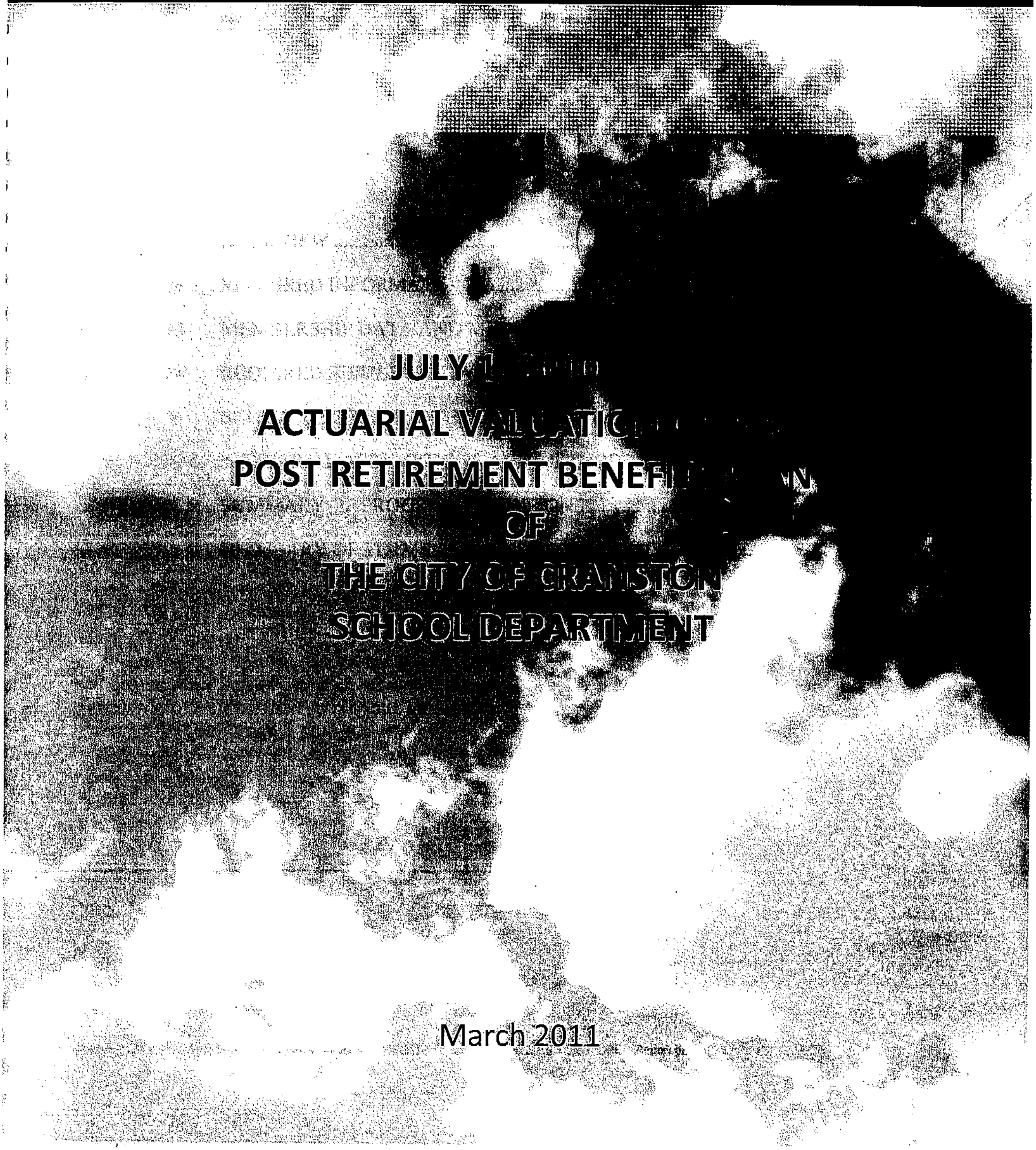

JULY 1, 2010 ACTUARIAL VALUATION OF THE POST RETIREMENT BENEFIT PLAN OF THE CITY OF CRANSTON SCHOOL DEPARTMENT

March 2011

A Xerox Company

buckconsultants

TABLE OF CONTENTS

SECTION I – OVERVIEW

The School Department of the City of Cranston has engaged Buck Consultants to prepare an actuarial valuation of post-retirement benefits program as of July 1, 2010. The School provided employee data and premium information.

