



CONSULTING GROUP



A POSTRETIREMENT WELFARE BENEFIT GASB 45 ACTUARIAL VALUATION

For:

City of Woonsocket Education Department

As of:

July 1, 2014

Prepared by:
USI Consulting Group



CONSULTING GROUP

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September 25, 2015

City of Woonsocket, RI
169 Main Street
Woonsocket, RI 02895

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 City of Woonsocket Education Department as of July 1, 2014. The numbers presented in this report reflect the adoption, by the City of Woonsocket Education Department, 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 ending June 30, 2015.

The results in this valuation are based on July 1, 2013 data. The assumptions have not changed from the last valuation. The plan provisions have changed to reflect the terms of the 7/1/2013 collective bargaining agreements. A summary of the provisions is included in Section III.

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

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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 Year ending June 30, 2015. The June 30, 2015 actuarial accrued liability 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>	\$11,311,343
<i>Actuarial Accrued Liability (AAL)</i>	\$25,592,568
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$25,592,568
<i>Annual Required Contribution</i>	\$1,938,656
<i>Annual OPEB Cost</i>	\$1,805,172
<i>Expected Benefit Payments</i>	\$1,077,948

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 / Dental Trend Rates</i>	7.0% / 5.0%
<i>Ultimate Medical / Dental Trend Rate</i>	5.0% / 5.0%
<i>Year Ultimate Trend Rates Reached</i>	2018 / 2013
<i>Annual Payroll Increase</i>	2.50%

* Reflects current funding policy (assumes no funding).

EXECUTIVE SUMMARY (cont.)

Changes included in current valuation

The assumptions have not changed since the last valuation. This valuation reflects changes in a number of plan provisions that were negotiated since the last valuation. The provisions are summarized in Section III of this report. The impact of the changes is shown in Appendix II.

Accounting for Postretirement Benefits

Government Accounting Standard No. 45 (GAS 45) addresses the accounting and financial reporting requirements by Employers for Postemployment Benefits Other than Pensions (OPEB). Employers that are required to follow Government Accounting Standards are subject to this standard. The statement does not require that the benefits be pre-funded, however, it defines a financial framework for assessing the costs, design, and sustainability of OPEBs offered by employers.

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of Governmental Accounting Standards Board Statement No. 45. This report also provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans.

The Annual Required Contribution (ARC) and Annual OPEB Cost are developed in the Executive Summary Detail included in this section. Section III presents the disclosure information, including the development of the Net OPEB obligation based on expected contributions / benefits to be paid during the fiscal year.

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, 2013 census data and plan information update through December, 2014 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.

EXECUTIVE SUMMARY (cont.)

Actuarial Certification (cont.)

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.

A handwritten signature in blue ink that reads "Robert W. Webb". The signature is written in a cursive style.

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

EXECUTIVE SUMMARY DETAIL

**GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
 AND ANNUAL OPEB COST FOR FYE 6/30/2015 BY EMPLOYEE GROUP**

	<u>School Support</u>	<u>Teachers</u>	<u>Teachers Assistants</u>	<u>Total</u>
I. Present value of Future benefits				
A. Retirees/Disableds	\$443,045	\$11,770,328	\$843,236	\$13,056,609
B. Active Employees	<u>\$2,077,744</u>	<u>\$16,141,033</u>	<u>\$2,935,162</u>	<u>\$21,153,939</u>
C. Total	\$2,520,789	\$27,911,361	\$3,778,398	\$34,210,548
II. Actuarial Accrued Liability				
A. Retirees/Disableds	\$443,045	\$11,770,328	\$843,236	\$13,056,609
B. Active Employees	<u>\$1,252,386</u>	<u>\$9,179,456</u>	<u>\$2,104,117</u>	<u>\$12,535,959</u>
C. Total	\$1,695,431	\$20,949,784	\$2,947,353	\$25,592,568
III. Actuarial Assets	\$0	\$0	\$0	\$0
IV. Unfunded Actuarial Accrued Liability (UAAL)	\$1,695,431	\$20,949,784	\$2,947,353	\$25,592,568
V. Annual Required Contribution (ARC)				
A. Normal Cost	\$64,818	\$465,546	\$79,728	\$610,092
B. Supplemental Cost	\$83,994	\$1,044,407	\$146,329	\$1,274,730
C. Compound Interest to Year End	<u>\$5,360</u>	<u>\$40,582</u>	<u>\$7,892</u>	<u>\$53,834</u>
D. Annual Required Contribution [A. + B. + C.]	\$154,172	\$1,550,535	\$233,949	\$1,938,656
VI. Net OPEB Obligation	\$945,276	\$8,602,552	\$1,763,515	\$11,311,343
VII. Interest on net OPEB Obligation	\$37,811	\$344,102	\$70,541	\$452,454
VIII. Adjustment to ARC	(\$48,966)	(\$445,620)	(\$91,352)	(\$585,938)
IX. Annual OPEB Cost (Expense) [V.D. + VII. + VIII.]	\$143,017	\$1,449,017	\$213,138	\$1,805,172
X. Expected Benefit Payments				
A. Retirees/Disableds	\$26,167	\$968,854	\$46,504	\$1,041,525
B. Active Employees	<u>\$3,471</u>	<u>\$21,946</u>	<u>\$11,006</u>	<u>\$36,423</u>
C. Total	\$29,638	\$990,800	\$57,510	\$1,077,948

