



***Foster-Glocester Regional School
District***

GASB 45 Actuarial Valuation

Fiscal Year Ending June 30, 2015

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October 26, 2015

Foster-Glocester Regional School District

Kathlene Haines

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North Scituate, RI 02857

This report summarizes the GASB 45 actuarial valuation for the Foster-Glocester Regional School District 2014/15 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions).

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate and other economic assumptions have been selected by the Plan Sponsor. Demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

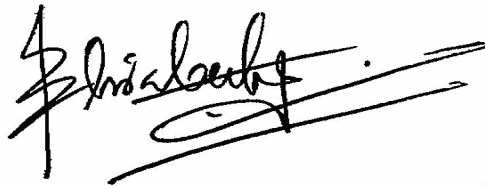
October 26, 2015

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.



Randy Gomez, FSA, MAAA
Consulting Actuary



Evi Laksana, ASA, MAAA
Valuation Actuary

Summary of Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2015 compared to the prior fiscal year.

	<i>As of July 1, 2013</i>		<i>As of July 1, 2014</i>	
Actuarial Accrued Liability	\$	1,928,036	\$	1,726,316
Actuarial Value of Assets	\$	0	\$	0
Unfunded Actuarial Accrued Liability	\$	1,928,036	\$	1,726,316
Funded Ratio		0.0%		0.0%

	<i>FY 2013/14</i>		<i>FY 2014/15</i>	
Annual Required Contribution	\$	239,395	\$	219,201
Annual OPEB Cost	\$	233,883	\$	213,469
Annual Employer Contribution	\$	239,395	\$	219,201

	<i>As of June 30, 2014</i>		<i>As of June 30, 2015</i>	
Net OPEB Obligation	\$	114,790	\$	109,058

	<i>As of June 30, 2015</i>	
Total Active Participants		147
Total Retiree Participants		20

The active participants number above may include active employees who currently have no health care coverage. Refer to the Summary of Participants section for an accurate breakdown of active employees with and without coverage.

Below is a breakdown of total GASB 45 liabilities allocated for past, current, and future service for the fiscal year beginning July 1, 2014 compared to the prior valuation as of July 1, 2013.

	<i>As of July 1, 2013</i>		<i>As of July 1, 2014</i>	
Present Value of Future Benefits	\$	2,603,518	\$	2,180,107
Active Employees		1,888,656		1,574,087
Retired Employees		714,862		606,020
Actuarial Accrued Liability	\$	1,928,036	\$	1,726,316
Active Employees		1,213,174		1,120,297
Retired Employees		714,862		606,019
Normal Cost	\$	59,774	\$	47,950
Future Normal Cost	\$	615,708	\$	405,841

Present Value of Future Benefits (PVFB) is the total liability amount as of July 1, 2013 and July 1, 2014 and represents the amount the Schools needs to fully fund its retiree health care obligations assuming all actuarial assumptions are met.

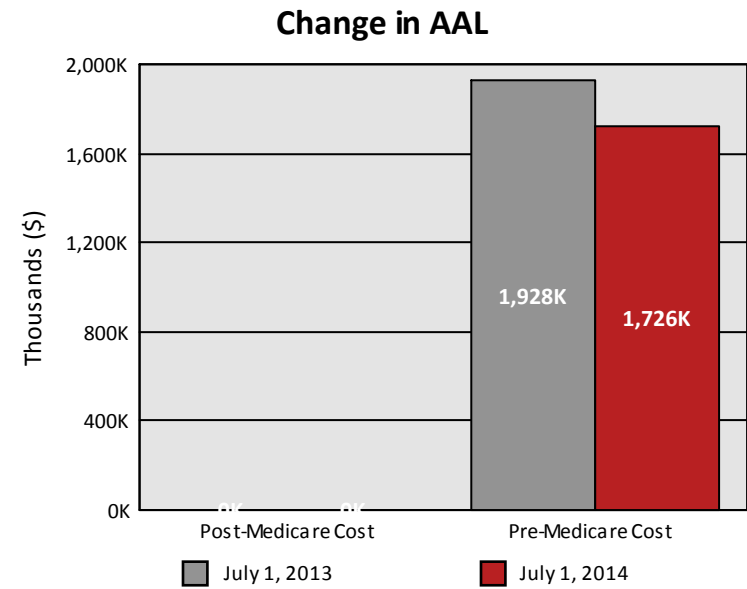
Actuarial Accrued Liability is the portion of PVFB considered to be accrued or earned as of July 1, 2013 and July 1, 2014. This amount is a required disclosure in the Required Supplementary Information section.

Normal Cost is the portion of the total liability amount that is attributed and accrued for current year active employee service by the actuarial cost method level dollar.

Future Normal Cost is the portion of the total liability amount that is attributed to the future employee service by the actuarial cost method level dollar.

