

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 Police 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 Police 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 52.4% 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 Police members of MERS
- Option 4: The City seeks alternative means of providing Police 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 six 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 \$3.5 million to the trust based on a 20-year amortization with payments increasing 3.50% per year. The City has budgeted \$3,461,972 for fiscal year 2013, or 100.0% of the recommended contribution. This also represents 4.14% 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, the results of which will be used for the fiscal year ending June 30, 2014, 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 Police members of MERS.

Under Option 4, the City would seek an alternative means of delivering Police 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 Police 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 follows:

| <b>Projected July 1, 2013<br/>valuation results</b> | <b>Option 1<br/>(Current)</b> | <b>Option 2</b> | <b>Option 3</b> | <b>Option 4</b> |
|---|-------------------------------|-----------------|-----------------|-----------------|
| Employer Normal Cost                                | \$1,108,600                   | \$1,108,600     | \$907,654       | \$0             |
| Employee Normal Cost                                | 409,970                       | 409,970         | 409,970         | 0               |

|                            |             |             |             |             |
|----------------------------|-------------|-------------|-------------|-------------|
| Total Normal Cost          | 1,518,570   | 1,518,570   | 1,317,624   | 0           |
| Accrued Liability          | 85,307,216  | 85,307,216  | 75,566,728  | 86,603,232  |
| Unfunded Accrued Liability | 39,068,506  | 39,068,506  | 29,328,018  | 40,364,522  |
| Funded Ratio               | 54.2%       | 54.2%       | 61.2%       | 53.4%       |
| ARC                        | \$4,063,254 | \$4,063,254 | \$3,024,471 | \$3,378,208 |

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 Police Pension System: Financial Projections**  
**Option 1 - Assume 7.5% Investment Return**  
**Exhibit A-1**

| FY Ending<br>6/30 | Normal Cost | Accrued<br>Liability (AL) | Assets      | Unfunded AL | Amortization<br>Factor | Amortization<br>of Unfunded<br>AL | Estimated<br>Employee<br>Contributions | Annual<br>Required<br>Contribution | Benefit<br>Payments | Funded % |
|-------------------|-------------|---------------------------|-------------|-------------|------------------------|-----------------------------------|--|------------------------------------|---------------------|----------|
| 2014              | 1,212,473   | 82,684,360                | 43,320,088  | 39,364,272  | 12.4027                | 3,173,847                         | 432,131                                | 3,954,189                          | 4,562,923           | 52.4%    |
| 2015              | 1,233,456   | 85,307,216                | 46,238,710  | 39,068,506  | 11.9485                | 3,269,741                         | 439,943                                | 4,063,254                          | 4,718,506           | 54.2%    |
| 2016              | 1,248,963   | 87,985,096                | 49,332,280  | 38,652,816  | 11.4769                | 3,367,880                         | 446,211                                | 4,170,632                          | 4,951,687           | 56.1%    |
| 2017              | 1,261,380   | 90,636,064                | 52,530,472  | 38,105,592  | 10.9869                | 3,468,275                         | 451,645                                | 4,278,010                          | 5,201,325           | 58.0%    |
| 2018              | 1,268,763   | 93,237,992                | 55,823,290  | 37,414,702  | 10.478                 | 3,570,787                         | 454,680                                | 4,384,869                          | 5,391,531           | 59.9%    |
| 2019              | 1,285,102   | 95,844,184                | 59,276,347  | 36,567,837  | 9.9494                 | 3,675,381                         | 461,089                                | 4,499,394                          | 5,602,168           | 61.8%    |
| 2020              | 1,292,959   | 98,442,344                | 62,891,581  | 35,550,763  | 9.4004                 | 3,781,835                         | 464,911                                | 4,609,883                          | 5,823,187           | 63.9%    |
| 2021              | 1,301,684   | 101,012,888               | 66,663,802  | 34,349,086  | 8.8302                 | 3,889,956                         | 469,093                                | 4,722,547                          | 6,084,931           | 66.0%    |
| 2022              | 1,305,190   | 103,512,160               | 70,565,219  | 32,946,941  | 8.238                  | 3,999,386                         | 470,826                                | 4,833,690                          | 6,363,014           | 68.2%    |
| 2023              | 1,334,212   | 105,912,712               | 74,584,663  | 31,328,049  | 7.6229                 | 4,109,728                         | 480,914                                | 4,963,027                          | 6,606,484           | 70.4%    |
| 2024              | 1,338,471   | 108,267,936               | 78,793,315  | 29,474,621  | 6.9839                 | 4,220,367                         | 482,944                                | 5,075,894                          | 6,848,579           | 72.8%    |
| 2025              | 1,363,435   | 110,551,848               | 83,182,259  | 27,369,589  | 6.3203                 | 4,330,426                         | 492,073                                | 5,201,788                          | 7,099,338           | 75.2%    |
| 2026              | 1,370,297   | 112,770,072               | 87,776,186  | 24,993,886  | 5.6311                 | 4,438,544                         | 494,942                                | 5,313,898                          | 7,360,019           | 77.8%    |
| 2027              | 1,386,889   | 114,889,848               | 92,560,171  | 22,329,677  | 4.9152                 | 4,542,984                         | 500,593                                | 5,429,281                          | 7,599,090           | 80.6%    |
| 2028              | 1,411,375   | 116,935,664               | 97,576,860  | 19,358,804  | 4.1717                 | 4,640,507                         | 509,597                                | 5,542,286                          | 7,853,013           | 83.4%    |
| 2029              | 1,434,576   | 118,894,120               | 102,829,327 | 16,064,793  | 3.3994                 | 4,725,773                         | 517,906                                | 5,642,443                          | 8,052,010           | 86.5%    |
| 2030              | 1,458,454   | 120,814,552               | 108,378,494 | 12,436,058  | 2.5972                 | 4,788,256                         | 526,697                                | 5,720,013                          | 8,295,233           | 89.7%    |
| 2031              | 1,482,344   | 122,648,736               | 114,178,788 | 8,469,948   | 1.7641                 | 4,801,285                         | 534,606                                | 5,749,023                          | 8,496,792           | 93.1%    |
| 2032              | 1,516,018   | 124,433,552               | 120,242,672 | 4,190,880   | 0.8988                 | 4,662,750                         | 546,387                                | 5,632,382                          | 8,679,976           | 96.6%    |
| 2033              | 1,541,089   | 126,193,872               | 126,467,129 | (273,257)   |                        |                                   | 555,271                                | 985,818                            | 8,901,722           | 100.2%   |
| 2034              | 1,576,546   | 127,879,400               | 128,291,520 | (412,120)   |                        |                                   | 567,494                                | 1,009,052                          | 9,090,122           | 100.3%   |
| 2035              | 1,599,681   | 129,529,280               | 130,093,449 | (564,169)   |                        |                                   | 575,452                                | 1,024,229                          | 9,321,308           | 100.4%   |
| 2036              | 1,627,384   | 131,084,392               | 131,814,680 | (730,288)   |                        |                                   | 584,470                                | 1,042,915                          | 9,468,484           | 100.6%   |
| 2037              | 1,667,943   | 132,629,464               | 133,540,570 | (911,106)   |                        |                                   | 598,743                                | 1,069,200                          | 9,622,452           | 100.7%   |
| 2038              | 1,695,509   | 134,169,104               | 135,277,304 | (1,108,200) |                        |                                   | 608,664                                | 1,086,845                          | 9,789,520           | 100.8%   |
| 2039              | 1,732,893   | 135,676,720               | 136,999,160 | (1,322,440) |                        |                                   | 621,732                                | 1,111,161                          | 9,914,802           | 101.0%   |
| 2040              | 1,782,916   | 137,202,912               | 138,758,035 | (1,555,123) |                        |                                   | 639,379                                | 1,143,537                          | 10,100,596          | 101.1%   |

