

**Town of Tiverton Other
Postemployment Benefits Plan**

GASB 45 Actuarial Valuation

as of

July 1, 2012

For the fiscal years ending

June 30, 2013

June 30, 2014

Delivered July 2013

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July 11, 2013

Personal and Confidential

Ms. Denise Saurette
Town Treasurer
Town of Tiverton
343 Highland Road
Tiverton, RI 02878

Dear Ms. Saurette:

We have performed an actuarial valuation of the Town of Tiverton Other Postemployment Benefits Plan for the fiscal year ending June 30, 2013. The figures presented in this report reflect the adoption, by the Town of Tiverton, of Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") effective July 1, 2008.

The financial results of the actuarial valuation are summarized in the report. The Executive Summaries highlight the results of the valuation. Additional information summarizing census data, actuarial assumptions, claim rates and the methodology for developing them, as well as a glossary of selected terms used in this study, is also included in the report.

All costs, liabilities and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the plan and reasonable expectations and, in combination, represent our best estimate of the anticipated experience under the plan.

We refer you to Section I of this report for a detailed summary and commentary on the results of the valuation and a comparison with the prior valuation. Section II is a summary of the plan provisions, and Section III describes the actuarial cost method and assumptions. Details for cost calculations, supporting data, and disclosures are provided in Exhibits A through C.

We will be pleased to answer any questions that you may have regarding this actuarial valuation report.

Very truly yours,

Parker E. Elmore, A.S.A., E.A., M.A.A.A.
President & CEO

Enclosure

SECTION I

PRINCIPAL RESULTS OF THE VALUATION

**Town of Tiverton
Assuming Pay-as-you-go funding - 3.50% discount rate
Comparison of Plan Liabilities to Prior Valuation**

	<u>July 1, 2012</u>	<u>July 1, 2010</u>
I. Present Value of Future Benefits		
A. Actives	18,428,107	17,264,248
B. Retirees/Disabled	<u>17,438,500</u>	<u>17,776,365</u>
C. Total	35,866,607	35,040,613
II. Present Value of Future Normal Cost	11,374,391	10,909,542
III. Actuarial Accrued Liability (Projected Unit Credit)		
A. Actives	7,053,716	6,354,706
B. Retirees/Disabled	<u>17,438,500</u>	<u>17,776,365</u>
C. Total	24,492,216	24,131,071
IV. Plan Assets	0	0
V. Unfunded Actuarial Accrued Liability ("UAAL")	24,492,216	24,131,071
VI. Funded Ratio	0.00%	0.00%
VII. Annual Covered Payroll	N/A	N/A
VIII. UAAL as % of Covered Payroll	N/A	N/A
IX. Net OPEB Obligation	4,021,319	3,744,211
X. Number of Covered Participants		
A. Actives	274	262
B. Retirees/Disabled	<u>96</u>	<u>98</u>
C. Total	370	360
For the Fiscal Year Ending:	<u>June 30, 2013</u>	<u>June 30, 2011</u>
XI. Normal Cost	655,631	590,480
XII. Amortization of UAAL - 30 year flat dollar	1,830,154	1,830,154
XIII. Annual Required Contribution ("ARC") [XI. + XII.]	2,485,785	2,420,634
XIV. Interest on Net OPEB Obligation	140,746	131,048
XV. Adjustment to Annual Required Contribution	(337,345)	(314,098)
XVI. Amortization of Actuarial (Gains) / Losses	(629,304)	(806,758)
XVII. Annual OPEB Cost [XIII. + XIV. + XV. + XVI.]	1,659,882	1,430,826
XVIII. Expected Employer Contribution	1,292,835	1,270,679
XIX. Contribution to Trust Fund over 30 Years	0	0
XX. Total Employer Contribution	1,292,835	1,270,679
XXI. Percentage of Annual OPEB Cost Contributed	77.9%	88.8%
XXII. Net OPEB Obligation at Beginning of Year (IX.)	4,021,319	3,744,211
XXIII. Increase in Net OPEB Obligations (XVII. - XVIII.)	367,047	160,147
XXIV. Net OPEB Obligation at End of Year (XXII. + XXIII.)	4,388,366	3,904,358
XXV. Discount Rate	3.50%	3.50%

SECTION I

PRINCIPAL RESULTS OF THE VALUATION

(continued)

**Town of Tiverton
Assuming Pay-as-you-go funding - 3.50% discount rate
Plan Liabilities as of July 1, 2012**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Present Value of Future Benefits				
A. Actives	17,225,025	1,133,918	69,164	18,428,107
B. Retirees/Disabled	<u>16,634,193</u>	<u>725,607</u>	<u>78,700</u>	<u>17,438,500</u>
C. Total	33,859,218	1,859,525	147,864	35,866,607
II. Present Value of Future Normal Cost	10,624,105	717,239	33,047	11,374,391
III. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	6,600,920	416,679	36,117	7,053,716
B. Retirees/Disabled	<u>16,634,193</u>	<u>725,607</u>	<u>78,700</u>	<u>17,438,500</u>
C. Total	23,235,113	1,142,286	114,817	24,492,216
IV. Plan Assets	0	0	0	0
V. Unfunded Actuarial Accrued Liability ("UAAL")	23,235,113	1,142,286	114,817	24,492,216
VI. Annual Covered Payroll	N/A	N/A	N/A	N/A
VII. UAAL as % of Covered Payroll	N/A	N/A	N/A	N/A
VIII. Net OPEB Obligation	3,814,918	187,549	18,852	4,021,319
IX. Number of Covered Participants				
A. Actives	274	274	208	
B. Retirees/Disabled	<u>96</u>	<u>95</u>	<u>53</u>	
C. Total	370	369	261	

For Fiscal Year Ending June 30, 2013

X. Normal Cost	613,690	39,359	2,582	655,631
XI. Amortization of UAAL - 30 year flat dollar	1,736,218	85,356	8,580	1,830,154
XII. Annual Required Contribution ("ARC") [X. + XI.]	2,349,908	124,715	11,162	2,485,785
XIII. Interest on Net OPEB Obligation	133,522	6,564	660	140,746
XIV. Adjustment to Annual Required Contribution	(320,030)	(15,734)	(1,581)	(337,345)
XV. Amortization of Actuarial (Gains) / Losses	(597,004)	(29,350)	(2,950)	(629,304)
XVI. Annual OPEB Cost [XII. + XIII. + XIV. + XV.]	1,566,396	86,195	7,291	1,659,882
XVII. Expected Employer Contribution	1,228,554	42,511	21,770	1,292,835
XVIII. Contribution to Trust Fund over 30 Years	0	0	0	0
XIX. Total Employer Contribution	1,228,554	42,511	21,770	1,292,835
XX. Percentage of Annual OPEB Cost Contributed	78.4%	49.3%	298.6%	77.9%
XXI. Net OPEB Obligation at Beginning of Year (VIII.)	3,814,918	187,549	18,852	4,021,319
XXII. Increase in Net OPEB Obligations (XVI. - XVII.)	337,842	43,684	(14,479)	367,047
XXIII. Net OPEB Obligation at End of Year (XXI. + XXII.)	4,152,760	231,233	4,373	4,388,366

SECTION I
PRINCIPAL RESULTS OF THE VALUATION
(continued)

Town of Tiverton
Plan Liabilities as of July 1, 2012
Assuming maintain pay-as-you-go funding method