The purposes of the valuation are to analyze the current funded position of the School's post-retirement benefits program, determine the level of contributions necessary to assure sound funding and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This valuation report contains information required by the Government Accounting Standards Board's Standard No. 45, entitled "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

School liabilities have been determined based on both a 4.0% and 8.0% discount rates. According to GASB principles, if the benefits are not pre-funded, the rate earned by the General Asset Account must be used. Section II provides a summary of the principal valuation results. Section V provides a projection of funding amounts.

During the year, the Plan realized a decrease in the accrued liability of $4,393,757 under the 4% discount rate and $3,702,744 under the 8% discount rate. The expectation was a decrease of $858,263 under the 4% discount rate, and $1,084,955 under the 8% discount rate. The difference reflects mainly a drop in the experience rated premiums, approximately 10.6% during fiscal year 2011, as the result of joining WB Community Health Group, and an increase of future retiree contributions, and offsets by an update of the future anticipated medical care inflation.

The report was prepared under the supervision of Daniel Sherman, an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries, who takes responsibility for the overall appropriateness of the analysis, assumptions and results. Daniel Sherman is deemed to meet the General Qualification Standard and the basic education and experience requirement in the pension area, Based on over nineteen years of performing FAS 106 valuations of similar complexity, Mr. Sherman is qualified by experience in retiree medical valuation. Daniel Sherman met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully Submitted,

BUCK CONSULTANTS, AN ACS COMPANY

Daniel W. Sherman

Daniel W. Sherman, ASA, MAAA, EA
Director and Consulting Actuary

4/21/11
Date

Tina Liu

Tina Liu
Consultant

4/21/2011
Date

SECTION II – REQUIRED INFORMATION

a) Actuarial valuation date Discount rate	July 1, 2010 4.00%	July 1, 2009 4.00%	July 1, 2010 8.00%	July 1, 2009 8.00%
b) Actuarial value of assets	$ 0	$ 0	$ 0	$ 0
c) Actuarial accrued liability				
Active Participants	$ 15,308,103	$ 15,730,582	$ 8,459,230	$ 8,676,868
Retired Participants	$ 11,458,450	$ 15,429,728	$ 10,332,603	$ 13,817,709
Total	$ 26,766,553	$ 31,160,310	$ 18,791,833	$ 22,494,577
d) Unfunded actuarial liability	$ 26,766,553	$ 31,160,310	$ 18,791,833	$ 22,494,577
e) Funded ratio (b./c.)	0%	0%	0%	0%
f) Annual covered payroll	$ 72,135,074	$ 70,733,606	$ 72,135,074	$ 70,733,606
g) Unfunded actuarial liability as percentage of covered payroll	37.11%	44.05%	26.05%	31.80%
h) Normal Cost for the fiscal year	$ 1,293,410	$ 1,355,799	$ 622,712	$ 647,316
i) Amortization of unfunded actuarial liability for the fiscal year (level payments)	$ 1,544,558	$ 1,764,151	$ 2,201,460	$ 2,526,409
j) Years of payment	28	29	13	14
k) Annual Required Contribution (ARC) for the fiscal year as of July 1 (h. + i.)	$ 2,837,968	$ 3,119,950	$ 2,824,172	$ 3,173,725
l) Estimated Net School Cost	$ 2,365,884	$ 2,002,020	$ 2,365,884	$ 2,002,020
m) Increase in annual cost to fund (k. - l.)	N/A	N/A	$ 458,288	$ 1,171,705

SECTION III - MEMBERSHIP DATA AND GROSS MEDICAL PREMIUM

Number of employees included in valuation

Actives	1,006
Retired	365
Total	1,371

Census data only includes current eligible employees and former employees of the School department.