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

| FY Ending<br>6/30 | Normal Cost | Accrued<br>Liability (AL) | Assets      | Unfunded AL | Amortization<br>Factor | Amortization<br>of Unfunded<br>AL | Estimated<br>Employee<br>Contributions | Annual<br>Required<br>Contribution | Benefit<br>Payments | Funded % |
|-------------------|-------------|---------------------------|-------------|-------------|------------------------|-----------------------------------|--|------------------------------------|---------------------|----------|
| 2014              | 1,212,473   | 82,684,360                | 43,320,088  | 39,364,272  | 12.4027                | 3,173,847                         | 432,131                                | 3,954,189                          | 4,562,923           | 52.4%    |
| 2015              | 1,233,456   | 85,307,216                | 46,238,710  | 39,068,506  | 11.9485                | 3,269,741                         | 439,943                                | 4,063,254                          | 4,718,506           | 54.2%    |
| 2016              | 1,183,894   | 87,954,568                | 49,332,280  | 38,622,288  | 11.4769                | 3,365,220                         | 422,981                                | 4,126,133                          | 4,951,338           | 56.1%    |
| 2017              | 1,152,633   | 90,540,752                | 52,463,104  | 38,077,648  | 10.9869                | 3,465,732                         | 412,820                                | 4,205,544                          | 5,200,339           | 57.9%    |
| 2018              | 1,108,147   | 93,031,528                | 55,640,598  | 37,390,930  | 10.478                 | 3,568,518                         | 397,335                                | 4,279,330                          | 5,389,593           | 59.8%    |
| 2019              | 1,084,333   | 95,469,128                | 58,919,072  | 36,550,056  | 9.9494                 | 3,673,594                         | 389,405                                | 4,368,522                          | 5,598,981           | 61.7%    |
| 2020              | 1,048,984   | 97,848,600                | 62,308,249  | 35,540,351  | 9.4004                 | 3,780,727                         | 377,797                                | 4,451,914                          | 5,818,703           | 63.7%    |
| 2021              | 1,012,031   | 100,143,712               | 65,796,272  | 34,347,440  | 8.8302                 | 3,889,769                         | 365,666                                | 4,536,135                          | 6,079,162           | 65.7%    |
| 2022              | 958,698     | 102,304,136               | 69,348,748  | 32,955,388  | 8.238                  | 4,000,411                         | 347,120                                | 4,611,989                          | 6,355,844           | 67.8%    |
| 2023              | 926,984     | 104,287,072               | 72,938,962  | 31,348,110  | 7.6229                 | 4,112,360                         | 335,493                                | 4,703,851                          | 6,597,769           | 69.9%    |
| 2024              | 874,442     | 106,136,256               | 76,628,598  | 29,507,658  | 6.9839                 | 4,225,097                         | 317,234                                | 4,782,305                          | 6,838,174           | 72.2%    |
| 2025              | 840,803     | 107,823,072               | 80,406,645  | 27,416,427  | 6.3203                 | 4,337,836                         | 305,429                                | 4,873,210                          | 7,087,219           | 74.6%    |
| 2026              | 785,797     | 109,344,616               | 84,289,707  | 25,054,909  | 5.6311                 | 4,449,381                         | 286,198                                | 4,948,980                          | 7,345,907           | 77.1%    |
| 2027              | 736,482     | 110,657,768               | 88,253,131  | 22,404,637  | 4.9152                 | 4,558,235                         | 268,304                                | 5,026,414                          | 7,582,637           | 79.8%    |
| 2028              | 696,889     | 111,775,232               | 92,328,642  | 19,446,590  | 4.1717                 | 4,661,550                         | 254,415                                | 5,104,025                          | 7,833,710           | 82.6%    |
| 2029              | 650,503     | 112,676,776               | 96,514,005  | 16,162,771  | 3.3994                 | 4,754,595                         | 237,864                                | 5,167,235                          | 8,029,175           | 85.7%    |
| 2030              | 612,806     | 113,397,480               | 100,857,876 | 12,539,604  | 2.5972                 | 4,828,124                         | 224,655                                | 5,216,276                          | 8,268,207           | 88.9%    |
| 2031              | 560,871     | 113,886,832               | 105,316,281 | 8,570,551   | 1.7641                 | 4,858,314                         | 205,471                                | 5,213,713                          | 8,464,966           | 92.5%    |
| 2032              | 525,862     | 114,157,688               | 109,883,930 | 4,273,758   | 0.8988                 | 4,754,960                         | 192,713                                | 5,088,109                          | 8,642,488           | 96.3%    |
| 2033              | 482,246     | 114,230,040               | 114,472,286 | (242,246)   |                        |                                   | 177,054                                | 305,192                            | 8,857,618           | 100.2%   |
| 2034              | 435,585     | 114,041,520               | 114,383,812 | (342,292)   |                        |                                   | 159,932                                | 275,652                            | 9,038,254           | 100.3%   |
| 2035              | 379,568     | 113,605,536               | 114,055,317 | (449,781)   |                        |                                   | 139,607                                | 239,961                            | 9,250,778           | 100.4%   |
| 2036              | 316,932     | 112,861,296               | 113,426,482 | (565,186)   |                        |                                   | 116,338                                | 200,595                            | 9,372,238           | 100.5%   |
| 2037              | 284,479     | 111,874,040               | 112,562,295 | (688,255)   |                        |                                   | 104,516                                | 179,963                            | 9,490,134           | 100.6%   |
| 2038              | 235,461     | 110,658,432               | 111,478,972 | (820,540)   |                        |                                   | 87,063                                 | 148,399                            | 9,609,488           | 100.7%   |
| 2039              | 190,627     | 109,179,824               | 110,142,005 | (962,181)   |                        |                                   | 70,739                                 | 119,889                            | 9,679,834           | 100.9%   |
| 2040              | 165,421     | 107,473,552               | 108,587,214 | (1,113,662) |                        |                                   | 61,489                                 | 103,931                            | 9,785,736           | 101.0%   |

