

THE CITY OF NEWPORT

RESOLUTION

OF THE

COUNCIL

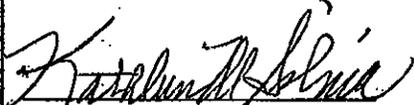
No. 2012-160

Resolved: The City Council hereby selects Option 1 to continue to fund the police and fire pension plans in accordance with our current declining amortization plan and at the level of annual required contribution as developed by an actuary.

IN COUNCIL

READ AND PASSED

October 24, 2012



Kathleen M. Silvia
City Clerk



Funding Improvement Plan

Submission to the Locally-Administered Pension Plans Study Commission

The City of Newport, Rhode Island Fire Pension System

Executive Summary

In accordance with Rhode Island General Laws Section 45-65-6, the City of Newport, Rhode Island (the City) is submitting this Funding Improvement Plan (Plan) to the Locally-Administered Pension Plans Study Commission (the Commission) with respect to the City's Fire Pension System (the System). The City has completed an actuarial valuation as of July 1, 2012, and an experience study based on System experience for fiscal years 2006 thru 2011. Based on these results, the funded status of the pension system is 34.7% and, therefore, considered in critical status.

In the pages that follow, we will describe our plans for increasing this ratio to the point that the System is no longer considered in critical status. We have formulated four separate Options, all of which would be expected to achieve the goal of emerging from critical status within a reasonable period of time:

- Option 1: Adhere to the City's current funding policy; no System changes
- Option 2: Future new hires participate in MERS
- Option 3: The System plan provisions are changed to match those pertaining to local municipality Fire members of MERS
- Option 4: The City seeks alternative means of providing Fire Department services to the City, effectively terminating all current active members

The local governing body for the City has adopted Option 1, in order to emerge from critical status. Under this Option, we expect to achieve this goal in about 11 years.

Current Funding

The City has accepted the recommendations of our actuary for modifications to the actuarial assumptions. Based on these results, the actuary is recommending a pension contribution of \$4.8 million to the trust based on a 20-year amortization with payments increasing 3.20% per year. The City has budgeted \$4,822,711 for fiscal year 2013, or 100.0% of the recommended contribution. This also represents 5.78% of our revenue. For fiscal year 2012, the City contributed 100.0% of the recommended contribution.

Future Funding

The City's current funding policy is to contribute an amount that is the sum of two components, an annual normal cost and an amortization payment which will change from year to year in response to evolving plan experience. Beginning with the July 1, 2002 valuation, the amortization period was set at 30 years, and for each year the amortization period decreases by one year. Thus, the amortization period for the July 1, 2012 valuation is 19 years. The normal cost and amortization is then offset by anticipated employee contributions to the Plan, to arrive at the net City contribution. The financial exhibits in this report focus solely on City contributions to the System. Future changes to GASB accounting requirements for government pensions have not been taken into account.

Under Option 1, the City will make no changes to the System, and will continue adhering to the funding policy. Exhibits A1 thru A4 shows the forecast of key values under this approach based on the actuarial assumptions adopted, and new participants entering the plan to replace those terminating and retiring. Exhibits B1 thru B4 show these same forecasts except that assets are assumed to earn 50 basis points less. Exhibits C and D describe the actuarial assumptions and plan provisions, respectively.

Plan Changes

Options 2 and 3 would require the City to negotiate reductions in the pension benefits provided to certain System members, as follows:

- Under Option 2, members hired after July 1, 2013 would participate in MERS. Benefits for those members hired before July 1, 2013 would be unaffected.
- Under Option 3, all current and future active and retired members would participate in the System, but the System would be changed to replicate the benefit provisions applicable to local Fire members of MERS.

Under Option 4, the City would seek an alternative means of delivering Fire services to the City, its citizens and its visitors. This would result in the termination of all active members of the System, as the City would essentially have to pay for Fire Department services from alternative sources, but those who would be providing those services would not be members of the System.

Our actuary has estimated that these modifications will substantially reduce the costs and liabilities of the plan. Their estimates are as follow:

Projected July 1, 2013 valuation results	Option 1 (Current)	Option 2	Option 3	Option 4
Employer Normal Cost	\$1,350,306	\$1,350,306	\$1,106,767	\$0
Employee Normal Cost	501,000	501,000	445,334	0
Total Normal Cost	1,851,306	1,851,306	1,552,101	0
Accrued Liability	96,514,632	96,514,632	85,723,432	96,043,056
Unfunded Accrued Liability	60,696,750	60,696,750	49,905,550	60,225,174
Funded Ratio	37.1%	37.1%	41.8%	37.3%
ARC	\$6,133,576	\$6,133,576	\$5,003,675	\$5,135,599

Exhibits A1 thru A4 shows the key values forecasted for the next 27 years based Options 1 thru 4. Exhibits B1 thru B4 are the same forecasts as Exhibits A1 thru A4, except the actual return on investments is .5% less than the assumption.

Exhibits A1 thru A4 - Forecast of key values for Options 1 thru 4

Exhibits B1 thru B4 - Same forecast as Exhibits A1 thru A4, except actuarial return on assets is 0.5% less than assumption.

Exhibit C - Actuarial Assumptions (lists all pertinent assumptions)

Exhibit D - Plan Provisions (lists all significant plan provisions, before the changes listed in the Plan Changes section above are made to the System).