Below is a breakdown of total GASB 45 liabilities allocated for pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

Actuarial Accrued Liability (AAL)		As of July 1, 2013		As of July 1, 2014
Total Active AAL	\$	1,213,174	\$	1,120,297
Active Pre-Medicare		1,213,174		1,120,297
Active Post-Medicare		0		0
Total Retirees AAL	\$	714,862	\$	606,019
Retirees Pre-Medicare		714,862		606,019
Retirees Post-Medicare		0		0
Total AAL	\$	1,928,036	\$	1,726,316

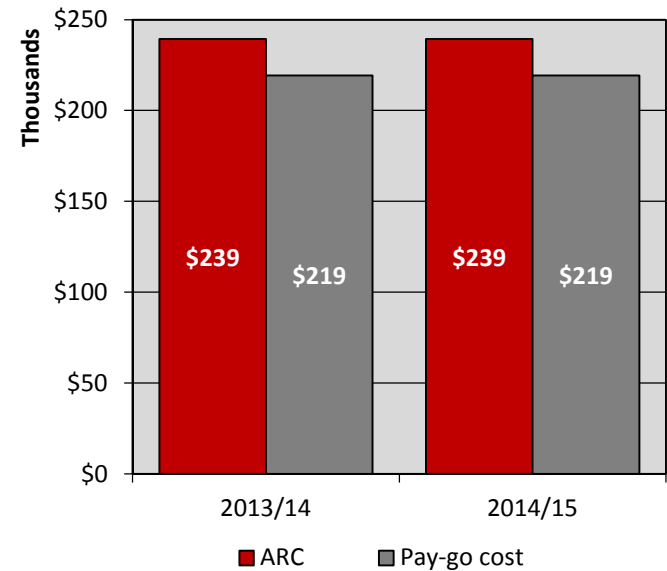


Development of Annual Required Contribution (ARC)

Required Supplementary Information		FY 2013/14		FY 2014/15
Actuarial Accrued Liability as of beginning of year	\$	1,928,036	\$	1,726,316
Actuarial Value of Assets as of beginning of year		0		0
Unfunded Actuarial Accrued Liability (UAAL)	\$	1,928,036	\$	1,726,316
Covered payroll ¹	\$	9,422,720	\$	9,101,175
UAAL as a % of covered payroll		20.5%		19.0%

Annual Required Contribution		FY 2013/14		FY 2014/15
Normal cost as of beginning of year	\$	59,774	\$	47,950
Amortization of the UAAL		159,100		149,295
Total normal cost and amortization payment	\$	218,874	\$	197,245
Interest to end of year		8,755		7,890
Total Annual Required Contribution (ARC)	\$	227,629	\$	205,135
Final ARC²	\$	239,395	\$	219,201

Cash vs Accrual Accounting



Annual Required Contribution (ARC) is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method. The GASB 45 ARC is higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

¹ 2013/14 covered payroll is based on 2012/13 covered payroll increased by the payroll growth assumption (3.0%).

² Total Annual Required Contribution for both 2013/14 and 2014/15 fiscal years have been limited to be no less than the expected pay-go cost.

Development of Annual OPEB Cost and Net OPEB Obligation

Annual employer contributions for pay-go cost are estimated figures for FY 2013/14 and FY 2014/15.

Net OPEB Obligation			FY 2013/14	FY 2014/15	
ARC as of end of year	\$		239,395	\$	219,201
Interest on Net OPEB Obligation (NOO) to end of year			4,812		4,592
NOO amortization adjustment to the ARC			(10,324)		(10,324)
Annual OPEB cost	\$		233,883	\$	213,469
Annual employer contribution for pay-go cost			(239,395)		(219,201)
Annual employer contribution for pre-funding			0		0
Change in NOO	\$		(5,512)	\$	(5,732)
NOO as of beginning of year			120,302		114,790
NOO as of end of year	\$		114,790	\$	109,058

Pay-as-you-go Cost is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

Net OPEB Obligation is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.

Summary of GASB 45 Financial Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2015 compared to the prior fiscal years. Prior years fiscal information is as shown in the Schools's Notes to Financial Statement for fiscal year ending June 30, 2014.

Schedule of Funding Progress

<i>As of</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as % of Covered Payroll</i>
	<i>A</i>	<i>B</i>	<i>C = A - B</i>	<i>D = B / A</i>	<i>E</i>	<i>F = C / E</i>
July 1, 2014	\$ 1,726,316	\$ 0	\$ 1,726,316	0.0%	\$ 9,101,175	19.0%
July 1, 2013	\$ 1,928,036	\$ 0	\$ 1,928,036	0.0%	\$ 9,422,720	20.5%
July 1, 2012	\$ 2,065,042	\$ 0	\$ 2,065,042	0.0%	\$ 9,148,272	22.6%

Schedule of Employer Contributions

<i>FYE</i>	<i>Employer Contributions</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
	<i>A</i>	<i>B</i>	<i>C = A / B</i>
June 30, 2015	\$ 219,201	\$ 219,201	100.0%
June 30, 2014	\$ 239,395	\$ 239,395	100.0%
June 30, 2013	\$ 219,628	\$ 230,973	95.1%

Historical Annual OPEB Cost

<i>As of</i>	<i>Annual OPEB Cost</i>	<i>% of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation</i>
June 30, 2015	\$ 213,469	102.7%	\$ 109,058
June 30, 2014	\$ 233,883	102.4%	\$ 114,790
June 30, 2013	\$ 226,172	97.1%	\$ 120,302

Reconciliation of Actuarial Accrued Liability

The Actuarial Accrued Liability (AAL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the AAL and whether they increase or decrease the liability.