EXECUTIVE SUMMARY DETAIL
GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
AND ANNUAL OPEB COST FOR FYE 6/30/2015 BY BENEFIT

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
I. Present value of Future benefits				
A. Retirees/Disableds	\$12,091,289	\$123,898	\$841,422	\$13,056,609
B. Active Employees	<u>\$19,488,896</u>	<u>\$283,314</u>	<u>\$1,381,729</u>	<u>\$21,153,939</u>
C. Total	\$31,580,185	\$407,212	\$2,223,151	\$34,210,548
II. Actuarial Accrued Liability				
A. Retirees/Disableds	\$12,091,289	\$123,898	\$841,422	\$13,056,609
B. Active Employees	<u>\$11,477,002</u>	<u>\$174,894</u>	<u>\$884,063</u>	<u>\$12,535,959</u>
C. Total	\$23,568,291	\$298,792	\$1,725,485	\$25,592,568
III. Actuarial Assets	\$0	\$0	\$0	\$0
IV. Unfunded Actuarial Accrued Liability (UAAL)	\$23,568,291	\$298,792	\$1,725,485	\$25,592,568
V. Annual Required Contribution (ARC)				
A. Normal Cost	\$561,449	\$7,571	\$41,072	\$610,092
B. Supplemental Cost	\$1,183,413	\$13,795	\$77,522	\$1,274,730
C. Compound Interest to Year End	<u>\$49,388</u>	<u>\$29</u>	<u>\$4,417</u>	<u>\$53,834</u>
D. Annual Required Contribution [A. + B. + C.]	\$1,794,250	\$21,395	\$123,011	\$1,938,656
VI. Net OPEB Obligation	\$11,022,499	(\$268,169)	\$557,013	\$11,311,343
VII. Interest on net OPEB Obligation	\$440,900	(\$10,727)	\$22,281	\$452,454
VIII. Adjustment to ARC	(\$570,975)	\$13,891	(\$28,854)	(\$585,938)
IX. Annual OPEB Cost (Expense) [V.D. + VII. + VIII.]	\$1,664,175	\$24,559	\$116,438	\$1,805,172
X. Expected Benefit Payments				
A. Retirees/Disableds	\$986,823	\$38,986	\$15,716	\$1,041,525
B. Active Employees	<u>\$33,517</u>	<u>\$2,305</u>	<u>\$601</u>	<u>\$36,423</u>
C. Total	\$1,020,340	\$41,291	\$16,317	\$1,077,948

Section II

Census Information

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

CENSUS INFORMATION – A.

EMPLOYEE COUNTS

As of July 1, 2013

	<u>Actives</u>	<u>Inactives*</u>	<u>Total</u>
Male	159	62	221
Female	540	114	654
Total	699	176	875

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	24	24
30 - 34	0	58	58
35 - 39	0	76	76
40 - 44	0	139	139
45 - 49	0	97	97
50 - 54	0	120	120
55 - 59	1	99	100
60 - 64	18	44	62
65 and over	5	18	23
Total	24	675	699

CURRENT INACTIVES:

<u>Age</u>	<u>Inactives*</u>	<u>Spouse</u>	<u>Total</u>
39 and under	0	0	0
40 - 44	0	0	0
45 - 49	0	0	0
50 - 54	2	3	5
55 - 59	31	8	39
60 - 64	113	17	130
65 - 69	22	8	30
70 - 74	6	1	7
75 - 79	1	0	1
80 - 84	1	0	1
85 - 89	0	0	0
90 and over	0	0	0
Total	176	37	213

* Includes Surviving Spouses

CENSUS INFORMATION – B.