The City of Newport, Rhode Island Fire Pension System: Financial Projections
Option 1 - Assume 7.5% Investment Return
Exhibit A-1

FY Ending 6/30	Normal Cost	Accrued Liability (AL)	Assets	Unfunded AL	Amortization Factor	Amortization of Unfunded AL	Estimated Employee Contributions	Annual Required Contribution	Benefit Payments	Funded %
2014	1,488,090	93,772,470	32,552,813	61,219,657	12.1593	5,034,804	530,477	5,992,417	5,513,468	34.7%
2015	1,491,497	96,514,632	35,817,882	60,696,750	11.727	5,175,812	533,733	6,133,576	5,768,263	37.1%
2016	1,472,034	99,200,496	39,208,866	59,991,630	11.2767	5,319,963	531,557	6,260,440	5,921,114	39.5%
2017	1,476,177	101,909,664	42,820,858	59,088,806	10.8076	5,467,338	534,308	6,409,207	6,139,731	42.0%
2018	1,488,780	104,598,408	46,629,282	57,969,126	10.3189	5,617,762	540,742	6,565,800	6,299,997	44.6%
2019	1,504,093	107,334,160	50,720,699	56,613,461	9.81	5,770,995	547,621	6,727,467	6,503,635	47.3%
2020	1,503,177	110,077,936	55,077,015	55,000,921	9.2798	5,926,951	549,311	6,880,817	6,812,186	50.0%
2021	1,488,421	112,705,352	59,596,146	53,109,206	8.7275	6,085,271	548,045	7,025,648	7,025,706	52.9%
2022	1,490,513	115,293,112	64,377,060	50,916,052	8.1522	6,245,682	550,953	7,185,243	7,264,778	55.8%
2023	1,489,153	117,828,032	69,431,916	48,396,116	7.5529	6,407,620	552,708	7,344,065	7,489,308	58.9%
2024	1,488,858	120,317,944	74,794,368	45,523,576	6.9287	6,570,291	555,031	7,504,118	7,671,335	62.2%
2025	1,508,052	122,798,448	80,533,217	42,265,231	6.2784	6,731,847	564,609	7,675,290	8,005,825	65.6%
2026	1,508,230	125,135,352	86,537,466	38,597,886	5.6011	6,891,126	566,984	7,832,372	8,357,249	69.2%
2027	1,492,266	127,281,848	92,788,224	34,493,624	4.8955	7,045,986	564,433	7,973,820	8,576,204	72.9%
2028	1,512,723	129,345,832	99,420,350	29,925,482	4.6157	6,483,411	573,960	7,422,175	8,932,662	76.9%
2029	1,496,727	131,213,312	105,639,296	25,574,016	3.3949	7,533,069	572,420	8,457,376	9,155,148	80.5%
2030	1,502,636	132,973,616	113,128,341	19,845,275	2.5974	7,640,439	577,847	8,565,227	9,449,780	85.1%
2031	1,511,780	134,564,800	120,987,780	13,577,020	1.7667	7,684,961	584,467	8,612,274	9,739,542	89.9%
2032	1,507,538	135,982,400	129,190,816	6,791,584	0.9014	7,534,484	586,648	8,455,374	9,924,800	95.0%
2033	1,535,882	137,309,120	137,662,859	(353,739)			599,653	936,230	10,265,278	100.3%
2034	1,526,255	138,408,176	138,912,213	(504,037)			601,799	924,455	10,535,518	100.4%
2035	1,511,483	139,298,736	139,966,293	(667,557)			601,825	909,659	10,782,732	100.5%
2036	1,509,382	139,984,128	140,829,112	(844,984)			606,264	903,118	10,955,128	100.6%
2037	1,545,979	140,539,088	141,576,334	(1,037,246)			623,623	922,356	11,036,326	100.7%
2038	1,565,033	141,086,192	142,332,261	(1,246,069)			634,013	931,019	11,173,944	100.9%
2039	1,601,069	141,549,120	143,021,680	(1,472,560)			651,551	949,518	11,251,718	101.0%
2040	1,627,326	142,000,320	143,718,447	(1,718,127)			665,318	962,007	11,287,536	101.2%

The City of Newport, Rhode Island Fire Pension System: Financial Projections
Option 2 - Assume 7.5% Investment Return
Exhibit A-2

