



A N G E L L

March 5, 2014

PERSONAL & CONFIDENTIAL

Mr. David Ritchotte
Coventry Public Schools
1675 Flat River Road
Coventry, RI 02816

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Re: *Coventry School Employees' Pension Plan and Trust*

Dear David:

Enclosed is the Actuarial Valuation report for the Coventry School Employees' Pension Plan and Trust for the plan year ending August 31, 2014.

The additional contribution of \$1,564,162 is expected to be required in addition to the estimated 8% Employee Contribution and 12.75% School Contribution in order to fund the ARC for Plan Year ending August 31, 2014. Here is a summary of the development of the Town's contribution share:

| | |
|--|------------------|
| Total Normal Cost: | \$ 674,172 |
| Amortization of Unfunded Liability (30 year closed): | 1,834,556 |
| Estimated Employee Contributions at 8% of expected compensation: | (376,274) |
| Interest adjustment at 7% to estimate mid year payment: | 73,374 |
| Estimated School Department Contribution (12.75% of expected compensation Adjusted with interest at 7% to estimate mid year payment): | <u>(641,666)</u> |
| Town Contribution assuming mid-year payment: | \$1,564,162 |

The GASB 25 and GASB 27 reporting is included in this report.

Please call me at extension 103 if you have any questions or need additional information.

Sincerely,

Jeffrey C. Liter, PhD, EA, MAAA
jliter@angellpensiongroup.com
admlet13.doc/A0117A/jcl

Enclosures

Coventry School Employees' Pension Plan and Trust
Actuarial Valuation as of September 1, 2013
For the Plan Year Beginning September 1, 2013
and Ending August 31, 2014

Prepared By:

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88 Boyd Avenue
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March 2014

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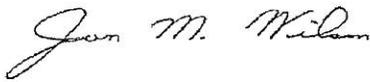
I. INTRODUCTION

This report presents the results of the actuarial valuation as of September 1, 2013 of the Coventry School Employees' Pension Plan and Trust. The purpose of the report is to illustrate the current position of the plan and present information which will assist the plan sponsor in determining the appropriate contribution for the plan year beginning September 1, 2013 and ending August 31, 2014.

Section VIII of this report illustrates development of the Town's alternative pension costs for this Plan Year assuming a mid-year payment.

The major provisions of the plan upon which this valuation is based are illustrated in Section II, and reflects the plan provisions in effect on September 1, 2013.

This valuation was prepared on the basis of information submitted to The Angell Pension Group, Inc. in the form of payroll and asset data, as well as ancillary material pertaining to the plan, and was prepared in accordance with the Employee Retirement Income Security Act of 1974 (ERISA). We have not independently verified, nor do we make any representations as to, the accuracy of such information.



March 5, 2014

Jean M. Wilson, E.A.
Member, American Academy of Actuaries

Date



Jeffrey C. Liter, Ph.D., E.A., M.A.A.A.
Enrolled Actuary

II. SUMMARY OF PLAN PROVISIONS

- Plan Effective Date:* April 1, 1977
- Eligibility Requirements:* Each employee who is a member of the Union or who is paying an agency fee shall be a participant.
- Year of Service:* The time period(s) commencing with an employee's first day of employment and ending on the date a Break in Service begins. An employee's total service shall include all fractional periods to the nearest tenth of a year.
- Benefit Accrual:* Computation period commences on employee's date of hire.
- Vesting:* Computation period commences on employee's date of hire.
- Plan Entry Date:* An eligible employee will enter the plan on the day the eligibility requirements are met.
- Normal Retirement Date:* The earlier of (a) the first day of the month coincident with or next following a participant's 58th Birthday and the completion of 10 Years of Service, or (b) the first day of the month coincident with or next following the completion of 30 Years of Service.
- Effective September 1, 2012, a Participant's 65th birthday or, if earlier, his completion of thirty (30) Years of Service.
- Compensation:* The monthly equivalent of a Participant's annual compensation which is reportable on Form W-2 paid by the Employer for the Plan Year (or, for purposes of accruals prior to September 1, 2012, for the calendar year ending within the Plan Year), but exclusive of severance payments, any program of deferred compensation, employee benefits, or additional remuneration payable other than in cash..
- Average Compensation:* Compensation averaged over the 3 consecutive plan years producing the highest average. Effective September 1, 2012, the Compensation earned after September 1 2012 is averaged over career.
- Normal Retirement Benefit:* Effective September 1, 2000:
2.00% of Average Compensation multiplied by the first ten years of