	General Town Employees and Retirees	School Employees and Retirees	Police Employees and Retirees	Fire Employees and Retirees	DPW Employees and Retirees	Total
I. Present Value of Future Benefits						
A. Actives	74,689	5,058,680	6,283,491	6,935,827	75,420	18,428,107
B. Retirees/Disabled	<u>17,292</u>	<u>2,407,917</u>	<u>7,617,171</u>	<u>6,317,480</u>	<u>1,078,640</u>	<u>17,438,500</u>
C. Total	91,981	7,466,597	13,900,662	13,253,307	1,154,060	35,866,607
II. Present Value of Future Normal Cost	6,863	2,884,049	3,822,480	4,648,778	12,221	11,374,391
III. Actuarial Accrued Liability (Projected Unit Credit)						
A. Actives	67,826	2,174,631	2,461,011	2,287,049	63,199	7,053,716
B. Retirees/Disabled	<u>17,292</u>	<u>2,407,917</u>	<u>7,617,171</u>	<u>6,317,480</u>	<u>1,078,640</u>	<u>17,438,500</u>
C. Total	85,118	4,582,548	10,078,182	8,604,529	1,141,839	24,492,216
IV. Plan Assets	0	0	0	0	0	0
V. Unfunded Actuarial Accrued Liability ("UAAL")	85,118	4,582,548	10,078,182	8,604,529	1,141,839	24,492,216
VI. Annual Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
VII. UAAL as % of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
VIII. Net OPEB Obligation	13,976	752,398	1,654,713	1,412,757	187,475	4,021,319
IX. Number of Covered Participants						
A. Actives	5	208	28	31	2	274
B. Retirees/Disabled	<u>2</u>	<u>53</u>	<u>21</u>	<u>18</u>	<u>2</u>	<u>96</u>
C. Total	7	261	49	49	4	370
For Fiscal Year Ending June 30, 2013						
X. Normal Cost	2,232	183,358	221,120	246,391	2,530	655,631
XI. Amortization of UAAL - 30 year flat dollar	87,526	331,903	717,299	609,737	83,689	1,830,154
XII. Annual Required Contribution ("ARC") [X. + XI.]	89,758	515,261	938,419	856,128	86,219	2,485,785
XIII. Interest on Net OPEB Obligation	489	26,334	57,915	49,446	6,562	140,746
XIV. Adjustment to Annual Required Contribution	(1,173)	(63,118)	(138,812)	(118,515)	(15,727)	(337,345)
XV. Amortization of Actuarial (Gains) / Losses	(2,187)	(117,745)	(258,949)	(221,085)	(29,338)	(629,304)
XVI. Annual OPEB Cost [XII. + XIII. + XIV. + XV.]	86,887	360,732	598,573	565,974	47,716	1,659,882
XVII. Expected Employer Contribution	20,809	613,535	349,150	264,691	44,650	1,292,835
XVIII. Contribution to Trust Fund over 30 Years	0	0	0	0	0	0
XIX. Total Employer Contribution	20,809	613,535	349,150	264,691	44,650	1,292,835
XX. Percentage of Annual OPEB Cost Contributed	23.9%	170.1%	58.3%	46.8%	93.6%	77.9%
XXI. Net OPEB Obligation at Beginning of Year (VIII.)	13,976	752,398	1,654,713	1,412,757	187,475	4,021,319
XXII. Increase in Net OPEB Obligations (XVI. - XVII.)	66,078	(252,803)	249,423	301,283	3,066	367,047
XXIII. Net OPEB Obligation at End of Year (XXI. + XXII.)	80,054	499,595	1,904,136	1,714,040	190,541	4,388,366

SECTION I

PRINCIPAL RESULTS OF THE VALUATION

(continued)

Town of Tiverton
Detail of Plan Liabilities by Group and Dependency Status
Assuming Pay-as-you-go funding - 3.50% discount rate
Plan Liabilities as of July 1, 2012

	<u>Present Value of Future Benefits</u>	<u>Actuarial Accrued Liability (Projected Unit Credit)</u>	<u>Normal Cost</u>
Actives			
Under Age 65			
A. Participants	6,870,278	2,818,139	253,066
B. Spouses	<u>5,449,590</u>	<u>2,092,422</u>	<u>197,152</u>
C. Total	12,319,868	4,910,561	450,218
Age 65 and Over			
A. Participants	2,986,032	1,038,365	99,891
B. Spouses	<u>3,122,207</u>	<u>1,104,790</u>	<u>105,522</u>
C. Total	6,108,239	2,143,155	205,413
Actives Total			
A. Participants	9,856,310	3,856,504	352,957
B. Spouses	<u>8,571,797</u>	<u>3,197,212</u>	<u>302,674</u>
C. Total	18,428,107	7,053,716	655,631
Retirees/Disabled			
Under Age 65			
A. Participants	4,640,263	4,640,263	0
B. Spouses	<u>3,657,260</u>	<u>3,657,260</u>	<u>0</u>
C. Total	8,297,523	8,297,523	0
Age 65 and Over			
A. Participants	4,608,343	4,608,343	<u>0</u>
B. Spouses	<u>4,532,634</u>	<u>4,532,634</u>	<u>0</u>
C. Total	9,140,977	9,140,977	0
Retirees/Disabled Total			
A. Participants	9,248,606	9,248,606	0
B. Spouses	<u>8,189,894</u>	<u>8,189,894</u>	<u>0</u>
C. Total	17,438,500	17,438,500	0
Total Population			
A. Participants	19,104,916	13,105,110	352,957
B. Spouses	<u>16,761,691</u>	<u>11,387,106</u>	<u>302,674</u>
C. Total	35,866,607	24,492,216	655,631

SECTION I

PRINCIPAL RESULTS OF THE VALUATION

(continued)

**Town of Tiverton
Assuming Funding over 30 years at 7.00% discount rate
Plan Liabilities as of July 1, 2012**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Present Value of Future Benefits				
A. Actives	7,468,704	410,028	42,334	7,921,066
B. Retirees/Disabled	<u>11,874,600</u>	<u>473,322</u>	<u>73,595</u>	<u>12,421,517</u>
C. Total	19,343,304	883,350	115,929	20,342,583
II. Present Value of Future Normal Cost	4,082,598	230,456	17,563	4,330,617
III. Actuarial Accrued Liability (Projected Unit Credit)				
A. Actives	3,386,106	179,572	24,771	3,590,449
B. Retirees/Disabled	<u>11,874,600</u>	<u>473,322</u>	<u>73,595</u>	<u>12,421,517</u>
C. Total	15,260,706	652,894	98,366	16,011,966
IV. Plan Assets	0	0	0	0
V. Unfunded Actuarial Accrued Liability ("UAAL")	15,260,706	652,894	98,366	16,011,966
VI. Annual Covered Payroll	N/A	N/A	N/A	N/A
VII. UAAL as % of Covered Payroll	N/A	N/A	N/A	N/A
VIII. Net OPEB Obligation	3,814,918	187,549	18,852	4,021,319
IX. Number of Covered Participants				
A. Actives	274	274	208	
B. Retirees/Disabled	<u>96</u>	<u>95</u>	<u>53</u>	
C. Total	370	369	261	

For Fiscal Year Ending June 30, 2013

X. Normal Cost	272,355	14,613	1,598	288,566
XI. Amortization of UAAL - 30 year flat dollar	2,409,812	103,098	15,533	2,528,443
XII. Annual Required Contribution ('ARC') [X. + XI.]	2,682,167	117,711	17,131	2,817,009
XIII. Interest on Net OPEB Obligation	267,044	13,128	1,320	281,492
XIV. Adjustment to Annual Required Contribution	(391,456)	(19,245)	(1,934)	(412,635)
XV. Amortization of Actuarial (Gains) / Losses	(1,671,264)	26,849	4,484	(1,639,931)
XVI. Annual OPEB Cost [XII. + XIII. + XIV. + XV.]	886,491	138,443	21,001	1,045,935
XVII. Expected Employer Contribution	1,228,554	42,511	21,770	1,292,835
XVIII. Contribution to Trust Fund over 30 Years	375,787	95,932	(769)	470,950
XIX. Total Employer Contribution	1,604,341	138,443	21,001	1,763,785
XX. Percentage of Annual OPEB Cost Contributed	181.0%	100.0%	100.0%	168.6%
XXI. Net OPEB Obligation at Beginning of Year (VIII.)	3,814,918	187,549	18,852	4,021,319
XXII. Increase in Net OPEB Obligations (XVI. - XVII.)	(717,850)	0	0	(717,850)
XXIII. Net OPEB Obligation at End of Year (XXI. + XXII.)	3,097,068	187,549	18,852	3,303,469

SECTION I

PRINCIPAL RESULTS OF THE VALUATION

(continued)