FY Ending 6/30	Normal Cost	Accrued Liability (AL)	Assets	Unfunded AL	Amortization Factor	Amortization of Unfunded AL	Estimated Employee Contributions	Annual Required Contribution	Benefit Payments	Funded %
2014	1,488,090	93,772,470	32,552,813	61,219,657	12.1593	5,034,804	530,477	5,992,417	5,513,468	34.7%
2015	1,491,497	96,514,632	35,817,882	60,696,750	11.727	5,175,812	533,733	6,133,576	5,768,263	37.1%
2016	1,411,489	99,175,376	39,208,866	59,966,510	11.2767	5,317,736	506,293	6,222,932	5,920,382	39.5%
2017	1,396,061	101,824,504	42,758,842	59,065,662	10.8076	5,465,197	500,907	6,360,350	6,138,029	42.0%
2018	1,376,861	104,430,680	46,482,118	57,948,562	10.3189	5,615,769	494,244	6,498,387	6,297,057	44.5%
2019	1,369,075	107,048,032	50,451,624	56,596,408	9.81	5,769,257	491,614	6,646,718	6,499,152	47.1%
2020	1,340,579	109,643,672	54,655,639	54,988,033	9.2798	5,925,562	481,954	6,784,187	6,805,952	49.8%
2021	1,275,014	112,086,848	58,985,623	53,101,225	8.7275	6,084,357	459,790	6,899,581	7,017,364	52.6%
2022	1,238,609	114,429,304	63,515,050	50,914,254	8.1522	6,245,462	446,864	7,037,206	7,253,857	55.5%
2023	1,194,964	116,665,776	68,264,419	48,401,357	7.5529	6,408,314	431,232	7,172,047	7,475,475	58.5%
2024	1,150,764	118,796,752	73,260,113	45,536,639	6.9287	6,572,177	415,496	7,307,444	7,654,260	61.7%
2025	1,134,217	120,853,496	78,565,334	42,288,162	6.2784	6,735,500	410,366	7,459,351	7,985,210	65.0%
2026	1,068,077	122,703,920	84,073,120	38,630,800	5.6011	6,897,002	385,458	7,579,622	8,332,488	68.5%
2027	978,963	124,267,504	89,730,370	34,537,134	4.8955	7,054,874	352,810	7,681,027	8,546,230	72.2%
2028	952,171	125,639,424	95,659,726	29,979,698	4.6157	6,495,157	342,889	7,104,439	8,896,600	76.1%
2029	856,477	126,723,504	101,085,097	25,638,407	3.3949	7,552,036	308,553	8,099,959	9,112,052	79.8%
2030	807,476	127,571,760	107,655,842	19,915,918	2.5974	7,667,636	291,378	8,183,734	9,398,558	84.4%
2031	746,753	128,137,776	114,489,829	13,647,947	1.7667	7,725,107	269,239	8,202,620	9,679,186	89.3%
2032	671,559	128,395,112	121,543,028	6,852,084	0.9014	7,601,602	242,214	8,030,947	9,853,790	94.7%
2033	645,216	128,416,904	128,746,029	(329,125)			232,703	412,513	10,182,116	100.3%
2034	545,753	128,072,808	128,521,919	(449,111)			197,868	347,885	10,438,482	100.4%
2035	449,855	127,339,400	127,916,531	(577,131)			164,493	285,362	10,669,636	100.5%
2036	367,432	126,217,144	126,930,897	(713,753)			135,862	231,570	10,823,810	100.6%
2037	335,303	124,770,000	125,629,547	(859,547)			124,922	210,381	10,884,342	100.7%
2038	296,596	123,119,752	124,135,895	(1,016,143)			111,528	185,068	10,998,812	100.8%
2039	259,348	121,188,680	122,373,184	(1,184,504)			98,887	160,461	11,051,026	101.0%
2040	216,974	119,021,904	120,387,048	(1,365,144)			84,389	132,585	11,058,316	101.1%

The City of Newport, Rhode Island Fire Pension System: Financial Projections
Option 3 - Assume 7.5% Investment Return
Exhibit A-3

FY Ending	Normal Cost	Accrued Liability (AL)	Assets	Unfunded AL	Amortization Factor	Amortization of Unfunded AL	Estimated Employee Contributions	Annual Required Contribution	Benefit Payments	Funded %
2014	1,488,090	93,772,470	32,552,813	61,219,657	12.1593	5,034,804	530,477	5,992,417	5,513,468	34.7%
2015	1,222,493	85,723,432	35,817,882	49,905,550	11.727	4,255,611	474,429	5,003,675	5,693,623	41.8%
2016	1,211,326	87,416,008	38,096,816	49,319,192	11.2767	4,373,548	474,606	5,110,269	5,788,167	43.6%
2017	1,216,547	89,126,120	40,555,709	48,570,411	10.8076	4,494,098	478,008	5,232,638	5,934,906	45.5%
2018	1,232,601	90,816,704	43,173,106	47,643,598	10.3189	4,617,120	485,656	5,364,065	6,028,428	47.5%
2019	1,249,099	92,552,224	46,029,209	46,523,015	9.81	4,742,407	493,204	5,498,302	6,168,603	49.7%
2020	1,249,223	94,287,992	49,096,406	45,191,586	9.2798	4,869,888	495,463	5,623,648	6,365,132	52.1%
2021	1,249,683	95,949,408	52,318,094	43,631,314	8.7275	4,999,291	498,504	5,750,471	6,456,311	54.5%
2022	1,266,644	97,640,880	55,817,021	41,823,859	8.1522	5,130,377	506,059	5,890,961	6,612,469	57.2%
2023	1,271,639	99,313,080	59,564,993	39,748,087	7.5529	5,262,626	509,423	6,024,842	6,734,520	60.0%
2024	1,281,399	100,988,432	63,605,142	37,383,290	6.9287	5,395,426	514,695	6,162,130	6,830,648	63.0%
2025	1,303,535	102,693,344	67,991,496	34,701,848	6.2784	5,527,180	525,228	6,305,487	7,067,252	66.2%
2026	1,314,022	104,301,248	72,616,137	31,685,111	5.6011	5,656,944	529,828	6,441,138	7,250,434	69.6%
2027	1,325,445	105,849,176	77,538,523	28,310,653	4.8955	5,782,995	534,247	6,574,193	7,423,269	73.3%
2028	1,344,675	107,344,288	82,788,900	24,555,388	4.6157	5,319,970	541,409	6,123,236	7,588,409	77.1%
2029	1,361,131	108,798,176	87,818,556	20,979,620	3.3949	6,179,746	547,721	6,993,156	7,707,734	80.7%
2030	1,366,014	110,252,720	93,978,321	16,274,399	2.5974	6,265,650	548,492	7,083,172	7,936,697	85.2%
2031	1,394,824	111,582,624	100,454,176	11,128,448	1.7667	6,299,003	559,287	7,134,540	8,174,194	90.0%
2032	1,400,828	112,792,856	107,232,382	5,560,474	0.9014	6,168,709	560,268	7,009,269	8,322,626	95.1%
2033	1,431,083	113,944,984	114,241,229	(296,245)			571,069	860,014	8,599,456	100.3%
2034	1,436,194	114,924,512	115,351,125	(426,613)			572,567	863,627	8,781,974	100.4%
2035	1,431,361	115,792,240	116,360,705	(568,465)			569,253	862,109	9,008,616	100.5%
2036	1,427,816	116,484,208	117,206,891	(722,683)			565,930	861,885	9,226,582	100.6%
2037	1,472,000	116,997,504	117,887,682	(890,178)			582,386	889,614	9,288,288	100.8%
2038	1,462,318	117,527,576	118,599,932	(1,072,356)			575,362	886,956	9,524,972	100.9%
2039	1,510,763	117,841,368	119,111,258	(1,269,890)			594,429	916,335	9,589,326	101.1%
2040	1,532,010	118,158,360	119,642,856	(1,484,496)			602,746	929,265	9,633,822	101.3%

