

# Town of Johnston, Rhode Island Firefighters Pension System

Actuarial Valuation and Review as of  
July 1, 2014



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*April 1, 2015*

*Joseph Chiodo, CPA, MBA*

*Finance Director*

*Town of Johnston, Rhode Island Firefighters Pension System*

*1385 Hartford Avenue*

*Johnston, Rhode Island, 02919*

*Dear Board Members:*

*We are pleased to submit this Actuarial Valuation and Review as of July 1, 2014. It summarizes the actuarial data used in the valuation, establishes the funding requirements for Fiscal Year ending June 30, 2016 analyzes the preceding year's experience.*

*This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist in administering the Retirement System. The census information and financial information on which our calculations were based was prepared by the Town of Johnston and the financial information was obtained from the Town of Johnston financial statements and supplementary information for the Fiscal Year ended June 30, 2014. That assistance is gratefully acknowledged.*

*The measurements shown in this actuarial valuation may not be applicable for other purposes. 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.*

*The actuarial calculations were directed under our supervision. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Town are reasonably related to the experience of and the expectations for the Plan.*

*We look forward to reviewing this report at your next meeting and to answering any questions.*

*Sincerely,*

*Segal Consulting, a Member of The Segal Group, Inc.*

By: *William Connolly* <sup>304</sup>  
*William Connolly, FCA, MAAA, EA*  
*Consulting Actuary*

*Jeanette R. Cooper*  
*Jeanette R. Cooper, FSA, FCA, MAAA, EA*  
*Vice President and Actuary*

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## SECTION 1: Valuation Summary for the Town of Johnston, Rhode Island Firefighters Pension System

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### Purpose

This report has been prepared by Segal Consulting to present a valuation of the Town of Johnston, Rhode Island Firefighters Pension System as of July 1, 2014. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Town;
- The characteristics of covered active participants, inactive vested participants, and retired participants and beneficiaries as of July 1, 2014, provided by the Town;
- The assets of the Plan as of June 30, 2014, provided by the Town;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

In addition, this report provides accounting information under GASB 25 and 27 as well as new accounting information under GASB 67 and 68.

### Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

1. As developed in this July 1, 2014 actuarial valuation, the annual required contribution (ARC) for the next fiscal year ending June 30, 2016 is \$6,607,532.
2. The market value of assets earned a 15.01% rate of return for the plan year ending June 30, 2014. The actuarial value of assets is set equal to market value. This return was in excess of the 7.50% investment return assumption, causing an investment gain of \$1,615,690.
3. The ARC increased from \$6,331,388 in last year's valuation to \$6,607,532 this year. The ARC as a percentage of payroll increased from 177.06% to 205.02%. The unfunded actuarial liability increased from \$56,264,973 to \$58,180,013. Since the Plan is closed to new entrants, as the payroll continues to decrease, the contribution as a percent of payroll will grow. The increase in required contributions was mostly due to contributions paid less than the recommended amount and new retirees with purchased service partially offset by favorable asset performance.

4. This year, the report includes first year financial reporting information for the Plan as specified by the GASB under Statement 67 for the Fiscal Year beginning July 1, 2013 and ending June 30, 2014. GASB Statement 67 is effective for fiscal years beginning after June 15, 2013. The report also includes employer accounting and financial reporting as specified by the GASB under Statement 68 for the Fiscal Year beginning July 1, 2014 and ending June 30, 2015. Employers are required to implement GASB Statement 68 for fiscal year beginning after June 15, 2014.
5. Effective with this valuation, an explicit administrative expense assumption was introduced. The assumption is a component of normal cost and is equal to a flat dollar amount of \$75,000, payable as of the beginning of the plan year.

## Summary of Key Valuation Results

	2014	2013
<b>Contributions for the following Fiscal Year beginning July 1:</b>		
Recommended contribution	\$6,607,532	\$6,331,388
Recommended contribution as a percentage of projected payroll	205.02%	177.06%
<b>Funding elements for plan year beginning July 1:</b>		
Total normal cost, including administrative expenses	\$1,068,747	\$1,101,876
Market value of assets	24,179,398	22,051,272
Actuarial value of assets	24,179,398	22,051,272
Actuarial accrued liability	82,359,411	78,316,245
Unfunded actuarial accrued liability	58,180,013	56,264,973
Funded ratio	29.36%	28.16%
<b>Demographic data for plan year beginning July 1:</b>		
Number of retired participants and beneficiaries	83	80
Number of active participants	31	35
Total payroll	\$3,023,153	\$3,354,290
Average payroll	97,521	95,837
Projected payroll	\$3,222,851	\$3,575,862
<b>GASB 67/68 for Fiscal Year beginning July 1:</b>		
Actuarially determined employer contribution (ADEC)	\$6,331,388	--
Total pension liability	117,815,210	--
Fiduciary net position	24,179,398	--
Net pension liability	93,635,812	--
Funded ratio	20.52%	--
<b>GASB 25/27 for Fiscal Year beginning July 1:</b>		
Annual required contribution (ARC)	--	\$6,325,477*
Actual contributions	--	2,706,157
Percentage of ARC contributed	--	42.78%
Funded ratio	--	28.16%
Covered payroll	--	\$3,354,290

\* The annual contribution for the Fiscal Year beginning July 1, 2013 was developed in the July 1, 2012 actuarial valuation.

**SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System**

**A. PARTICIPANT DATA**

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, retired participants and beneficiaries.

This section presents a summary of significant statistical data on these participant groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A, B, and C.

*A historical perspective of how the participant population has changed over the past ten valuations can be seen in this chart.*

**CHART 1**  
**Participant Population: 1999 – 2014**

<b>Year Ended June 30</b>	<b>Active Participants</b>	<b>Retired Participants and Beneficiaries*</b>	<b>Ratio of Non-Actives to Actives</b>
1999	73	48	0.66
2001	72	43	0.60
2003	69	47	0.68
2005	63	53	0.84
2007	58	59	1.02
2009	42	74	1.76
2011	39	75	1.92
2012	40	76	1.90
2013	35	80	2.29
2014	31	83	2.68

\*Includes disabled retirees

**SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System**

**Active Participants**

Plan costs are affected by the age, years of service and payroll of active participants. In this year's valuation, there were 31 active participants with an average age of 46.3, average years of service of 19.2 years and average payroll of \$97,521. The 35 active participants in the prior valuation had an average age of 45.4, average service of 18.3 years and average payroll of \$95,837.

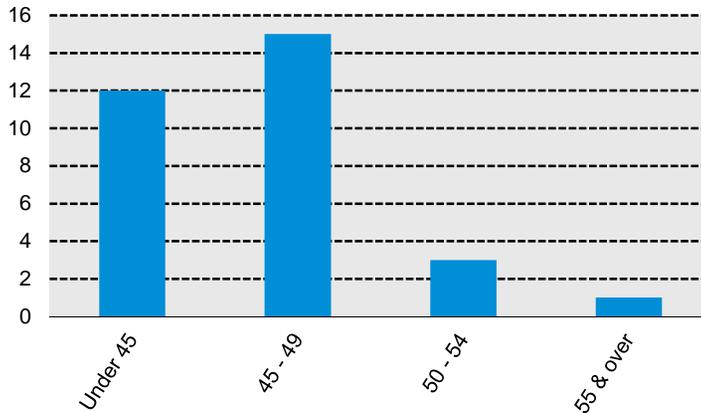
This plan has been closed to new hires since July 1, 1999.

**Inactive Participants**

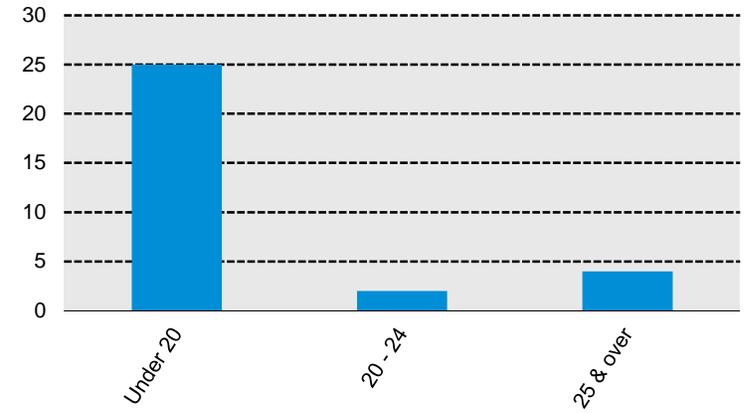
In this year's valuation, there were no participants with a vested right to a deferred or immediate vested benefit.

*These graphs show a distribution of active participants by age and by years of service.*

**CHART 2**  
**Distribution of Active Participants by Age as of June 30, 2014**



**CHART 3**  
**Distribution of Active Participants by Years of Service as of June 30, 2014**



## SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System

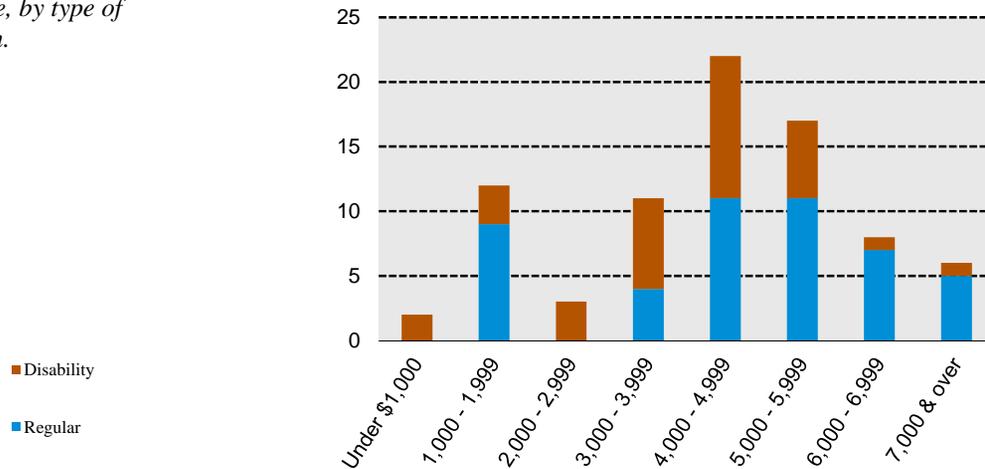
### Retired Participants and Beneficiaries

As of June 30, 2014, 81 retired participants and 2 beneficiaries were receiving total monthly benefits of \$358,041. For comparison, in the previous valuation, there were 77 retired participants and 3 beneficiaries receiving monthly benefits of \$332,472.