**Town of Tiverton
Plan Liabilities as of July 1, 2012
Assuming Funding over 30 years at 7.00% discount rate**

	General Town Employees and Retirees	School Employees and Retirees	Police Employees and Retirees	Fire Employees and Retirees	DPW Employees and Retirees	Total
I. Present Value of Future Benefits						
A. Actives	32,105	2,174,403	2,700,871	2,981,269	32,418	7,921,066
B. Retirees/Disabled	12,317	1,715,169	5,425,743	4,499,968	768,320	12,421,517
C. Total	44,422	3,889,572	8,126,614	7,481,237	800,738	20,342,583
II. Present Value of Future Normal Cost	2,613	1,098,055	1,455,348	1,769,948	4,653	4,330,617
III. Actuarial Accrued Liability (Projected Unit Credit)						
A. Actives	34,525	1,106,920	1,252,692	1,164,143	32,169	3,590,449
B. Retirees/Disabled	12,317	1,715,169	5,425,743	4,499,968	768,320	12,421,517
C. Total	46,842	2,822,089	6,678,435	5,664,111	800,489	16,011,966
IV. Plan Assets	0	0	0	0	0	0
V. Unfunded Actuarial Accrued Liability ("UAAL")	46,842	2,822,089	6,678,435	5,664,111	800,489	16,011,966
VI. Annual Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
VII. UAAL as % of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A
VIII. Net OPEB Obligation	13,976	752,398	1,654,713	1,412,757	187,475	4,021,319
IX. Number of Covered Participants						
A. Actives	5	208	28	31	2	274
B. Retirees/Disabled	2	53	21	18	2	96
C. Total	7	261	49	49	4	370
For Fiscal Year Ending June 30, 2013						
X. Normal Cost	982	80,702	97,323	108,445	1,114	288,566
XI. Amortization of UAAL - 30 year flat dollar	120,922	458,539	990,982	842,380	115,620	2,528,443
XII. Annual Required Contribution ("ARC") [X. + XI.]	121,904	539,241	1,088,305	950,825	116,734	2,817,009
XIII. Interest on Net OPEB Obligation	978	52,668	115,830	98,892	13,124	281,492
XIV. Adjustment to Annual Required Contribution	(1,434)	(77,205)	(169,793)	(144,966)	(19,237)	(412,635)
XV. Amortization of Actuarial (Gains) / Losses	(5,699)	(306,837)	(674,807)	(576,135)	(76,453)	(1,639,931)
XVI. Annual OPEB Cost [XII. + XIII. + XIV. + XV.]	115,749	207,867	359,535	328,616	34,168	1,045,935
XVII. Expected Employer Contribution	20,809	613,535	349,150	264,691	44,650	1,292,835
XVIII. Contribution to Trust Fund over 30 Years	1,378	83,004	196,429	166,595	23,544	470,950
XIX. Total Employer Contribution	22,187	696,539	545,579	431,286	68,194	1,763,785
XX. Percentage of Annual OPEB Cost Contributed	19.2%	335.1%	151.7%	131.2%	199.6%	168.6%
XXI. Net OPEB Obligation at Beginning of Year (VIII.)	13,976	752,398	1,654,713	1,412,757	187,475	4,021,319
XXII. Increase in Net OPEB Obligations (XVI. - XIX.)	93,562	(488,672)	(186,044)	(102,670)	(34,026)	(717,850)
XXIII. Net OPEB Obligation at End of Year (XXI. + XXII.)	107,538	263,726	1,468,669	1,310,087	153,449	3,303,469

Overview of GASB 43 and 45

GASB 43 requires retiree medical plans to disclose information about asset and liability levels and show historical contribution information. GASB 43 only applies in situations where a separate trust is established to prefund these benefits. GASB 45 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded.

GASB 43 and 45 apply to those benefits provided after retirement except for pension benefits such as medical insurance, dental and life insurance. The philosophy behind the accounting standard is that these post-employment benefits are part of the compensation earned by employees in return for their services, and the cost of these benefits should be recognized while employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 43 and 45 extend this practice to all other post-employment benefits.

Overview of GASB 43 and 45
(continued)

The process of determining the liability for OPEB benefits is based on many assumptions about future events. The key actuarial assumptions are:

Turnover and retirement rates: How likely is it that an employee will qualify for post-employment benefits and when will they start?

Medical inflation and claims cost assumptions: When an employee starts receiving post-employment benefits many years from now, how much will be paid each year for the benefits and how rapidly will the costs grow?

Mortality assumption: How long is a retiree likely to receive benefits?

Discount rate assumption: What is the present value of those future benefit payments in terms of today's dollars?

Since the liability is being recognized over the employee's whole career with the Town, the present value is divided into three pieces: the part that is attributed to past years (the "Accrued Liability" or "Past Service Liability"), the part that is being earned this year (the "Normal Cost"), and the part that will be earned in future years (the "Future Service Liability").

Once the Accrued Liability and the Normal Cost have been calculated, the next step is to determine an annual contribution. This consists of two pieces:

- ✓ Normal Cost - because the benefits earned each year should be paid for each year
- ✓ Past Service Cost - a catch-up payment to fund the Accrued Liability over the next 10-30 years

The final step is to keep track going forward of how much of the contribution is actually paid. There is no requirement to actually fund these benefits, but the cumulative deficiency must be disclosed on the Town's financial statements as the OPEB liability. In addition, the Discount Rate used to calculate the liabilities must reflect the expected investment income of whatever funds are set aside to prefund the benefits; if there is no prefunding then the Discount Rate will be much lower and the liabilities significantly higher than if the benefits are prefunded.

Commentary on Plan Experience and Contribution Amounts

1. Transition to GASB 45:

The Plan adopted and implemented GASB 45 (“Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions”) effective for the fiscal year ending June 30, 2009. As part of this implementation, the Employer must recognize the Actuarial Accrued Liability for past service. Under GASB 45, this amount may be amortized over a period not to exceed thirty (30) years. The Unfunded Actuarial Accrued Liability at transition was amortized over a 30 year period and a flat dollar amortization of the Unfunded Actuarial Accrued Liability at transition. This approach yields an amortization charge of \$1,830,154. Additionally the Employer must recognize a “normal cost” which represents the annual accrual of benefits for current active employees toward their ultimate postemployment benefits. The normal cost for the 2013 fiscal year is \$655,631. The combined amortization charge and normal cost represent the Annual Required Contribution (“ARC”) for the plan for the 2013 fiscal year. As the Employer has chosen to continue their “pay-as-you-go” funding policy, this valuation must utilize a discount rate which represents earnings on short term investments. For this discount rate, we have used 3.50% per annum. The incremental cost of GASB 45 for the 2013 fiscal year beyond the “pay-as-you-go” costs is \$367,047 reduced by contributions to an OPEB Trust of \$0 for a net change in the OPEB liability of \$367,047.

2. Plan Experience:

Plan experience was in line with expectation. This is due to a slightly lower than expected increase for the medical premiums which was offset by earlier retirements than expected. The actuarial experience loss is amortized into the annual OPEB costs over a 15-year period. The net impact of the plan experience is an increase in the annual OPEB cost.

SECTION II
SUMMARY OF PLAN PROVISIONS

<u>Effective Date</u>	July 1, 2008; GASB 45 is adopted.
<u>Plan Year</u>	July 1 through June 30.
<u>Eligibility</u>	Eligibility for benefits in retirement varies by classification. Certified personnel of the Schools shall be eligible to retire with 20 years of service and eligibility to retire under the State Retirement System or where their age plus service is at least eighty (80). Non-certified personnel of the Schools shall be eligible either upon attainment of age 58 with age plus service of at least eighty or age 60 with 10 years of service. Town personnel (hired on or before July 1, 1993) shall be eligible to retire upon attainment of age 58 with 10 years of service. Teamsters personnel (hired on or before July 1, 1994) shall be eligible to retire upon attainment of age 58 with 25 years of service. Police personnel shall be eligible upon attainment of the earlier of age 55 or 20 years of service (25 if hired after July 1, 2012). Fire personnel shall be eligible upon attainment of 25 years of service.
<u>Credited Service</u>	Elapsed time from date of hire to termination of service date.

Participant Contributions

Participant contributions shall vary by contract & class upon retirement. AFSCME covered retirees shall pay the co-pay in effect upon retirement (10%, 12% or 15%). Teamsters hired prior to July 1, 1994 shall have no contributions in retirement. Effective July 1, 2012, members of the Fire Department shall contribute one-half percent (0.5%) of the member's salary toward the OPEB obligation of the Town. Effective July 1, 2014, said contribution shall increase to one percent (1%) of the member's salary. Fire Department retirees who retire after June 30, 2012 shall contribute 1% of their Pension Benefit towards their Health Plan. Police shall contribute 1% of their Pension Benefit towards their Health Plan. Certified personnel of the Schools shall pay 25% of gross premiums for both Medical & Dental insurance. Non-Certified personnel of the Schools shall pay 25% to 50% of gross premiums for both Medical & Dental insurance depending upon their age & service at retirement.