The City of Newport, Rhode Island Fire Pension System: Financial Projections
Option 4 - Assume 7.5% Investment Return
Exhibit A-4

FY Ending 6/30	Normal Cost	Accrued Liability (AL)	Assets	Unfunded AL	Amortization Factor	Amortization of Unfunded AL	Estimated Employee Contributions	Annual Required Contribution	Benefit Payments	Funded %
2014	1,488,090	93,772,470	32,552,813	61,219,657	12.1593	5,034,804	530,477	5,992,417	5,513,468	34.7%
2015	-	96,043,056	35,817,882	60,225,174	11.727	5,135,599	-	5,135,599	7,120,911	37.3%
2016	-	95,811,560	36,278,920	59,532,640	11.2767	5,279,261	-	5,279,261	6,544,926	37.9%
2017	-	96,184,960	37,513,593	58,671,367	10.8076	5,428,714	-	5,428,714	6,634,216	39.0%
2018	-	96,493,296	38,898,021	57,595,275	10.3189	5,581,532	-	5,581,532	6,769,145	40.3%
2019	-	96,684,192	40,399,624	56,284,568	9.81	5,737,469	-	5,737,469	6,902,292	41.8%
2020	-	96,750,696	42,032,148	54,718,548	9.2798	5,896,522	-	5,896,522	7,067,375	43.4%
2021	-	96,650,248	43,775,519	52,874,729	8.7275	6,058,405	-	6,058,405	7,188,157	45.3%
2022	-	96,416,432	45,686,672	50,729,760	8.1522	6,222,831	-	6,222,831	7,282,699	47.4%
2023	-	96,066,552	47,807,859	48,258,693	7.5529	6,389,426	-	6,389,426	7,372,919	49.8%
2024	-	95,596,408	50,161,470	45,434,938	6.9287	6,557,498	-	6,557,498	7,459,175	52.5%
2025	-	95,001,112	52,770,511	42,230,601	6.2784	6,726,332	-	6,726,332	7,518,120	55.5%
2026	-	94,299,704	55,683,132	38,616,572	5.6011	6,894,462	-	6,894,462	7,600,876	59.0%
2027	-	93,459,440	58,896,785	34,562,655	4.8955	7,060,087	-	7,060,087	7,719,451	63.0%
2028	-	92,432,616	62,394,515	30,038,101	4.6157	6,507,811	-	6,507,811	7,833,754	67.5%
2029	-	91,209,672	65,484,143	25,725,529	3.3949	7,577,698	-	7,577,698	7,940,671	71.8%
2030	-	89,783,568	69,764,862	20,018,706	2.5974	7,707,210	-	7,707,210	8,016,747	77.7%
2031	-	88,171,112	74,417,505	13,753,607	1.7667	7,784,914	-	7,784,914	8,109,224	84.4%
2032	-	86,341,240	79,401,207	6,940,033	0.9014	7,699,172	-	7,699,172	8,120,625	92.0%
2033	-	84,362,000	84,661,159	(299,159)			-	-	8,135,550	100.4%
2034	-	82,218,472	82,601,008	(382,536)			-	-	8,192,780	100.5%
2035	-	79,854,288	80,327,187	(472,899)			-	-	8,217,952	100.6%
2036	-	77,286,232	77,856,808	(570,576)			-	-	8,161,118	100.7%
2037	-	74,584,328	75,259,901	(675,573)			-	-	8,118,004	100.9%
2038	-	71,724,224	72,512,793	(788,569)			-	-	8,032,481	101.1%
2039	-	68,738,200	69,648,058	(909,858)			-	-	7,903,423	101.3%
2040	-	65,662,108	66,701,874	(1,039,766)			-	-	7,748,363	101.6%

The City of Newport, Rhode Island Fire Pension System: Financial Projections
Option 1 - Assume 7% Investment Return
Exhibit B-1