Expected Events

- Increases in AAL due to additional benefit accruals as employees continue to earn service each year
- Increases in AAL due to interest as the employees and retirees age
- Decreases in AAL due to benefit payments

Unexpected Events

- Increases in AAL when actual premium rates increase more than expected. A liability decrease occurs when premium rates increase less than expected.
- Increases in AAL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in AAL depending on whether benefit provisions are improved or reduced.

		FY 2013/14		FY 2014/15
Actuarial Accrued Liability as of beginning of year	\$	1,928,036	\$	1,726,316
Normal cost as of beginning of year		59,774		47,950
Expected benefit payments during the year		(239,395)		(219,201)
Interest adjustment to end of year		74,771		66,630
Expected Actuarial Accrued Liability as of end of year ¹	\$	1,823,186	\$	1,621,695
(Gain) / loss due to experience		90,295		0
(Gain) / loss due to provisions / assumption changes		(187,165)		0
Actuarial Accrued Liability as of end of year	\$	1,726,316	\$	1,621,695

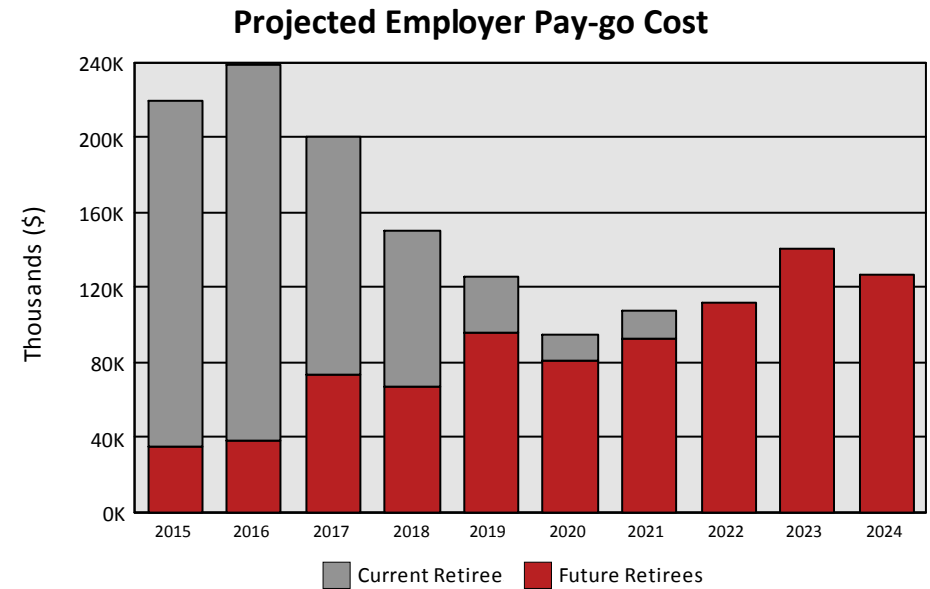
Reconciliation of AAL shows what the actuary expects the actuarial accrued liability to be at the beginning of the following fiscal year based on current assumptions and plan provisions. The expected end of year AAL will change as actual plan experience varies from assumptions. Generally, the AAL is expected to have a net increase each year.

Actuarial Accrued Liability (AAL) as of beginning of year was actuarially rolled-back from end of year AAL on a “no gain/loss” basis.

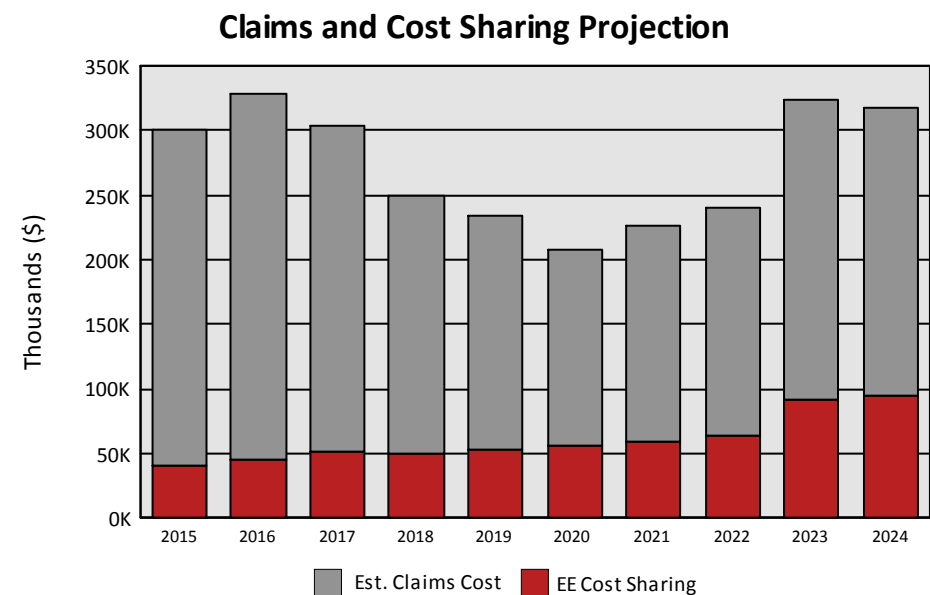
Employer Contribution Cash Flow Projections

The below projections show the actuarially estimated employer subsidized contribution for retiree benefits for the next 10 years. Results below are shown separately for current/future retirees and gross claims costs/contributions. The projections include explicit and implicit subsidies, and do not take into account future new hires.