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

| FY Ending<br>6/30 | Normal Cost | Accrued<br>Liability (AL) | Assets      | Unfunded AL | Amortization<br>Factor | Amortization<br>of Unfunded<br>AL | Estimated<br>Employee<br>Contributions | Annual<br>Required<br>Contribution | Benefit<br>Payments | Funded % |
|-------------------|-------------|---------------------------|-------------|-------------|------------------------|-----------------------------------|--|------------------------------------|---------------------|----------|
| 2014              | 1,212,473   | 82,684,360                | 43,320,088  | 39,364,272  | 12.4027                | 3,173,847                         | 432,131                                | 3,954,189                          | 4,562,923           | 52.4%    |
| 2015              | 1,009,879   | 75,566,728                | 46,238,710  | 29,328,018  | 11.9485                | 2,454,536                         | 439,943                                | 3,024,471                          | 4,659,886           | 61.2%    |
| 2016              | 1,019,130   | 77,359,224                | 48,354,092  | 29,005,132  | 11.4769                | 2,527,262                         | 447,144                                | 3,099,248                          | 4,838,284           | 62.5%    |
| 2017              | 1,023,000   | 79,109,352                | 50,525,694  | 28,583,658  | 10.9869                | 2,601,613                         | 453,477                                | 3,171,135                          | 5,032,611           | 63.9%    |
| 2018              | 1,020,876   | 80,792,160                | 52,737,512  | 28,054,648  | 10.478                 | 2,677,481                         | 457,301                                | 3,241,056                          | 5,155,822           | 65.3%    |
| 2019              | 1,030,957   | 82,470,856                | 55,061,596  | 27,409,260  | 9.9494                 | 2,754,866                         | 465,061                                | 3,320,762                          | 5,304,380           | 66.8%    |
| 2020              | 1,031,025   | 84,130,520                | 57,493,888  | 26,636,632  | 9.4004                 | 2,833,564                         | 469,836                                | 3,394,753                          | 5,441,378           | 68.3%    |
| 2021              | 1,036,939   | 85,772,104                | 60,045,753  | 25,726,351  | 8.8302                 | 2,913,451                         | 476,465                                | 3,473,924                          | 5,619,105           | 70.0%    |
| 2022              | 1,035,387   | 87,357,496                | 62,691,091  | 24,666,405  | 8.238                  | 2,994,223                         | 480,382                                | 3,549,227                          | 5,815,134           | 71.8%    |
| 2023              | 1,056,026   | 88,856,232                | 65,411,413  | 23,444,819  | 7.6229                 | 3,075,577                         | 492,464                                | 3,639,140                          | 5,933,593           | 73.6%    |
| 2024              | 1,061,712   | 90,363,984                | 68,315,303  | 22,048,681  | 6.9839                 | 3,157,073                         | 498,738                                | 3,720,047                          | 6,059,268           | 75.6%    |
| 2025              | 1,084,622   | 91,859,416                | 71,394,256  | 20,465,160  | 6.3203                 | 3,238,005                         | 511,674                                | 3,810,953                          | 6,187,090           | 77.7%    |
| 2026              | 1,093,865   | 93,356,032                | 74,675,842  | 18,680,190  | 5.6311                 | 3,317,325                         | 518,473                                | 3,892,717                          | 6,365,231           | 80.0%    |
| 2027              | 1,104,818   | 94,788,312                | 78,107,965  | 16,680,347  | 4.9152                 | 3,393,625                         | 525,700                                | 3,972,743                          | 6,526,478           | 82.4%    |
| 2028              | 1,122,645   | 96,170,656                | 81,718,069  | 14,452,587  | 4.1717                 | 3,464,436                         | 535,948                                | 4,051,133                          | 6,717,502           | 85.0%    |
| 2029              | 1,139,103   | 97,474,960                | 85,490,107  | 11,984,853  | 3.3994                 | 3,525,579                         | 544,611                                | 4,120,071                          | 6,823,742           | 87.7%    |
| 2030              | 1,150,825   | 98,782,248                | 89,512,829  | 9,269,419   | 2.5972                 | 3,569,005                         | 550,885                                | 4,168,945                          | 7,011,093           | 90.6%    |
| 2031              | 1,171,991   | 100,003,744               | 93,698,736  | 6,305,008   | 1.7641                 | 3,574,065                         | 561,436                                | 4,184,620                          | 7,161,077           | 93.7%    |
| 2032              | 1,196,923   | 101,181,016               | 98,069,775  | 3,111,241   | 0.8988                 | 3,461,550                         | 573,725                                | 4,084,748                          | 7,262,242           | 96.9%    |
| 2033              | 1,211,234   | 102,365,184               | 102,576,484 | (211,300)   |                        |                                   | 580,960                                | 630,273                            | 7,445,823           | 100.2%   |
| 2034              | 1,238,478   | 103,460,744               | 103,784,188 | (323,444)   |                        |                                   | 594,511                                | 643,968                            | 7,597,852           | 100.3%   |
| 2035              | 1,246,803   | 104,506,392               | 104,952,562 | (446,170)   |                        |                                   | 598,603                                | 648,200                            | 7,789,956           | 100.4%   |
| 2036              | 1,263,486   | 105,438,376               | 106,018,311 | (579,935)   |                        |                                   | 606,317                                | 657,168                            | 7,903,811           | 100.6%   |
| 2037              | 1,290,737   | 106,337,688               | 107,062,981 | (725,293)   |                        |                                   | 619,519                                | 671,218                            | 7,972,688           | 100.7%   |
| 2038              | 1,302,081   | 107,258,904               | 108,142,055 | (883,151)   |                        |                                   | 624,793                                | 677,288                            | 8,106,554           | 100.8%   |
| 2039              | 1,322,592   | 108,120,672               | 109,175,025 | (1,054,353) |                        |                                   | 634,414                                | 688,178                            | 8,198,624           | 101.0%   |
| 2040              | 1,363,556   | 108,970,912               | 110,210,806 | (1,239,894) |                        |                                   | 653,937                                | 709,620                            | 8,355,451           | 101.1%   |

