



A N G E L L

June 10, 2011

PERSONAL & CONFIDENTIAL

Mr. Robert L. Mushen
Chair, Pension Committee
c/o Town Hall
P.O. Box 226
Little Compton, RI 02837-0226

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RE: Town of Little Compton Pension Plan Actuarial Study – Version 2

Dear Bob:

As you requested, we have analyzed the potential savings from several possible changes to the Town of Little Compton Pension Plan, which are detailed on the attached worksheet. Following are some comments on some of the options put forth for consideration, and where calculations were appropriate, references to the attachment.

1. Implement a participant contribution rate of 8%.

Comment: We don't believe that such a change would necessarily affect participant benefit levels. The 2010 Actuarial Valuation reported that the appropriate contribution based upon paying Normal Cost plus 30 year amortization would be \$507,896, or 29.3% of covered payroll based upon annual payroll of \$1,730,883. A participant contribution without a benefit change would reduce the Town contribution rate to 21.3%, or roughly \$369,425 for this particular year.

2. Reduce participant accrual rates by .15% per year (1.65% to 1.50% and 2.0% to 1.85%) and change average compensation to a three year average for all participants.

Comment: This is "Proposal 1" on the attachment. We also grandfathered accrued benefits earned to date as a minimum.

3. Extending retirement age to 65 for active (employed) participants, leaving Fire and Police at 25 years but using highest three year average. This version also assumes that participants retire at age 65.

Comment: This is "Proposal 2" on the attachment.



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4. Limiting COLAs to actual CPI, and applying them to only the first \$35,000 of retirement benefit.

Comment: Since the COLAs are limited to 2% currently, and CPI normally runs over 2%, limiting them to CPI makes sense but will not provide material savings once the economy normalizes.

The impact of limiting COLAs to the first \$35,000 is shown as "Proposal 3" on the attachment.

The projected contribution reduction on account of each Proposal would be determined by adding the "ENTRY AGE NORMAL COST" column to the "30 YEAR AMORTIZATION OF CHANGE" column. For example, the annual savings if Proposal 1 were adopted would be expected to be the sum of \$20,823 and \$27,572, or \$48,395.

We would be happy to answer any questions related to these matters. I can be reached at extension 113 if I may assist.

Sincerely,

R. Andrew Hartnett, Jr., CPC, QPA, QKA
Senior Retirement Plan Consultant

Cc: David Pratt Ward, E.A., A.S.A.,

**Town of Little Compton Pension Plan
Actuarial Study as of July 1, 2010 Version 2 June 2011**

Cost Implications of Various Independent Changes

			ENTRY AGE NORMAL COST	Change From Baseline	EANC ACCRUED LIABILITY	Change From Baseline	30 YEAR AMORTIZATION OF CHANGE	TOTAL ANNUAL PROJECTED CONTRIBUTION REDUCTION
<u>JULY 1, 2010 VALUATION RESULTS</u> (Baseline)								
	POLICE	Actives	75,624		1,281,787			
		Inactives			1,289,143			
	FIRE	Actives	58,330		978,186			
		Inactives			1,057,763			
	SCHOOL	Actives	30,281		931,107			
		Inactives			913,566			
	TOWN	Actives	63,277		961,534			
		Inactives			440,140			
	TOTAL	Actives	227,512		4,152,614			
		Inactives	-		3,700,612			
		TOTAL	227,512		7,853,226			
<u>PROPOSAL 1</u>								
Cut all benefit formulas back .15%								
Change average comp to 3 year average								
Grandfather existing accrued benefits								
	POLICE	Actives	69,600	(6,024)	1,159,419	(122,368)	(\$10,361)	
		Inactives		-	1,289,143	-		
	FIRE	Actives	51,636	(6,694)	869,509	(108,677)	(\$9,202)	
		Inactives		-	1,057,763	-		
	SCHOOL	Actives	27,914	(2,367)	913,946	(17,161)	(\$1,453)	
		Inactives		-	913,566	-		
	TOWN	Actives	57,539	(5,738)	884,109	(77,425)	(\$6,556)	
		Inactives		-	440,140	-		
	TOTAL	Actives	206,689	(20,823)	3,826,983	(325,631)	(\$27,572)	
		Inactives	-	-	3,700,612	-		
		TOTAL	206,689	(20,823)	7,527,595	(325,631)	(27,572)	\$48,395
<u>PROPOSAL 2</u>								
Change average comp to 3 year average								
Change School and Town Normal Retirement Age and Assumed Retirement Age to 65.								
	POLICE	Actives	72,637	(2,987)	1,232,309	(49,478)	(\$4,189)	
		Inactives		-	1,289,143	-		
	FIRE	Actives	56,116	(2,214)	941,053	(37,133)	(\$3,144)	
		Inactives		-	1,057,763	-		
	SCHOOL	Actives	29,882	(399)	836,406	(94,701)	(\$8,018)	
		Inactives		-	913,566	-		
	TOWN	Actives	54,581	(8,696)	846,273	(115,261)	(\$9,759)	
		Inactives		-	440,140	-		
	TOTAL	Actives	213,216	(14,296)	3,856,041	(296,573)	(\$25,110)	
		Inactives	-	-	3,700,612	-		
		TOTAL	213,216	(14,296)	7,556,653	(296,573)	(25,110)	\$39,406
<u>PROPOSAL 3</u>								
Limit COLA to CPA								
Limit COLA to first \$35,000								
	POLICE	Actives	64,103	(11,521)	1,068,025	(213,762)	(\$18,099)	
		Inactives		-	1,268,992	(20,151)	(\$1,706)	
	FIRE	Actives	52,162	(6,168)	852,593	(125,593)	(\$10,634)	
		Inactives		-	976,254	(81,509)	(\$6,901)	
	SCHOOL	Actives	29,663	(618)	912,421	(18,686)	(\$1,582)	
		Inactives		-	913,566	(1)		
	TOWN	Actives	60,872	(2,405)	919,818	(41,716)	(\$3,532)	
		Inactives		-	440,140	-		
	TOTAL	Actives	206,800	(20,712)	3,752,857	(399,757)	(\$33,848)	
		Inactives	-	-	3,598,951	(101,661)	(\$8,608)	
		TOTAL	206,800	(20,712)	7,351,808	(501,418)	(42,456)	\$63,168