AVERAGE AGE AND SERVICE

As of July 1, 2013

ACTIVE EMPLOYEES:

A. Average Age at Hire

Males	35.2
Females	34.1
Total	34.3

B. Average Service

Males	12.6
Females	13.5
Total	13.3

C. Average Current Age

Males	47.8
Females	47.6
Total	47.6

CURRENT INACTIVES

D. Average Current Age

Males	63.8
Females	62.6
Total	63.0

Section III

Financial Statement Disclosure

**This section provides the required information and notes to the Financial Statements
For the fiscal years 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	7/1/2014 - 6/30/2015
1. Annual Required Contribution (ARC)	\$1,938,656
2. Interest on net OPEB Obligation	\$452,454
3. Adjustment to ARC	(\$585,938)
4. Annual OPEB Cost (Expense)	\$1,805,172
5. Contribution made (assumed middle of year) *	(\$1,077,948)
6. Increase in net OPEB Obligation	\$727,224
7. Net OPEB Obligation - beginning of year	\$11,311,343
8. Net OPEB Obligation - end of year	\$12,038,567

* 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 the fiscal year ending 2015 is as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	OPEB Cost % of Pav
6/30/2015	\$1,805,172	59.7%	\$12,038,567	N/A	N/A

B. Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)
7/1/2012	\$0	\$59,447,193	\$59,447,193	0.0%	N/A	N/A
7/1/2013	\$0	\$24,746,975	\$24,746,975	0.0%	N/A	N/A
7/1/2014	\$0	\$25,592,568	\$25,592,568	0.0%	N/A	N/A
6/30/2015	\$0	\$26,151,259	\$26,151,259	0.0%	N/A	N/A

C. Methods and Assumptions

- Interest Rate	4.00%
- 2014 Medical / Dental Trend Rates	7.0% / 5.0%
- Ultimate Medical / Dental Trend Rate	5.0% / 5.0%
- Year Ultimate Trend Rates Reached	2018 / 2013
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 6/30/2015	22.53
- Annual Payroll Increase	2.50%

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:

**2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
 (reflects plan provisions in effect on 12/31/2014):**

A. SCHOOL SUPPORT EMPLOYEES (C94 Local 1137) CBA 7/1/2013 - 6/30/2018

Retire after 7/1/2013

Eligibility: Retirement with 25 years of service in WED Local 1137; in addition, 35 years of service in ERSRL required for Medicare Supplemental Plan coverage.

Coverage: Pre-65: Individual with option to “buy up” to Family for a maximum of 6 years of coverage or until age 65, whichever occurs sooner.

Post 65: Individual Medicare Supplemental Plan (no Rx rider)

Cost Sharing: Pre 65:

Hired before 7/1/13: 20% of working rate

Hired on or after 7/1/13: 50% of working rate

Post 65: 20% of working rate

Retired as of 7/1/2013

Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan

Post 65: Individual – Medicare Supplemental Plan plus Plan 65 Rx rider

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Post 65: 15% of working rates

The City will pay 100% of the cost of Medicare Supplement plus Rx for a spouse who is Medicare Eligible until the retiree reaches age 65; and will pay Part B surcharges for retiree spouse as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

FINANCIAL STATEMENT DISCLOSURE (Cont.)

**2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
(reflects plan provisions in effect on 12/31/2014) (Cont.):**

B. TEACHER ASSISTANTS (AFT Local 951, Paraprofessionals Chapter) CBS 7/1/2013 – 6/30/2018

Retire after 7/1/2013

Eligibility and Coverage:

- Pre 65: On a pension with 25 years of continuous service to WED as of 7/1/13, and
- 28 years of service with ERSRL – Two Individual Plans
 - 32 years of service with ERSRL – Family Plan

Retire before 7/1/18 with 20 years as paraprofessional with WED, and

- 28 years of full time employment with WED, and 27.5 years of service with ERSRL – Two Individual Plans
- 32 years of service with ERSRL – Two Individual Plans

