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Draft: August 15, 2014  
**Finalized: December 12, 2014**

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**BY E-MAIL**  
**PERSONAL & CONFIDENTIAL**

John P. Mainville, Finance Director  
Town of Burrillville  
Burrillville Town Hall  
105 Harrisville Main Street  
Harrisville, RI 02830

Re: Town of Burrillville  
Retiree Medical Actuarial Valuation under GASB #45  
For the Year Ended June 30, 2014

Dear John:

Enclosed are two copies (one bound and one unbound copy) of your FYE 2014 GASB #45 actuarial valuation report for your retiree medical program. The unbound report is to facilitate any additional copying you may need.

The GASB #45 Expense (the Annual OPEB Cost) for FYE 2014 is \$231,663. The OPEB Obligation as of June 30, 2014 is \$18,623.

A breakout by employee group is provided on page 2A.

Our report is that for a mid-cycle fiscal year which is reflective of FYE 2013 data and premium rates. A full actuarial valuation was performed for FYE 2013. Another full actuarial valuation will not need to be performed until FYE 2015.

Please give me a call if you have any questions.

Very truly yours,

  
Edward A. Echeverria, FSPA, MAAA, CPC, EA

EAE/rjv  
Encl.

————— SERVING CLIENTS SINCE 1960 —————

**TOWN OF BURRILLVILLE**  
**RETIREE MEDICAL ACTUARIAL**  
**VALUATION**  
**REPORT ON COMPLIANCE WITH**  
**GOVERNMENT ACCOUNTING STANDARDS BOARD**  
**STATEMENT #45**  
**ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYER**  
**FOR POSTEMPLOYMENT**  
**BENEFITS OTHER THAN PENSIONS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**DRAFT: August 2014**  
**Finalized: December 2014**

Draft: August 2014  
Finalized: December 2014

Town of Burrillville  
Burrillville Town Hall  
105 Harrisville Main Street  
Harrisville, RI 02830

Dear Sir/Madam:

This report was prepared to provide management with the accounting for the Government Accounting Standards Board Statement Number 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45) for the Retiree Health Valuation Under GASB #45 for the fiscal year ended June 30, 2014.


Our results and accompanying disclosures reflect plan provisions in effect for the plan year ended June 30, 2014. The Annual OPEB Cost for the Town of Burrillville is \$231,663. For FYE 2014, a mid-cycle valuation was performed on the program, permitted for employers that have a membership (which includes active, terminated and retired employees eligible, or potentially eligible for benefits) of 200 or more.

In conducting the valuation, we relied on information supplied to us by the Town of Burrillville. This information included participant data, the terms of the written and unwritten plan, premium rates and other policies and practices of plan. We have relied on this information as accurate, and applied estimates as necessary.

The discount rate used for this year is 4.0%.

To the best of our knowledge and belief, this valuation was conducted in accordance with generally accepted actuarial principles and practices and in accordance with our understanding of GASB #45 and the implementation guidelines published by the Government Accounting Standards Board. The employer may modify the presentation of these disclosures as needed. I am an Enrolled Actuary who satisfies the Qualifications Standards for Actuaries of the AAA that became effective January 1, 2008.

Very truly yours,

  
Edward A. Echeverria, FSPA, MAAA, CPC, EA  
Senior Actuary

DANZIGER &  
MARKHOFF LLP  
Attorneys at Law

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**TOWN OF BURRILLVILLE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**EXECUTIVE SUMMARY OF RESULTS**

Valuation Date (mid-cycle)	<b><u>July 1, 2013</u></b>
Number of Plan Members*:	
Active Participants	360
Retirees <u>plus</u> Beneficiaries	<u>82</u>
Total	442
Average Age of Actives	44 yrs.
Average Credited Service of Actives	11 yrs.
Current Covered Payroll	\$ 22,066,792
Market value of assets as of July 1	\$ -0-
Unfunded Accrued Liability	\$ 2,510,127
Annual Required Contribution (ARC)	\$ 231,861
OPEB Cost for the Year	\$ 231,663

\*The July 1, 2013 "mid-cycle" valuation is reflective of the same participant data as that used for the July 1, 2012 valuation. Average age and average service amounts from the 2012 valuation have been displayed.

