



CONSULTING GROUP



A POSTRETIREMENT WELFARE BENEFIT GASB 45 ACTUARIAL VALUATION

For:

Exeter-West Greenwich Regional School District, RI

As of:

July 1, 2014

Prepared by:
USI Consulting Group



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January 22, 2016

Exeter-West Greenwich Regional School District
940 Nooseneck Hill Road
West Greenwich, RI 02817

RE: July 1, 2014 Actuarial Valuation of Postretirement Welfare Benefits

We enclose the report covering the actuarial valuation of the postretirement medical insurance plan for the employees of the Exeter-West Greenwich Regional School District, RI as of July 1, 2014. The numbers presented in this report reflect the adoption, by the Exeter-West Greenwich Regional School District, RI, of the Statement of Governmental Accounting Standard No. 45 (GASB 45).

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation, including the calculation of the Annual OPEB Costs for the fiscal years beginning July 1, 2014 and July 1, 2015.

Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, are also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Board Number 45 (GASB 45). We believe this report provides all of the information your auditor requires. We would appreciate a copy of the footnote to your financial statement related to the postretirement benefits.

Respectfully submitted,

USI Consulting Group

A handwritten signature in blue ink that reads "Robert W. Webb".

Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary

A handwritten signature in blue ink that reads "John Sheaves".

John Sheaves
Senior Actuarial Consultant

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Section I

Executive Summary

The section presents the results of the July 1, 2014 valuation. The first section provides a brief summary of the valuation results. The Executive Summary Detail provides a more detailed development of the expenses and liabilities. Items I through V show the development of the Annual Required Contribution (ARC). Items VI through IX show the calculation of the Annual OPEB Cost. Item XII provides a brief summary of the key assumptions used in developing the plan's costs and liabilities.

EXECUTIVE SUMMARY

Introduction

This report details the development of the Annual OPEB Cost for the Fiscal Years ending June 30, 2015 and June 30, 2016. Estimated disclosure information is included in Section III.

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Statement of Governmental Accounting Standards Number 45 (GASB 45). Liabilities developed for other purposes could be significantly different than those shown in this report.

Summary of Results

The Actuarial Accrued Liability and Normal Cost are calculated as of the valuation date. The Annual OPEB Cost and Expected Benefit Payments are for the year beginning on the valuation date. Additional detail is developed in the exhibits included in this actuarial valuation report.

Fiscal Year Ending June 30, 2015

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$1,401,057
<i>Actuarial Accrued Liability (AAL)</i>	\$3,323,259
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$3,323,259
<i>Annual Required Contribution (30 year amortization)</i>	\$405,201
<i>Annual OPEB Cost</i>	\$388,655
<i>Expected Benefit Payments</i>	\$152,187

Fiscal Year Ending June 30, 2016

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$1,637,525
<i>Actuarial Accrued Liability (AAL)</i>	\$3,537,027
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$3,537,027
<i>Annual Required Contribution (30 year amortization)</i>	\$426,254
<i>Annual OPEB Cost</i>	\$405,076
<i>Expected Benefit Payments</i>	\$146,998

Economic Assumptions

The employer, with the approval of the auditor, is responsible for selecting the economic assumptions as of the disclosure date. The following table details the selected economic assumptions for the current fiscal year:

<u>Assumption Selection Date</u>	<u>July 1, 2014</u>
<i>Funding Interest Rate*</i>	4.00%
<i>2014 Medical Trend Rates</i>	8.00%
<i>Ultimate Medical Trend Rate</i>	5.00%
<i>Year Ultimate Trend Rates Reached</i>	2017
<i>Annual Payroll Increase</i>	2.50%

* Reflects current funding policy (assumes no funding).

EXECUTIVE SUMMARY (cont.)

Experience Gains and Losses

The plan had an accumulated experience gain over the past two years, primarily due to plan costs remaining the same. The impact of the gain on the actuarial accrued liability is provided in Appendix II in Section VI.

Changes included in current valuation

The plan assumptions are summarized in Section IV of the report. The impact on plan liabilities is shown in Appendix II in Section VI.