Retire on or after 7/1/18 with 20 years as paraprofessional with WED, and

- 28 years of full time employment with WED, and 27.5 years of service with ERSRL – One Individual Plan, or
- 32 years of service with ERSRL – One Individual Plan

Coverage is for a maximum of 6 years or until Medicare eligible

- * Hired before 11/1/94: free coverage if no alternative source (years of service not required); if other source WED pays co-pay of other plan. Hired on or after 11/1/94: coverage if no alternative source (years of service not required); retiree pays applicable co-pay through WED or other plan. All coverage terminates when retiree reaches age 65.

Post 65: 35 years of service with ERSRL, 25 years service with WED – Individual Medicare Supplement (No Rx Rider)

Cost Sharing:

Pre 65: Hired before 7/1/2013: 20% of working rate
Hired on or after 7/1/2013: 50% of working rate

Post 65: 20% of working rate

Survivor Coverage continues for survivor(s) of retiree until the earlier of:
1) date on which retiree would have reached age 65, or
2) benefits become available from another source

FINANCIAL STATEMENT DISCLOSURE (Cont.)

2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
 (reflects plan provisions in effect on 12/31/2014) (Cont.):

B. TEACHER ASSISTANTS (AFT Local 951, Paraprofessionals Chapter) CBS 7/1/2013 – 6/30/2018 (cont.)

Retired as of 7/1/2013

Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan
Post 65: Individual – Medicare Supplemental Plan and Part D Plan

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Post 65: 5% of working rate.

The City will pay 100% of the cost of Medicare Supplement plus Rx for a spouse who is Medicare Eligible until the retiree reaches age 65; and will pay Part B surcharges for retiree spouse as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

C. TEACHER (AFT Local 951) CBS 7/1/2013 – 6/30/2018

Retire after 7/1/2013

Eligibility and Coverage:

- Pre 65: On a pension with 25 yrs of continuous service to WED as of 7/1/13, and 20 years with WED, and
- 32 years of service with ERSRL – 2 Individual Plans with option to “buy up” to Family Plan
 - 35 years of service with ERSRL – Family Plan

- Retire before 7/1/18 with 20 years with WED, and
- 32 years of service with ERSRL – Individual Plus or a spouse or child
- Retire on or after 7/1/18 with 20 years with WED, and
- 32 years of service with ERSRL – One Individual Plan

Coverage is for a maximum of 6 years or until Medicare eligible

FINANCIAL STATEMENT DISCLOSURE (Cont.)

2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
 (reflects plan provisions in effect on 12/31/2014) (Cont.):

C. TEACHER (AFT Local 951) CBS 7/1/2013 – 6/30/2018 (cont.)

Eligibility and Coverage (cont.):

Post 65: 35 years of service with ERSRL, 25 years service with WED – Individual Medicare Supplement
 (No Rx Rider)

Cost Sharing:

Pre 65: Hired before 7/1/2013: 20% of working rate
Hired on or after 7/1/2013: 50% of working rate

Post 65: 20% of working rate

Retired as of 7/1/2013

Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan
Post 65: Individual – Medicare Supplemental Plan and Part D Plan

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Post 65: City pays 15% of Medicare Supplemental Plan.

The City will pay 100% of the cost of Medicare Supplement plus Rx for a spouse who is Medicare Eligible until the retiree reaches age 65; and will pay Part B surcharges for retiree spouse as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

FINANCIAL STATEMENT DISCLOSURE (Cont.)

**2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
(reflects plan provisions in effect on 12/31/2014) (Cont.):**

D. Dental: Until age 65 with retiree contribution of 20%.

E. Life: Superintendents: \$25,000; Non-superintendents: \$10,000

F. Monthly Premiums:

Medical	Individual	Family
Effective 7/1/2013	\$ 614.22	\$ 1,512.12
Medicare Supplement	\$ 155.23	
Medicare Part D	\$ 212.00	

Uniform Plan (Option 1) 7/1/2014 – 6/30/2015 Individual \$544.97; Family \$1,382.39

High Deductible Plan (Option 2) 7/1/2014 – 6/30/2015 Individual \$484.43; Family \$1,225.20

Dental	\$ 32.44	96.65
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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 4.00% was used.
2. **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>
2014	7.0%
2015	6.5%
2016	6.0%
2017	5.5%
2018	5.0%

For the following demographic (mortality, retirement, disability, and other termination of employment) assumptions we utilized rates used in the actuarial valuation of the Employees' Retirement System of Rhode Island.