**TOWN OF BURRILLVILLE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

<b><u>VALUATION RESULTS</u></b> - (Cost to Town)	(EPBO) Projected <u>Benefits</u>	(APBO) Proj. Unit Credit Accrued <u>Liability</u>
1. Actuarial present values as of July 1, 2013:		
(a) Actives (360)	\$ 2,670,200	\$ 1,402,358
(b) Retirees <u>plus</u> Beneficiaries (82)	<u>\$ 1,310,000</u>	<u>\$ 1,310,000</u>
(c) Total (442)	\$ 3,980,200	\$ 2,712,358
2. Accrued liability as of July 1, 2013	\$ 2,712,358	
3. Actuarial value of assets, July 1, 2013	\$ -0-	
4. Unfunded accrued liability, July 1, 2013	\$ 2,712,358	
5. Normal cost As of July 1, 2013	\$ 94,492	
6. Amortization of unfunded accrued liability (level percentage of payroll/closed, over 30 years; 25 years remain)	\$ 128,452	
7. Interest (rounded) on Normal Cost (\$3,779) and Amortization (\$5,138)	\$ 8,917	
8. Annual Required Contribution (ARC) (5+6+7)	\$ 231,861	

Town of Burrillville  
 GASB #45 Actuarial Valuation 7/1/2013 (Mid-Cycle)  
 Key Results Split by Employee Group

	Municipal						Total
	NonUnion	Police	Council 94	WasteWater	School	Library	
Participant Counts							
Actives	17	19	31	8	278	7	360
Retirees and Beneficiaries	<u>0</u>	<u>10</u>	<u>7</u>	<u>2</u>	<u>63</u>	<u>0</u>	<u>82</u>
Total	17	29	38	10	341	7	442
Actuarial Accrued Liability (AAL)	114,186	465,507	299,560	96,705	1,713,509	22,891	2,712,358
Annual Required Contribution (ARC)	12,829	30,685	34,248	7,243	143,131	3,725	231,861
Annual OPEB Cost (AOC)	12,597	30,252	34,495	7,228	143,408	3,683	231,663

AAL is also known as APBO: Accrued Postemployment Benefit Obligation

Net OPEB Obligation at Beginning of Period	31,459	58,897	(33,664)	1,955	(37,700)	5,711	26,658
Annual OPEB Cost	12,597	30,252	34,495	7,228	143,408	3,683	231,663
Contributions Made During Period	0	9,997	24,678	8,114	196,909	0	239,698
Increase in Net OPEB Obligation	12,597	20,255	9,817	(886)	(53,501)	3,683	(8,035)
Net OPEB Obligation as of End of Period	44,056	79,152	(23,847)	1,069	(91,201)	9,394	18,623

TOWN OF BURRILLVILLE  
RETIREE HEALTH VALUATION UNDER GASB #45

RESULTS AND DISCLOSURES

DEVELOPMENT OF THE OPEB COST  
FOR THE YEAR ENDED JUNE 30, 2014

Actual contribution information is included below.

<u>Contribution rates:</u>		Varies by employee class
Plan Members		(See Summary of Plan Provisions)
Town:		Actuarially determined, equals the balance not paid by plan members
Annual required contribution (ARC)	\$	231,861
Interest on net OPEB obligation		1,065
Adjustment to annual required contribution (-)		1,263
Annual OPEB cost	\$	231,664
Contributions made*	\$	239,698
Increase in net OPEB obligation	\$	(8,035)
Net OPEB obligation-beginning of year	\$	<u>26,658</u>
Net OPEB obligation-end of year	\$	<u>18,623</u>

\*Contributions made include "Implied Subsidy premium payments of \$239,698.



**TOWN OF BURRILLVILLE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY**  
**AND FUNDED RATIO (actual)**

Actuarial accrued liability (a)	\$	2,712,358
Actuarial value of plan assets (b)	\$	0
Unfunded actuarial accrued liability (a - b)	\$	2,712,358
Funded ratio (b / a)		0.0%
Covered payroll (c)	\$	22,066,792
Unfunded actuarial accrued liability as percentage of covered payroll [(a - b) / c]		12%

**TOWN OF BURRILLVILLE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**DEVELOPMENT OF OPEB COST AND OPEB OBLIGATION**  
**FOR THE LAST THREE YEARS (actual)**