Accounting for Postretirement Benefits

This report provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans. The unfunded actuarial accrued liability and the ARC are developed in the Executive Summary Detail included in this section. For this Fiscal Year / Valuation Report, Section III presents the disclosure information based on estimated contributions made.

Actuarial Certification

The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2014. The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the July 1, 2014 census data and plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 45 (GAS 45). In our opinion, the actuarial assumptions are reasonable, taking in account the experience of the plan and reasonable expectations and, individually represent our best estimate of the anticipated experience under the plan.

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report.

I certify that I am a member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 45.



Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary



Adeniyi Olaiya, ASA, MAAA
Associate Vice President and Actuary

EXECUTIVE SUMMARY DETAIL
GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
AND ANNUAL OPEB COST FOR 2014

	<u>Medical</u>	<u>Dental</u>	<u>Total</u>
<i>I. Present value of Future benefits</i>			
A. Retirees/Disableds	\$305,530	\$14,320	\$319,850
B. Active Employees	<u>\$6,417,937</u>	<u>\$369,975</u>	<u>\$6,787,912</u>
C. Total	\$6,723,467	\$384,295	\$7,107,762
<i>II. Actuarial Accrued Liability</i>			
A. Retirees/Disableds	\$305,530	\$14,320	\$319,850
B. Active Employees	<u>\$2,839,492</u>	<u>\$163,917</u>	<u>\$3,003,409</u>
C. Total	\$3,145,022	\$178,237	\$3,323,259
<i>III. Actuarial Assets</i>	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>	\$3,145,022	\$178,237	\$3,323,259
<i>V. Annual Required Contribution (ARC)</i>			
A. Normal Cost	\$214,587	\$12,402	\$226,989
B. Supplemental Cost	\$156,728	\$8,826	\$165,554
C. Compound Interest to Year End	<u>\$11,960</u>	<u>\$698</u>	<u>\$12,658</u>
D. Annual Required Contribution [A. + B. + C.]	\$383,275	\$21,926	\$405,201
<i>VI. Net OPEB Obligation</i>	\$1,311,558	\$89,499	\$1,401,057
<i>VII. Interest on net OPEB Obligation</i>	\$52,462	\$3,580	\$56,042
<i>VIII. Adjustment to ARC</i>	(\$67,951)	(\$4,637)	(\$72,588)
<i>IX. Annual OPEB Cost (Expense)</i> <i>[V.D. + VII. + VIII.]</i>	\$367,786	\$20,869	\$388,655
<i>X. Expected Benefit Payments</i>			
A. Retirees/Disableds	\$122,805	\$6,220	\$129,025
B. Active Employees	<u>\$21,802</u>	<u>\$1,360</u>	<u>\$23,162</u>
C. Total	\$144,607	\$7,580	\$152,187

EXECUTIVE SUMMARY DETAIL
GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
AND ANNUAL OPEB COST FOR 2015

	<i><u>Medical</u></i>	<i><u>Dental</u></i>	<i><u>Total</u></i>
<i>I. Present value of Future benefits</i>			
A. Retirees/Disableds	\$284,132	\$14,015	\$298,147
B. Active Employees	<u>\$6,560,803</u>	<u>\$377,921</u>	<u>\$6,938,724</u>
C. Total	\$6,844,935	\$391,936	\$7,236,871
<i>II. Actuarial Accrued Liability</i>			
A. Retirees/Disableds	\$284,132	\$14,015	\$298,147
B. Active Employees	<u>\$3,062,362</u>	<u>\$176,518</u>	<u>\$3,238,880</u>
C. Total	\$3,346,494	\$190,533	\$3,537,027
<i>III. Actuarial Assets</i>	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>	\$3,346,494	\$190,533	\$3,537,027
<i>V. Annual Required Contribution (ARC)</i>			
A. Normal Cost	\$219,952	\$12,712	\$232,664
B. Supplemental Cost	\$170,390	\$9,633	\$180,023
C. Compound Interest to Year End	<u>\$12,828</u>	<u>\$739</u>	<u>\$13,567</u>
D. Annual Required Contribution [A. + B. + C.]	\$403,170	\$23,084	\$426,254
<i>VI. Net OPEB Obligation</i>	\$1,534,737	\$102,788	\$1,637,525
<i>VII. Interest on net OPEB Obligation</i>	\$61,389	\$4,112	\$65,501
<i>VIII. Adjustment to ARC</i>	(\$81,238)	(\$5,441)	(\$86,679)
<i>IX. Annual OPEB Cost (Expense)</i> <i>[V.D. + VII. + VIII.]</i>	\$383,321	\$21,755	\$405,076
<i>X. Expected Benefit Payments</i>			
A. Retirees/Disableds	\$91,193	\$4,778	\$95,971
B. Active Employees	<u>\$48,083</u>	<u>\$2,944</u>	<u>\$51,027</u>
C. Total	\$139,276	\$7,722	\$146,998

