rate Assumption	7.00%
Actual Return on MVA	6.50%
Payroll Growth Rate	3.55%

**COVENTRY MUNICIPAL EMPLOYEES RETIREMENT PLAN**

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**FUNDING IMPROVEMENT PLAN  
EXHIBIT F**

**Summary of Actuarial Assumptions**

The current actuarial assumptions used in the original July 1, 2011 Coventry Municipal Employees Retirement Plan valuation plus the proposed changes in actuarial assumptions (consistent with pages 7 through 9 of Milliman's March 21, 2012 Experience Study report) are as follows:

	<b>Current Assumption</b>		<b>Proposed Assumption</b>	
<b>Consumer Price Inflation</b>	2.75% per year.		No change.	
<b>Salary Scale</b>	<u>Age</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
	20	7.10%	1	6.80%
	25	6.18%	2	6.80%
	30	5.57%	3	3.55%
	35	5.11%	4	3.55%
	40	4.72%	5	6.35%
	45	4.39%	6-9	3.55%
	50	4.12%	10	6.10%
	55	3.88%	11-14	3.55%
			15	5.85%
			16-19	3.55%
			20	5.60%
			21-24	3.55%
			25	5.35%
			26-on	3.55%
<b>Investment Return</b>	7.50% per year, net of investment expenses.		7.00% per year, net of investment expenses.	
<b>Turnover</b>	<u>Age</u>	<u>Rate</u>	No change.	
	20	10.94%		
	25	8.78%		
	30	6.98%		
	35	5.45%		
	40	4.23%		
	45	3.29%		
	50	2.52%		
	55	1.89%		

**COVENTRY MUNICIPAL EMPLOYEES RETIREMENT PLAN**

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**FUNDING IMPROVEMENT PLAN  
EXHIBIT F**

	<b>Current Assumption</b>		<b>Proposed Assumption</b>	
<b>Retirement</b>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
	55-58	2%	55-58	3%
	59	7	59	7
	60-61	10	60-61	10
	62	35	62	35
	63-64	20	63-64	20
	65	50	65	40
	66-69	40	66-69	30
	70	100	70	100
 <b>Mortality</b>	RP-2000 Combined Healthy Mortality Table projected to 2005 with Scale AA, with separate male and female tables.		RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA with separate male and female tables.	
 <b>Disability</b>	1987 Commissioner's Group Disability Table, six month elimination period, separately for males and females.		No change.	
 <b>Percent Married</b>	75% of active members are assumed to be married, with husbands 3 years older than their spouses.		No change.	
 <b>Asset Valuation Method (Actuarial Value)</b>	The total value of the plan assets is adjusted by phasing in recognition of the difference between the expected return on market value and the actual return on market value over a five-year period at 20% per year.		No change.	
 <b>Actuarial Cost Method</b>	Entry Age Normal actuarial cost method.		No change.	
 <b>Payroll Growth Rate</b>	4.00%		3.55%	

*COVENTRY MUNICIPAL EMPLOYEES RETIREMENT PLAN*

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*FUNDING IMPROVEMENT PLAN  
EXHIBIT G*

**Summary of Current Plan Provisions and Proposed Plan Changes**

	<b>Current Provision</b>	<b>Town Proposal 1</b>	<b>Town Proposal 2</b>
<b>Normal Retirement Benefit</b>	2% of Average Compensation per year of service.	No change.	No change.
<b>Final Average Earnings</b>	The average of total pay received for the five consecutive years out of the ten latest years which gives the highest average.	No change, but wages frozen for the next 3 years for active AFSCME group participants.	No change, but wages frozen for the next 3 years for active AFSCME group participants.
<b>Member Contributions</b>	All active participants contribute 7% of compensation.	All active AFSCME group participants contribute 10% of compensation.	All active AFSCME group participants contribute 10% of compensation.
<b>Eligibility</b>	Eligible members participate on the first day of the month following date of hire.	Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing a 100% match of the employee contribution, up to a maximum of 10% of the employee's gross wages. Our actuary estimates that some new hires will not elect to make the maximum contribution into the defined contribution plan, such that the average employer contribution is 6% of compensation into that plan.	Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing 10% of the employee's gross wages.