<b><u>Year Ended</u></b>	<b><u>Annual OPEB Cost</u></b>	<b><u>Percentage of OPEB Cost Contributed</u></b>	<b><u>Net OPEB Obligation</u></b>
6/30/2012	\$206,374	101.5%	\$41,305
6/30/2013	\$213,637	106.9%	\$26,658
6/30/2014	\$231,663	103.5%	\$18,623

*FYE 2012 entries were provided from FYE 2012 OPEB note.*

**TOWN OF BURRILLVILLE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**RESULTS AND DISCLOSURES**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF FUNDING PROGRESS (actual)**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) Unit Credit (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a / b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll [(b - a) / c]</b>
7/1/2011	\$0	2,190,597	2,190,597	0.0%	N/A	N/A
7/1/2012	\$0	2,510,127	2,510,127	0.0%	22066792	11%
7/1/2013	\$0	2,712,358	2,712,358	0.0%	22,066,792	12%

*FYE 2012 entries were provided from FYE 2012 OPEB note.*

TOWN OF BURRILLVILLE  
RETIREE HEALTH VALUATION UNDER GASB #45

CONSIDERATIONS

NEW STATEMENT

Government Accounting Standards Board Statement No. 45 (GASB #45) was first applied by the Town of Burrillville beginning with the fiscal year ended June 30, 2009. GASB #45 establishes standards for the measurement, recognition and display of the expense and liabilities of your retiree medical program (Other Post-Employment Benefits; "OPEB"). As a result, reporting of expense and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the Annual Required Contribution (ARC). The ARC is not "required" to be contributed each year, but in your case, will accumulate as a liability on the Town's financial statements (called the "OPEB Obligation") to the extent that the ARC exceeds the amount of premiums paid in a year. To date, the Town has chosen not to pre-fund retiree medical and other OPEB benefits in a Trust. To pre-fund, would permit the use of a higher discount rate (to reflect higher returns from an equity/bond mix of a Trust, rather than short term returns of the Town's funds), which would reduce liabilities.

PLAN DESIGN

We received detailed employee and dependent data, information on the plans, past and current employer practices, and medical premium cost data.

**TOWN OF BURRILLVILLE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**CONSIDERATIONS**

For FYE 2013, there are 82 retirees plus beneficiaries who are receiving employer subsidized benefits. We reflected known retirements and terminations in our database through June 30, 2012. Where data was missing or inaccurate, we assumed reasonable estimates. In all, we valued 360 active employees.

Retiree medical coverage is provided primarily through Blue Cross/Blue Shield (Healthmate).

Future retirees are assumed to be covered by this existing arrangement as outlined in the materials forwarded by the Town. Those provisions, as they relate to employer liability, can be found in the Summary of Plan Provisions section of this report.

**ASSUMPTIONS/RECOGNITION**

To establish the per capita claims cost of medical benefits for your group, we used current premium rates provided by the Town as the starting point for our calculations. The Town has selected a health care trend rate that begins at 8.0% for the first year, decreases by 1.0% per year through year 4 to 5.0% thereafter. This assumption needs to be reviewed periodically. The health care trend rate is a major contributor to widening the gap between pay-as-you-go recognition and GASB #45 recognition. Adjustments were also required to be made to recognize differences between the average age of the 'full' population and the average age of a 'retiree only' population (to develop "age adjusted" current premium rates/equivalents). These adjustments result in an additional liability referred to as the "implied subsidy".

TOWN OF BURRILLVILLE  
RETIREE HEALTH VALUATION UNDER GASB #45

SUMMARY OF PLAN PROVISIONS

The following is a summary of the current major provisions of the retiree medical program.

1. MEDICAL BENEFITS

The Plan is a fully insured plan. Current medical retiree premium rates provided to us by the Town include:

- a) Pre-age 65 Individual: Ranges from \$579 to \$876 per month.
- b) Pre-age 65 Family: Ranges from \$1,416 to \$2,190 per month.

[The Town does not fund "Post-age 65" coverage]

Adjustments to these premium rates to reflect the difference between the active/retiree group (for which the current premium rates were based on) and the retiree-only group, were required, in accordance with ASOP 6. The retiree and the spouse are covered under the program. For Town of Burrillville, these adjustments were required for the Pre-Medicare liabilities.