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

| FY Ending<br>6/30 | Normal Cost | Accrued<br>Liability (AL) | Assets     | Unfunded AL | Amortization<br>Factor | Amortization<br>of Unfunded<br>AL | Estimated<br>Employee<br>Contributions | Annual<br>Required<br>Contribution | Benefit<br>Payments | Funded % |
|-------------------|-------------|---------------------------|------------|-------------|------------------------|-----------------------------------|--|------------------------------------|---------------------|----------|
| 2014              | 1,212,473   | 82,684,360                | 43,320,088 | 39,364,272  | 12.4027                | 3,173,847                         | 432,131                                | 3,954,189                          | 4,562,923           | 52.4%    |
| 2015              | -           | 86,603,232                | 46,238,710 | 40,364,522  | 11.9485                | 3,378,208                         | -                                      | 3,378,208                          | 6,218,493           | 53.4%    |
| 2016              | -           | 86,612,744                | 46,656,750 | 39,955,994  | 11.4769                | 3,481,427                         | -                                      | 3,481,427                          | 5,935,748           | 53.9%    |
| 2017              | -           | 86,930,208                | 47,501,636 | 39,428,572  | 10.9869                | 3,588,689                         | -                                      | 3,588,689                          | 6,008,878           | 54.6%    |
| 2018              | -           | 87,195,304                | 48,441,557 | 38,753,747  | 10.478                 | 3,698,582                         | -                                      | 3,698,582                          | 6,081,280           | 55.6%    |
| 2019              | -           | 87,404,872                | 49,487,022 | 37,917,850  | 9.9494                 | 3,811,069                         | -                                      | 3,811,069                          | 6,152,924           | 56.6%    |
| 2020              | -           | 87,555,536                | 50,649,325 | 36,906,211  | 9.4004                 | 3,926,026                         | -                                      | 3,926,026                          | 6,224,068           | 57.8%    |
| 2021              | -           | 87,643,408                | 51,940,216 | 35,703,192  | 8.8302                 | 4,043,305                         | -                                      | 4,043,305                          | 6,325,855           | 59.3%    |
| 2022              | -           | 87,631,880                | 53,339,985 | 34,291,895  | 8.238                  | 4,162,648                         | -                                      | 4,162,648                          | 6,395,899           | 60.9%    |
| 2023              | -           | 87,546,512                | 54,891,675 | 32,654,837  | 7.6229                 | 4,283,781                         | -                                      | 4,283,781                          | 6,464,349           | 62.7%    |
| 2024              | -           | 87,383,432                | 56,610,119 | 30,773,313  | 6.9839                 | 4,406,322                         | -                                      | 4,406,322                          | 6,563,570           | 64.8%    |
| 2025              | -           | 87,104,760                | 58,477,422 | 28,627,338  | 6.3203                 | 4,529,427                         | -                                      | 4,529,427                          | 6,626,827           | 67.1%    |
| 2026              | -           | 86,739,240                | 60,542,488 | 26,196,752  | 5.6311                 | 4,652,155                         | -                                      | 4,652,155                          | 6,742,056           | 69.8%    |
| 2027              | -           | 86,226,248                | 62,766,050 | 23,460,198  | 4.9152                 | 4,772,989                         | -                                      | 4,772,989                          | 6,816,968           | 72.8%    |
| 2028              | -           | 85,596,656                | 65,199,777 | 20,396,879  | 4.1717                 | 4,889,345                         | -                                      | 4,889,345                          | 6,910,312           | 76.2%    |
| 2029              | -           | 84,822,520                | 67,835,898 | 16,986,622  | 3.3994                 | 4,996,947                         | -                                      | 4,996,947                          | 7,061,810           | 80.0%    |
| 2030              | -           | 83,832,456                | 70,620,727 | 13,211,729  | 2.5972                 | 5,086,912                         | -                                      | 5,086,912                          | 7,210,168           | 84.2%    |
| 2031              | -           | 82,613,512                | 73,551,026 | 9,062,486   | 1.7641                 | 5,137,173                         | -                                      | 5,137,173                          | 7,274,120           | 89.0%    |
| 2032              | -           | 81,236,352                | 76,685,250 | 4,551,102   | 0.8988                 | 5,063,532                         | -                                      | 5,063,532                          | 7,312,710           | 94.4%    |
| 2033              | -           | 79,715,496                | 79,941,009 | (225,513)   |                        |                                   | -                                      | -                                  | 7,332,925           | 100.3%   |
| 2034              | -           | 78,059,280                | 78,356,522 | (297,242)   |                        |                                   | -                                      | -                                  | 7,389,320           | 100.4%   |
| 2035              | -           | 76,219,896                | 76,594,903 | (375,007)   |                        |                                   | -                                      | -                                  | 7,381,525           | 100.5%   |
| 2036              | -           | 74,250,416                | 74,709,220 | (458,804)   |                        |                                   | -                                      | -                                  | 7,359,664           | 100.6%   |
| 2037              | -           | 72,155,712                | 72,704,709 | (548,997)   |                        |                                   | -                                      | -                                  | 7,326,461           | 100.8%   |
| 2038              | -           | 69,938,216                | 70,584,181 | (645,965)   |                        |                                   | -                                      | -                                  | 7,277,586           | 100.9%   |
| 2039              | -           | 67,605,024                | 68,355,137 | (750,113)   |                        |                                   | -                                      | -                                  | 7,196,328           | 101.1%   |
| 2040              | -           | 65,181,180                | 66,042,910 | (861,730)   |                        |                                   | -                                      | -                                  | 7,100,991           | 101.3%   |