3. **Mortality:**
 - Post-retirement mortality rates:
 - a. Male employees: 115% of the RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
 - b. Female employees: 95% of the RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
 - c. Disabled males – 60% of the PBGC Table Va for disabled males eligible for Social Security disability benefits.
 - d. Disabled females – 60% of the PBGC Table VIa for disabled females eligible for Social Security disability benefits.
 - Pre-retirement mortality (combined ordinary and duty):
 - a. RP-2000 Combined Healthy for Males with White Collar adjustments reduced 50% for teachers and 25% for non-teachers.

4. **Disability Rates:** None assumed

5. **Termination Rates:** Based on service:

<u>Service</u>	<u>Non-Teachers</u>		<u>Teachers</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
0	17.50%	18.00%	17.00%	8.90%
1	10.87%	11.43%	9.00%	7.78%
5	5.52%	5.84%	2.89%	4.55%
10	2.60%	2.55%	1.20%	2.33%
15	2.01%	1.59%	1.20%	1.19%
20	1.75%	1.12%	0.94%	0.61%
24	0.44%	0.00%	0.94%	0.36%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

6. Retirement Rates:

Non-teachers: Separate male and female rates. Sample rates are shown below:

30 or more years of service prior to age 58:

<u>Service</u>	<u>Male</u>	<u>Female</u>
30	30.0%	30.0%
31	30.0%	25.0%
32-34	25.0%	10.0%
35	25.0%	15.0%
36	25.0%	20.0%
37	25.0%	25.0%
38	35.0%	25.0%
39	50.0%	25.0%
40+	100.0%	100.0%

Age 58 and older

<u>Age</u>	<u>Male</u>	<u>Female</u>
58	12.0%	12.0%
59-61	10.0%	10.0%
62	30.0%	20.0%
63-64	20.0%	15.0%
65	20.0%	20.0%
66-68	25.0%	25.0%
69	30.0%	25.0%
70-74	30.0%	20.0%
75	100.0%	100.0%

Teachers: Separate male and female rates. Sample rates are shown below:

28 or more years of service prior to age 60:

<u>Service</u>	<u>Male</u>	<u>Female</u>
28	25.0%	20.0%
29	15.0%	15.0%
30-31	20.0%	20.0%
32-33	30.0%	30.0%
34	40.0%	35.0%
35	55.0%	50.0%
36-39	40.0%	40.0%
40+	100.0%	100.0%

Age 60 and older

<u>Age</u>	<u>Male</u>	<u>Female</u>
60	20.0%	20.0%
61	15.0%	15.0%
62	30.0%	25.0%
63	25.0%	20.0%
64	10.0%	20.0%
65	25.0%	35.0%
66-74	25.0%	25.0%
75	100.0%	100.0%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

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 life insurance plan upon retirement; and that 70% of the current active employees would enroll in the medical and dental insurance plans upon retirement.
7. **Percent Married:** It was assumed that 75% of the active 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. **Per Capita Claims Cost:** Premiums were age-graded on the current participants in the Medical plan. Further details of the annual per capita claims cost is featured in Section V of the report.
11. **Administrative expenses:** Included in premiums used.
12. **Participant Salary Increases:** 2.50% per annum.
13. **Payroll Growth Rate:** 2.50% annually

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

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 is determined as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability is amortized on a closed basis with each new base amortized over 30 years. The amortization amounts are combined and are amortized over an equivalent single amortization period not to exceed the maximum acceptable period.

ADDITIONAL COMMENTS

The values in this GASB 45 valuation represent a closed group and do not reflect new entrants after the census collection date.

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Section V

Representative Claim Costs

Based on combined actual claims and premium experience, age-related representative per capita claims costs were developed. This section shows the development of these costs.