service, plus 2.50% of Average Compensation multiplied by years of service in excess of ten.

Effective with respect to Years of Service credited to a Participant after August 31, 2012, the amount of the Participant's monthly benefit shall be equal to the sum of his annual accruals. For each of the Participant's first ten (10) Years of Service as a Plan Participant his annual accrual shall be equal to two percent (2%) of his Compensation for such plan year. For each Year of Service as a Participant after the first ten (10) Years of Service as a Participant his annual accrual shall be equal to one and twenty-five hundredths percent (1.25%) of his Compensation for such plan year.

A participant who retires after April 1, 1999 shall be entitled to an annual 3% simple cost-of-living increase. A Participant who retires after August 31, 2012 shall not be entitled to a cost-of-living increase in his monthly retirement benefit.

Normal Form of Benefit: Life Annuity with a 120 Monthly Payment Guarantee. Effective September 1, 2012, the normal form of benefit is Life Annuity.

Accrued Benefit: The amount to which a Participant would be entitled under the benefit formula commencing at his Normal Retirement Date, based upon the Participant's Average Compensation, Years of Service and the Plan provisions in effect as of the date of determination.

Early Retirement: A participant who has attained age 60 with 15 Years of Service may retire and receive an Early Retirement Benefit. The amount of the Early Retirement Benefit equals the Accrued Benefit, reduced actuarially for payment prior to Normal Retirement Date.

Late Retirement: Participants who continue employment after their Normal Retirement Date are eligible for a late retirement benefit equal to the greater of (a) the Actuarial Equivalent of the benefit payable at Normal Retirement Age and (b) the Accrued Benefit determined at actual retirement.

Death Benefit: Actuarial Equivalent of the Accrued Benefit.

Disability Benefit: Actuarial Equivalent of the Accrued Benefit.

Vesting: Based on Years of Service, subject to the following schedule:

| <u>Years of Service</u> | <u>Vested Percentage</u> |
|-------------------------|--------------------------|
| Less than 10 years | 0% |
| 10 years or more | 100% |

Notwithstanding the above vesting schedule, a participant will become 100% vested upon reaching the Normal Retirement Date.

*Town and School
Contributions:*

For the period commencing September 1, 2002, the Employer shall contribute to the Plan an amount equal to 12.75% of the regular payroll of all Plan Participants.

Employee Contributions:

Commencing April 1, 1996, each Participant shall contribute to the Plan an amount equal to 8.00% of his or her Compensation.

III. ACTUARIAL COST METHODS

A. Actuarial Cost Method

Costs have been computed in accordance with the Entry Age Normal Cost Method.

The normal cost is the sum of the normal costs for all active participants who have not reached the assumed retirement age. For each such participant, the individual normal cost is the participant's normal cost accrual rate multiplied by the participant's current compensation. The normal cost accrual rate equals (a) the actuarial present value of future benefits as of the participant's entry age divided by (b) the actuarial present value of future compensation as of the participant's entry age. For other participants, the normal cost equals zero.

The accrued liability is the sum of the individual accrued liabilities for all participants. The individual accrued liability is equal to the actuarial present value of future benefits less the normal cost accrual rate multiplied by the actuarial present value of future compensation.

The 30 year closed amortization period for the unfunded actuarial liability is used beginning with 9/1/2012.

B. Asset Valuation Method

The actuarial value of the plan assets used in determining plan costs is equal to the fair market value.