Benefits Offered

Comprehensive Medical Insurance offered through Blue Cross of Rhode Island and Dental Insurance. School retirees shall receive \$50,000 group term life insurance until attainment of age 65 (at that point, they become responsible for premiums and the benefit decreases to \$25,000 in group term life upon attainment of age 70).

Normal Retirement Date

The normal retirement date is the first day of the month following a participant's 65th birthday.

Early Retirement

Early retirement is available for any participant who has attained benefit eligibility.

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

A. ACTUARIAL COST METHOD

The actuarial cost method used to calculate the costs and liabilities of the plan is the Projected Unit Credit Actuarial Cost Method. Under this method, the normal cost and actuarial accrued liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year's benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit times the ratio of past service to expected total service at retirement/termination.

Actuarial gains and losses are calculated each year and amortized over a 15 year period.

All employees who are plan participants on a valuation date are included in the actuarial valuation.

B. ASSET VALUATION METHOD

The actuarial value of assets is equal to the Market Value of the Plan's assets.

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

C. ACTUARIAL ASSUMPTIONS

We used the following assumptions in this year's actuarial valuation:

Pre- and Post-Retirement Mortality

It is assumed that both pre-retirement and post-retirement mortality are represented by the RP-2000 Mortality Table for males and females.

Discount Rate

3.50% per annum (previously 3.50%)

Employee Termination

It was assumed that employees would terminate employment in accordance with the sample rates shown in the following table:

<u>Age</u>	<u>Non Public Safety Male</u>	<u>Non Public</u>	
		<u>Safety Female</u>	<u>Public Safety</u>
20	12.00%	12.00%	2.10%
25	8.78%	8.78%	1.88%
30	5.55%	5.55%	1.65%
35	3.93%	3.93%	1.11%
40	2.31%	2.31%	0.56%
45	1.89%	1.89%	0.28%
50	1.46%	1.46%	0.00%

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

C. ACTUARIAL ASSUMPTIONS (continued)

Retirement Rates

It was assumed that the following percentage of eligible employees would retire each year:

<u>Age</u>	<u>Non Public Safety Male</u>	<u>Non Public Safety Female</u>	<u>Public Safety</u>
45	0.00%	0.00%	5.00%
46	0.00%	0.00%	5.00%
47	0.00%	0.00%	5.00%
48	0.00%	0.00%	5.00%
49	0.00%	0.00%	5.00%
50	1.00%	1.50%	5.00%
51	1.00%	1.50%	5.00%
52	1.00%	2.50%	5.00%
53	1.00%	2.50%	5.00%
54	2.00%	2.50%	5.00%
55	2.00%	5.50%	10.00%
56	2.50%	6.50%	5.00%
57	2.50%	6.50%	5.00%
58	5.00%	6.50%	10.00%
59	6.50%	6.50%	5.00%
60	12.00%	5.00%	5.00%
61	20.00%	13.00%	5.00%
62	30.00%	15.00%	25.00%
63	25.00%	12.50%	25.00%
64	22.00%	18.00%	25.00%
65	40.00%	15.00%	100.00%
66	25.00%	20.00%	100.00%
67	25.00%	20.00%	100.00%
68	30.00%	25.00%	100.00%
69	30.00%	20.00%	100.00%
70	100.00%	100.00%	100.00%
71	100.00%	100.00%	100.00%
72	100.00%	100.00%	100.00%

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

C. ACTUARIAL ASSUMPTIONS (continued)

Healthcare Trend

It was assumed that healthcare costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2008	11.0%	8.0%
FY 2009	10.0%	7.5%
FY 2010	9.0%	7.0%
FY 2011	8.0%	6.5%
FY 2012	7.0%	6.0%
FY 2013	6.0%	5.5%
FY 2014	5.0%	5.0%
FY 2015	5.0%	5.0%

Participation Rate

It was assumed that 80% of the employees eligible to receive retirement benefits would enroll in the retiree medical and dental plans upon retirement. For life insurance plans, it was assumed that 80% of eligible employees would elect coverage upon retirement.

Percent Married

It was assumed that 80% of the participants who elect retiree healthcare coverage for themselves would also elect coverage for a spouse upon retirement. It was further assumed that husbands are three years older than their wives. For current retirees, the actual census information was used.

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

C. ACTUARIAL ASSUMPTIONS (continued)

Compensation Increases

3.00% per year.

Additional Comments

The values in this report reflect a closed group and do not reflect any new entrants after the valuation date.

For purposes of this valuation, retiree contributions were assumed to increase with the same trend rate as health care claims.

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD AND ACTUARIAL ASSUMPTIONS

(continued)

D. DEVELOPMENT OF REPRESENTATIVE MEDICAL PER CAPITA CLAIMS COSTS

As part of the Other Post-Employment Benefits Program, there are situations where the cost is borne partly or entirely on the retirees. In most cases, the premium that is used to split the cost is lower than the true cost of providing the medical benefits, for two reasons:

- ✓ The cost sharing program is usually a fixed amount such as a COBRA premium that does not take into account the age of the retiree and his/her dependents. Since medical costs generally increase with age, the cost sharing premium is often lower than the true cost of the medical benefits:
- ✓ The cost sharing premium is usually a blended rate that takes into account the cost of medical benefits for active employees as well as retirees. Medical costs are generally higher for retirees than for active employees of the same age. This means that, again, the cost sharing premium is often lower than the true cost of the medical benefits.

Because of these two factors, a retiree who is paying 100% of the cost sharing premium is most likely not paying 100% of the true cost of the medical benefits. This situation is known as an “implicit subsidy”. GASB 43 and 45 require the plan sponsor to measure the liability for this subsidy; that is, the difference between the true cost of the medical benefits and the cost sharing premiums paid by the retiree. To do this, our valuation consists of several steps:

First, we calculate the liability for the true cost of medical benefits expected to be received by retirees and their dependents. This liability is based factors developed by actuaries that reflect how the cost of medical benefits varies by age and gender, as well as the other assumptions discussed on the prior page.

Next, we calculate the liability for the future premiums expected to be paid by the retiree for their own and their dependents’ coverage. This liability is based on the current premium rates without adjustment for age or gender. It also is based on the terms of the retiree medical program – different retirees pay different percentages based on their union, date of retirement, age at retirement, and other factors.

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

D. DEVELOPMENT OF REPRESENTATIVE MEDICAL PER CAPITA CLAIMS COSTS

I. CLAIMS COSTS DEVELOPMENT - Based on Active & Retiree Incurred Claims & Premiums

	Number of Participants			
	Single	Two-Person	Family	Total
Health Mate C2C 8828-1	3		25	28
Health Mate C2C 4A74-1			5	5
Health Mate C2C 4W01-1	5		22	27
Health Mate C2C 5B39-1	4		18	22
Blue Chip HP 5B39-1	5		2	7
Classic 102438-1	1		3	4
Health Mate C2C 102438-1	3		10	13
Health Mate C2C 102439-1	2		17	19
Blue Chip HP School Non-Certified			2	2
Classic School Non-Certified	1		1	2
Health Mate C2C School Non-Certified	7		39	46
Blue Chip HP School Certified	1			1
Classic School Certified	5		4	9
Health Mate C2C School Certified	64		140	204
Plan 65	<u>2</u>			<u>2</u>
Total	103	0	288	391

	Per Contract Costs (monthly) - FY 2014		
	Single	Two-Person	Family
Health Mate C2C 8828-1	586.92	0.00	1,482.64
Health Mate C2C 4A74-1	626.35	0.00	1,582.35
Health Mate C2C 4W01-1	674.14	0.00	1,570.10
Health Mate C2C 5B39-1	743.31		1,668.32
Blue Chip HP 5B39-1	718.50		1,603.81
Classic 102438-1	691.19		1,771.70
Health Mate C2C 102438-1	626.35		1,582.35
Health Mate C2C 102439-1	631.71		1,595.78
Blue Chip HP School Non-Certified	572.82		1,447.04
Classic School Non-Certified	608.21		1,536.54
Health Mate C2C School Non-Certified	596.29		1,506.42
Blue Chip HP School Certified	543.65		1,373.22
Classic School Certified	601.07		1,518.45
Health Mate C2C School Certified	565.59		1,428.75
Plan 65	182.59	365.18	

