

Town of Little Compton Pension Plan
Actuarial Valuation
as of July 1, 2013
For the Fiscal Year Beginning July 1, 2013
and Ending June 30, 2014

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I. INTRODUCTION

This report presents the results of the actuarial valuation as of July 1, 2013 of the Town of Little Compton Pension Plan. The purpose of the report is to illustrate the current position of the plan and present information which will assist the Town in determining the appropriate contribution for the plan year beginning July 1, 2013 and ending June 30, 2014.

Section II contains a summary of the benefits that were included in the valuation.

Section IX of this report illustrates three alternative contributions for this plan year. The first contribution figure represents the Town's pension cost under the plan, without considering any amortization of the unfunded actuarial accrued liability. The second figure represents the Town's pension cost, plus a 30-year amortization of the unfunded actuarial accrued liability. The third figure represents the Town's pension cost, plus a 10-year amortization of the unfunded actuarial accrued liability. All contribution amounts assume payment is made on June 30, 2014.

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.



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

2/24/2014

Date



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

II. SUMMARY OF PLAN PROVISIONS

Plan Effective Date: January 1, 1972

Eligible Employees: All full time employees of the bargaining unit of the Little Compton Municipal Employees Association, permanent members of the Fire and Police Departments, members of the Educational Support Personnel Union, the Town Clerk, the Town Treasurer, the Police Chief, the Fire Chief, the Building Official, the Librarian and the Deputy Librarian.

Plan Entry Date: All Eligible Employees will enter the plan on the first day of the plan year coincident with or next following the employee's date of hire.

Year of Service: 12-consecutive-month computation period in which an employee is credited with 1,000 or more hours of service.

Benefit Accrual: Computation period commences
January 1st.

Vesting: Computation period commences
January 1st.

Normal Retirement Date: A Participant's 62nd birthday or, if later, the fifth anniversary of his initial Employment Date.

Effective July 1, 1992, in the case of a Participant who is a member of (a) the Police Officers Union and is employed by the Town of Little Compton Police Department or (b) the Firefighters Union and is employed by the Town of Little Compton Fire Department, "Normal Retirement Age" shall mean the earlier of (1) his 62nd birthday or, if later, the fifth anniversary of his initial Employment Date, or (2) the date he completes twenty-five (25) Years of Service.

Compensation: The basic rate of pay in effect on the July 1st of each plan year exclusive of overtime pay and bonuses.

Average Compensation: Compensation of a Participant averaged over the five (5) consecutive calendar years in his last ten (10) calendar years as an Employee producing the highest average prior to the earlier of (1) his termination of Service or (2) termination of the Plan. Effective July 1, 2000, "Average Compensation" shall mean

the Compensation of a Participant averaged over the three (3) consecutive calendar years in his last ten (10) calendar years as an Employee producing the highest average prior to the earlier of (1) his termination of Service or (2) termination of the Plan.

For members of the Fire and Police Departments, the highest annualized rate of pay will be used.

Employee Contributions:

Commencing July 1, 1995 and ending June 30, 1997, each participant who is a member of the Fire Department (other than the Fire Chief) shall contribute to the Plan an amount equal to four and one-half percent (4.5%) of his compensation.

Effective July 1, 1997, employee contributions for Fire Department members are no longer required.

Commencing July 1, 1994 and ending June 30, 2000, any police officer hired after July 1, 1994 must contribute 2.5% of his base annual compensation.

Effective July 1, 2000, employee contributions for Police Department members are no longer required.

Effective July 1, 2012, any Fire, Police or Municipal employee hired after July 1, 2012 shall contribute to the Plan an amount equal to seven percent (7.0%) of compensation.

Normal Retirement Benefit:

The product of (a) times (b):

(a) 1.65% of Average Compensation, and (b) Years of Service

Effective July 1, 1992, members of the Police and Fire Departments may retire after 25 years of service at fifty percent of their highest annual salary. Commencing July 1, 1994 and ending June 30, 2009, a police officer must have attained age 55 with 25 years of service before retiring with fifty percent of highest annual salary.

Effective July 1, 1997, members of the Police and Fire

Departments will receive an additional 2% of salary for each year of service in excess of 25 years, subject to a maximum of 5 additional years.

The minimum annual benefit shall be \$100 multiplied by the number of Years of Service.