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

| <b>FY Ending</b> | <b>Normal Cost</b> | <b>Accrued Liability (AL)</b> | <b>Assets</b> | <b>Unfunded AL</b> | <b>Amortization Factor</b> | <b>Amortization of Unfunded AL</b> | <b>Estimated Employee Contributions</b> | <b>Annual Required Contribution</b> | <b>Benefit Payments</b> | <b>Funded %</b> |
|------------------|--------------------|-------------------------------|---------------|--------------------|----------------------------|------------------------------------|---|-------------------------------------|-------------------------|-----------------|
| 2014             | 1,212,473          | 82,684,360                    | 43,320,088    | 39,364,272         | 12.4027                    | 3,173,847                          | 432,131                                 | 3,954,189                           | 4,562,923               | 52.4%           |
| 2015             | 1,233,456          | 85,307,216                    | 46,032,177    | 39,275,039         | 11.9485                    | 3,287,027                          | 439,943                                 | 4,080,540                           | 4,718,506               | 54.0%           |
| 2016             | 1,248,963          | 87,985,096                    | 48,907,792    | 39,077,304         | 11.4769                    | 3,404,866                          | 446,211                                 | 4,207,618                           | 4,951,687               | 55.6%           |
| 2017             | 1,261,380          | 90,636,064                    | 51,877,521    | 38,758,543         | 10.9869                    | 3,527,705                          | 451,645                                 | 4,337,440                           | 5,201,325               | 57.2%           |
| 2018             | 1,268,763          | 93,237,992                    | 54,932,886    | 38,305,106         | 10.478                     | 3,655,765                          | 454,680                                 | 4,469,848                           | 5,391,531               | 58.9%           |
| 2019             | 1,285,102          | 95,844,184                    | 58,141,373    | 37,702,811         | 9.9494                     | 3,789,456                          | 461,089                                 | 4,613,468                           | 5,602,168               | 60.7%           |
| 2020             | 1,292,959          | 98,442,344                    | 61,507,212    | 36,935,132         | 9.4004                     | 3,929,102                          | 464,911                                 | 4,757,150                           | 5,823,187               | 62.5%           |
| 2021             | 1,301,684          | 101,012,888                   | 65,028,184    | 35,984,704         | 8.8302                     | 4,075,186                          | 469,093                                 | 4,907,777                           | 6,084,931               | 64.4%           |
| 2022             | 1,305,130          | 103,512,160                   | 68,680,445    | 34,831,715         | 8.238                      | 4,228,176                          | 470,826                                 | 5,062,480                           | 6,363,014               | 66.4%           |
| 2023             | 1,334,212          | 105,912,712                   | 72,457,959    | 33,454,753         | 7.6229                     | 4,388,717                          | 480,914                                 | 5,242,016                           | 6,606,484               | 68.4%           |
| 2024             | 1,338,471          | 108,267,936                   | 76,438,383    | 31,829,553         | 6.9839                     | 4,557,561                          | 482,944                                 | 5,413,088                           | 6,848,579               | 70.6%           |
| 2025             | 1,363,435          | 110,551,848                   | 80,620,821    | 29,931,027         | 6.3203                     | 4,735,697                          | 492,073                                 | 5,607,060                           | 7,099,338               | 72.9%           |
| 2026             | 1,370,297          | 112,770,072                   | 85,040,471    | 27,729,601         | 5.6311                     | 4,924,367                          | 494,942                                 | 5,799,721                           | 7,360,019               | 75.4%           |
| 2027             | 1,386,889          | 114,889,848                   | 89,696,137    | 25,193,711         | 4.9152                     | 5,125,674                          | 500,593                                 | 6,011,970                           | 7,599,090               | 78.1%           |
| 2028             | 1,411,375          | 116,935,664                   | 94,648,998    | 22,286,666         | 4.1717                     | 5,342,346                          | 509,597                                 | 6,244,124                           | 7,853,013               | 80.9%           |
| 2029             | 1,434,576          | 118,894,120                   | 99,927,798    | 18,966,322         | 3.3994                     | 5,579,315                          | 517,906                                 | 6,495,985                           | 8,052,010               | 84.0%           |
| 2030             | 1,458,454          | 120,814,552                   | 105,631,018   | 15,183,534         | 2.5972                     | 5,846,117                          | 526,697                                 | 6,777,874                           | 8,295,233               | 87.4%           |
| 2031             | 1,482,344          | 122,648,736                   | 111,773,260   | 10,875,476         | 1.7641                     | 6,164,886                          | 534,606                                 | 7,112,624                           | 8,496,792               | 91.1%           |
| 2032             | 1,516,018          | 124,433,552                   | 118,480,211   | 5,953,341          | 0.8988                     | 6,623,655                          | 546,387                                 | 7,593,286                           | 8,679,976               | 95.2%           |
| 2033             | 1,541,089          | 126,193,872                   | 125,960,138   | 233,734            |                            |                                    | 555,271                                 | 985,818                             | 8,901,722               | 99.8%           |
| 2034             | 1,576,546          | 127,879,400                   | 127,136,346   | 743,054            |                            |                                    | 567,494                                 | 1,009,052                           | 9,090,122               | 99.4%           |
| 2035             | 1,599,681          | 129,529,280                   | 128,236,011   | 1,293,269          |                            |                                    | 575,452                                 | 1,024,229                           | 9,321,308               | 99.0%           |
| 2036             | 1,627,384          | 131,084,392                   | 129,197,321   | 1,887,071          |                            |                                    | 584,470                                 | 1,042,915                           | 9,468,484               | 98.6%           |
| 2037             | 1,667,943          | 132,629,464                   | 130,101,814   | 2,527,650          |                            |                                    | 598,743                                 | 1,069,200                           | 9,622,452               | 98.1%           |
| 2038             | 1,695,509          | 134,169,104                   | 130,951,363   | 3,217,741          |                            |                                    | 608,664                                 | 1,086,845                           | 9,789,520               | 97.6%           |
| 2039             | 1,732,893          | 135,676,720                   | 131,715,616   | 3,961,104          |                            |                                    | 621,732                                 | 1,111,161                           | 9,914,802               | 97.1%           |
| 2040             | 1,782,916          | 137,202,912                   | 132,441,524   | 4,761,388          |                            |                                    | 639,379                                 | 1,143,537                           | 10,100,596              | 96.5%           |