Gross Expected FY 2014 Incurred Premiums	5,888,748
Adjustment to reflect children's claims	<u>(1,008,658)</u>
Total Expected FY 2014 Incurred Premiums (adults only)	4,880,091

II. PRE-65 AND POST-65 PER CAPITA RETIREE ANNUAL CLAIM COSTS

	<u>Employer Primary</u>	<u>Medicare Primary</u>
Age 65	10,314	2,191
Average Age	9,283	2,191

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

D. DEVELOPMENT OF REPRESENTATIVE MEDICAL PER CAPITA CLAIMS COSTS

III. BREAKDOWN OF CLAIM COSTS

4,880,091 Active and Retired Claims (No Children) - Including Administrative fees & trend

4,823 Average Per-Capita Claim (including Retention & Pooling)

ALL ACTIVE EMPLOYEES AND SPOUSES

Age Bracket	Number of Females	Number of Males	Female Aging Factor	Male Aging Factor	Aged (F) Average Claims	Aged (M) Average Claims	Age Related Claims
24 & Under	1	2	1.312	0.549	6,328	2,648	11,624
25 to 29	16	20	1.312	0.591	6,328	2,850	158,248
30 to 34	29	19	1.312	0.712	6,328	3,434	248,758
35 to 39	43	39	1.312	0.850	6,328	4,100	432,004
40 to 44	38	31	1.312	1.000	6,328	4,823	389,977
45 to 49	44	42	1.456	1.193	7,022	5,754	550,636
50 to 54	27	33	1.599	1.441	7,712	6,950	437,574
55 to 59	30	29	1.740	1.753	8,392	8,455	496,955
60 to 64	23	26	1.968	2.102	9,492	10,138	481,904
65 to 69	8	8	2.168	2.316	10,456	11,170	173,008
70 & Over	2	7	2.396	2.557	11,556	12,332	109,436
Total	261	256					3,490,124

ALL RETIREES AND SPOUSES - NOT MEDICARE ELIGIBLE

Age Bracket	Number of Females	Number of Males	Female Aging Factor	Male Aging Factor	Aged (F) Average Claims	Aged (M) Average Claims	Age Related Claims
44 & Under	7	3	1.312	1.000	6,328	4,823	58,765
45 to 49	3	6	1.456	1.193	7,022	5,754	55,590
50 to 54	3	3	1.599	1.441	7,712	6,950	43,986
55 to 59	19	8	1.740	1.753	8,392	8,455	227,088
60 to 64	42	28	1.968	2.102	9,492	10,138	682,528
65 to 69	5	7	2.168	2.316	10,456	11,170	130,470
70 to 74	0	2	2.396	2.557	11,556	12,332	24,664
75 to 79	4	3	2.593	2.769	12,506	13,355	90,089
80 to 84	0	3	2.724	2.910	13,138	14,035	42,105
Total	83	63					1,355,285

ALL RETIREES AND SPOUSES - MEDICARE ELIGIBLE

Age Bracket	Number of Females	Number of Males	Female Aging Factor	Male Aging Factor	Aged (F) Average Claims	Aged (M) Average Claims	Age Related Claims
65 to 69	2	12	2.168	2.316	2,191	2,191	30,674
70 to 74	0	1	2.396	2.557	2,191	2,191	2,191
75 to 79	0	1	2.593	2.769	2,191	2,191	2,191
80 to 84	0	0	2.724	2.910	2,191	2,191	0
85 to 89	0	0	2.864	3.059	2,191	2,191	0
90 & Over	0	0	3.010	3.215	2,191	2,191	0
Total	2	14					35,056
Grand Totals	346	333					4,880,465

SECTION III

ACTUARIAL COST METHOD, ASSET VALUATION METHOD
AND ACTUARIAL ASSUMPTIONS

(continued)

E. DEVELOPMENT OF REPRESENTATIVE DENTAL PER CAPITA CLAIMS COSTS

I. CLAIMS COSTS DEVELOPMENT - with Active & Retiree Incurred Premiums

	Number of Participants			
	<u>Single</u>	<u>Two-Person</u>	<u>Family</u>	<u>Total</u>
Dental Pool Grp 5885-0122	4		25	29
Dental Pool Grp 5885-0123	4		14	18
Dental Pool Grp 5885-0124	3		5	8
Dental Pool Grp 5885-0125	18		50	68
Dental Pool Grp 5885-0126	0		2	2
Dental Pool Grp 5885-0127	1		16	17
Totals	30	0	112	142

	Per Contract Costs (monthly) - FY 2014		
	<u>Single</u>	<u>Two-Person</u>	<u>Family</u>
Dental Pool Grp 5885-0122	26.14		84.90
Dental Pool Grp 5885-0123	22.58		70.00
Dental Pool Grp 5885-0124	23.49		72.16
Dental Pool Grp 5885-0125	26.14		84.90
Dental Pool Grp 5885-0126	22.58		70.00
Dental Pool Grp 5885-0127	23.49		72.16

Gross Expected FY 2014 Incurred Premiums	108,034	Current Employees,	
Adjustment to reflect children's claims	(31,360)	Retirees,	
Total Expected FY 2014 Incurred Premiums (adults only)	76,674	& Spouses	254
FY 2014 Expected Per Person Rate	302		

EXHIBIT A

Financial Statement Disclosure
(As of July 1, 2012)

The GASB Standards for accounting and financial reporting for postemployment benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree medical and life insurance benefits;

1. A DESCRIPTION OF THE RETIREE MEDICAL INSURANCE PROGRAM:

- a. Plan Type: Comprehensive Medical Insurance offered through Blue Cross of Rhode Island
- b. Administrator: Town of Tiverton
- c. Eligibility: Eligibility for benefits in retirement varies by classification. Certified personnel of the Schools shall be eligible to retire with 20 years of service and eligibility to retire under the State Retirement System or where their age plus service is at least eighty (80). Non-certified personnel of the Schools shall be eligible either upon attainment of age 58 with age plus service of at least eighty or age 60 with 10 years of service. Town personnel (hired on or before July 1, 1993) shall be eligible to retire upon attainment of age 58 with 10 years of service. Teamsters personnel (hired on or before July 1, 1994) shall be eligible to retire upon attainment of age 58 with 25 years of service. Police personnel shall be eligible upon attainment of the earlier of age 55 or 20 years of service (25 if hired after July 1, 2012). Fire personnel shall be eligible upon attainment of 25 years of service.
- d. Cost Sharing: Varies by contract & classification

2. A DESCRIPTION OF THE DENTAL INSURANCE PROGRAM:

- a. Plan Type: Comprehensive Dental Insurance
- b. Administrator: Town of Tiverton
- c. Eligibility: Same as above
- d. Cost sharing: Varies by contract & classification

EXHIBIT A

Financial Statement Disclosure
(As of July 1, 2012)
(continued)

3. A DESCRIPTION OF THE RETIREE LIFE INSURANCE PROGRAM:

- a. Plan Type: Group Term Life Insurance - \$50,000
- b. Administrator: Town of Tiverton
- c. Eligibility: Same as above (only available to School retirees until attainment of age 65)
- d. Cost sharing: None

4. RETIREE MEDICAL, DENTAL AND LIFE INSURANCE CONTRIBUTIONS:

Group	Individual	Family
Medical	Varies	Varies
Dental	Varies	Varies
Life	100% Employer Paid	N/A

5. FUNDING POLICY

The contribution requirements of plan members and the Town are established and may be amended through Town ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2013 fiscal year, total Town premiums plus implicit costs for the retiree medical program are \$1,292,835. The Town is also projected to make a contribution to an OPEB Trust of \$0 for the 2013 fiscal year for a total contribution of \$1,292,835 .