Effective July 1, 2000, participants in pay status will receive an annual cost-of-living increase of 2% per year, effective as of each July 1st for participants in pay status as of July 1, 2000, and effective each anniversary date of retirement for participants retiring after July 1, 2000. Effective July 1, 2005, the annual cost-of-living increase will be effective each July 1st for all participants in pay status, except for those in pay status due to occupational disability described below.

Normal Form of Benefit:

Life Annuity. Other forms of benefit, including a Qualified Joint & Survivor Annuity, are available on an actuarially equivalent basis.

Accrued Benefit:

The Normal Retirement Benefit based on Average Compensation and Years of Service to date.

Early Retirement:

A Participant who separates from Service on or after the later of his attainment of age fifty (50) and the completion of at least twenty (20) Years of Service shall be entitled to elect to receive his monthly retirement benefit either (a) commencing on his Normal Retirement Date in an amount equal to the product of one and one-half percent (1.5%) of his Average Compensation and the number of his Years of Service, or (b) commencing on the first day of the month following his satisfaction of the age and service requirements for Early Retirement in an amount equal to the product of one and twenty-five hundredths percent (1.25%) of his Average Compensation and the number of his Years of Service.

Death Benefit:

If a participant should die while in the employ of the Employer and is survived by an eligible spouse, such spouse shall be entitled to receive a qualified pre-retirement survivor annuity, as defined in the Plan.

Disability Benefit: A participant who has been credited with ten or more Years of Service becomes totally and permanently disabled shall be entitled to payment of the Accrued Benefit.

If a participant who is a member of the Fire or Police Department separates from service by reason of occupational disability, the participant shall be entitled to a monthly benefit equal to 68% of the participant's compensation at the time of occupational disability. A participant receiving an occupational disability shall not be eligible for the cost of living increases.

Vesting: A participant will become 100% vested in his Accrued Benefit upon the completion of ten Years of Service. Notwithstanding this vesting schedule, a participant will become 100% vested upon reaching the Normal Retirement Date.

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.

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

No changes in actuarial methods have occurred since the prior plan year.

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.

Investment Return: 7.50% per annum

Mortality: IRS 2013 P.V. Optional Combined Table for males and females (1.430(h)(3)-1). 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: None

Salary Scale: 4.00% per annum

Assumed Retirement Age: Members of the Fire and Police Departments are assumed to retire at the earlier of age 62, or the completion of 30 Years of Service.

Participants who are not members of the Fire and Police Departments are assumed to retire at age 62.

Participants who are beyond their assumed retirement ages are assumed to retire immediately.

Expenses: The investment return assumption is net of expenses.

Employee Contributions: Effective July 1, 2012, any Fire, Police or Municipal employee hired after July 1, 2012 shall contribute to the Plan an amount equal to seven percent (7.0%) of compensation.

B. Changes In Actuarial Assumptions

The mortality table has been updated from 2012 to 2013.

The 2012 Employee Contributions provision first applies to plan participants.

V. PLAN ASSETS AS OF JULY 1, 2013

A. Market Value of Plan Assets

Mutual Funds	\$ 2,769,351
Collective Funds	4,949,992
Cash and Equivalents	(35,499)
TOTAL MARKET VALUE OF PLAN ASSETS:	\$7,683,844

B. Actuarial Value of Plan Assets

Total Market Value of Plan Assets	\$7,683,844
Plus: Receivable Town Contribution (FYE June 30, 2013)	420,236
TOTAL MARKET VALUE OF PLAN ASSETS:	\$8,104,080

C. Contributions for the Prior Plan Year

<u>Date</u>	<u>Amount</u>
August 19, 2013	\$420,236
Total	\$420,236

VI. ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

A. Present Values as of July 1, 2013

	Number of <u>Lives</u>	Vested <u>Benefits</u>	Non-Vested <u>Benefits</u>	Total Present <u>Value</u>
Actives:				
Police:	10	\$ 349,878	\$ 70,357	\$ 420,235
Fire:	8	348,448	69,455	417,903
School:	7	414,005	40,003	454,008
Town:	<u>17</u>	<u>942,634</u>	<u>140,104</u>	<u>1,082,738</u>
Sub-Totals:	42	\$ 2,054,965	\$ 319,919	\$ 2,374,884
Retirees:				
Police:	8	\$1,701,621	\$ 0	\$1,701,621
Fire:	6	1,406,023	0	1,406,023
School:	13	1,430,808	0	1,430,808
Town:	<u>6</u>	<u>384,613</u>	<u>0</u>	<u>384,613</u>
Sub-Totals:	33	\$ 4,923,065	\$ 0	\$ 4,923,065
Vested Terminations and Inactive Lives:	7	<u>219,432</u>	<u>0</u>	<u>219,432</u>
TOTALS:	82	\$ 7,197,462	\$ 319,919	\$7,517,381

B. Basis of Determination

The actuarial assumptions used in calculating the Actuarial Present Value of Accumulated Plan Benefits are as follows:

Investment Return: 7.50% per annum

Mortality: IRS 2013 P.V. Optional Combined Table for males and females (1.430(h)(3)-1). 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.