Section II

Census Information

This section details statistics related to the participants in the postretirement benefit plan.

CENSUS INFORMATION – A.

EMPLOYEE COUNTS

	<i>As of July 1, 2014</i>			<i>As of September 1, 2012</i>		
	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>
Male	32	4	36	38	5	43
Female	<u>118</u>	<u>10</u>	<u>128</u>	<u>128</u>	<u>9</u>	<u>137</u>
Total	150	14	164	166	14	180

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES :

<u>Age</u>	<u>Currently Eligible to Retire</u>	<u>Not Currently Eligible to Retire</u>	<u>Total</u>
29 and under	0	1	1
30 - 34	0	8	8
35 - 39	0	10	10
40 - 44	0	33	33
45 - 49	0	25	25
50 - 54	3	30	33
55 - 59	2	26	28
60 - 64	6	5	11
65 and over	<u>1</u>	<u>0</u>	<u>1</u>
Total	12	138	150

CURRENT RETIREES:

<u>Age</u>	<u>Retirees</u>	<u>Spouse</u>	<u>Total</u>
54 and under	1	0	1
55 - 59	0	0	0
60 - 64	13	1	14
65 - 69	0	0	0
70 - 74	0	0	0
75 - 79	0	0	0
80 and over	<u>0</u>	<u>0</u>	<u>0</u>
Total	14	1	15

CENSUS INFORMATION – B.

AVERAGE AGE AND SERVICE

	<u>As of July 1, 2014</u>	<u>As of September 1, 2012</u>
ACTIVE EMPLOYEES:		
A. Average Age at Hire		
Males	30.6	31.2
Females	33.1	33.5
Total	32.5	33.0
B. Average Service		
Males	16.3	13.2
Females	16.6	15.0
Total	16.6	14.6
C. Average Current Age		
Males	46.9	44.4
Females	49.7	48.5
Total	49.1	47.6
CURRENT RETIREES		
D. Average Current Age		
Males	60.4	59.1
Females	62.5	61.3
Total	61.9	60.5

Section III

Financial Statement Disclosure

**This section provides the required information and notes to the Financial Statements
For the fiscal year ending June 30, 2015.**

FINANCIAL STATEMENT DISCLOSURE

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

1.) GASB 45 DISCLOSURE FINANCIALS

A. Annual OPEB Cost and Net OPEB Obligation	<u>7/1/2014 - 6/30/2015</u>	<u>7/1/2015 - 6/30/2016</u>
1. Annual Required Contribution (ARC)	\$405,201	\$426,254
2. Interest on net OPEB Obligation	\$56,042	\$65,501
3. Adjustment to ARC	<u>(\$72,588)</u>	<u>(\$86,679)</u>
4. Annual OPEB Cost (Expense)	\$388,655	\$405,076
5. Contribution made (assumed middle of year) *	<u>(\$152,187)</u>	<u>(\$146,998)</u>
6. Increase in net OPEB Obligation	\$236,468	\$258,078
7. Net OPEB Obligation - beginning of year	<u>\$1,401,057</u>	<u>\$1,637,525</u>
8. Net OPEB Obligation - end of year	\$1,637,525	\$1,895,603

* Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2015 / 2016 are as follows:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Covered Payroll</u>	<u>OPEB Cost % of Pay</u>
6/30/2015	\$388,655	39.2%	\$1,637,525	N/A	N/A
6/30/2016	\$405,076	36.3%	\$1,895,603	N/A	N/A