FYE	Current Retirees	Future Retirees	Total
2015	\$ 184,426	\$ 34,775	\$ 219,201
2016	\$ 201,024	\$ 37,905	\$ 238,929
2017	\$ 126,951	\$ 73,270	\$ 200,221
2018	\$ 83,551	\$ 67,087	\$ 150,638
2019	\$ 30,142	\$ 96,085	\$ 126,227
2020	\$ 13,774	\$ 80,628	\$ 94,402
2021	\$ 14,634	\$ 93,198	\$ 107,832
2022	\$ 0	\$ 112,446	\$ 112,446
2023	\$ 0	\$ 140,359	\$ 140,359
2024	\$ 0	\$ 127,006	\$ 127,006



FYE	Estimated Claims Cost	Retiree Contributions	Net Employer-Paid Costs
2015	\$ 260,118	\$ 40,917	\$ 219,201
2016	\$ 283,529	\$ 44,600	\$ 238,929
2017	\$ 251,663	\$ 51,442	\$ 200,221
2018	\$ 200,366	\$ 49,728	\$ 150,638
2019	\$ 179,865	\$ 53,638	\$ 126,227
2020	\$ 150,961	\$ 56,559	\$ 94,402
2021	\$ 166,877	\$ 59,045	\$ 107,832
2022	\$ 176,736	\$ 64,290	\$ 112,446
2023	\$ 232,447	\$ 92,088	\$ 140,359
2024	\$ 222,057	\$ 95,051	\$ 127,006



Eligibility

Certified Teachers and certain Administrators positions are eligible for retiree health benefits once they meet the retirement eligibility requirements of Rhode Island Employees Retirement System (RI ERS). The Administrators positions that fall in this category are:

1. Superintendent
2. Assistant Superintendent
3. Business Manager
4. Principals

Duration of coverage for Certified Teachers and Administrators positions that are tied to Certified Teachers bargained benefit are as follows:

1. Teachers hired prior to July 1, 1992 – retiree health benefits are available until Medicare eligibility
2. Teachers hired on/after July 1, 1992 but before July 1, 2000 – retiree health benefits are available for eight years, but not past Medicare eligibility.
3. Teachers hired on/after July 1, 2000 but before July 1, 2011 – retiree health benefits are available for three years, but not past Medicare eligibility.
4. Teachers hired on/after July 1, 2011 are not eligible for retiree health benefits.

Non-Certified employees and certain Administrators positions are eligible for retiree health benefits until Medicare eligibility once they meet the retirement eligibility requirements of Rhode Island Municipal Employees Retirement System (RI MERS). The Administrators positions that fall in this category are:

1. Director of IT
2. Accountant
3. Director of Buildings and Grounds
4. Data Manager
5. Administrative Assistant to Superintendent
6. Vice (or Assistant) Principal

Spouse Benefit

Upon the death of the retired member or when the member reaches Medicare eligibility, spouse coverage converts to COBRA coverage.

Life Insurance

Retirees pay the full cost of life insurance coverage at retirement.

Post-Medicare Liabilities

There is no GASB liability for Medicare retirees since they pay the full cost of coverage.

RI ERS Eligibility Requirements

RI ERS eligibility requirements is the earlier of each employee’s (a) Article 7 or (b) RIRSA eligibility dates which vary by Schedules summarized below:

Schedules	Vested with 10 years of contributing service credit as of 7/1/2005	Eligible to retire as of 9/30/2009
A	Y	Y*
B	N	Y**
AB	Y	N
B1	N	N
B2	Employees that became a member of RI ERS after 9/30/2009	

* Schedule A members were eligible to retire as of 9/30/2009 if they had (i) 28 years of service as of 9/30/2009 or (ii) had 10 years of contributing service and were age 60 as of 9/30/2009.

** Schedule B members were eligible to retire as of 9/30/2009 if they had 10 years of contributing service and were age 65 as of 9/30/2009.

Article 7 Eligibility Date

There are no changes to Schedule A and Schedule B members retirement eligibility dates. These employees may retire at any time once they met the prior RI ERS eligibility rules. The prior RI ERS eligibility rules are:

- Schedule A – earlier of (i) 28 years of service or (ii) age 60 with 10 years of contributing service.
- Schedule B – earlier of (i) age 65 with 10 years of contributing service or (ii) age 59 with 29 years of contributing service.

Minimum retirement age under Article 7 for Schedule AB and B1 members is 62 with “proportional downward adjustment” toward an earlier retirement age based on years of service as of 9/30/2009 (referred to as “frozen service credit”).

Schedule B2 members minimum retirement age under Article 7 is age 62 without “proportional downward adjustment” toward an earlier retirement age.

RI ERS Eligibility Requirements
(Continued)RIRSA Eligibility Date

Employees with less than five years of contributing service credit on 6/30/2012 may retire at the Social Security normal retirement age (not higher than 67).