**COVENTRY MUNICIPAL EMPLOYEES RETIREMENT PLAN**

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**FUNDING IMPROVEMENT PLAN  
EXHIBIT G**

	<b>Current Provision</b>	<b>Town Proposal 3</b>
<b>Normal Retirement Benefit</b>	2% of Average Compensation per year of service.	No change.
<b>Final Average Earnings</b>	The average of total pay received for the five consecutive years out of the ten latest years which gives the highest average.	No change but wages frozen for the next 3 years for active AFSCME group participants.
<b>Member Contributions</b>	All active participants contribute 7% of compensation.	All active AFSCME group participants contribute 10% of compensation.
<b>Eligibility</b>	Eligible members participate on the first day of the month following date of hire.	No change (defined benefit plan remains open to new hires).



## Exhibit H

August 7, 2012

Mr. Ted Przybyla  
Finance Director  
Town of Coventry  
[tprzybyla@town.coventry.ri.us](mailto:tprzybyla@town.coventry.ri.us)

Dear Mr. Przybyla:

**Subject: Actuarial Analysis - Extending MERS Coverage to Employees of the Coventry Municipal Employees Retirement Plan**

As requested, we have determined the initial employer contribution rate that the Town will be charged if the Town of Coventry elects coverage for the Town's municipal employees under MERS (Rhode Island's Municipal Employees' Retirement System), effective July 1, 2012.

### Background and Proposal

We have been provided data on 106 employees, 64 retirees, and 41 vested terminated member of the Town of Coventry Municipal Employees Retirement Plan who would be covered under MERS. The analysis assumes all prior service will be granted to the members for both benefit calculations and for eligibility purposes. The analysis is performed under two scenarios: with the optional COLA C provision or without it. By statute, the member contribution rate for the unit will be 1.00% if no COLA is elected and 2.00% if COLA C is elected.

### Analysis

The table below shows the employer contribution rate and other information:

Assumes no Asset Transfer		
Item	Without any Optional Provision	With Optional COLA C Provision
1. Projected unfunded actuarial accrued liability as of June 30, 2012	\$16,900,000	\$18,800,000
2. Total normal cost rate	7.90%	8.72%
3. Member contribution rate	1.00%	2.00%
4. Employer normal cost rate (2. - 3.)	6.90%	6.72%
5. Amortization rate	19.16%	21.27%
<b>6. Total employer contrib. rate (4. + 5.)</b>	<b>26.06%</b>	<b>27.99%</b>
7. Projected FY 2013 payroll	\$5,400,000	\$5,400,000
<b>8. Projected FY 2013 employer contrib.</b>	<b>\$1,425,000</b>	<b>\$1,525,000</b>



The Town would not participate in a MERS actuarial valuation until after the Town had participated in MERS for a full year. Therefore, the first MERS actuarial valuation in which the Town would be a participant would be the June 30, 2013 valuation which would set the FY2016 contribution rates. Thus, the contribution rates shown above would be effective from the July 1, 2012 effective date through June 30, 2015. After that, contributions will be determined by the annual valuations for MERS.

### **Impact of Additional Contributions**

The employer contribution rates and amounts shown above are based on the assumption that no extra assets are transferred into MERS. If extra assets are transferred, then for each \$1,000,000 contributed to MERS, the employer contribution rate will be reduced by 113 basis points (1.13%). For example, by contributing an additional \$10,000,000 to MERS when the plan is established, the Town would reduce the contribution rate shown above by 11.32 percentage points, or from 27.99% to 16.67% if the optional COLA C provision is adopted. This amounts to a savings of \$61,600 in the annual employer contribution for each \$1,000,000 contributed.

### **Member Data**

Member data on the 106 active members provided by Frank Karpinski, the Executive Director for ERSRI, in electronic format. As of June 30, 2011, the active members are 47.5 years old on average, they have an average of 13.4 years of service, and their current average salary is \$49,500.

### **Other Comments**

Our analysis was prepared based on actuarial assumptions and methods used in preparing the June 30, 2011 actuarial valuation report, the most recently completed one.

If you have any questions about our analysis, please do not hesitate to call or write.

Sincerely,



Joseph P. Newton  
Senior Consultant

cc: Mr. Frank J. Karpinski, Executive Director, ERSRI