EXHIBIT A

Financial Statement Disclosure
(As of July 1, 2012)
(continued)

6. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Town's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the Town's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Town's net OPEB obligation to the plan:

Annual Required Contribution	\$2,485,785
Interest on net OPEB obligation	\$140,746
Adjustment to annual required contribution	(\$337,345)
Amortization of Actuarial (Gains) / Losses	(\$629,304)
Annual OPEB cost (expense)	\$1,659,882
Contributions made to pay benefits	\$1,292,835
Contributions made to OPEB Trust	\$0
Increase in net OPEB obligation	\$367,047
Net OPEB Obligation – beginning of year	\$4,021,319
Net OPEB Obligation – end of year	\$4,388,366

EXHIBIT A

Financial Statement Disclosure

(As of July 1, 2012)

(continued)

The Town's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for the 2013 fiscal year and the three preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Expected Employer Payments	Increase in OPEB Obligation
06/30/2010	\$3,186,785	\$1,362,886	\$1,823,899
06/30/2011	\$1,430,826	\$1,270,679	\$160,147
06/30/2012	\$1,475,092	\$1,358,131	\$116,961
06/30/2013	\$1,659,882	\$1,292,835	\$367,047
06/30/2014 (est.)	\$1,729,511	\$1,286,220	\$443,291
06/30/2015 (est.)	\$1,802,496	\$1,214,497	\$587,999

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
07/01/2009	\$0	\$36,172,948	\$36,172,948	0.0%	N/A	N/A
07/01/2010	\$0	\$24,131,071	\$24,131,071	0.0%	N/A	N/A
07/01/2011	\$0	\$24,271,652	\$24,271,652	0.0%	N/A	N/A
07/01/2012	\$0	\$24,492,216	\$24,492,216	0.0%	N/A	N/A
07/01/2013 (est.)	\$0	\$24,689,939	\$24,689,939	0.0%	N/A	N/A
07/01/2014 (est.)	\$0	\$24,960,199	\$24,960,199	0.0%	N/A	N/A

EXHIBIT A

Financial Statement Disclosure
(As of July 1, 2012)
(continued)

Fiscal Year Ending June 30, 2013						
	<u>General Town Employees and Retirees</u>	<u>School Employees and Retirees</u>	<u>Police Employees and Retirees</u>	<u>Fire Employees and Retirees</u>	<u>DPW Employees and Retirees</u>	<u>Total</u>
OPEB obligation at beginning of year	13,976	752,398	1,654,713	1,412,757	187,475	4,021,319
Annual Required Contribution	89,758	515,261	938,419	856,128	86,219	2,485,785
Interest on Net OPEB Obligation	489	26,334	57,915	49,446	6,562	140,746
Adjustment to the ARC	(1,173)	(63,118)	(138,812)	(118,515)	(15,727)	(337,345)
Amortization of Actuarial (Gains)/Losses	(2,187)	(117,745)	(258,949)	(221,085)	(29,338)	(629,304)
Annual OPEB Cost	86,887	360,732	598,573	565,974	47,716	1,659,882
Total Expected Employer Payments	20,809	613,535	349,150	264,691	44,650	1,292,835
Increase in OPEB Obligation	66,078	(252,803)	249,423	301,283	3,066	367,047
OPEB obligation at end of year	80,054	499,595	1,904,136	1,714,040	190,541	4,388,366
APBO at beginning of year	85,118	4,582,548	10,078,182	8,604,529	1,141,839	24,492,216

Fiscal Year Ending June 30, 2014						
	<u>General Town Employees and Retirees</u>	<u>School Employees and Retirees</u>	<u>Police Employees and Retirees</u>	<u>Fire Employees and Retirees</u>	<u>DPW Employees and Retirees</u>	<u>Total</u>
OPEB obligation at beginning of year	80,054	499,595	1,904,136	1,714,040	190,541	4,388,366
Annual Required Contribution	91,809	527,031	959,855	875,684	88,188	2,542,567
Interest on Net OPEB Obligation	2,802	17,486	66,645	59,991	6,669	153,593
Adjustment to the ARC	(6,716)	(41,911)	(159,736)	(143,789)	(15,984)	(368,136)
Amortization of Actuarial (Gains)/Losses	(21,611)	(124,062)	(225,947)	(206,134)	(20,759)	(598,513)
Annual OPEB Cost	66,284	378,544	640,817	585,752	58,114	1,729,511
Total Expected Employer Payments	20,701	610,396	347,364	263,337	44,422	1,286,220
Increase in OPEB Obligation	45,583	(231,852)	293,453	322,415	13,692	443,291
OPEB obligation at end of year	125,637	267,743	2,197,589	2,036,455	204,233	4,831,657
APBO at beginning of year	85,805	4,619,542	10,159,542	8,673,992	1,151,057	24,689,939

EXHIBIT A

Financial Statement Disclosure

(As of July 1, 2012)

(continued)

7. FUNDED STATUS AND FUNDING PROGRESS

As of July 1, 2012, the most recent valuation date, the plan was 0.00% funded. The actuarial liability for benefits was \$24,492,216, and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$24,492,216. The covered payroll (annual payroll of active employees covered by the plan) was \$ N/A and the ratio of the UAAL to the covered payroll was N/A.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented in the required supplementary information following the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

8. EFFECT OF 1% CHANGE IN HEALTHCARE TREND RATES

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$28,551,270 or by 16.6% and the corresponding Normal Cost would increase to \$867,075 or by 32.3%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$21,255,087 or by 13.2% and the corresponding Normal Cost would decrease to \$500,194 or by 23.7%.

EXHIBIT A

Financial Statement Disclosure
(As of July 1, 2012)
(continued)

9. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Actuarial Cost Method: Projected Unit Credit
Investment Rate of Return: 3.50% per annum (previously 3.50%)
Healthcare Trend Rates

<u>Year</u>	<u>Medical</u>	<u>Dental</u>
FY 2008	11.0%	8.0%
FY 2009	10.0%	7.5%
FY 2010	9.0%	7.0%
FY 2011	8.0%	6.5%
FY 2012	7.0%	6.0%
FY 2013	6.0%	5.5%
FY 2014	5.0%	5.0%
FY 2015	5.0%	5.0%

General Inflation Assumption: 2.50% per annum
Annual Compensation Increases: 3.00% per annum
Actuarial Value of Assets: Market Value
Amortization of UAAL: Level dollar amortization over 30 years at the last valuation
Remaining Amortization Period: 26 years at July 1, 2012

EXHIBIT A

Financial Statement Disclosure
(As of July 1, 2012)
(continued)

10. Remaining Amortization Bases

The initial Actuarial Accrued Liability as of the date GASB 45 was adopted is amortized as a component of the Annual Required Contribution ("ARC"). The Unfunded Actuarial Accrued Liability at transition was amortized over a 30 year period and a flat dollar amortization of the Unfunded Actuarial Accrued Liability at transition. For years subsequent to the initial adoption of GASB 45, cumulative gains/losses are amortized on a level dollar basis over a 15 year period. Gains and losses arise from experience and contribution deficiencies and excess contributions in relation to each year's ARC under GASB 45.

Changes in Unfunded Actuarial Liability Since Prior Valuation
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Expected Unfunded Actuarial Liability

1. Actuarial Accrued Liability at prior valuation date	24,131,071
2. Actuarial Value of Assets at prior valuation date	<u>0</u>
3. Unfunded Actuarial Accrued Liability at prior valuation date [1. - 2.]	24,131,071
4. Normal Cost for prior periods	1,180,960
5. Employer Contributions for prior periods	(2,628,810)
6. Interest to current valuation date	<u>1,737,732</u>
7. Expected Actuarial Accrued Liability [3. + 4. + 5. + 6.]	24,420,953

Actual Unfunded Actuarial Liability

8. Actuarial Accrued Liability at current valuation date	24,492,216
9. Actuarial Value of Assets at current valuation date	<u>0</u>
10. Unfunded Actuarial Accrued Liability at current valuation date [8. - 9.]	24,492,216

Net Actuarial (Gain) / Loss from Plan Experience [10. - 7.] 71,263

11. Unfunded Actuarial Accrued Liability at current valuation date [10.]	24,492,216
12. Remaining Initial Unfunded to be amortized	<u>31,993,864</u>
13. Actuarial (Gain) / Loss to be amortized: [11. - 12.]	(7,501,648)

EXHIBIT A

Financial Statement Disclosure
(As of July 1, 2012)
(continued)

Amortization of Initial Unfunded and Plan Experience under GASB 45						
Date Established	Description	Initial Amount	Initial Amortization Period	Remaining Balance at Valuation Date	Remaining Amortization Period	Annual Amortization Payment
July 1, 2008	GASB 45 Liability	34,838,331	30	31,993,864	26	1,830,154
July 1, 2012	Cumulative (Gain) / Loss	(7,501,648)	15	(7,501,648)	15	(629,304)
July 1, 2012	Adjustment to ARC	(4,021,319)	15	(4,021,319)	15	(337,344)
Total				20,470,897		863,506

11. Recognition of OPEB trust assets

To the best of our knowledge, Town of Tiverton has not established an irrevocable trust for the purposes of prefunding liabilities under GASB 45.