REPRESENTATIVE 2013 PER CAPITA MEDICAL CLAIM COSTS

DEVELOPMENT OF PER CAPITA RETIREE CLAIM COSTS

\$8,490,977	Employer Primary Premium Based Claims
<u>\$81,732</u>	Medicare Primary Premium Based Claims
\$8,572,709	Total Premium Based Claims
\$9,227	Retiree (Pre-65) Average Per Capita Claim
\$81,732	Retiree (Post-65) Average Per Capita Claim

ALL ACTIVE PARTICIPANTS EMPLOYER PRIMARY

<u>Age Bracket</u>	<u>Number of Males</u>	<u>Number of Females</u>	<u>Male Aging Factor</u>	<u>Female Aging Factor</u>	<u>Aged (M) Average Claims</u>	<u>Aged (F) Average Claims</u>	<u>Age Related Claims</u>
24 & under	22	0	0.549	1.312	\$2,605	\$6,225	\$0
25 - 29	27	6	0.591	1.312	\$2,804	\$6,225	\$122,655
30 - 34	32	22	0.712	1.312	\$3,378	\$6,225	\$385,589
35 - 39	37	46	0.850	1.312	\$4,033	\$6,225	\$583,944
40 - 44	42	75	1.000	1.312	\$4,745	\$6,225	\$816,538
45 - 49	47	72	1.193	1.456	\$5,661	\$6,909	\$863,532
50 - 54	52	67	1.441	1.599	\$6,837	\$7,587	\$1,262,335
55 - 59	57	83	1.753	1.740	\$8,318	\$8,256	\$1,375,633
60 - 64	62	50	2.102	1.968	\$9,974	\$9,338	\$974,923
65 - 69	67	<u>34</u>	2.316	2.168	\$10,989	\$10,287	<u>\$527,935</u>
Employer Primary Sub.	455	526					\$6,913,084

ALL RETIREE PARTICIPANTS EMPLOYER PRIMARY

<u>Age Bracket</u>	<u>Number of Males</u>	<u>Number of Females</u>	<u>Male Aging Factor</u>	<u>Female Aging Factor</u>	<u>Aged (M) Average Claims</u>	<u>Aged (F) Average Claims</u>	<u>Age Related Claims</u>
44 & under	42	0	1.000	1.312	\$4,745	\$6,225	\$0
45 - 49	47	0	1.193	1.456	\$5,661	\$6,909	\$0
50 - 54	52	2	1.441	1.599	\$6,837	\$7,587	\$36,436
55 - 59	57	11	1.753	1.740	\$8,318	\$8,256	\$314,411
60 - 64	62	50	2.102	1.968	\$9,974	\$9,338	\$1,227,047
65 - 69	67	0	2.316	2.168	\$10,989	\$10,287	\$0
70 - 74	72	0	2.557	2.396	\$12,133	\$11,369	\$0
75 - 79	77	0	2.769	2.593	\$13,139	\$12,303	\$0
80 - 84	82	0	2.910	2.724	\$13,808	\$12,925	\$0
85 - 89	87	0	3.059	2.864	\$14,515	\$13,589	\$0
90 & Over	92	<u>0</u>	3.215	3.010	\$15,255	\$14,282	<u>\$0</u>
Employer Primary Sub.	63	108					\$1,577,894

ALL RETIREE PARTICIPANTS MEDICARE PRIMARY

<u>Age Bracket</u>	<u>Number of Males</u>	<u>Number of Females</u>	<u>Male Aging Factor</u>	<u>Female Aging Factor</u>	<u>Aged (M) Average Claims</u>	<u>Aged (F) Average Claims</u>	<u>Age Related Claims</u>
65 - 69	67	16	2.316	2.168	\$1,947	\$1,822	\$60,305
70 - 74	72	4	2.557	2.396	\$2,149	\$2,014	\$16,653
75 - 79	77	1	2.769	2.593	\$2,328	\$2,180	\$2,328
80 - 84	82	1	2.910	2.724	\$2,446	\$2,290	\$2,446
85 - 89	87	0	3.059	2.864	\$2,571	\$2,407	\$0
90 & Over	92	<u>0</u>	3.215	3.010	\$2,702	\$2,530	<u>\$0</u>
Medicare Primary Sub.	22	20					\$81,732
Retiree Subtotal	<u>85</u>	<u>128</u>					<u>\$1,659,626</u>
Grand Total	<u>540</u>	<u>654</u>					<u>\$8,572,709</u>

Section VI

Appendices

APPENDIX - I.