C. Changes In Actuarial Methods

The actuarial methods have changed since the prior actuarial valuation.

The 30 year closed amortization period for the unfunded actuarial liability is used effective 9/1/2012. Such change is referred in the 11/8/2012 Funding Improvement Plan provided in accordance with Rhode Island General Laws Section 45-65-6.

IV. ACTUARIAL ASSUMPTIONS

A. Assumptions Used For The Current Plan Year

Actuarial assumptions are estimates as to the occurrence of future events affecting the costs of the plan such as mortality rates, withdrawal rates, changes in compensation level, retirement ages, rates of investment earnings, expenses, etc. The assumptions have been chosen to anticipate the long-range experience of the plan.

Pre-Retirement Investment Return: 7.00% per annum

Post-Retirement Investment Return: 7.00% per annum

Pre-Retirement Mortality: IRS 2013 P.V. Optional Combined Table (Male/Female). This optional table is a combination of annuitant and non-annuitant mortality tables. Mortality improvements for the annuitant table are projected 7 years beyond the valuation date. Mortality improvements for the non-annuitant table are projected 15 years beyond the valuation date.

Post-Retirement Mortality: IRS 2013 P.V. Optional Combined Table (Male/Female). This optional table is a combination of annuitant and non-annuitant mortality tables. Mortality improvements for the annuitant table are projected 7 years beyond the valuation date. Mortality improvements for the non-annuitant table are projected 15 years beyond the valuation date.

Withdrawal Rate: Sarason Table W-75.

Illustrative annual rates of withdrawal are as follows:

| <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 25 | 7.84% |
| 40 | 3.60% |
| 55 | 0.00% |

Salary Scale: 4.00% per annum

Assumed Retirement Age: The greatest of age 65, Normal Retirement Age or attained age (for Active Lives)

Age 58, or attained age if greater
(for Terminated/Inactive Lives)

Expenses: Assumed to be paid by the Employer.

B. Changes In Actuarial Assumptions

The table below indicates which assumptions have changed from the prior plan year. In the opinion of the enrolled actuary, these changes were made to better reflect anticipated experience under the plan.

| | Prior Plan Year | Current Plan Year |
|--|--|---|
| <i>Pre & Post retirement Mortality :</i> | RP 2000 Male/Female Combined Healthy Mortality Table (assuming no projection of mortality improvements due to the positions of covered participants) | IRS 2013 P.V. Optional Combined Table (Male/Female) |

V. PLAN ASSETS AS OF SEPTEMBER 1, 2013

Value of Plan Assets

Provident Mutual Accounts

| | |
|--|---------------------|
| Cash | \$47 |
| Equities | 6,088,532 |
| Mutual Funds | 2,466,164 |
| Corporate/Govt Securities | 1,902,593 |
| Money Funds | 314,022 |
| Other Asset | 404,935 |
| Accrued Income | 20,145 |
| Total Actuarial Value of Plan Assets: | \$11,196,438 |

Estimated Rate of Return on Plan Assets for the Period Ending 8/31/2013

| | BOA ACCT | TOTAL |
|---------------------------------|-----------------|---------------|
| Assets at Beginning of Period | \$11,018,544 | \$11,018,544 |
| Contributions | 1,023,192 | 1,023,192 |
| Benefit Payments | (1,641,259) | (1,641,259) |
| Administrative Expenses | (171,094) | (171,094) |
| Income | | 967,055 |
| Assets at End of Period | | \$ 11,196,438 |
| Estimated Rate of Return | | 9.10% |

VI. DEVELOPMENT OF TOWN'S NORMAL COST

| | | |
|----|--|-----------|
| 1. | Entry Age Normal Cost* | \$674,172 |
| 2. | Estimated Employee Contributions as of September 1, 2013** | 376,274 |
| 3. | Town's Normal Cost as of September 1, 2013 [(1) - (2)] | \$297,898 |

* The Entry Age Normal Cost is \$650,359 under prior plan year actuarial assumptions.