FY Ending 6/30	Normal Cost	Accrued Liability (AL)	Assets	Unfunded AL	Amortization Factor	Amortization of Unfunded AL	Estimated Employee Contributions	Annual Required Contribution	Benefit Payments	Funded %
2014	1,488,090	93,772,470	32,552,813	61,219,657	12.1593	5,034,804	530,477	5,992,417	5,513,468	34.7%
2015	1,491,497	96,514,632	35,667,283	60,847,349	11.727	5,188,654	533,733	6,146,418	5,768,263	37.0%
2016	1,472,034	99,200,496	38,894,204	60,306,292	11.2767	5,347,867	531,557	6,288,344	5,921,114	39.2%
2017	1,476,177	101,909,664	42,329,094	59,580,570	10.8076	5,512,840	534,308	6,454,709	6,139,731	41.5%
2018	1,488,780	104,598,408	45,948,039	58,650,369	10.3189	5,683,781	540,742	6,631,819	6,299,997	43.9%
2019	1,504,093	107,334,160	49,838,541	57,495,619	9.81	5,860,919	547,621	6,817,391	6,503,635	46.4%
2020	1,503,177	110,077,936	53,983,778	56,094,158	9.2798	6,044,759	549,311	6,998,626	6,812,186	49.0%
2021	1,488,421	112,705,352	58,283,836	54,421,516	8.7275	6,235,636	548,045	7,176,013	7,025,706	51.7%
2022	1,490,513	115,293,112	62,840,774	52,452,338	8.1522	6,434,133	550,953	7,373,694	7,264,778	54.5%
2023	1,489,153	117,828,032	67,670,684	50,157,348	7.5529	6,640,807	552,708	7,577,252	7,489,308	57.4%
2024	1,488,858	120,317,944	72,812,401	47,505,543	6.9287	6,856,343	555,031	7,790,170	7,671,335	60.5%
2025	1,508,052	122,798,448	78,341,518	44,456,930	6.2784	7,080,933	564,609	8,024,376	8,005,825	63.8%
2026	1,508,230	125,135,352	84,156,432	40,978,920	5.6011	7,316,227	566,984	8,257,473	8,357,249	67.3%
2027	1,492,266	127,281,848	90,251,371	37,030,477	4.8955	7,564,187	564,433	8,492,021	8,576,204	70.9%
2028	1,512,723	129,345,832	96,779,099	32,566,733	4.6157	7,055,643	573,960	7,994,407	8,932,662	74.8%
2029	1,496,727	131,213,312	102,907,998	28,305,314	3.3949	8,337,599	572,420	9,261,906	9,155,148	78.4%
2030	1,502,636	132,973,616	110,502,384	22,471,232	2.5974	8,651,433	577,847	9,576,221	9,449,780	83.1%
2031	1,511,780	134,564,800	118,644,209	15,920,591	1.7667	9,011,485	584,467	9,938,798	9,739,542	88.2%
2032	1,507,538	135,982,400	127,426,270	8,556,130	0.9014	9,492,045	586,648	10,412,935	9,924,800	93.7%
2033	1,535,882	137,309,120	137,108,301	200,819			599,653	936,230	10,265,278	99.9%
2034	1,526,255	138,408,176	137,653,171	755,005			601,799	924,455	10,535,518	99.5%
2035	1,511,483	139,298,736	137,947,802	1,350,934			601,825	909,659	10,782,732	99.0%
2036	1,509,382	139,984,128	137,993,286	1,990,842			606,264	903,118	10,955,128	98.6%
2037	1,545,979	140,539,088	137,862,027	2,677,061			623,623	922,356	11,036,326	98.1%
2038	1,565,033	141,086,192	137,674,421	3,411,771			634,013	931,019	11,173,944	97.6%
2039	1,601,069	141,549,120	137,350,784	4,198,336			651,551	949,518	11,251,718	97.0%
2040	1,627,326	142,000,320	136,960,306	5,040,014			665,318	962,007	11,287,536	96.5%

The City of Newport, Rhode Island Fire Pension System: Financial Projections
Option 2 - Assume 7% Investment Return
Exhibit B-2

FY Ending 6/30	Normal Cost	Accrued Liability (AL)	Assets	Unfunded AL	Amortization Factor	Amortization of Unfunded AL	Estimated Employee Contributions	Annual Required Contribution	Benefit Payments	Funded %
2014	1,488,090	93,772,470	32,552,813	61,219,657	12.1593	5,034,804	530,477	5,992,417	5,513,468	34.7%
2015	1,491,497	96,514,632	35,667,283	60,847,349	11.727	5,188,654	533,733	6,146,418	5,768,263	37.0%
2016	1,411,489	99,175,376	38,894,204	60,281,172	11.2767	5,345,639	506,293	6,250,835	5,920,382	39.2%
2017	1,396,061	101,824,504	42,267,077	59,557,427	10.8076	5,510,699	500,907	6,405,852	6,138,029	41.5%
2018	1,376,861	104,430,680	45,801,179	58,629,501	10.3189	5,681,759	494,244	6,564,376	6,297,057	43.9%
2019	1,369,075	107,048,032	49,570,493	57,477,539	9.81	5,859,076	491,614	6,736,537	6,499,152	46.3%
2020	1,340,579	109,643,672	53,564,730	56,078,942	9.2798	6,043,120	481,954	6,901,744	6,805,952	48.9%
2021	1,275,014	112,086,848	57,677,647	54,409,201	8.7275	6,234,225	459,790	7,049,450	7,017,364	51.5%
2022	1,238,609	114,429,304	61,985,938	52,443,366	8.1522	6,433,032	446,864	7,224,777	7,253,857	54.2%
2023	1,194,964	116,665,776	66,514,270	50,151,506	7.5529	6,640,033	431,232	7,403,766	7,475,475	57.0%
2024	1,150,764	118,796,752	71,294,344	47,502,408	6.9287	6,855,890	415,496	7,591,158	7,654,260	60.0%
2025	1,134,217	120,853,496	76,396,263	44,457,233	6.2784	7,080,981	410,366	7,804,832	7,985,210	63.2%
2026	1,068,077	122,703,920	81,722,488	40,981,432	5.6011	7,316,676	385,458	7,999,295	8,332,488	66.6%
2027	978,963	124,267,504	87,232,886	37,034,618	4.8955	7,565,033	352,810	8,191,186	8,546,230	70.2%
2028	952,171	125,639,424	93,067,782	32,571,642	4.6157	7,056,707	342,889	7,665,989	8,896,600	74.1%
2029	856,477	126,723,504	98,414,597	28,308,907	3.3949	8,338,657	308,553	8,886,580	9,112,052	77.7%
2030	807,476	127,571,760	105,099,707	22,472,053	2.5974	8,651,749	291,378	9,167,847	9,398,558	82.4%
2031	746,753	128,137,776	112,221,336	15,916,440	1.7667	9,009,136	269,239	9,486,649	9,679,186	87.6%
2032	671,559	128,395,112	119,848,676	8,546,436	0.9014	9,481,291	242,214	9,910,636	9,853,790	93.3%
2033	645,216	128,416,904	128,226,788	190,116			232,703	412,513	10,182,116	99.9%
2034	545,753	128,072,808	127,345,067	727,741			197,868	347,885	10,438,482	99.4%
2035	449,855	127,339,400	126,037,721	1,301,679			164,493	285,362	10,669,636	99.0%
2036	367,432	126,217,144	124,304,529	1,912,615			135,862	231,570	10,823,810	98.5%
2037	335,303	124,770,000	122,208,562	2,561,438			124,922	210,381	10,884,342	97.9%
2038	296,596	123,119,752	119,871,308	3,248,444			111,528	185,068	10,998,812	97.4%
2039	259,348	121,188,680	117,213,664	3,975,016			98,887	160,461	11,051,026	96.7%
2040	216,974	119,021,904	114,278,879	4,743,025			84,389	132,585	11,058,316	96.0%