2. MEDICARE PART B PREMIUMS – Not applicable.

**TOWN OF BURRILLVILLE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**SUMMARY OF PLAN PROVISIONS**

3. **ELIGIBILITY:**

Council 94:	Age 58 and 10 years of service, or 30 years of service
School Non-cert.:	Age 58 and 10 years of service, or 30 years of service
School Cert.:	Age 60 and 10 years of service, or 28 years of service
Police:	20 years of service
Waste Water:	Age 58 and 10 years of service, or 30 years of service
Munic./NonUnion:	Age 58 and 10 years of service, or 30 years of service
Library:	Age 58 and 10 years of service, or 30 years of service

4. **TOWN SUBSIDY:**

The Town will generally contribute for individual and dependent coverage, as follows:

Council 94:	Under 15 years – 0% (i.e., retiree pays 100%) Over 15 years – 100% Yr. 1&2, 50% Yr. 3&4, 0% Yr.5
School Non-cert.:	0% (i.e., retiree pays 100%)
School Cert.:	0% (i.e., retiree pays 100%)
Police:	100% Yr. 1&2, 50% Yr. 3&4, 0% Yr.5
Waste Water:	0% (i.e., retiree pays 100%)
Munic./NonUnion:	Under 15 years – 0% (i.e., retiree pays 100%) Over 15 years – 100% Yr. 1&2, 50% Yr. 3&4, 0% Yr.5
Library:	Under 15 years – 0% (i.e., retiree pays 100%) Over 15 years – 100% Yr. 1&2, 50% Yr. 3&4, 0% Yr.5

[The Town does not fund "Post-age 65 coverage"]

TOWN OF BURRILLVILLE  
RETIREE HEALTH VALUATION UNDER GASB #45

SUMMARY OF PLAN PROVISIONS

5. FUNDING POLICY:

The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). The Town has chosen not to pre-fund retiree medical benefit obligations in a Trust at this time.



TOWN OF BURRILLVILLE  
RETIREE HEALTH VALUATION UNDER GASB #45

ACTUARIAL BASIS

The Actuarial Basis presented here was employed to perform the 2012/13 actuarial valuation. 2013/14 is a "mid-cycle" year.

ACTUARIAL FUNDING METHOD: Projected Unit Credit

ACTUARIAL ASSUMPTIONS

1. Valuation Date: July 1, 2012
2. Discount Rate: 4.0% per annum.
3. Salary Scale: Not applicable, but a 2.5% increase is applied for amortization purposes
4. Mortality: RP-2000 Mortality Table (proj. 27 & 19 years).
5. Withdrawal (select rates):

<u>Svc.</u>	<u>Non-Police</u>	<u>Police</u>
0	18%	10%
1	10%	5%
5	5%	3%
10	4%	2%
15	3%	1%
20	2%	0%
6. Disability: N/A

TOWN OF BURRILLVILLE  
RETIREE HEALTH VALUATION UNDER GASB #45

ACTUARIAL BASIS

7. Retirement:

The following table illustrates the retirement rates:

All Eligible Employees	Retirement <u>Age</u>	Retirement <u>Rates</u>
	45-49	5%
	50-54	10%
	55-69	20%
	70	100%

8. Participation:

Council 94: 100% Yr. 1&2, 50% Yr. 3&4, 20% Yr.5  
 School Non-cert.: 20%  
 School Cert.: 75%  
 Police: 100% Yr. 1&2, 50% Yr. 3&4, 20% Yr.5  
 Waste Water, other: 20%  
 Munic./NonUnion: 100% Yr. 1&2, 50% Yr. 3&4, 20% Yr.5  
 Library: 100% Yr. 1&2, 50% Yr. 3&4, 20% Yr.5

**TOWN OF BURRILLVILLE**  
**RETIREE HEALTH VALUATION UNDER GASB #45**

**ACTUARIAL BASIS**

9. Health Care Cost  
Trend Rate:

The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>Assumed Increase</u>
1	8.0%
2	7.0%
3	6.0%
4+	5.0%

10. Marital - Actives:

20% of males and 20% of females are assumed married and electing spousal coverage.

11. Inflation Rate:

2.5% per annum.

**ASSET VALUATION METHOD:** Market value.

**AMORTIZATION BASIS:** Level percentage of payroll, closed over 30 years. (25 years remaining as of 7/1/2013)