** This equals 8% of compensation, discounted at the valuation rate of 7% for six months to reflect an assumption of mid-year payment.

VII. DEVELOPMENT OF UNFUNDED ACCRUED LIABILITY

Accrued Liability as of September 1, 2013

| | Number of <u>Lives</u> | Total Accrued <u>Liability</u> |
|----------------------|------------------------------|--------------------------------------|
| Active Lives: | 197 | \$16,185,133 |
| Inactive Lives: | 0 | 0 |
| Vested Terminations: | 21 | 1,770,941 |
| Retired Lives: | <u>148</u> | <u>17,341,134</u> |
| Totals: | 366 | \$35,297,208 |

| | | |
|----|--|--------------|
| 1. | Accrued Liability* | \$35,297,208 |
| 2. | Plan Assets | 11,196,438 |
| 3. | Unfunded Accrued Liability as of September 1, 2013 [(1) - (2)] | \$24,100,770 |

*Accrued Liability is \$34,091,569 under prior plan year actuarial assumptions.

VIII. DEVELOPMENT OF TOWN'S ALTERNATIVE PENSION COSTS

A. PENSION COST WITH 30-YEAR CLOSED AMORTIZATION

| | | |
|----|---|------------|
| 1. | Town's Normal Cost | \$ 297,898 |
| 2. | Amortization Payment with 30-Year Closed Amortization of the Unfunded Accrued Liability (29 Year Remaining) | 1,834,556 |
| 3. | Time-weighted interest on (1) and (2) to the end of the Plan Year, assuming mid-year payment | 73,374 |
| 4. | School's Contribution (12.75% of pay), assuming mid-year payment | 641,666 |
| 5. | Additional Town's Pension Cost $[(1) + (2) + (3) - (4)]$ | 1,564,162 |
| 6. | Total Compensation for Participants under Assumed Retirement Age | 4,865,267 |
| 7. | Town and School Pension Cost as a Percent of Pay $[\frac{((4)+(5))}{(6)}]$ | 45.34% |

B. PENSION COST WITH 25-YEAR OPEN AMORTIZATION

| | | |
|----|--|------------|
| 1. | Town's Normal Cost | \$ 297,898 |
| 2. | Amortization Payment with 25-Year Amortization of the Unfunded Accrued Liability | 1,932,803 |
| 3. | Time-weighted interest on (1) and (2) to the end of the Plan Year, assuming mid-year payment | 76,754 |
| 4. | School's Contribution (12.75% of pay), assuming mid-year payment | 641,666 |
| 5. | Additional Town's Pension Cost $[(1) + (2) + (3) - (4)]$ | 1,665,789 |
| 6. | Total Compensation for Participants under Assumed Retirement Age | 4,865,267 |
| 7. | Town and School Pension Cost as a Percent of Pay $[\frac{((4)+(5))}{(6)}]$ | 47.43% |

C. PENSION COST WITH 10-YEAR OPEN AMORTIZATION

| | | |
|----|--|------------|
| 1. | Town's Normal Cost | \$ 297,898 |
| 2. | Amortization Payment with 10-Year Amortization of the Unfunded Accrued Liability | 3,206,923 |
| 3. | Time-weighted interest on (1) and (2) to the end of the Plan Year, assuming mid-year payment | 120,594 |
| 4. | School's Contribution (12.75% of pay), assuming mid-year payment | 641,666 |
| 5. | Additional Town's Pension Cost $[(1) + (2) + (3) - (4)]$ | 2,983,749 |
| 6. | Total Compensation for Participants under Assumed Retirement Age | 4,865,267 |
| 7. | Town and School Pension Cost as a Percent of Pay $[\frac{((4)+(5))}{(6)}]$ | 74.52% |