Assumed Benefit Commencement Date: Benefits for members of the Fire and Police Departments who have completed 30 or more Years of Service are assumed to commence immediately. All other participants are assumed to begin to receive benefit payments at age 62.

Basis of Calculation of Accumulated Plan Benefits for Fire and Police Departments: Members of the Fire and Police Departments who have not completed 25 Years of Service are assumed to accrue benefits at a rate of 1.65% of Average Compensation multiplied by Years of Service.

C. Effect of Earlier Benefit Commencement

If benefits for members of the Fire and Police Department who have not completed 30 years of service are assumed payable upon completion of 30 years of service (rather than age 62), the present values would be as follows:

D. Present Values as of July 1, 2013

	Number of <u>Lives</u>	Vested <u>Benefits</u>	Non-Vested <u>Benefits</u>	Total Present <u>Value</u>
Actives:				
Police:	10	\$ 687,438	\$88,876	\$776,314
Fire:	8	542,503	71,254	613,757
School:	7	414,005	40,003	454,008
Town:	<u>17</u>	<u>942,634</u>	<u>140,104</u>	<u>1,082,738</u>
Sub-Totals:	42	\$ 2,586,580	\$340,237	\$2,926,817
Retirees:				
Police:	8	\$1,701,621	\$ 0	\$1,701,621
Fire:	6	1,406,023	0	1,406,023
School:	13	1,430,808	0	1,430,808
Town:	<u>6</u>	<u>384,613</u>	<u>0</u>	<u>384,613</u>
Sub-Totals:	33	\$ 4,923,065	\$ 0	\$ 4,923,065
Vested Terminations and Inactive Lives:	7	<u>219,432</u>	<u>0</u>	<u>219,432</u>
TOTALS:	82	\$ 7,729,977	\$ 340,237	\$8,069,314

VII. DEVELOPMENT OF TOTAL NORMAL COST ON ENTRY AGE METHOD

1.	Entry Age Normal Cost for Police Department	\$ 85,025
2.	Entry Age Normal Cost for Fire Department	62,621
3.	Entry Age Normal Cost for School Employees	25,051
4.	Entry Age Normal Cost for Town Employees	83,349
5.	Total Normal Cost as of July 1, 2013 [(1) + (2) + (3) + (4)]	\$256,046

VIII. DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

1. Actuarial Accrued Liability as of July 1, 2013	\$9,800,400
2. Actuarial Value of Assets as of July 1, 2013	8,104,080
3. Unfunded Actuarial Accrued Liability as of July 1, 2013 [(1) - (2), but not less than zero]	\$1,696,320

IX. DEVELOPMENT OF ALTERNATIVE PENSION COSTS

A. Pension Cost Without Amortization of Unfunded Actuarial Accrued Liability

1. Total Normal Cost	\$256,046
2. Interest on (1) to the end of Plan Year	19,203
3. Total Pension Cost [(1) + (2)]	275,249
4. Total Payroll as of July 1, 2013	1,798,862
5. Total Pension Cost as a Percentage of Payroll [(3)/(4)]	15.30%
6. Expected Employee Contributions	\$6,738
7. Total Pension Cost (Without Amortization) [(3) - (6)]	\$268,511

B. Pension Cost With 30-Year Amortization of Unfunded Actuarial Accrued Liability

1. Total Normal Cost	\$256,046
2. 30-Year Amortization of Unfunded Actuarial Accrued Liability	133,609
3. Interest on (1) and (2) to the end of the Plan Year	29,224
4. Total Pension Cost (30-Year Amortization) [(1) + (2) + (3)]	418,879
5. Total Payroll as of July 1, 2013	1,798,862
6. Total Pension Cost (30-Year Amort.) as a Percentage of Payroll [(4) / (5)]	23.29%
7. Expected Employee Contributions	\$6,738
8. Town's Pension Cost with 30 Year Amortization [(4) - (7)]	\$412,141