The City of Newport, Rhode Island Fire Pension System: Financial Projections
Option 3 - Assume 7% Investment Return
Exhibit B-3

FY Ending 6/30	Normal Cost	Accrued Liability (AL)	Assets	Unfunded AL	Amortization Factor	Amortization of Unfunded AL	Estimated Employee Contributions	Annual Required Contribution	Benefit Payments	Funded %
2014	1,488,090	93,772,470	32,552,813	61,219,657	12.1593	5,034,804	471,535	6,051,359	5,513,468	34.7%
2015	1,222,493	85,723,432	35,667,283	50,056,149	11.727	4,268,453	474,429	5,016,517	5,693,623	41.6%
2016	1,211,326	87,416,008	37,781,990	49,634,018	11.2767	4,401,467	474,606	5,138,187	5,788,167	43.2%
2017	1,216,547	89,126,120	40,069,051	49,057,069	10.8076	4,539,127	478,008	5,277,667	5,934,906	45.0%
2018	1,232,601	90,816,704	42,507,727	48,308,977	10.3189	4,681,601	485,656	5,428,547	6,028,428	46.8%
2019	1,249,099	92,552,224	45,179,171	47,373,053	9.81	4,829,057	493,204	5,584,952	6,168,603	48.8%
2020	1,249,223	94,287,992	48,056,979	46,231,013	9.2798	4,981,898	495,463	5,735,657	6,365,132	51.0%
2021	1,249,683	95,949,408	51,086,480	44,862,928	8.7275	5,140,410	498,504	5,891,590	6,456,311	53.2%
2022	1,266,644	97,640,880	54,392,967	43,247,913	8.1522	5,305,060	506,059	6,065,645	6,612,469	55.7%
2023	1,271,639	99,313,080	57,951,443	41,361,637	7.5529	5,476,259	509,423	6,238,475	6,734,520	58.4%
2024	1,281,399	100,988,432	61,809,311	39,179,121	6.9287	5,654,614	514,695	6,421,317	6,830,648	61.2%
2025	1,303,535	102,693,344	66,026,189	36,667,155	6.2784	5,840,207	525,228	6,618,514	7,067,252	64.3%
2026	1,314,022	104,301,248	70,501,922	33,799,326	5.6011	6,034,409	529,828	6,818,603	7,250,434	67.6%
2027	1,325,445	105,849,176	75,306,693	30,542,483	4.8955	6,238,889	534,247	7,030,087	7,423,269	71.1%
2028	1,344,675	107,344,288	80,485,423	26,858,865	4.6157	5,819,023	541,409	6,622,289	7,588,409	75.0%
2029	1,361,131	108,798,176	85,455,687	23,342,489	3.3949	6,875,752	547,721	7,689,161	7,707,734	78.5%
2030	1,366,014	110,252,720	91,723,970	18,528,750	2.5974	7,133,576	548,492	7,951,098	7,936,697	83.2%
2031	1,394,824	111,582,624	98,457,567	13,125,057	1.7667	7,429,138	559,287	8,264,675	8,174,194	88.2%
2032	1,400,828	112,792,856	105,741,909	7,050,947	0.9014	7,822,217	560,268	8,662,777	8,322,626	93.7%
2033	1,431,083	113,944,984	113,782,133	162,851			571,069	860,014	8,599,456	99.9%
2034	1,436,194	114,924,512	114,307,660	616,852			572,567	863,627	8,781,974	99.5%
2035	1,431,361	115,792,240	114,686,819	1,105,421			569,253	862,109	9,008,616	99.0%
2036	1,427,816	116,484,208	114,853,905	1,630,303			565,930	861,885	9,226,582	98.6%
2037	1,472,000	116,997,504	114,804,311	2,193,193			582,386	889,614	9,288,288	98.1%
2038	1,462,318	117,527,576	114,731,781	2,795,795			575,362	886,956	9,524,972	97.6%
2039	1,510,763	117,841,368	114,400,352	3,441,016			594,429	916,335	9,589,326	97.1%
2040	1,532,010	118,158,360	114,027,788	4,130,572			602,746	929,265	9,633,822	96.5%