IX. PARTICIPANT DATA

A. Reconciliation of Participant Data

| | Active | Term Vested | Beneficiaries | Retiree | Total |
|-------------------------------|--------|-------------|---------------|---------|-------|
| Total as of September 1, 2012 | 181 | 21 | 12 | 136 | 350 |
| New Entrants | 20 | | | | 20 |
| Rehires | | | | | |
| Terminations | -3 | 3 | | | 0 |
| Active deaths | | | | | |
| New retirees | -1 | -3 | | 4 | 0 |
| New beneficiaries | | | | | 0 |
| Retiree/beneficiary deaths | | | 3 | -7 | -4 |
| Termination without vested | | | | | 0 |
| Data adjustments | | | | | 0 |
| Total as of September 1, 2013 | 197 | 21 | 15 | 133 | 366 |

B. Age and Service Distribution of Participants

Eligible Active Participants:

Complete Years of Service as of September 1, 2013

| <i>Attained</i> | | | | | | | | | | |
|-----------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|
| <i>Age</i> | <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> | <i>Total</i> |
| Under 25 | 0 | - | - | - | - | - | - | - | - | 0 |
| 25-29 | 5 | 1 | - | - | - | - | - | - | - | 6 |
| 30-34 | 3 | 1 | 1 | - | - | - | - | - | - | 5 |
| 35-39 | 1 | 2 | 0 | 1 | 0 | - | - | - | - | 4 |
| 40-44 | 9 | 4 | 7 | 1 | 2 | - | - | - | - | 23 |
| 45-49 | 8 | 6 | 15 | 1 | 0 | - | - | - | - | 30 |
| 50-54 | 4 | 11 | 24 | 9 | 4 | 1 | - | - | - | 53 |
| 55-59 | 0 | 2 | 17 | 12 | 6 | 4 | 1 | - | - | 42 |
| 60-64 | 2 | 2 | 4 | 4 | 8 | 5 | - | - | - | 25 |
| 65+ | 0 | 4 | 2 | 1 | 1 | 1 | - | - | - | 9 |
| Total | 32 | 33 | 70 | 29 | 21 | 11 | 1 | - | 0 | 197 |

IX. PARTICIPANT DATA (cont'd)

C. Participant Statistics

9/1/2013

Eligible Active Members:

| | |
|--------------------------------------|-------|
| Average age: | 52.18 |
| Average past service: | 12.86 |
| Average retirement age: | 65.31 |
| Average future service until retirem | 13.13 |

Eligible Active Members:

| | |
|---|-----|
| Active Participants without Frozen Benefits | 20 |
| Active Participants with Frozen Benefit & new accruals | 159 |
| Active Participants with Frozen Benefit & no new accruals | 18 |

Retired Members*:

| | |
|--|------------|
| Average age of Pre-65 retirees: | 60.00 |
| Average age of Post-65 retirees: | 68.04 |
| Average age of all retirees: | 63.44 |
| Average monthly benefit of all retirees: | \$1,008.22 |

COLA :

| | Number | Entry Age Accrued Liability |
|--|-----------|-----------------------------------|
| Retirees, Beneficiaries and Disabled participants eligible for COLA | 84 | \$14,553,709 |
| Retirees, Beneficiaries and Disabled participants not eligible for COL | <u>64</u> | <u>\$2,787,425</u> |
| | 148 | \$17,341,134 |

*Excludes disabled participants and beneficiaries

X. EXPECTED BENEFIT PAYMENTS IN FUTURE

| <u>For plan year beginning in:</u> | <u>Payments</u> |
|------------------------------------|-----------------|
| 2013 | \$1,703,832 |
| 2014 | \$1,810,951 |
| 2015 | \$1,945,130 |
| 2016 | \$2,044,661 |
| 2017 | \$2,182,760 |
| 2018 | \$2,234,830 |
| 2019 | \$2,415,357 |
| 2020 | \$2,477,019 |
| 2021 | \$2,685,210 |
| 2022 | \$2,861,504 |
| 2023 | \$3,014,875 |
| 2024 | \$3,355,130 |
| 2025 | \$3,458,965 |
| 2026 | \$3,547,889 |
| 2027 | \$3,704,644 |
| 2028 | \$3,802,632 |
| 2029 | \$3,851,557 |

Note: The amounts shown above are the present values at the valuation date, and its anniversaries, of the benefits expected to be paid during the plan year.