C. Pension Cost With 10-Year Amortization of Unfunded Actuarial Accrued Liability

1. Total Normal Cost	\$256,046
2. 10-Year Amortization of Unfunded Actuarial Accrued Liability	229,888
3. Interest on (1) and (2) to the end of the Plan Year	36,445
4. Total Pension Cost (10-Year Amortization) [(1) + (2) + (3)]	522,379
5. Total Payroll as of July 1, 2013	1,798,862
6. Total Pension Cost (10-Year Amort. as a Percentage of Payroll [(4) / (5)]	29.04%
7. Expected Employee Contributions	\$6,738
8. Town's Pension Cost with 10 Year Amortization [(4) - (7)]	\$515,641

X. RECONCILIATION OF PLAN PARTICIPANTS

	Active	Terminated Vested	Retired	Total
Participants included in the 07-01-2012 valuation	46	6	30	82
Data corrections	0	0	0	0
Terminated vested	-1	1	0	0
Retired	-4	0	4	0
Died with beneficiary	0	0	0	0
Died without beneficiary	-1	0	-1	-2
Transferred out	0	0	0	0
Lump sum	0	0	0	0
Terminated non-vested	0	0	0	0
Rehired	0	0	0	0
Transferred in	0	0	0	0
New participants	2	0	0	2
Participants included in the 07-01-2013 valuation	42	7	33	82

SCHEDULE OF EMPLOYEE CONTRIBUTIONS

	Name	Date of Hire	Vested Percent	6/30/2012 Balance	Interest at 5.00%	Employee Contributions	6/30/2013 Balance	Accumulated Employee Contributions
FIRE:	Gilbert Amarantes	05/29/90	100%	\$8,177.53	\$408.88	\$0.00	\$8,586.41	\$3,596.31
	Donald P. Medeiros	05/12/86	100%	\$8,711.05	\$435.55	\$0.00	\$9,146.60	3,831.30
	Fred M. Melnyk, Jr.	10/02/96	100%	\$1,079.49	\$53.97	\$0.00	\$1,133.46	512.40
	David Wood	01/24/88	100%	\$8,177.53	\$408.88	\$0.00	\$8,586.41	3,596.31
	Mark Reimels	09/07/12	0%	\$0.00	\$0.00	\$2,417.00	\$2,417.00	2,417.00
POLICE:	Ryan Leclair	07/23/12	0%	\$0.00	\$0.00	\$2,615.53	\$2,615.53	2,615.53
	Totals:			\$26,145.60	\$1,307.28		\$32,485.42	\$15,132.63

TOWN OF LITTLE COMPTON PENSION PLAN
Exhibit 1 - Required Supplementary Information - GASB 25
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial		Unfunded AAL (UAA) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAA as a Percentage of Covered Payroll ((b-a)/c)
	Value of Assets (a)	Accrued Liability (AAL) (b)				
07/01/2008	5,849,516	7,452,092	1,602,576	78.5%	1,945,970	82.4%
07/01/2009	4,990,643	7,757,561	2,766,918	64.3%	1,730,883	159.9%
07/01/2010	5,847,475	7,853,226	2,005,751	74.5%	1,707,439	117.5%
07/01/2011	7,158,938	8,257,937	1,098,999	86.7%	1,784,706	61.6%
07/01/2012	7,281,048	9,107,062	1,826,014	79.9%	1,864,145	98.0%
07/01/2013	8,104,080	9,800,400	1,696,320	82.7%	1,798,862	94.3%

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

TOWN OF LITTLE COMPTON PENSION PLAN
Exhibit 2 - Development of NPO - GASB 27
June 30, 2004 through June 30, 2014