EXHIBIT B

Reconciliation of Plan Participation
(As of July 1, 2012)

ACTIVE EMPLOYEES

	<u>July 1, 2012</u>	<u>July 1, 2010</u>
A. Average Age at Hire	32.39	32.30
B. Average Service	12.61	11.95
C. Average Current Age	45.00	44.25

EXHIBIT C

Projected Cash Flows (Open Group) - Pay-as-you-go Approach

Total Medical, Dental & Life Insurance - pay-as-you-go funding - 3.50% discount rate

Fiscal Year	Total APBO	Normal Cost	Expected Amortization	Interest on Net OPEB Obligation	Adjustment to ARC	Amortization of Actuarial (Gain) / Loss	Expected Annual OPEB Cost	OPEB Obligation as of June 30	Employer Share of Premiums / Claims	Excess Employer Payments (beyond claims)	Plan Assets at Beginning of year	Unfunded Accrued Actuarial Liability ("UAAAL")
								4,021,319				
2013	24,492,216	655,631	1,830,154	140,746	(337,345)	(629,304)	1,659,882	4,388,366	1,292,835	0	0	24,492,216
2014	24,689,939	712,413	1,830,154	153,593	(368,136)	(598,513)	1,729,511	4,831,657	1,286,220	0	0	24,689,939
2015	24,960,199	769,234	1,830,154	169,108	(405,323)	(560,677)	1,802,496	5,419,656	1,214,497	0	0	24,960,199
2016	25,372,959	824,228	1,830,154	189,688	(454,649)	(510,704)	1,878,717	6,101,268	1,197,105	0	0	25,372,959
2017	25,875,085	885,934	1,830,154	213,544	(511,829)	(453,038)	1,964,765	6,870,121	1,195,912	0	0	25,875,085
2018	26,459,883	948,197	1,830,154	240,455	(576,327)	(388,246)	2,054,233	7,773,873	1,150,481	0	0	26,459,883
2019	27,176,616	1,019,453	1,830,154	272,085	(652,142)	(312,336)	2,157,214	8,836,942	1,094,145	0	0	27,176,616
2020	28,050,490	1,091,659	1,830,154	309,293	(741,322)	(223,290)	2,266,494	10,042,728	1,060,708	0	0	28,050,490
2021	29,064,291	1,168,899	1,830,154	351,496	(842,474)	(122,379)	2,385,696	11,365,780	1,062,644	0	0	29,064,291
2022	30,191,514	1,250,282	1,830,154	397,802	(953,464)	(11,748)	2,513,026	12,756,197	1,122,609	0	0	30,191,514
2023	31,380,360	1,331,044	1,830,154	446,466	(1,070,104)	104,593	2,642,153	14,230,105	1,168,245	0	0	31,380,360
2024	32,647,169	1,413,345	1,830,154	498,054	(1,193,749)	227,954	2,775,758	15,828,294	1,177,569	0	0	32,647,169
2025	34,033,848	1,500,928	1,830,154	553,990	(1,327,819)	361,766	2,919,019	17,444,295	1,303,018	0	0	34,033,848
2026	35,429,868	1,585,174	1,830,154	610,551	(1,463,384)	497,174	3,059,669	19,090,228	1,413,736	0	0	35,429,868
2027	36,847,352	1,672,262	1,830,154	668,158	(1,601,459)	635,127	3,204,242	20,804,546	1,489,924	0	0	36,847,352
2028	38,325,728	1,765,410	1,830,154	728,160	(1,745,272)	1,745,513	4,323,965	23,530,933	1,597,578	0	0	38,325,728
2029	39,840,834	1,857,393	1,830,154	823,582	(1,973,986)	1,973,986	4,511,129	26,362,826	1,679,236	0	0	39,840,834
2030	41,419,657	1,957,978	1,830,154	922,699	(2,211,550)	2,211,550	4,710,831	29,343,681	1,729,976	0	0	41,419,657
2031	43,105,327	2,067,732	1,830,154	1,027,029	(2,461,611)	2,461,611	4,924,915	32,407,040	1,861,556	0	0	43,105,327
2032	44,827,407	2,164,701	1,830,154	1,134,246	(2,718,593)	2,718,593	5,129,101	35,613,100	1,923,041	0	0	44,827,407
2033	46,646,484	2,267,953	1,830,154	1,246,458	(2,987,546)	2,987,546	5,344,565	39,047,221	1,910,444	0	0	46,646,484
2034	48,649,133	2,377,439	1,830,154	1,366,653	(3,275,631)	3,275,631	5,574,246	42,563,021	2,058,446	0	0	48,649,133
2035	50,682,010	2,493,695	1,830,154	1,489,706	(3,570,568)	3,570,568	5,813,555	46,205,662	2,170,914	0	0	50,682,010
2036	52,789,959	2,612,669	1,830,154	1,617,198	(3,876,144)	3,876,144	6,060,021	50,000,371	2,265,312	0	0	52,789,959
2037	54,997,121	2,745,191	1,830,154	1,750,013	(4,194,479)	4,194,479	6,325,358	53,920,530	2,405,199	0	0	54,997,121
2038	57,273,912	2,900,700	1,830,154	1,887,219	(4,523,337)	4,523,337	6,618,073	57,957,253	2,581,350	0	0	57,273,912
2039	59,609,025	3,061,547	0	2,028,503	(4,861,974)	4,861,974	5,090,050	60,328,043	2,719,260	0	0	59,609,025
2040	62,049,609	3,225,497	0	2,111,481	(5,060,856)	5,060,856	5,336,978	62,945,996	2,719,025	0	0	62,049,609
2041	64,745,543	3,404,885	0	2,203,110	(5,280,475)	5,280,475	5,607,995	65,757,613	2,796,378	0	0	64,745,543
2042	67,641,442	3,590,197	0	2,301,516	(5,516,338)	5,516,338	5,891,713	68,695,308	2,954,018	0	0	67,641,442
2043	70,667,337	3,784,136	0	2,404,336	(5,762,777)	5,762,777	6,188,472	71,848,910	3,034,870	0	0	70,667,337
2044	73,916,186	3,989,820	0	2,514,711	(6,027,330)	6,027,330	6,504,531	75,199,736	3,153,705	0	0	73,916,186

EXHIBIT D

Projected Cash Flows (Open Group) - Funded Approach

Total Medical, Dental & Life Insurance - Funding over 30 years at 7.00% discount rate