ACTIVE EMPLOYEE BY AGE AND SERVICE

AS OF JULY 1, 2013

<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	1	0	0	0	0	0	0	0	0	1
25 - 29	16	7	0	0	0	0	0	0	0	23
30 - 34	13	25	20	0	0	0	0	0	0	58
35 - 39	7	17	48	4	0	0	0	0	0	76
40 - 44	9	17	77	29	7	0	0	0	0	139
45 - 49	10	17	37	20	10	3	0	0	0	97
50 - 54	14	15	32	33	13	11	2	0	0	120
55 - 59	5	11	32	22	23	5	2	0	0	100
60 - 64	5	7	23	9	7	9	2	0	0	62
65 - 69	3	5	3	6	2	1	0	0	0	20
70 - 74	0	0	0	1	2	0	0	0	0	3
75 - 79	0	0	0	0	0	0	0	0	0	0
80 - 84	0	0	0	0	0	0	0	0	0	0
85 and Over	0	0	0	0	0	0	0	0	0	0
Total	83	121	272	124	64	29	6	0	0	699

APPENDIX – II.

RECONCILIATION OF ACTUARIAL ACCRUED LIABILITY

a. 7/1/2013 Actuarial Accrued Liability	\$24,746,975
b. 2013 Normal Cost	\$595,211
c. Interest Rate	4.00%
d. Interest on (a. + b.)	\$1,013,687
e. 2013 Expected Benefit Payments	(\$1,148,499)
f. Interest on f.	<u>(\$22,970)</u>
g. 7/1/2014 Expected Actuarial Accrued Liability (a. + b. + d. + e. + f.)	\$25,184,404
h. Change in Actuarial Accrued Liability due to	
i. Demographic and plan cost changes	\$0
ii. Change in Actuarial Assumptions	\$0
iii. Plan Change	\$408,164
iv. Total	\$408,164
i. 7/1/2014 Actuarial Accrued Liability (g. + h. iv.)	\$25,592,568

APPENDIX - III.

DEVELOPMENT OF AMORTIZATION PAYMENT

A. Prior Bases

1. Amortization Base Balance as of 7/1/2013	\$24,746,975
2. 2013 Amortization Payment	(\$1,199,689)
3. Interest	0.00%
4. Interest on (1) + (2)	<u>\$941,891</u>
5. Amortization Base Balance as of 7/1/2014 (1) + (2) + (4)	\$24,489,177
10. Remaining Amortization Period	0
11. Valuation Interest rate	0.00%
12. Assumed payroll growth	0.00%
13. 2014 Adjusted Amortization Amount	\$1,229,681

B. New Amortization Base

1. Experience (Gain)/Loss	\$0
2. Assumption Changes	\$0
3. Plan Change	\$408,164
4. Loss due to Funding timing	<u>\$695,227</u>
5. Total (1) + (2) + (3) + (4)	\$1,103,391
6. Remaining Amortization Period	30
7. Valuation Interest rate	0.00%
8. Assumed payroll growth	0.00%
9. Amortization Amount	\$45,047

C. Combined Bases

1. Amortization Base Balance as of 7/1/2014 (A.9. + B.5.)	\$25,592,568
2. 2014 Preliminary Total Amortization Amount (A.13. + B.9.)	\$1,274,728
3. 2014 Minimum Total Amortization Amount (30 year)	\$1,044,845
4. 2014 Total Amortization Amount (greater of 2. and 3.)	\$1,274,728