Annual Individual Gross Premiums as of July 1, 2010

The School department pays the medical and dental premium for a retiree only until the retiree reaches age 65. There is no School provided cost coverage beyond the age of 65. Any dependent coverage and/or coverage beyond the age of 65 are paid by the retiree.

Healthmate Coast– Medical	$ 6,419
Healthmate Coast– Re-Insurance Rate	$ 187
Delta – Dental	$ 372

Estimated gross per capita incurred claim cost for 2010-2011 at age 64 was $9,358. Per capita costs were developed from the provided School monthly costs based on active blended age-based morbidity rates and included associated administrative fees.

SECTION IV – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

8.0% DISCOUNT RATE

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Payroll [(b)-(a)]/(c)
July 1, 2007	$0	$19,077,932	$19,077,932	0%	$68,573,674	27.82%
July 1, 2008	$0	$25,949,359	$25,949,359	0%	$69,144,049	37.53%
July 1, 2009	$0	$22,494,577	$22,494,577	0%	$70,733,606	31.80%
July 1, 2010	$0	$18,791,833	$18,791,833	0%	$72,135,074	26.05%

4.0% DISCOUNT RATE

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability(AAL) (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percentage of Payroll [(b)-(a)]/(c)
July 1, 2007	$0	$25,950,366	$25,950,366	0%	$68,573,674	37.84%
July 1, 2008	$0	$35,821,039	$35,821,039	0%	$69,144,049	51.81%
July 1, 2009	$0	$31,160,310	$31,160,310	0%	$70,733,606	44.05%
July 1, 2010	$0	$26,766,553	$26,766,553	0%	$72,135,074	37.11%

DEVELOPMENT OF OPEB COST AND NET OPEB OBLIGATION (NOO) - 4.0%

Year Ending June 30	Annual Required Contribution	Interest on NOO	Amortization of NOO	Annual OPEB Cost (1)+(2)-(3)	Actual Contribution	Change in NOO (4)-(5)	NOO Balance
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2008	2,548,187	0	0	2,548,187	2,122,221	425,966	425,966
2009	3,504,375	17,039	13,234	3,508,180	2,288,090	1,220,090	1,646,056
2010	3,119,950	65,842	53,032	3,132,760	2,002,020	1,130,740	2,776,796
2011	2,837,968	111,072	92,884	2,856,156			

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

The Government Accounting Standards Board's Standard Number 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as salary increases.

In the amortization schedule shown on the following pages, the amortization of the unfunded accrued liability is level for 28 years under the 4% discount rate and level for 13 years under the 8% discount rate. The normal cost is expected to increase at the same rate as the assumed health care trend rate. The contributions were computed assuming that the contribution is paid on July 1, at the beginning of the fiscal year.

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Pay-as-You-Go 4%

Fiscal Year Ending in	Normal Cost	Amortization of Unfunded Liability	ARC
2011	1,293,410	1,544,558	2,837,968
2012	1,409,817	1,544,558	2,954,375
2013	1,522,602	1,544,558	3,067,160
2014	1,629,184	1,544,558	3,173,742
2015	1,726,935	1,544,558	3,271,493
2016	1,813,282	1,544,558	3,357,840
2017	1,903,946	1,544,558	3,448,504
2018	1,999,143	1,544,558	3,543,701
2019	2,099,100	1,544,558	3,643,658
2020	2,204,055	1,544,558	3,748,613
2021	2,314,258	1,544,558	3,858,816
2022	2,429,971	1,544,558	3,974,529
2023	2,551,470	1,544,558	4,096,028
2024	2,679,044	1,544,558	4,223,602
2025	2,812,996	1,544,558	4,357,554
2026	2,953,646	1,544,558	4,498,204
2027	3,101,328	1,544,558	4,645,886
2028	3,256,394	1,544,558	4,800,952
2029	3,419,214	1,544,558	4,963,772
2030	3,590,175	1,544,558	5,134,733
2031	3,769,684	1,544,558	5,314,242
2032	3,958,168	1,544,558	5,502,726
2033	4,156,076	1,544,558	5,700,634
2034	4,363,880	1,544,558	5,908,438
2035	4,582,074	1,544,558	6,126,632
2036	4,811,178	1,544,558	6,355,736
2037	5,051,737	1,544,558	6,596,295
2038	5,304,324	1,544,558	6,848,882
2039	5,569,540	0	5,569,540
2040	5,848,017	0	5,848,017