B. Funded Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)</u>
7/1/2010	\$0	\$3,999,389	\$3,999,389	0.0%	N/A	N/A
7/1/2012	\$0	\$3,792,980	\$3,792,980	0.0%	N/A	N/A
7/1/2014	\$0	\$3,323,259	\$3,323,259	0.0%	N/A	N/A

C. Methods and Assumptions

- Interest Rate	4.00%
- 2014 Medical Trend Rates	8.00%
- Ultimate Medical Trend Rate	5.00%
- Year Ultimate Trend Rates Reached	2017
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2015	22.53
- Annual Payroll Increase	2.50%

FINANCIAL STATEMENT DISCLOSURE (cont.)

2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL INSURANCE PLAN:

- a. Plan Types:* **Medical/Dental**
 Retirees are enrolled in a Blue Cross Blue Shield PPO.
- b. Eligibility:* As determined by the ERSRI. We assumed the following:
 If vested (10 years of service) by July 1, 2005:
 Either age 60 with 10 years of service, or any age with 28 years of service.
 If not vested by July 1, 2005:
 Age 55 with 20 years of service.
- c. Expiration Date:* Employees who retire with 20 years of service receive two years of coverage plus accrued sick time converted to years of healthcare coverage.
 Employees who retire with 15 years of service receive one year of coverage plus accrued sick time converted to years of healthcare coverage.
 The expiration date is the earlier of the date healthcare coverage runs out and age 65.
- d. Benefit/Cost Sharing:* Prior to the employees' expiration date, the School District pays 100% of the medical premium, except for any annual increases over 5%. After the employees' expiration date, employees pay 100% of the premium plus a 2% carrying charge until age 65.
- e. Spouse Benefit:* Yes, at the same cost sharing rate as the employee.
- f. Surviving Spouse Benefit:* Yes, the Town covers surviving spouses medical coverage at the same rate as the above spouse benefit.
- g. Annual Medical Premiums:* **Effective July 1, 2014**
- | | |
|-----------------------|--------------|
| <u>Medical</u> | |
| Individual: | \$ 7,184.40 |
| Family: | \$ 18,376.92 |
| <u>Dental</u> | |
| Individual: | \$ 408.36 |
| Family: | \$ 1,320.12 |

Section IV

Actuarial Assumptions And Methodology

The following pages detail the assumptions used in the calculations.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY

1. **Funding Interest Rate:** An interest rate of 4.0% was used.
2. **Mortality:** The mortality rates are from the RP-2000 Total Dataset mortality table projected fully generationally with projection scale AA.
3. **Retirement Rates:** Sample rates are shown below:

<u>Age</u>	<u>Rate</u>
<45	0.0%
45-49	5.0%
50-54	10.0%
55-69	20.0%
70+	100.0%

4. **Disability Rates:** None assumed.

5. **Termination Rates:**

<u>Years of Service</u>	<u>Male</u>	<u>Female</u>
0	17.00%	13.00%
5	2.89%	4.18%
10	1.04%	2.05%
15	0.94%	1.34%
20	0.94%	1.01%
24	0.94%	0.33%

6. **Health Care Trend Rates:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical Rates</u>	<u>Dental Rates</u>
2014	8.0%	5.0%
2015	7.0%	5.0%
2016	6.0%	5.0%
2017+	5.0%	5.0%

7. **Participation Rate:** It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

8. **Percent Married:** It was assumed that 30% of the employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.
9. **Actuarial Value of Assets:** N/A
10. **Administrative Expenses:** Included in premiums used, except for a 2% carrying charge for employees who are past their expiration date.
11. **Participant Salary Increases:** 3.50% annually
12. **Payroll Growth Rate:** 2.50% annually
13. **Per Capita Claims Cost** Per Capita Claim Costs were developed by applying morbidity aging factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are the annual per capita claim costs used:

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
45	5,334	6,696	55	7,776	8,068
46	5,526	6,840	56	8,087	8,207
47	5,723	6,984	57	8,409	8,346
48	5,929	7,114	58	8,720	8,553
49	6,164	7,248	59	9,042	8,768
50	6,404	7,387	60	9,378	8,989
51	6,653	7,526	61	9,723	9,210
52	6,912	7,670	62	10,083	9,440
53	7,186	7,799	63	10,275	9,622
54	7,473	7,934	64	10,471	9,805