For employees with at least five years of contributing service credit on 6/30/2012, minimum retirement age is 62 with “proportional downward adjustment” toward an earlier retirement date based on years of service prior to 7/1/2012, but not earlier than 59.

Employees with at least 10 years of contributing service credit on 6/30/2012 may retire at their Article 7 eligibility date if they continue to work and contribute until that date. If they are within five years of reaching RIRSA retirement eligibility date and have at least 20 years of service, they may retire at any time.

MERS Eligibility Requirements

Employees eligible to retire as of 7/1/2012 are not impacted by the new eligibility requirements described below. Prior to 7/1/2012, employees were eligible to retire at the earlier of: (i) age 58 with 10 years of service credit or (ii) 30 years of service (no age requirement).

For employees who are not eligible to retire as of 7/1/2012:

- a) Members with less than five years of contributing service credit on 6/30/2012 may retire at their Social Security normal retirement age.
- b) Members with at least five years of contributing service credit on 6/30/2012 may retire at an individually determined age, which is the result of interpolating the member’s prior Retirement Date (described in previous paragraph) and the retirement age applicable to members hired after 6/30/2012 (described in item (a) above).
- c) Members with at least ten years of contributing service credit on 6/30/2012 may retire at their prior Retirement Date (described in previous paragraph) if they continue to work and contribute until that date.

All members who are within five years of reaching their retirement eligibility date (described in the paragraphs above) may retire at any time if they have at least 20 years of service.

Retiree Cost Sharing

Certified Teachers

Certified Teachers contribution requirement vary based on retirement dates:

- Retirements prior to July 1, 2009 – no contributions required.
- Retirements between July 1, 2009 and June 30, 2011 – 1.5% of base salary (for medical and dental coverage)
- Retirements between July 1, 2011 and June 30, 2012 – 10% of premiums (medical and dental)
- Retirements between July 1, 2012 and June 30, 2015 – 20% of premiums (medical and dental)

For GASB valuation purposes, all Certified Teachers that are still actively employed by June 30, 2015 are assumed to contribute 20% of premiums at retirement. Total annual contributions for medical and dental benefits are limited to the following amounts:

<u>Plan Year</u>	<u>Single</u>
2014/15	\$ 1,486
2015/16	\$ 1,590

Retirees that elect the Classic plan at retirement are required to pay the additional cost of the Classic plan over the Healthmate plan.

Administrators

The following positions are not covered under a contract but have the same salary increases and benefits as Certified union group:

- Superintendent
- Assistant Superintendent
- Administrative Assistant to Superintendent
- Principal
- Vice (or Assistant) Principal
- Business Manager
- Director of IT
- Accountant
- Director of Buildings and Grounds
- Data Manager

For GASB valuation purposes, they are assumed to have the same retiree cost sharing as Certified Teachers.

Retiree Cost Sharing (Continued)

Non-Certified Employees

Non-Certified employees who retire prior to reaching age 60 are allowed to purchase health care coverage at the group rates until they reach age 60. Upon reaching age 60 they are eligible for free individual medical and dental coverage. Employees who are at least 60 years old at retirement receive free medical and dental coverage. The District will only pay up to a maximum of five years of medical and dental coverage.

Retirees that elect the Classic plan at retirement are required to pay the additional cost of the Classic plan over the Healthmate plan.

All groups

Retiree must pay the full incremental cost of family coverage if he/she has spousal and/or dependent coverage.

Medical Benefit

Same benefit options are available to retirees as active employees. Foster-Glocester Regional School District is a member of the WB Community Health (“Community”). Each participating plan sponsor is treated as a self-insured health plan (i.e. their assets are not pooled together).

The monthly premiums effective July 1, 2015 charged by WB Community Health Plan are as shown below. These rates are used for retiree contribution purposes.

	Single	Family
Classic	\$ 672.58	\$ 1,703.70
Healthmate	\$ 564.59	\$ 1,415.02

The above rates are insufficient to cover the District’s projected claims and administrative expenses for the 2015/16 year. A 9.1% load is required for the premiums to cover the projected claims and administrative expenses for the year.

Dental Benefit

Same benefit options are available to retirees as active employees. The monthly rates effective July 1, 2015 is as shown below.

	Single	Family	
	All Groups	Certified	Non-Certified
Dental	\$ 32.30	\$ 86.88	\$ 85.47

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and District experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the plan provisions and actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2013. Refer to the Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update health care trend rates and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2017.

Measurement Date	June 30, 2015 with results actuarially rolled back to July 1, 2014 on a "no gain / loss" basis
Discount Rate	4.0% unfunded
Payroll Growth	3.0% per year
Inflation Rate	3.0% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level dollar based on a closed group; the remaining amortization period as of June 30, 2015 is 15 years.
Census Data	Census information was provided by the District as of July 2015. We have reviewed it for reasonableness and no material modifications were made.
Health Care Coverage Election Rate	Certified employees with current coverage: 90% Non-Certified employees with current coverage: 70% Administrators with current coverage: 50% Active employees with no coverage: 0% Inactive employees with current coverage: 100% Inactive employees with no coverage: 0%
Spousal Coverage	85% of male and 75% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives. Actual spousal coverage and age is used for retirees.
Employer Funding Policy	Pay-as-you-go cash basis
Mortality	SOA RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2014