SECTION V – SCHEDULE OF EMPLOYER CONTRIBUTIONS

Prefunding 8%

Fiscal Year Ending in	Normal Cost	Amortization of Unfunded Liability	ARC
2011	622,712	2,201,460	2,824,172
2012	678,756	2,201,460	2,880,216
2013	733,056	2,201,460	2,934,516
2014	784,370	2,201,460	2,985,830
2015	831,432	2,201,460	3,032,892
2016	873,004	2,201,460	3,074,464
2017	916,654	2,201,460	3,118,114
2018	962,487	2,201,460	3,163,947
2019	1,010,611	2,201,460	3,212,071
2020	1,061,142	2,201,460	3,262,602
2021	1,114,199	2,201,460	3,315,659
2022	1,169,909	2,201,460	3,371,369
2023	1,228,404	2,201,460	3,429,864
2024	1,289,824	0	1,289,824
2025	1,354,315	0	1,354,315
2026	1,422,031	0	1,422,031
2027	1,493,133	0	1,493,133
2028	1,567,790	0	1,567,790
2029	1,646,180	0	1,646,180
2030	1,728,489	0	1,728,489
2031	1,814,913	0	1,814,913
2032	1,905,659	0	1,905,659
2033	2,000,942	0	2,000,942
2034	2,100,989	0	2,100,989
2035	2,206,038	0	2,206,038
2036	2,316,340	0	2,316,340
2037	2,432,157	0	2,432,157
2038	2,553,765	0	2,553,765
2039	2,681,453	0	2,681,453
2040	2,815,526	0	2,815,526

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

Interest

Prefunding: 8.0%, net of investment expenses
Pay-as-you-go: 4.0%, net of investment expenses

Actuarial Cost Method: Projected Unit Credit

Medical Care Inflation:

Year	Current Valuation Inflation Rate	Prior Valuation Inflation Rate
2010	8.0%	7.0%
2011	7.5%	6.0%
2012	7.0%	5.0%
2013	6.5%	5.0%
2014	6.0%	5.0%
2015	5.5%	5.0%
2016 & later	5.0%	5.0%

Administrative load Inflation: 4.0%,

Age-based Morbidity:

Medical costs are adjusted to reflect expected cost increases related to age. The increase in the net costs assumed to be:

Age	Annual Increase Retiree
49 and below	2.6%
50-54	3.2%
55-59	3.4%
60-64	3.7%
65-69	3.2%
70-74	2.4%
75-79	1.8%
80 and over	0.0%

Cost Share for Future Retirees:

17% (15% prior valuation) for Teachers and 25% (20% prior valuation) for Administrators.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

Separations from Active Service:

Annual Rates of

Age	Disability	Death		Service Retirement	
		Male	Female	Male	Female
25	.02%	.04%	.02%		
30	.02	.04	.03		
35	.03	.08	.05		
40	.05	.11	.07		
45	.08	.15	.11	10.0%	5.0%
50	.14	.21	.17	16.0	12.0
55	.23	.30	.25	26.0	22.0
60	.31	.49	.39	25.0	30.0
62	.19	.59	.47	25.0	25.0
65		.76	.58	25.0	35.0
70		.95	.73	100.0	100.0

For School employees, it is assumed that 82% of all disabilities are ordinary (18% are service connected).