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	\$ 1,077,948	\$ 1,077,948	2047	\$2,381,160	\$ 55,971,155	2080	\$ 161,882	\$ 96,678,636
2015	\$ 949,280	\$ 2,027,228	2048	\$2,335,824	\$ 58,306,979	2081	\$ 131,791	\$ 96,810,427
2016	\$ 917,340	\$ 2,944,568	2049	\$2,287,045	\$ 60,594,024	2082	\$ 106,199	\$ 96,916,626
2017	\$ 894,118	\$ 3,838,686	2050	\$2,274,889	\$ 62,868,913	2083	\$ 84,712	\$ 97,001,338
2018	\$ 861,121	\$ 4,699,807	2051	\$2,184,838	\$ 65,053,751	2084	\$ 66,826	\$ 97,068,164
2019	\$ 805,455	\$ 5,505,262	2052	\$2,099,618	\$ 67,153,369	2085	\$ 52,174	\$ 97,120,338
2020	\$ 814,316	\$ 6,319,578	2053	\$2,031,948	\$ 69,185,317	2086	\$ 40,309	\$ 97,160,647
2021	\$ 838,289	\$ 7,157,867	2054	\$1,963,383	\$ 71,148,700	2087	\$ 30,810	\$ 97,191,457
2022	\$ 904,612	\$ 8,062,479	2055	\$1,907,799	\$ 73,056,499	2088	\$ 23,288	\$ 97,214,745
2023	\$ 993,286	\$ 9,055,765	2056	\$1,849,069	\$ 74,905,568	2089	\$ 17,384	\$ 97,232,129
2024	\$ 1,052,830	\$ 10,108,595	2057	\$1,786,483	\$ 76,692,051	2090	\$ 12,813	\$ 97,244,942
2025	\$ 1,086,871	\$ 11,195,466	2058	\$1,720,455	\$ 78,412,506	2091	\$ 9,313	\$ 97,254,255
2026	\$ 1,173,911	\$ 12,369,377	2059	\$1,651,402	\$ 80,063,908	2092	\$ 6,679	\$ 97,260,934
2027	\$ 1,258,813	\$ 13,628,190	2060	\$1,578,144	\$ 81,642,052	2093	\$ 4,719	\$ 97,265,653
2028	\$ 1,350,719	\$ 14,978,909	2061	\$1,501,453	\$ 83,143,505	2094	\$ 3,263	\$ 97,268,916
2029	\$ 1,432,383	\$ 16,411,292	2062	\$1,421,712	\$ 84,565,217	2095	\$ 2,238	\$ 97,271,154
2030	\$ 1,559,877	\$ 17,971,169	2063	\$1,339,080	\$ 85,904,297	2096	\$ 1,510	\$ 97,272,664
2031	\$ 1,631,021	\$ 19,602,190	2064	\$1,254,157	\$ 87,158,454	2097	\$ 1,004	\$ 97,273,668
2032	\$ 1,737,625	\$ 21,339,815	2065	\$1,167,814	\$ 88,326,268	2098	\$ 664	\$ 97,274,332
2033	\$ 1,773,937	\$ 23,113,752	2066	\$1,080,693	\$ 89,406,961	2099	\$ 429	\$ 97,274,761
2034	\$ 1,833,287	\$ 24,947,039	2067	\$ 993,315	\$ 90,400,276	2100	\$ 271	\$ 97,275,032
2035	\$ 2,051,241	\$ 26,998,280	2068	\$ 906,989	\$ 91,307,265	2101	\$ 166	\$ 97,275,198
2036	\$ 2,281,016	\$ 29,279,296	2069	\$ 822,683	\$ 92,129,948	2102	\$ 103	\$ 97,275,301
2037	\$ 2,471,529	\$ 31,750,825	2070	\$ 740,104	\$ 92,870,052	2103	\$ 59	\$ 97,275,360
2038	\$ 2,241,795	\$ 33,992,620	2071	\$ 660,911	\$ 93,530,963	2104	\$ 35	\$ 97,275,395
2039	\$ 2,283,357	\$ 36,275,977	2072	\$ 585,673	\$ 94,116,636	2105	\$ 18	\$ 97,275,413
2040	\$ 2,397,670	\$ 38,673,647	2073	\$ 514,824	\$ 94,631,460	2106	\$ 10	\$ 97,275,423
2041	\$ 2,404,618	\$ 41,078,265	2074	\$ 449,025	\$ 95,080,485	2107	\$ 4	\$ 97,275,427
2042	\$ 2,543,621	\$ 43,621,886	2075	\$ 388,217	\$ 95,468,702	2108	\$ -	\$ 97,275,427
2043	\$ 2,624,395	\$ 46,246,281	2076	\$ 332,531	\$ 95,801,233	2109	\$ -	\$ 97,275,427
2044	\$ 2,537,021	\$ 48,783,302	2077	\$ 281,983	\$ 96,083,216	2110	\$ -	\$ 97,275,427
2045	\$ 2,391,600	\$ 51,174,902	2078	\$ 236,770	\$ 96,319,986	2111	\$ -	\$ 97,275,427
2046	\$ 2,415,093	\$ 53,589,995	2079	\$ 196,768	\$ 96,516,754	2112	\$ -	\$ 97,275,427

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.