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

| FY Ending<br>6/30 | Normal Cost | Accrued<br>Liability (AL) | Assets      | Unfunded AL | Amortization<br>Factor | Amortization<br>of Unfunded<br>AL | Estimated<br>Employee<br>Contributions | Annual<br>Required<br>Contribution | Benefit<br>Payments | Funded % |
|-------------------|-------------|---------------------------|-------------|-------------|------------------------|-----------------------------------|--|------------------------------------|---------------------|----------|
| 2014              | 1,212,473   | 82,684,360                | 43,320,088  | 39,364,272  | 12.4027                | 3,173,847                         | 432,131                                | 3,954,189                          | 4,562,923           | 52.4%    |
| 2015              | 1,233,456   | 85,307,216                | 46,032,177  | 39,275,039  | 11.9485                | 3,287,027                         | 439,943                                | 4,080,540                          | 4,718,506           | 54.0%    |
| 2016              | 1,183,894   | 87,954,568                | 48,907,792  | 39,046,776  | 11.4769                | 3,402,206                         | 422,981                                | 4,163,119                          | 4,951,338           | 55.6%    |
| 2017              | 1,152,633   | 90,540,752                | 51,810,152  | 38,730,600  | 10.9869                | 3,525,162                         | 412,820                                | 4,264,974                          | 5,200,339           | 57.2%    |
| 2018              | 1,108,147   | 93,031,528                | 54,750,528  | 38,281,000  | 10.478                 | 3,653,464                         | 397,335                                | 4,364,276                          | 5,389,593           | 58.9%    |
| 2019              | 1,084,333   | 95,469,128                | 57,785,332  | 37,683,796  | 9.9494                 | 3,787,545                         | 389,405                                | 4,482,472                          | 5,598,981           | 60.5%    |
| 2020              | 1,048,984   | 97,848,600                | 60,926,857  | 36,921,743  | 9.4004                 | 3,927,678                         | 377,797                                | 4,598,865                          | 5,818,703           | 62.3%    |
| 2021              | 1,012,031   | 100,143,712               | 64,166,429  | 35,977,283  | 8.8302                 | 4,074,345                         | 365,666                                | 4,720,711                          | 6,079,162           | 64.1%    |
| 2022              | 958,698     | 102,304,136               | 67,473,825  | 34,830,311  | 8.238                  | 4,228,006                         | 347,120                                | 4,839,584                          | 6,355,844           | 66.0%    |
| 2023              | 926,984     | 104,287,072               | 70,827,668  | 33,459,404  | 7.6229                 | 4,389,327                         | 335,493                                | 4,980,818                          | 6,597,769           | 67.9%    |
| 2024              | 874,442     | 106,136,256               | 74,296,343  | 31,839,913  | 6.9839                 | 4,559,045                         | 317,234                                | 5,116,253                          | 6,838,174           | 70.0%    |
| 2025              | 840,803     | 107,823,072               | 77,877,024  | 29,946,048  | 6.3203                 | 4,738,074                         | 305,429                                | 5,273,447                          | 7,087,219           | 72.2%    |
| 2026              | 785,797     | 109,344,616               | 81,596,855  | 27,747,761  | 5.6311                 | 4,927,592                         | 286,198                                | 5,427,190                          | 7,345,907           | 74.6%    |
| 2027              | 736,482     | 110,657,768               | 85,444,749  | 25,213,019  | 4.9152                 | 5,129,602                         | 268,304                                | 5,597,780                          | 7,582,637           | 77.2%    |
| 2028              | 696,889     | 111,775,232               | 89,470,505  | 22,304,727  | 4.1717                 | 5,346,676                         | 254,415                                | 5,789,150                          | 7,833,710           | 80.0%    |
| 2029              | 650,503     | 112,676,776               | 93,696,565  | 18,980,211  | 3.3994                 | 5,583,400                         | 237,864                                | 5,996,040                          | 8,029,175           | 83.2%    |
| 2030              | 612,806     | 113,397,480               | 98,207,165  | 15,190,315  | 2.5972                 | 5,848,727                         | 224,655                                | 6,236,879                          | 8,268,207           | 86.6%    |
| 2031              | 560,871     | 113,886,832               | 103,014,578 | 10,872,254  | 1.7641                 | 6,163,060                         | 205,471                                | 6,518,460                          | 8,464,966           | 90.5%    |
| 2032              | 525,862     | 114,157,688               | 108,217,950 | 5,939,738   | 0.8988                 | 6,608,520                         | 192,713                                | 6,941,670                          | 8,642,488           | 94.8%    |
| 2033              | 482,246     | 114,230,040               | 114,012,897 | 217,143     |                        |                                   | 177,054                                | 305,192                            | 8,857,618           | 99.8%    |
| 2034              | 435,585     | 114,041,520               | 113,339,448 | 702,072     |                        |                                   | 159,932                                | 275,652                            | 9,038,254           | 99.4%    |
| 2035              | 379,568     | 113,605,536               | 112,385,871 | 1,219,665   |                        |                                   | 139,607                                | 239,961                            | 9,250,778           | 98.9%    |
| 2036              | 316,932     | 112,861,296               | 111,090,309 | 1,770,987   |                        |                                   | 116,338                                | 200,595                            | 9,372,238           | 98.4%    |
| 2037              | 284,479     | 111,874,040               | 109,516,136 | 2,357,904   |                        |                                   | 104,516                                | 179,963                            | 9,490,134           | 97.9%    |
| 2038              | 235,461     | 110,658,432               | 107,677,709 | 2,980,723   |                        |                                   | 87,063                                 | 148,399                            | 9,609,488           | 97.3%    |
| 2039              | 190,627     | 109,179,824               | 105,538,462 | 3,641,362   |                        |                                   | 70,739                                 | 119,889                            | 9,679,834           | 96.7%    |
| 2040              | 165,421     | 107,473,552               | 103,132,071 | 4,341,481   |                        |                                   | 61,489                                 | 103,931                            | 9,785,736           | 96.0%    |