Coventry School Employees' Pension Plan and Trust
 Exhibit 1 - Schedule of Funding Progress - GASB 25
 9/1/2010 - 9/1/2013

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------|-------------------------------|---------------------------------------|----------------------------|--------------------|---------------------|--|
| 09/01/2010 | 9,773,757 | 32,040,218 | 22,266,461 | 30.5% | 4,944,552 | 450.3% |
| 09/01/2011 | 10,618,492 | 34,827,771 | 24,209,279 | 30.5% | 4,626,364 | 523.3% |
| 09/01/2012 | 11,018,544 | 33,761,802 | 22,743,258 | 32.6% | 4,459,176 | 510.0% |
| 09/01/2013 | 11,196,438 | 35,297,208 | 24,100,770 | 31.7% | 4,865,267 | 495.4% |

Notes: AAL is based on the Entry Age Normal Actuarial Cost Method
 Allocation is based on earnings
 No aggregation is used
 Entry age based on date of hire
 The most recent valuation was completed as of September 1, 2013.

Coventry School Employees' Pension Plan and Trust
 Exhibit 2 - Development of NPO - GASB 27
 July 1, 2010 - June 30, 2014

| | FYE 06/30/2011 | FYE 06/30/2012 | FYE 06/30/2013 | FYE 06/30/2014 |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Annual Required Contribution (ARC) | \$ 2,200,642 | \$ 2,350,392 | \$ 2,116,574 | \$ 2,180,859 |
| Interest on NPO | 0 | 106,055 | 223,466 | 325,251 |
| Adjustment to ARC | 0 | (122,094) | (257,262) | (378,436) |
| Annual Pension Cost | 2,200,642 | 2,334,353 | 2,082,778 | 2,127,674 |
| Contributions made | (685,572) | (657,056) | (628,708) | N/A |
| Increase in NPO | 1,515,070 | 1,677,297 | 1,454,070 | N/A |
| NPO beginning year | 0 | 1,515,070 | 3,192,367 | 4,646,437 |
| NPO end of year | \$ 1,515,070 | \$ 3,192,367 | \$ 4,646,437 | N/A |
| Interest Rate | 7.00% | 7.00% | 7.00% | 7.00% |
| Amortization Years | 30 | 30 | 30 | 29 |
| Amortization Factor at End of Year | 12.409 | 12.409 | 12.409 | 12.278 |

The Annual Required Contribution is the sum of the Normal Cost and 30 year amortization of the unfunded liability. Effective 9/1/2012, the amortization of the unfunded liability is calculated using a 30 year closed amortization basis. The liability is determined using the Entry Age Normal Actuarial Cost Method. The ARC is 10/12 of the recommended contribution for the current plan year plus 2/12 of the recommended contribution for the preceding plan year, adjusted for interest.

Coventry School Employees' Pension Plan and Trust
 Exhibit 3 - Schedule of Employer Contribution - GASB 25
 July 1, 2010 - June 30, 2014

| Fiscal Year Ended | Annual Required Contribution | Employer Contribution | Percentage Contributed |
|----------------------|------------------------------------|--------------------------|---------------------------|
| 06/30/2014 | \$ 2,180,859 | N/A | N/A |
| 06/30/2013 | 2,116,574 | 628,708 | 29.70% |
| 06/30/2012 | 2,350,392 | 657,056 | 27.96% |
| 06/30/2011 | 2,200,642 | 685,572 | 31.15% |

The Annual Required Contribution is the sum of the Normal Cost and 30 year amortization of the unfunded liability. Effective 9/1/2012, the amortization of the unfunded liability is calculated using a 30 year closed amortization basis. The liability is determined using the Entry Age Normal Actuarial Cost Method. The ARC is 10/12 of the recommended contribution for the current plan year plus 2/12 of the recommended contribution for the preceding plan year, adjusted for interest.