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)**14. High Cost Plan Excise****Tax:**

Effective in 2020. The law apply a 40% tax to the cost of plan benefits in excess of statutory thresholds, which are \$10,200 for single coverage and \$27,500 for family coverage for Medicare eligible retirees. An additional \$1,650 and \$3,450 are added for single and family coverage respectively, for retirees who are between ages 55 and 65. We assume the thresholds will start to increase in 2018 at the rate of 3.47%. The plan costs for pre 65 and post 65 benefits are based on the plans' premium costs adjusted for aging and trended at the health care trend rates shown above.

ACTUARIAL COST METHOD

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability may be determined in level dollar amounts or as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability may be amortized as one amount, or components of the total may be separately amortized. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

ADDITIONAL COMMENTS

The values in this GASB 45 valuation represent a closed group and do not reflect new entrants after the census collection date. We assumed that the years of healthcare coverage based on accrued sick time was equivalent to 20% of years of service at retirement.

Section V
Appendices

APPENDIX - I.

ACTIVE EMPLOYEE BY AGE AND SERVICE

AS OF JULY 1, 2014

<u>Age</u>	<u>Service</u>									<u>Total</u>
	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40+</u>	
0 - 19	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0
25 - 29	0	1	0	0	0	0	0	0	0	1
30 - 34	2	5	0	0	0	0	0	0	0	7
35 - 39	1	2	7	0	0	0	0	0	0	10
40 - 44	1	4	13	8	3	0	0	0	0	29
45 - 49	2	3	5	6	12	0	0	0	0	28
50 - 54	0	4	7	3	13	6	0	0	0	33
55 - 59	0	2	4	9	11	3	1	0	0	30
60 - 64	0	1	3	0	5	1	0	0	0	10
65 - 69	0	0	1	0	1	0	0	0	0	2
Total	6	22	40	26	45	10	1	0	0	150

APPENDIX - II.

RECONCILIATION OF ACTUARIAL ACCRUED LIABILITY

a. 7/1/2012 Actuarial Accrued Liability	\$3,792,980
b. 2012 Normal Cost	\$271,636
c. Interest Rate	4.00%
d. Interest on (a. + b.)	\$162,585
e. 2012 Expected Benefit Payments	(\$150,248)
f. Interest on f.	<u>(\$3,005)</u>
g. 7/1/2013 Expected Actuarial Accrued Liability (a. + b. + d. + e. + f.)	\$4,073,948
h. 2013 Normal Cost	\$278,427
i. Interest Rate	4.00%
j. Interest on (g. + h.)	\$174,095
k. 2013 Expected Benefit Payments	(\$158,420)
l. Interest on k.	<u>(\$3,168)</u>
m. 7/1/2014 Expected Actuarial Accrued Liability (g. + h. + j. + k. + l.)	\$4,364,882
n. Change in Actuarial Accrued Liability due to	
i. Demographic and plan cost changes	(\$1,138,570)
ii. Change in Actuarial Assumptions	\$96,947
iii. Plan Changes	<u>\$0</u>
iv. Total	(\$1,041,623)
o. 7/1/2014 Actuarial Accrued Liability (m. + n.v.)	\$3,323,259

APPENDIX - III.

DEVELOPMENT OF NORMAL COST AND AMORTIZATION PAYMENT

A. Prior Bases

1. Amortization Base Balance as of 7/1/2012	\$3,792,980
2. 2012 Amortization Payment	(\$173,480)
3. Interest	4.00%
4. Interest on (1) + (2)	<u>\$144,780</u>
5. Amortization Base Balance as of 7/1/2013 (1) + (2) + (4)	\$3,764,280
6. 2013 Amortization Payment	(\$190,460)
7. Interest	4.00%
8. Interest on (5) + (6)	<u>\$142,953</u>
9. Amortization Base Balance as of 7/1/2014 (5) + (6) + (8)	\$3,716,773
10. Remaining Amortization Period	24
11. Valuation Interest rate	4.00%
12. Assumed payroll growth	2.50%
13. 2014 Adjusted Amortization Amount	\$181,620