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

| FY Ending<br>6/30 | Normal Cost | Accrued<br>Liability (AL) | Assets      | Unfunded AL | Amortization<br>Factor | Amortization<br>of Unfunded<br>AL | Estimated<br>Employee<br>Contributions | Annual<br>Required<br>Contribution | Benefit<br>Payments | Funded % |
|-------------------|-------------|---------------------------|-------------|-------------|------------------------|-----------------------------------|--|------------------------------------|---------------------|----------|
| 2014              | 1,212,473   | 82,684,360                | 43,320,088  | 39,364,272  | 12.4027                | 3,173,847                         | 432,131                                | 3,954,189                          | 4,562,923           | 52.4%    |
| 2015              | 1,009,879   | 75,566,728                | 46,032,177  | 29,534,551  | 11.9485                | 2,471,821                         | 439,943                                | 3,041,756                          | 4,659,886           | 60.9%    |
| 2016              | 1,019,130   | 77,359,224                | 47,929,475  | 29,429,749  | 11.4769                | 2,564,259                         | 447,144                                | 3,136,246                          | 4,838,284           | 62.0%    |
| 2017              | 1,023,000   | 79,109,352                | 49,877,257  | 29,232,095  | 10.9869                | 2,660,632                         | 453,477                                | 3,230,154                          | 5,032,611           | 63.0%    |
| 2018              | 1,020,876   | 80,792,160                | 51,861,178  | 28,930,982  | 10.478                 | 2,761,117                         | 457,301                                | 3,324,691                          | 5,155,822           | 64.2%    |
| 2019              | 1,030,957   | 82,470,856                | 53,955,243  | 28,515,613  | 9.9494                 | 2,866,064                         | 465,061                                | 3,431,960                          | 5,304,380           | 65.4%    |
| 2020              | 1,031,025   | 84,130,520                | 56,157,684  | 27,972,836  | 9.4004                 | 2,975,707                         | 469,836                                | 3,536,896                          | 5,441,378           | 66.8%    |
| 2021              | 1,036,939   | 85,772,104                | 58,482,694  | 27,289,410  | 8.8302                 | 3,090,463                         | 476,465                                | 3,650,937                          | 5,619,105           | 68.2%    |
| 2022              | 1,035,387   | 87,357,496                | 60,907,800  | 26,449,696  | 8.238                  | 3,210,694                         | 480,382                                | 3,765,698                          | 5,815,134           | 69.7%    |
| 2023              | 1,056,026   | 88,856,232                | 63,419,139  | 25,437,093  | 7.6229                 | 3,336,931                         | 492,464                                | 3,900,493                          | 5,933,593           | 71.4%    |
| 2024              | 1,061,712   | 90,363,984                | 66,130,958  | 24,233,026  | 6.9839                 | 3,469,842                         | 498,738                                | 4,032,816                          | 6,059,268           | 73.2%    |
| 2025              | 1,084,622   | 91,859,416                | 69,041,568  | 22,817,848  | 6.3203                 | 3,610,248                         | 511,674                                | 4,183,196                          | 6,187,090           | 75.2%    |
| 2026              | 1,093,865   | 93,356,032                | 72,187,389  | 21,168,643  | 5.6311                 | 3,759,238                         | 518,473                                | 4,334,629                          | 6,365,231           | 77.3%    |
| 2027              | 1,104,818   | 94,788,312                | 75,527,898  | 19,260,414  | 4.9152                 | 3,918,541                         | 525,700                                | 4,497,659                          | 6,526,478           | 79.7%    |
| 2028              | 1,122,645   | 96,170,656                | 79,106,174  | 17,064,482  | 4.1717                 | 4,090,534                         | 535,948                                | 4,677,231                          | 6,717,502           | 82.3%    |
| 2029              | 1,139,103   | 97,474,960                | 82,927,709  | 14,547,251  | 3.3994                 | 4,279,358                         | 544,611                                | 4,873,850                          | 6,823,742           | 85.1%    |
| 2030              | 1,150,825   | 98,782,248                | 87,112,447  | 11,669,801  | 2.5972                 | 4,493,224                         | 550,885                                | 5,093,164                          | 7,011,093           | 88.2%    |
| 2031              | 1,171,991   | 100,003,744               | 91,622,453  | 8,381,291   | 1.7641                 | 4,751,030                         | 561,436                                | 5,361,585                          | 7,161,077           | 91.6%    |
| 2032              | 1,196,923   | 101,181,016               | 96,572,423  | 4,608,593   | 0.8988                 | 5,127,496                         | 573,725                                | 5,750,693                          | 7,262,242           | 95.4%    |
| 2033              | 1,211,234   | 102,365,184               | 102,165,937 | 199,247     |                        |                                   | 580,960                                | 630,273                            | 7,445,823           | 99.8%    |
| 2034              | 1,238,478   | 103,460,744               | 102,848,450 | 612,294     |                        |                                   | 594,511                                | 643,968                            | 7,597,852           | 99.4%    |
| 2035              | 1,246,803   | 104,506,392               | 103,449,165 | 1,057,227   |                        |                                   | 598,603                                | 648,200                            | 7,789,956           | 99.0%    |
| 2036              | 1,263,486   | 105,438,376               | 103,902,101 | 1,536,275   |                        |                                   | 606,317                                | 657,168                            | 7,903,811           | 98.5%    |
| 2037              | 1,290,737   | 106,337,688               | 104,285,984 | 2,051,704   |                        |                                   | 619,519                                | 671,218                            | 7,972,688           | 98.1%    |
| 2038              | 1,302,081   | 107,258,904               | 104,652,945 | 2,605,959   |                        |                                   | 624,793                                | 677,288                            | 8,106,554           | 97.6%    |
| 2039              | 1,322,592   | 108,120,672               | 104,918,853 | 3,201,819   |                        |                                   | 634,414                                | 688,178                            | 8,198,624           | 97.0%    |
| 2040              | 1,363,556   | 108,970,912               | 105,128,916 | 3,841,996   |                        |                                   | 653,937                                | 709,620                            | 8,355,451           | 96.5%    |