Mortality: The RP-2000 Healthy Annuitant Table. For the period after disability retirement, the RP-2000 Healthy Annuitant Table set forward 3 years is used.

Amortization period: Closed basis for prefunding. Closed basis for pay-as–you-go. The amortization period is a specific number of years that is counted from one date, declining to zero with the passage of time.

Health Care Reform: The effect of any changes in benefits due to health care reform legislation was assumed to be negligible.

SCHEDULE B - SUMMARY OF PROGRAM PROVISIONS

Retirement Eligibility:

All members with more than 10 years of service as of June 30, 2005 are eligible for retirement on or after age 60 with 10 years of service or age any age with 28 years of service, or after becoming disabled.

All members with less than 10 years of service as of June 30, 2005 are eligible for retirement on or after age 65 with 10 years of service, or on or after age 59 with 29 years of service, or early retirement at age 55 with 20 years of service, or after becoming disabled.

All members must also have completed at least 10 years of service with the City of Cranston

Pre-Age 65 Retirees:

Current retirees who are under age 65 are assumed to remain in their current medical and dental plan with only individual coverage, until age 65, at which time their school provided cost coverage stops. No coverage for beneficiaries. Any coverage for spouses and dependents benefits is the responsibility of the retirees.

Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65. The weighted average premium includes adjustment based on age to account for the implicit subsidy of older employees true benefit cost.

Post-Age 65 Retirees:

There is no school coverage cost for retirees over the age of 65.
No coverage for beneficiaries. The retiree pays any elected coverage after the age of 65. Any coverage for spouses and dependents benefits is the responsibility of the retirees.

Coverage:

It is assumed that 95% of current active employees will elect retiree benefit coverage.

SCHEDULE B - SUMMARY OF PROGRAM PROVISIONS (Continued)

Plan Costs:

Teachers

Teachers retiring prior to September 1, 2005 have no cost share.

Teachers retiring between September 1, 2005 and August 31, 2009 are responsible for a 5% cost share of their benefits.

Teachers retiring between September 1, 2009 and August 31, 2011 are responsible for a 15% cost share of their benefits.

Teachers retiring on or after September 1, 2011 are responsible for a 17% cost share of their benefits.

Administrators

Administrators retiring prior to July, 2005 have no cost share.

Administrators retiring between July 1, 2005 and June 30, 2008 are responsible for a 10% cost share of their benefits.

Administrators retiring between July 1, 2008 and June 30, 2010 are responsible for a 20% cost share of their benefits.

Administrators retiring on and after July 1, 2010 are responsible for a 20%, 22%, or 25% cost share of their benefits, moving toward a 25% cost share within the next two years.

SCHEDULE C - GLOSSARY OF TERMS

Actuarial accrued liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs and therefore is the value of benefits already earned.

Actuarial assumptions
Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided OPEB benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method
A procedure for determining the Actuarial Present Value of OPEB benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss
A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Amortization (of unfunded actuarial accrued liability)
That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost
An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)
The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters. It is the value of the cash contributions for a funded plan and the value of the expense entry in the profit and loss section of the financial statements.

SCHEDULE C - GLOSSARY OF TERMS (Continued)

Closed amortization period (closed basis)
A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll
Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit OPEB plan
An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Funded ratio
The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Funding policy
The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate
The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Investment return assumption (discount rate)
The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method
The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally

SCHEDULE C - GLOSSARY OF TERMS (Continued)

represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

Level percentage of projected payroll amortization method
Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Net OPEB obligation
The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. It will be included as a balance sheet entry on the financial statements.

Normal cost
That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt
All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Other postemployment benefits
Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-you-go
A method of financing a OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Required supplementary information (RSI)
Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.