B. New Amortization Base

1. Experience (Gain)/Loss	(\$1,138,570)
2. Assumption Changes	\$96,947
3. Plan Change	\$0
4. Loss due to Funding timing	<u>\$648,109</u>
5. Total (1) + (2) + (3) + (4)	(\$393,514)
6. Remaining Amortization Period	30
7. Valuation Interest rate	4.00%
8. Assumed payroll growth	2.50%
9. Amortization Amount	(\$16,066)

C. Combined Bases

1. Amortization Base Balance as of 7/1/2014 (A.19. + B.5.)	\$3,323,259
2. 2014 Preliminary Total Amortization Amount (A.13. + B.9.)	\$165,554
3. 2014 Minimum Total Amortization Amount (30 year)	\$135,676
4. 2014 Total Amortization Amount (greater of 2. and 3.)	\$165,554

APPENDIX – IV

PROJECTED BENEFIT PAYMENTS

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2014	\$ 152,187	\$ 152,187	2027	\$ 547,626	\$ 4,738,483	2040	\$ 280,942	\$ 11,711,964
2015	\$ 146,998	\$ 299,185	2028	\$ 589,978	\$ 5,328,461	2041	\$ 234,068	\$ 11,946,032
2016	\$ 148,879	\$ 448,064	2029	\$ 628,871	\$ 5,957,332	2042	\$ 250,576	\$ 12,196,608
2017	\$ 166,060	\$ 614,124	2030	\$ 636,808	\$ 6,594,140	2043	\$ 254,137	\$ 12,450,745
2018	\$ 194,560	\$ 808,685	2031	\$ 629,417	\$ 7,223,557	2044	\$ 228,880	\$ 12,679,625
2019	\$ 267,784	\$ 1,076,468	2032	\$ 694,632	\$ 7,918,189	2045	\$ 230,133	\$ 12,909,758
2020	\$ 302,609	\$ 1,379,077	2033	\$ 723,013	\$ 8,641,202	2046	\$ 181,727	\$ 13,091,485
2021	\$ 335,256	\$ 1,714,333	2034	\$ 647,167	\$ 9,288,369	2047	\$ 73,560	\$ 13,165,046
2022	\$ 399,946	\$ 2,114,279	2035	\$ 495,927	\$ 9,784,296	2048	\$ 27,231	\$ 13,192,277
2023	\$ 468,080	\$ 2,582,359	2036	\$ 537,157	\$ 10,321,453	2049	\$ 30,738	\$ 13,223,014
2024	\$ 510,595	\$ 3,092,953	2037	\$ 487,322	\$ 10,808,775	2050	\$ 29,983	\$ 13,252,997
2025	\$ 540,211	\$ 3,633,164	2038	\$ 317,502	\$ 11,126,277	2051	\$ -	\$ 13,252,997
2026	\$ 557,692	\$ 4,190,857	2039	\$ 304,745	\$ 11,431,022	2052	\$ -	\$ 13,252,997

APPENDIX – V
GLOSSARY

Actuarial Accrued Liability. The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Normal Costs.

Actuarial Cost Method. A procedure for determining the Actuarial Present Value of Total Projected Benefits 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.

Actuarially Equivalent. Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Present Value of Total Projected Benefits. The present value, as of the valuation date, of the cost of future benefits to be paid to employees, retirees, and covered dependents, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Annual OPEB Cost. The 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 required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters defined in GAS 45.

Investment Return Assumption (Discount Rate). The rate used to adjust a series of future benefit payments to reflect the time value of money.

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 and technological developments.

Net OPEB Obligation. The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan.

Normal Cost. The portion of the Actuarial Present Value of plan benefits which is allocated to a valuation year by the Actuarial Cost Method.

OPEB. Postemployment benefits other than pension benefits.

Pay-As-You-Go. The amount of the benefits paid out to plan participants during the year.

Per Capita Claims Cost. The current average annual cost of providing postretirement health care benefits per individual.

Supplemental Cost. The amount of the Annual Required Contribution attributable to the amortization of the unfunded Actuarial Accrued Liability.