The City of Newport, Rhode Island Fire Pension System: Financial Projections
Option 4 - Assume 7% Investment Return
Exhibit B-4

FY Ending 6/30	Normal Cost	Accrued Liability (AL)	Assets	Unfunded AL	Amortization Factor	Amortization of Unfunded AL	Estimated Employee Contributions	Annual Required Contribution	Benefit Payments	Funded %
2014	1,488,090	93,772,470	32,552,813	61,219,657	12.1593	5,034,804	530,477	5,992,417	5,513,468	34.7%
2015	-	96,043,056	35,667,283	60,375,773	11.727	5,148,441	-	5,148,441	7,120,911	37.1%
2016	-	95,811,560	35,967,243	59,844,317	11.2767	5,306,900	-	5,306,900	6,544,926	37.5%
2017	-	96,184,960	37,040,785	59,144,175	10.8076	5,472,462	-	5,472,462	6,634,216	38.5%
2018	-	96,493,296	38,262,934	58,230,362	10.3189	5,643,078	-	5,643,078	6,769,145	39.7%
2019	-	96,684,192	39,602,071	57,082,121	9.81	5,818,769	-	5,818,769	6,902,292	41.0%
2020	-	96,750,696	41,073,298	55,677,398	9.2798	5,999,849	-	5,999,849	7,067,375	42.5%
2021	-	96,650,248	42,658,308	53,991,940	8.7275	6,186,415	-	6,186,415	7,188,157	44.1%
2022	-	96,416,432	44,416,250	52,000,182	8.1522	6,378,669	-	6,378,669	7,282,699	46.1%
2023	-	96,066,552	46,391,981	49,674,571	7.5529	6,576,887	-	6,576,887	7,372,919	48.3%
2024	-	95,596,408	48,611,170	46,985,238	6.9287	6,781,249	-	6,781,249	7,459,175	50.9%
2025	-	95,001,112	51,101,091	43,900,021	6.2784	6,992,231	-	6,992,231	7,518,120	53.8%
2026	-	94,299,704	53,915,487	40,384,217	5.6011	7,210,051	-	7,210,051	7,600,876	57.2%
2027	-	93,459,440	57,059,349	36,400,091	4.8955	7,435,419	-	7,435,419	7,719,451	61.1%
2028	-	92,432,616	60,526,338	31,906,278	4.6157	6,912,554	-	6,912,554	7,833,754	65.5%
2029	-	91,209,672	63,595,250	27,614,422	3.3949	8,134,090	-	8,134,090	7,940,671	69.7%
2030	-	89,783,568	67,990,237	21,793,331	2.5974	8,390,441	-	8,390,441	8,016,747	75.7%
2031	-	88,171,112	72,870,752	15,300,360	1.7667	8,660,418	-	8,660,418	8,109,224	82.6%
2032	-	86,341,240	78,267,490	8,073,750	0.9014	8,956,901	-	8,956,901	8,120,625	90.6%
2033	-	84,362,000	84,326,722	35,278			-	-	8,135,550	100.0%
2034	-	82,218,472	81,837,805	380,667			-	-	8,192,780	99.5%
2035	-	79,854,288	79,115,631	738,657			-	-	8,217,952	99.1%
2036	-	77,286,232	76,176,941	1,109,291			-	-	8,161,118	98.6%
2037	-	74,584,328	73,091,166	1,493,162			-	-	8,118,004	98.0%
2038	-	71,724,224	69,833,858	1,890,366			-	-	8,032,481	97.4%
2039	-	68,738,200	66,436,756	2,301,444			-	-	7,903,423	96.7%
2040	-	65,662,108	62,934,979	2,727,129			-	-	7,748,363	95.8%

Exhibit C: Actuarial Methods and Assumptions

Actuarial Cost Method:

Individual Entry Age Normal Actuarial Cost Method - Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit. The normal cost is the portion of the actuarial present value allocated to the valuation year. For inactive members, the actuarial accrued liability is equal to the present value of benefits. Inactive members do not have a normal cost. The portion of this actuarial present value not provided for at the valuation date by the sum of the actuarial value of the assets and actuarial present value of future normal costs is the unfunded actuarial accrued liability. The unfunded actuarial accrued liability represents the excess of the total actuarial accrued liability over the valuation assets.

Asset Valuation Method:

Market value, as reported by the City

Actuarial Assumptions:

1. *Interest*

7.50% per year, net of investment expenses

2. *Salary Increases*

First 10 years beginning with July 1, 2012: 2.75% per year.

Thereafter, 3.00% per year plus longevity increases of 3.00% after seventh year of employment and 0.50% for each year of employment thereafter through the thirty-first year of employment. No longevity increases are assumed after the thirty-first year of employment.

3. *Cost of Living Increases*

Members retired prior to August 26, 2011: 3.00%

Members retired on or after August 26, 2011: Bureau of Labor Statistics CPI for Northeast Urban Wage Earners, not exceeding 3.00% or less than 0.50%, except that for future retirees after July 1, 2012, approximated the temporary 10 years of 2.75% salary increases by assuming cost of living increases of 2.9% in all years.