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

| FY Ending<br>6/30 | Normal Cost | Accrued<br>Liability (AL) | Assets     | Unfunded AL | Amortization<br>Factor | Amortization<br>of Unfunded<br>AL | Estimated<br>Employee<br>Contributions | Annual<br>Required<br>Contribution | Benefit<br>Payments | Funded % |
|-------------------|-------------|---------------------------|------------|-------------|------------------------|-----------------------------------|--|------------------------------------|---------------------|----------|
| 2014              | 1,212,473   | 82,684,360                | 43,320,088 | 39,364,272  | 12.4027                | 3,173,847                         | 432,131                                | 3,954,189                          | 4,562,923           | 52.4%    |
| 2015              | -           | 86,603,232                | 46,032,177 | 40,571,055  | 11.9485                | 3,395,494                         | -                                      | 3,395,494                          | 6,218,493           | 53.2%    |
| 2016              | -           | 86,612,744                | 46,235,572 | 40,377,172  | 11.4769                | 3,518,125                         | -                                      | 3,518,125                          | 5,935,748           | 53.4%    |
| 2017              | -           | 86,930,208                | 46,867,487 | 40,062,721  | 10.9869                | 3,646,408                         | -                                      | 3,646,408                          | 6,008,878           | 53.9%    |
| 2018              | -           | 87,195,304                | 47,596,485 | 39,598,819  | 10.478                 | 3,779,234                         | -                                      | 3,779,234                          | 6,081,280           | 54.6%    |
| 2019              | -           | 87,404,872                | 48,434,658 | 38,970,214  | 9.9494                 | 3,916,841                         | -                                      | 3,916,841                          | 6,152,924           | 55.4%    |
| 2020              | -           | 87,555,536                | 49,395,208 | 38,160,328  | 9.4004                 | 4,059,437                         | -                                      | 4,059,437                          | 6,224,068           | 56.4%    |
| 2021              | -           | 87,643,408                | 50,492,207 | 37,151,201  | 8.8302                 | 4,207,289                         | -                                      | 4,207,289                          | 6,325,855           | 57.6%    |
| 2022              | -           | 87,631,880                | 51,708,856 | 35,923,024  | 8.238                  | 4,360,649                         | -                                      | 4,360,649                          | 6,395,899           | 59.0%    |
| 2023              | -           | 87,546,512                | 53,091,780 | 34,454,732  | 7.6229                 | 4,519,898                         | -                                      | 4,519,898                          | 6,464,349           | 60.6%    |
| 2024              | -           | 87,383,432                | 54,660,153 | 32,723,279  | 6.9839                 | 4,685,531                         | -                                      | 4,685,531                          | 6,563,570           | 62.6%    |
| 2025              | -           | 87,104,760                | 56,401,598 | 30,703,162  | 6.3203                 | 4,857,865                         | -                                      | 4,857,865                          | 6,626,827           | 64.8%    |
| 2026              | -           | 86,739,240                | 58,372,028 | 28,367,212  | 5.6311                 | 5,037,597                         | -                                      | 5,037,597                          | 6,742,056           | 67.3%    |
| 2027              | -           | 86,226,248                | 60,541,263 | 25,684,985  | 4.9152                 | 5,225,624                         | -                                      | 5,225,624                          | 6,816,968           | 70.2%    |
| 2028              | -           | 85,596,656                | 62,973,100 | 22,623,556  | 4.1717                 | 5,423,102                         | -                                      | 5,423,102                          | 6,910,312           | 73.6%    |
| 2029              | -           | 84,822,520                | 65,676,360 | 19,146,160  | 3.3994                 | 5,632,218                         | -                                      | 5,632,218                          | 7,061,810           | 77.4%    |
| 2030              | -           | 83,832,456                | 68,621,693 | 15,210,763  | 2.5972                 | 5,856,600                         | -                                      | 5,856,600                          | 7,210,168           | 81.9%    |
| 2031              | -           | 82,613,512                | 71,844,553 | 10,768,959  | 1.7641                 | 6,104,506                         | -                                      | 6,104,506                          | 7,274,120           | 87.0%    |
| 2032              | -           | 81,236,352                | 75,474,951 | 5,761,401   | 0.8988                 | 6,410,103                         | -                                      | 6,410,103                          | 7,312,710           | 92.9%    |
| 2033              | -           | 79,715,496                | 79,625,270 | 90,226      |                        |                                   | -                                      | -                                  | 7,332,925           | 99.9%    |
| 2034              | -           | 78,059,280                | 77,635,155 | 424,125     |                        |                                   | -                                      | -                                  | 7,389,320           | 99.5%    |
| 2035              | -           | 76,219,896                | 75,447,562 | 772,334     |                        |                                   | -                                      | -                                  | 7,381,525           | 99.0%    |
| 2036              | -           | 74,250,416                | 73,114,877 | 1,135,539   |                        |                                   | -                                      | -                                  | 7,359,664           | 98.5%    |
| 2037              | -           | 72,155,712                | 70,641,455 | 1,514,257   |                        |                                   | -                                      | -                                  | 7,326,461           | 97.9%    |
| 2038              | -           | 69,938,216                | 68,029,141 | 1,909,075   |                        |                                   | -                                      | -                                  | 7,277,586           | 97.3%    |
| 2039              | -           | 67,605,024                | 65,284,380 | 2,320,644   |                        |                                   | -                                      | -                                  | 7,196,328           | 96.6%    |
| 2040              | -           | 65,181,180                | 62,431,302 | 2,749,878   |                        |                                   | -                                      | -                                  | 7,100,991           | 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* 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* 3.00%
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. 100% of disabilities are assumed to be non-service related.

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

6. *Withdrawal*

Rates of withdrawal are based on an employee's length of service, and have updated based on Hay Group's experience study, as follows:

| Withdrawal Rates |       |         |
|------------------|-------|---------|
| Service          | Prior | Current |
| < 1              | 3.00% | 4.50%   |
| 1                | 2.25% | 3.38%   |
| 2                | 2.00% | 3.00%   |
| 3                | 1.75% | 2.63%   |
| 4                | 1.50% | 2.25%   |
| 5                | 1.25% | 1.88%   |
| 6                | 1.00% | 1.50%   |
| 7                | 0.75% | 1.13%   |
| 8                | 0.50% | 0.75%   |
| 9                | 0.25% | 0.38%   |
| 10+              | 0     | 0.00%   |

7. *Retirement Age*

| Years of Service | Ratio | Component |
|------------------|-------|-----------|
| 20               | 5%    | 10%       |
| 21               | 2%    | 5%        |
| 22               | 2%    | 5%        |
| 23               | 2%    | 5%        |
| 24               | 2%    | 5%        |
| 25               | 40%   | 20%       |
| 26               | 20%   | 5%        |
| 27               | 20%   | 5%        |
| 28               | 20%   | 5%        |
| 29               | 20%   | 5%        |
| 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*

75% of active police 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. *Future New Entrants*

100% male, age 27, with 2012 average starting salary of \$44,823, increasing by 2.75% per year

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

### 1. *Effective Date*

Most recent amendment July 1, 1995

### 2. *Eligibility*

All members of the police department who contribute to the pension fund.

### 3. *Retirement*

#### a. Eligibility

Members who have completed 20 years of service may retire.

#### 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                      | 50.0%   |
| 21                      | 52.5%   |
| 22                      | 55.0%   |
| 23                      | 57.5%   |
| 24                      | 60.0%   |
| 25                      | 62.5%   |
| 26                      | 64.0%   |
| 27                      | 65.5%   |
| 28                      | 67.0%   |
| 29                      | 68.5%   |
| 30 or more              | 70.0%   |

#### 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

20th anniversary of employment.

#### d. Form of Payment

Same as retirement.

### 5. *Disability Retirement*

- a. Eligibility
  - i. Non-Service Related  
No benefit prior to completion of 7 years of service. A member who is disabled with between 7 and 20 years of service is eligible to receive disability retirement benefits.
  - ii. Service Related  
Retirement because of a job-related mental or physical incapacity.
- b. Benefit Formula
  - i. Non-Service Related  
50% of annual salary.
  - ii. Service Related  
66-2/3% of annual salary
- 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***  
Pensions for retirees (but not disabled retirees or beneficiaries) are indexed to the negotiated pay increases for active police. Terminated vested members receive 3% annual increases after benefit commencement.
- 9. *Employee Contributions***  
8% of salary.