Disability None

Turnover Rate Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on Rhode Island Employees Retirement System (RI ERS) and Municipal Employees Retirement System (RI MERS) MERS actuarial valuations as of June 30, 2014. Sample rates are as shown below:

YOS	ERS	MERS
0	18.00%	17.50%
5	3.83%	6.15%
10	1.87%	2.71%
15	1.23%	1.75%
20	0.91%	1.49%
24	0.76%	0.58%

Retirement Rate Annual retirement rates for those subject to MERS eligibility requirements are based on RI MERS actuarial valuation as of June 30, 2014. Retirement rates for those subject to ERS eligibility requirements are based on a combination of the District’s historical experience between 2007 and 2015 and RI ERS actuarial valuation assumption as of June 30, 2014. Sample retirement rates are as shown below:

Age	ERS		MERS			
	Schedule A and AB	Schedule B1 and B2	10 YOS	25 YOS	30 YOS	35 YOS
55 – 56	10.0%	0.0%	0.0%	0.0%	25.0%	100.0%
57	5.0%	0.0%	0.0%	0.0%	25.0%	100.0%
58	5.0%	0.0%	25.0%	50.0%	25.0%	100.0%
59	5.0%	2.0%	25.0%	50.0%	25.0%	100.0%
60 – 61	25.0%	2.0%	25.0%	50.0%	25.0%	100.0%
62	50.0%	3.0%	25.0%	50.0%	25.0%	100.0%
63	50.0%	4.0%	25.0%	50.0%	25.0%	100.0%
64	50.0%	50.0%	25.0%	50.0%	25.0%	100.0%
65	100.0%	100.0%	50.0%	50.0%	50.0%	100.0%
66	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Health Care Trend Rates

FYE	Medical / Rx	Dental
2016	9.0%	3.0%
2017	8.5%	3.0%
2018	8.0%	3.0%
2019	7.5%	3.0%
2020	7.0%	3.0%
2021	6.5%	3.0%
2022	6.0%	3.0%
2023	5.5%	3.0%
2024+	5.0%	3.0%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Retiree Contributions

Retiree contributions are assumed to increase according to medical trend rates.

Per Capita Costs

Annual per capita costs were calculated based on the District’s monthly premium rates effective on July 1, 2015 actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Sample annual per capita costs are as shown below:

Age	Healthmate		Classic	
	Male	Female	Male	Female
< 50	\$ 7,400	\$ 7,400	\$ 8,800	\$ 8,800
50 – 54	\$ 7,400	\$ 7,700	\$ 8,800	\$ 9,200
55 – 59	\$ 8,900	\$ 8,700	\$ 10,600	\$ 10,300
60 – 64	\$ 11,400	\$ 10,200	\$ 13,600	\$ 12,200

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

The annual dental per capita cost is assumed to be \$388. It is assumed to increase with dental trend rates.

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a Certified Teacher retiring after July 1, 2012 enrolled in the Healthmate plan.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 564.59	\$ 112.92	\$ 451.67
Spouse	\$ 850.43	\$ 850.43	\$ 0.00

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a 60 – 64 male retiree enrolled in the Healthmate plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 950.00	\$ 564.59	\$ 385.41
Spouse	\$ 850.00	\$ 850.43	\$ 0.00*

All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.

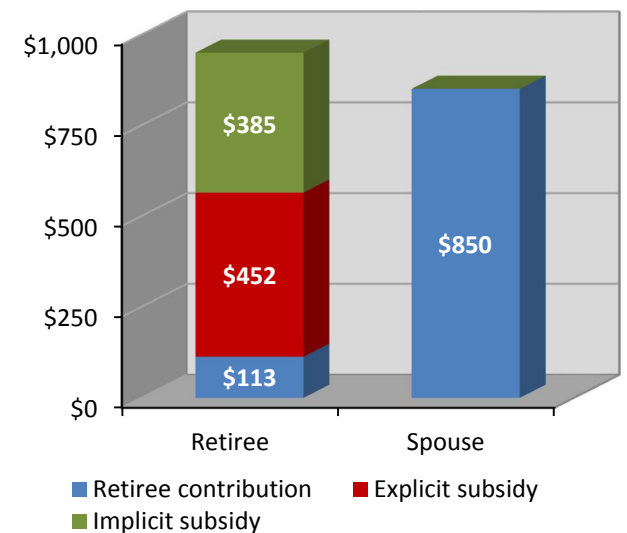
* Limited to \$0.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a 60 – 64 male Certified Teacher retiring after July 1, 2012 and his spouse enrolled in the Healthmate plan.

	Retiree	Spouse
Retiree contribution	\$ 112.92	\$ 850.43
Explicit subsidy	\$ 451.67	\$ 0.00
Implicit subsidy	\$ 385.41	\$ 0.00
Total monthly cost	\$ 950.00	\$ 850.43

GASB Subsidy Breakdown



Summary of Plan Participants

<i>Actives with coverage</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
Classic	1	5	6	58.5	28.4	\$463,309
Healthmate	13	91	104	49.4	15.4	\$6,494,645
Total actives with coverage	14	96	110	49.9	16.1	\$6,957,954

<i>Actives without coverage</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
Eligible for Benefits	37	47.6	10.3	\$2,143,221
Total actives without coverage	37	47.6	10.3	\$2,143,221

Active enrollment above includes only those who are eligible for retiree health benefits. Out of 37 active employees eligible for retiree health benefits who currently have no coverage, eight of them currently have dental benefits. These employees are assumed to elect dental coverage only at retirement and have been included in the GASB valuation. The remaining 29 employees are assumed not to elect any coverage with the District at retirement. They have been excluded from the GASB valuation.