4. *Mortality*

a. *Healthy Members*

Mortality tables prescribed by the IRS for non-governmental plans, as specified in IRS Regulation 1.430(h)(3)-1, applied on a fully generational basis.

b. *Disabled Members*

The 1985 Wyatt Pension Disability Table (unisex rates)

5. *Disability*

Rates of disability are based on an employee's age. Selected ages are listed below. 90% of disabilities are assumed to be service related.

<u>Attained Age</u>	<u>Probability of Disability</u>
25	
35	0.17%
45	0.29%
55	0.72%
	1.21%

6. *Withdrawal*

Rates of withdrawal are based on an employee's length of service, as follows:

<u>Years of Service</u>	<u>Probability of Withdrawal</u>
Less than 1	3.00%
1	2.25%
2	2.00%
3	1.75%
4	1.50%
5	1.25%
6	1.00%
7	0.75%
8	0.50%
9	0.25%
10 or more	0.00%

7. *Retirement Age*

Hay Group conducted an experience study and retirement rates have been revised for this valuation as follows:

Retirement Rates		
Years of Service	Prior	Current
20	5%	10%
21	2%	2%
22	2%	2%
23	2%	2%
24	2%	2%
25	40%	40%
26	20%	10%
27	20%	10%
28	20%	10%
29	20%	10%
30	20%	40%
31	20%	20%
32	20%	20%
33	20%	20%
34	20%	20%
35+	100%	100%

8. *Administrative Expenses*

Assumed to be paid by the Plan Sponsor outside the trust.

9. *Benefit Compensation Limits*

Benefit limits under Section 415 and compensation limits under Section 401(a)(17) of the Internal Revenue code are assumed to have no impact on benefits earned under this Plan.

10. *Marriage/Dependents*

90% of active firefighters are assumed to be married. For all participants, wives are assumed to be three years younger than their husbands. For the purposes of valuing the death benefit, unmarried members are assumed to have no dependent children at death.

11. *Valuation Date*

July 1, 2012.

12. *New Entrants*

100% male, age 29, with 2012 average starting salary of \$35,058, increasing by 2.75% per year

Exhibit D: Summary of Current Plan Provisions as of July 1, 2012

1. *Effective Dates*

Most recent amendment July 1, 2002

2. *Eligibility*

All firefighters who contribute to the pension fund.

3. *Retirement*

a. Eligibility

Members retired prior to July 1, 2011: 20 years of service.

Members retired on or after July 1, 2011: earlier of attainment of age 58 or completion of 30 years of service.

b. Benefit Formula

The annual benefit at retirement is equal to the percentage of annual salary specified in the table below, plus \$100 per year for each year of service over 25 (maximum \$1,000). For pension purposes, annual salary includes regular and longevity pay.

<u>Years of Service</u>	<u>Benefit as a Percentage of Annual Salary</u>
20	50%
21	52%
22	54%
23	56%
24	58%
25	65%
26	66%
27	67%
28	68%
29	69%
30 or more	70%

c. Commencement Date

Retirement benefits commence as of the first payroll period after retirement.

d. Form of Payment

The annual benefit calculated in accordance with the formula in (b) above is payable monthly for the remainder of the retired member's life, with 67.5% of the member's benefit payable for the lifetime of the member's surviving spouse.

4. *Vested Termination*

a. Eligibility

Upon termination of employment after 10 years of service, a member is eligible for a benefit deferred to retirement age.

b. Benefit Formula

2.5% of annual salary multiplied by full years of service at termination.

- c. Commencement Date 25th anniversary of employment.
 - d. Form of Payment Same as retirement.
- 5. Disability Retirement**
- a. Eligibility A member who is retired because of mental or physical incapacity is eligible to receive disability retirement benefits.
 - b. Benefit Formula
 - i. Non-Service Related If a member has fewer than 10 years of service, benefit is 25% of annual salary. If a member has more than 10 years of service, benefit is 25% of annual salary plus an additional 2.5% of salary for each year over 10, up to a maximum of 62.5% of salary.
 - ii. Service Related 66-2/3% of annual salary.
 - iii. Regular Retirement If an employee has 25 or more years of service at disability, his pension will be the greater of the disability or retirement pension.
 - c. Commencement Date Benefits commence as of the first payroll period after disability.
 - d. Form of Payment Same as retirement.
- 6. Non-Vested Termination of Employment**
- A member who leaves employment prior to completing 10 years of service will receive a lump sum payment of accumulated contributions.
- 7. Death Before Retirement - Survivor Annuity Benefits**
- a. Eligibility Death while actively employed.
 - b. Benefit Formula Surviving spouse (or, if none, dependent children) receives benefit of 67.5% of annual salary, reduced pro rata if the deceased member had less than 20 years of service.
 - c. Commencement Date Benefits commence as of the first payroll period after death.
 - d. Form of Payment Monthly life annuity.
- 8. Retiree Cost of Living Increase**
- Members retired prior to August 26, 2011: Pensions for retirees and disabled retirees (but not beneficiaries) are indexed to the negotiated pay increases for active firefighters. Terminated vested members receive 3% annual increases after benefit commencement.
- Members retired on or after August 26, 2011: For those entitled to annual increases, they will equal the Bureau of Labor Statistics CPI for Northeast Urban Wage Earners, but will not exceed 3% nor be lower than 0.5%.
- 9. Employee Contributions**
- 9% of salary.