Fiscal Year	Total APBO	Normal Cost	Expected Amortization	Interest on Net OPEB Obligation	Adjustment to ARC	Amortization of Actuarial (Gain) / Loss	Expected Annual OPEB Cost	OPEB Obligation as of June 30	Employer Share of Premiums / Claims	Excess Employer Payments (beyond claims)	Plan Assets at Beginning of year	Unfunded Accrued Actuarial Liability ("UAAL")
								4,021,319				
2013	16,011,966	288,566	2,528,443	281,492	(412,635)	(1,639,931)	1,045,935	3,303,469	1,292,835	470,950	0	16,011,966
2014	16,058,234	319,110	2,528,443	231,243	(338,975)	(1,713,591)	1,026,230	2,572,529	1,286,220	470,950	470,950	15,587,284
2015	16,147,503	351,079	2,528,443	180,077	(263,972)	(1,788,594)	1,007,033	1,894,115	1,214,497	470,950	974,867	15,172,636
2016	16,353,971	382,195	2,528,443	132,588	(194,358)	(1,858,208)	990,660	1,216,720	1,197,105	470,950	1,514,058	14,839,913
2017	16,626,795	416,932	2,528,443	85,170	(124,850)	(1,927,716)	977,979	527,837	1,195,912	470,950	2,090,992	14,535,803
2018	16,957,161	452,863	2,528,443	36,949	(54,162)	(1,998,404)	965,689	(127,905)	1,150,481	470,950	2,708,311	14,248,850
2019	17,397,710	493,374	2,528,443	(8,953)	13,125	(2,031,387)	994,602	(698,398)	1,094,145	470,950	3,368,843	14,028,867
2020	17,972,725	535,904	2,528,443	(48,888)	71,664	(2,031,387)	1,055,736	(1,174,320)	1,060,708	470,950	4,075,612	13,897,113
2021	18,669,275	580,757	2,528,443	(82,202)	120,499	(2,031,387)	1,116,110	(1,591,804)	1,062,644	470,950	4,831,855	13,837,420
2022	19,460,504	626,529	2,528,443	(111,426)	163,338	(2,031,387)	1,175,497	(2,009,866)	1,122,609	470,950	5,641,035	13,819,469
2023	20,291,935	674,421	2,528,443	(140,691)	206,236	(2,031,387)	1,237,022	(2,412,039)	1,168,245	470,950	6,506,857	13,785,078
2024	21,183,979	720,104	2,528,443	(168,843)	247,504	(2,031,387)	1,295,821	(2,764,737)	1,177,569	470,950	7,433,287	13,750,692
2025	22,177,369	768,074	2,528,443	(193,532)	283,695	(2,031,387)	1,355,293	(3,183,412)	1,303,018	470,950	8,424,567	13,752,802
2026	23,157,394	813,521	2,528,443	(222,839)	326,656	(2,031,387)	1,414,394	(3,653,704)	1,413,736	470,950	9,485,237	13,672,157
2027	24,136,181	859,661	2,528,443	(255,759)	374,913	(2,031,387)	1,475,871	(4,138,707)	1,489,924	470,950	10,620,154	13,516,027
2028	25,151,332	912,306	2,528,443	(289,710)	424,680	21,179	3,596,898	(2,610,337)	1,597,578	470,950	11,834,515	13,316,817
2029	26,178,685	963,109	2,528,443	(182,724)	267,852	21,179	3,597,859	(1,162,664)	1,679,236	470,950	13,133,881	13,044,804
2030	27,244,938	1,017,372	2,528,443	(81,387)	119,303	21,179	3,604,910	241,320	1,729,976	470,950	14,524,203	12,720,735
2031	28,389,597	1,077,287	2,528,443	16,892	(24,762)	24,762	3,622,622	1,531,436	1,861,556	470,950	16,011,847	12,377,750
2032	29,537,703	1,129,149	2,528,443	107,200	(157,143)	157,143	3,764,792	2,902,237	1,923,041	470,950	17,603,626	11,934,077
2033	30,755,877	1,183,143	2,528,443	203,157	(297,804)	297,804	3,914,743	4,435,586	1,910,444	470,950	19,306,830	11,449,047
2034	32,130,576	1,238,704	2,528,443	310,491	(455,143)	455,143	4,077,638	5,983,828	2,058,446	470,950	21,129,258	11,001,318
2035	33,502,592	1,297,412	2,528,443	418,868	(614,011)	614,011	4,244,723	7,586,687	2,170,914	470,950	23,079,256	10,423,336
2036	34,913,126	1,355,842	2,528,443	531,068	(778,483)	778,483	4,415,353	9,265,778	2,265,312	470,950	25,165,754	9,747,372
2037	36,383,913	1,419,881	2,528,443	648,604	(950,778)	950,778	4,596,928	10,986,557	2,405,199	470,950	27,398,307	8,985,606
2038	37,876,496	1,496,257	2,528,443	769,059	(1,127,350)	1,127,350	4,793,759	12,728,016	2,581,350	470,950	29,787,138	8,089,358
2039	39,366,801	1,575,807	0	890,961	(1,306,044)	1,306,044	2,466,768	12,004,574	2,719,260	470,950	32,343,188	7,023,613
2040	40,898,983	1,657,088	0	840,320	(1,231,811)	1,231,811	2,497,408	11,312,007	2,719,025	470,950	35,078,161	5,820,822
2041	42,625,639	1,746,763	0	791,840	(1,160,745)	1,160,745	2,538,603	10,583,282	2,796,378	470,950	38,004,582	4,621,057
2042	44,486,346	1,839,709	0	740,830	(1,085,969)	1,085,969	2,580,539	9,738,853	2,954,018	470,950	41,135,853	3,350,493
2043	46,408,079	1,938,100	0	681,720	(999,321)	999,321	2,619,820	8,852,853	3,034,870	470,950	44,486,313	1,921,766
2044	48,483,103	2,042,669	0	619,700	(908,407)	908,407	2,662,369	7,949,719	3,153,705	411,798	48,071,305	411,798

EXHIBIT E

GLOSSARY

Accrual Accounting - A system of accounting in which revenues are recorded when earned and outlays are recorded when goods are received or services performed, even though the actual receipt of revenues and payment for goods or services may occur, in whole or in part, at a different time.

Actuarial Value of Assets - The value of cash, investments, other assets and property belonging to an OPEB trust, pension fund or similar entity, as used by the actuary for the purpose of actuarial valuation. Some funds may be restricted for other purposes, and "smoothing" of investment gains and losses often make the actuarial value of assets different from the market value of assets.

Annual Required Contribution - Normal Cost plus an amortization of the funding shortfall over a period of no more than 30 years.

Cash Basis Accounting - A system of accounting in which revenues are recorded when actually received and outlays are recorded when payment is made.

Discount Rate - The interest rate used to calculate present value of a series of future cash flows. Under GASB 45, the rate should be "long term expected yield on the investments that are expected to be used to pay benefits as they come due. These would be plan investments for a funded plan, the employer's investments for a pay as you go plan [e.g. short term county investment pool], or a weighted average of expected plan and employer investments for a plan that is partially funded".

FASB - Financial Accounting Standards Board. "Since 1973, the Financial Accounting Standards Board (FASB) has been the designated organization in the private sector for establishing standards of financial accounting and reporting".

GASB - Government Accounting Standards Board. "The Governmental Accounting Standards Board (GASB) was organized in 1984 by the Financial Accounting Foundation (FAF) to establish standards of financial accounting and reporting for state and local governmental entities. Its standards guide the preparation of external financial reports of those entities."

GFOA - Government Finance Officers Association. "GFOA is the professional association of state/provincial and local finance officers in the United States and Canada, and has served the public finance profession since 1906. Approximately 16,000 GFOA members are dedicated to the sound management of government financial resources."

EXHIBIT E

GLOSSARY

(continued)

Implicit Subsidy - “The difference between a premium rate charged to retirees for a particular benefit and the estimated rate that would have been applicable to those retirees if that benefit was acquired for them as a separate group.”

Irrevocable Contribution - “Irrevocably transferred assets to a qualifying trust, or equivalent arrangement, in which plan assets are dedicated to providing benefits to retirees and their beneficiaries in accordance with the terms of the plan and are legally protected from creditors of the employer(s) or plan administrator. The preceding criteria preclude counting as [irrevocable] contributions (a) designations of net assets of a governmental or proprietary fund to be used for OPEB or (b) internal transfers of assets to a separate governmental or proprietary fund for the same purpose. Rather, such actions should be regarded as earmarking of employer assets.”

Level Dollar Amortization - Funding a shortfall in OPEB assets with equal dollar payments over a designated number of years (no more than 30 years). The present value of the level payments equals the present value of unfunded liabilities, the UAAL.

Level Percent of Payroll Amortization - Funding a shortfall in OPEB assets as a level percent of payroll over a designated number of years (no more than 30 years). The present value of the payments equals the present value of unfunded liabilities, the UAAL. Level percent of payroll typically has lower payments in the early years than level dollar amortization. When using level payroll amortization, employee count is assumed to be constant, and the payroll differences arise from overall wage trends.

Normal Cost - The actuarially determined present value contribution needed to fund benefits which are earned for employee service rendered during the current year. Normal cost depends on many factors, including the interest rate used to discount future cashflows, and expected inflation.

OPEB - Other Post Employment Benefits

OPEB Trust - An entity other than a pension or retirement system which manages OPEB assets. In many respects it is similar to a pension fund for OPEB. For reasons detailed in GASB 45, contributions to an OPEB trust should be irrevocable in order to obtain the most favorable accounting treatment.

EXHIBIT E

GLOSSARY

(continued)

Pay-as-you-go funding - Paying benefits (such as pensions or OPEB) on a cash basis, with no money set aside for future liabilities which are already incurred.

POB - Pension Obligation Bond. Generally yielding taxable interest, POBs are issued to help fund a previously unfunded or underfunded pension liability.

UAAL - Unfunded Accrued Actuarial Liability. Actuarial Accrued Liability minus the Actuarial Value of Assets.