Additionally, there are 18 active employees who are not eligible for retiree health benefits (13 with coverage and 5 with no coverage). They have been excluded from the GASB valuation.

<i>Retirees with coverage</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>
Classic	9	1	10	63.4
Healthmate	6	4	10	63.0
Total retirees with coverage	15	5	20	63.2

Active Age-Service Distribution

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25											0
25 to 29			1								1
30 to 34		2	7	3							12
35 to 39		2	4	8	2						16
40 to 44		1	2	9	7						19
45 to 49	2	3	8	3	3	5	1				25
50 to 54		2	4	7	6	3	5	1			28
55 to 59			3	5	5	4	1		1		19
60 to 64			3	3	11	2	3	1	2		25
65 to 69			1			1					2
70 & up											0
Total	2	10	33	38	34	15	10	2	3	0	147

Appendix

Appendix A - Comparison of Participant Demographic Information

The active participants number below may include active employees who currently have no health care coverage. Refer to the Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	<i>As of June 30, 2013</i>	<i>As of June 30, 2015</i>
Active Participants	163	147
Inactive Participants	34	20
Averages for Actives		
Age	48.2	49.3
Service	13.2	14.6
Averages for Inactives		
Age	63.2	63.2

Appendix B – GASB Results by Group

Below is the summary of the GASB results for fiscal year ending June 30, 2015 based on the Projected Unit Credit cost method with an unfunded discount rate of 4.0%.

<i>Group</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>		<i>Annual Required Contribution (ARC)</i>		<i>Net OPEB Obligation (NOO)</i>
	<i>As of July 1, 2014</i>		<i>For 2014/15</i>		<i>As of June 30, 2015</i>
Administrators	\$	23,691	\$	3,353	\$ 58,813
Certified Teachers	\$	687,134	\$	99,183	\$ 857,334
Non-Certified Employees	\$	409,472	\$	58,422	\$ 265,489
Retirees	\$	606,019	\$	58,243	\$ (1,072,578)
Total	\$	1,726,316	\$	219,201	\$ 109,058

Appendix C – Detailed Actuary’s Notes

There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2013.

Several actuarial assumptions have been updated since the last full valuation:

1. Mortality assumption has been updated from RP-2000 Combined Mortality Table fully generational using scale AA to RPH-2014 Total Dataset Mortality Table fully generational using scale MP 2014. This caused a slight decrease in liabilities.
2. Termination rates have been updated to be consistent with those used in the RI ERS and MERS actuarial valuation as of June 30, 2014. This caused an increase in the District’s liabilities.
3. Retirement rates for those subject to MERS eligibility requirements have been updated to be consistent with the rates used in the RI MERS actuarial valuation as of June 30, 2014. For those subject to the ERS eligibility requirements, retirement rates have been updated from those used in the RI ERS actuarial valuation as of June 30, 2012 to a combination of the District’s historical experience from 2007 through 2015 and RI ERS actuarial valuation assumption as of June 30, 2014. This change caused a significant decrease in the District’s liabilities.
4. Health Care Trend Rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%. This caused an increase in liabilities.

Glossary

Decrements Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 42.949 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year *	# of Retirements per Year *	Total Decrements
35	100.000	6.353	0.000	6.353
36	93.647	5.751	0.000	5.751
37	87.896	5.206	0.000	5.206
38	82.690	4.716	0.000	4.716
39	77.974	4.274	0.000	4.274
40	73.700	3.876	0.000	3.876
41	69.824	3.516	0.000	3.516
42	66.308	3.190	0.000	3.190
43	63.118	2.893	0.000	2.893
44	60.225	2.623	0.000	2.623
45	57.602	2.377	0.000	2.377

Age	# Remaining Employees	# of Terminations per Year *	# of Retirements per Year *	Total Decrements
46	55.225	2.147	0.000	2.147
47	53.078	1.931	0.000	1.931
48	51.147	1.724	0.000	1.724
49	49.423	1.524	0.000	1.524
50	47.899	1.329	0.000	1.329
51	46.570	1.151	0.000	1.151
52	45.419	0.977	0.000	0.977
53	44.442	0.818	0.000	0.818
54	43.624	0.675	0.000	0.675
55	42.949	0.000	42.949	42.949