	FYE 06/30/04	FYE 06/30/05	FYE 06/30/06	FYE 06/30/07	FYE 06/30/08	FYE 06/30/09	FYE 06/30/2010	FYE 06/30/2011	FYE 06/30/2012	FYE 06/30/2013	FYE 06/30/2014
Annual Required Contribution (ARC)*	\$ 318,946	\$ 281,263	\$ 303,154	\$ 358,331	\$ 338,040	\$ 424,375	\$ 507,896	\$ 414,405	\$ 336,738	\$ 420,236	\$ 412,141
Interest on NPO	20,094	28,415	25,478	27,023	31,060	29,421	35,786	41,704	34,289	28,132	34,122
Adjustment to ARC	(21,103)	(29,841)	(26,756)	(28,380)	(32,619)	(30,898)	(40,400)	(47,081)	(38,710)	(31,760)	(38,522)
Annual Pension Cost	317,937	279,837	301,876	356,974	336,481	422,898	503,282	409,028	332,317	416,608	407,741
Contributions made	(207,000)	(319,000)	(281,263)	(303,154)	(358,331)	(338,040)	(424,375)	(507,896)	(414,405)	(336,738)	(420,236)
Increase in NPO	110,937	(39,163)	20,613	53,820	(21,850)	84,858	78,907	(98,868)	(82,088)	79,870	(12,495)
NPO beginning year	267,926	378,863	339,700	360,313	414,133	392,283	477,141	556,048	457,180	375,092	454,962
NPO end of year	\$ 378,863	\$ 339,700	360,313	414,133	392,283	477,141	556,048	457,180	375,092	454,962	442,467

Amortization Method and Period:

Level percent open, 30 years

*Per the Town's policy, the ARC reported is composed of the normal cost for the year, plus a 30 year amortization of the unfunded actuarial accrued liability.

Current interest rate 7.5%

Adjustment to ARC determined as of the plan year end

TOWN OF LITTLE COMPTON PENSION PLAN
Exhibit 3 - Schedule of Employer Contributions - GASB 25
June 30, 1999 through June 30, 2014

Fiscal Year Ended	Annual Required Contribution	Employer Contribution	Percentage Contributed
06/30/2014	\$ 412,141	\$ 420,236	101.96%
06/30/2013	420,236	336,738	80.13%
06/30/2012	336,738	414,405	123.06%
06/30/2011	414,405	507,896	122.56%
06/30/2010	507,896	424,375	83.56%
06/30/2009	424,375	338,040	79.66%
06/30/2008	338,040	358,331	106.00%
06/30/2007	358,331	303,154	84.60%
06/30/2006	303,154	281,263	92.78%
06/30/2005	281,263	325,765	115.82%
06/30/2004	318,946	213,750	67.02%
06/30/2003	291,671	201,480	69.08%
06/30/2002	207,351	170,431	82.19%
06/30/2001	183,213	168,230	91.82%
06/30/2000	137,810	126,952	92.12%
06/30/1999	122,840	131,225	106.83%

*per the Town's policy, the ARC reported is composed of the normal cost for the year, plus a 30 year amortization of the unfunded actuarial accrued liability.

HISTORICAL RATES OF RETURN

<u>Year Ending</u>	<u>Market Value of Assets as of Beginning of Year</u>	<u>Contributions</u>	<u>Distributions</u>	<u>Net Earnings</u>	<u>Market Value of Assets as of End of Year</u>	<u>Approximate Rate of Return</u>
06/30/1998	\$ 2,367,704	\$ 136,912	\$ (36,703)	\$ 513,153	\$ 2,981,066	21.0%
06/30/1999	2,981,066	132,098	(39,978)	527,132	3,600,318	17.3%
06/30/2000	3,600,318	126,952	(43,212)	518,474	4,202,532	14.2%
06/30/2001	4,202,532	168,230	(67,503)	(450,413)	3,852,846	-10.5%
06/30/2002	3,852,846	170,431	(108,393)	(471,417)	3,443,467	-12.1%
06/30/2003	3,443,467	201,480	(112,665)	112,473	3,644,755	3.2%
06/30/2004	3,644,755	213,750	(141,488)	313,922	4,030,939	8.5%
06/30/2005	4,030,939	325,765	(210,905)	305,868	4,451,667	7.5%
06/30/2006	4,451,667	281,263	(235,325)	385,141	4,882,746	8.6%
06/30/2007	4,882,746	303,154	(239,296)	816,573	5,763,177	16.6%
06/30/2008	5,763,177	358,331	(252,348)	(357,684)	5,511,476	-6.2%
06/30/2009	5,511,476	338,040	(292,131)	(991,488)	4,565,897	-18.0%
06/30/2010	4,565,897	424,375	(289,714)	639,021	5,339,579	13.8%
06/30/2011	5,339,579	507,896	(295,930)	1,192,988	6,744,533	22.0%
06/30/2012	6,744,533	414,405	(303,946)	89,318	6,944,310	1.3%
06/30/2013	6,944,310	341,771	(381,129)	778,892	7,683,844	11.3%