Decrements Exhibit

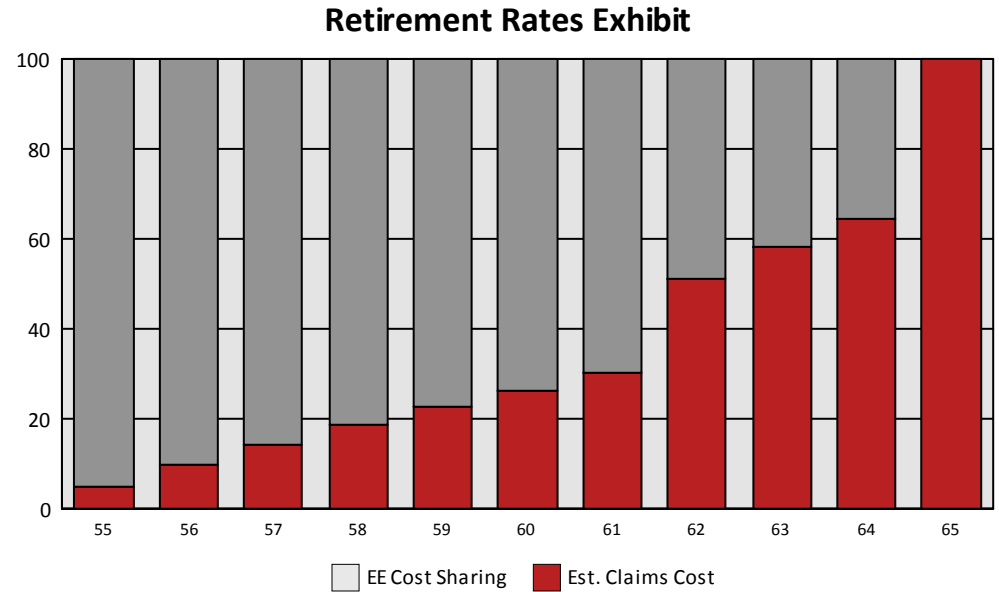


* The above rates are illustrative and are not used in our GASB calculations.

Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates *	# Retirements per year	Active Employees EOY
55	100.000	5.00%	5.000	95.000
56	95.000	5.00%	4.750	90.250
57	90.250	5.00%	4.513	85.738
58	85.738	5.00%	4.287	81.451
59	81.451	5.00%	4.073	77.378
60	77.378	5.00%	3.869	73.509
61	73.509	5.00%	3.675	69.834
62	69.834	30.00%	20.950	48.884
63	48.884	15.00%	7.333	41.551
64	41.551	15.00%	6.233	35.318
65	35.318	100.00%	35.318	0.000



* The above rates are illustrative and are not used in our GASB calculations.

Illustration of GASB Calculations

I. Facts

- A. The employer provides subsidized retiree health coverage worth \$100,000 to employees retiring at age 55 with 25 years of service. The employer funds the retiree health coverage on a pay-as-you-go basis.
- B. Employee X is age 50 and has worked 20 years with the employer.
- C. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.
- D. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% of continuing to work to age 55.

II. Calculation of Present Value of Future Benefits

Present Value of Future Benefits represents the cost of finance benefits payable in the future to current and future retirees and beneficiaries, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

	Value	Description
A.	\$100,000	Projected benefit at retirement
B.	80.2%	Interest discount for five years = $(1 / 1.045)^5$
C.	98.0%	Probability of living to retirement age
D.	95.0%	Probability of continuing to work to retirement age
E.	\$74,666	Present value of projected retirement benefit measured at employee's current age = $A \times B \times C \times D$

Illustration of GASB Calculations (continued)**III. Calculation of Actuarial Accrued Liability**

Actuarial Accrued Liability (AAL) represents the portion of the Present Value of Future Benefits which has been accrued recognizing the employee's past service with the employer. The AAL is a required disclosure in the Required Supplementary Information section of the employer's financial statement.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	20	Current years of service with employer
C.	25	Projected years of service with employer at retirement
D.	\$59,733	Actuarial accrued liability measured at employee's current age = $A \times B / C$

IV. Calculation of Normal Cost

Normal Cost represents the portion of the Present Value of Future Benefits allocated to the current year.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	25	Projected years of service with employer at retirement
C.	\$2,987	Normal cost measured at employee's current age = A / B

V. Calculation of Annual Required Contribution

Annual Required Contribution is the total expense for the current year to be shown in the employer's income statement.

	Value	Description
A.	\$2,987	Normal Cost for the current year
B.	\$3,509	30-year amortization (level dollar method) of Unfunded Actuarial Accrued Liability using a 4.5% interest rate discount factor
C.	\$292	Interest adjustment = $4.5\% \times (A + B)$
D.	\$6,788	Annual Required Contribution = $A + B + C$

Definitions

GASB 45 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Accrued Liability** - That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.
2. **Actuarial Assumptions** - Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
3. **Actuarial Cost Method** - A procedure for determining the Actuarial Present Value of future benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.
4. **Actuarial Present Value** - The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Annual OPEB Cost** - An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.
6. **Annual Required Contribution (ARC)** - The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
7. **Explicit Subsidy** - The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
8. **Funded Ratio** - The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Definitions (continued)

9. **Healthcare Cost Trend Rate** - The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
10. **Implicit Subsidy** - In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
11. **Net OPEB Obligation** - The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Normal Cost** - The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
13. **Pay-as-you-go** - A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
14. **Per Capita Costs** - The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
15. **Present Value of Future Benefits** - Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, 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.
16. **Select and Ultimate Rates** - Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Substantive Plan** - The terms of an OPEB plan as understood by the employer(s) and plan members.