*These graphs show a distribution of the current retired participants based on their monthly amount and age, by type of pension.*

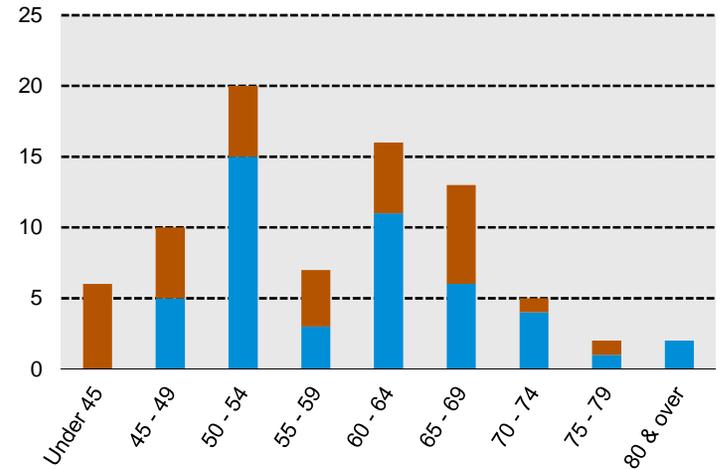
**CHART 4**

**Distribution of Retired Participants by Type and by Monthly Amount as of June 30, 2014**



**CHART 5**

**Distribution of Retired Participants by Type and by Age as of June 30, 2014**



## SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System

### B. FINANCIAL INFORMATION

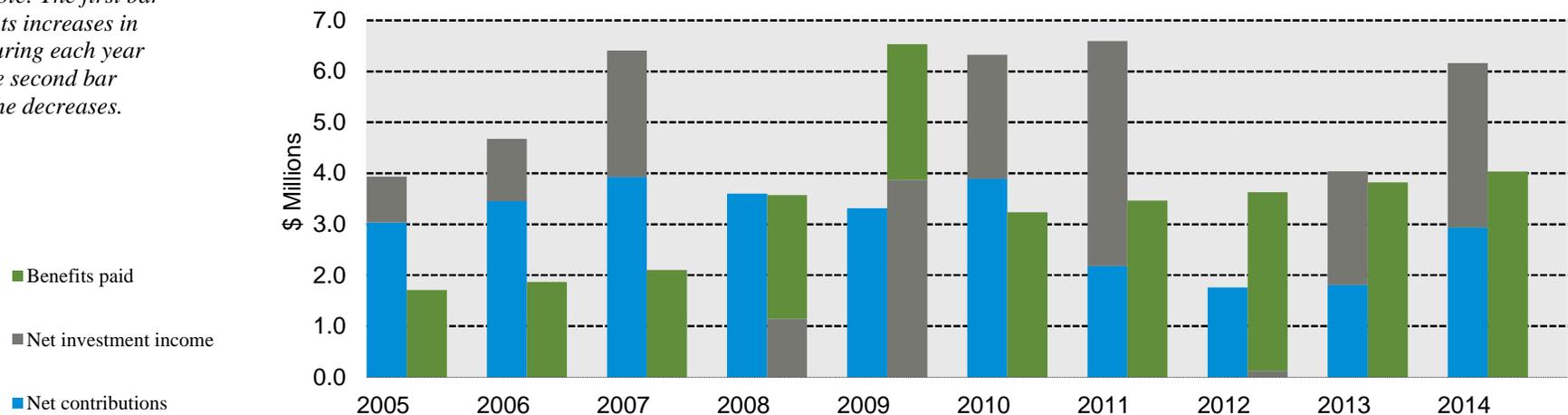
Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits D and E.

*The chart depicts the components of changes in the actuarial value of assets over the last ten years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.*

**CHART 6**

**Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2005 – 2014**



## SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System

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It is desirable to have level and predictable plan costs from one year to the next. However, the Town has approved an asset valuation method that uses market value. Under this valuation method, the full value of market fluctuation is recognized in a single year and, as a result, the asset value and the plan costs are relatively volatile.

*The chart shows the determination of the actuarial value of assets as of the valuation date.*

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### CHART 7

#### Determination of Actuarial Value of Assets for Year Ended June 30, 2014

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1. Actuarial value of assets at beginning of year (equal to market value)	\$22,051,272
2. Employer contributions	2,706,157
3. Employee contributions	277,539
4. Purchase of service	79,045
5. Investment income	3,228,280
6. Benefit payments	-4,035,577
7. Administrative expenses	-127,318
8. Actuarial value of assets at end of year (equal to market value)	<u>\$24,179,398</u>

## SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System

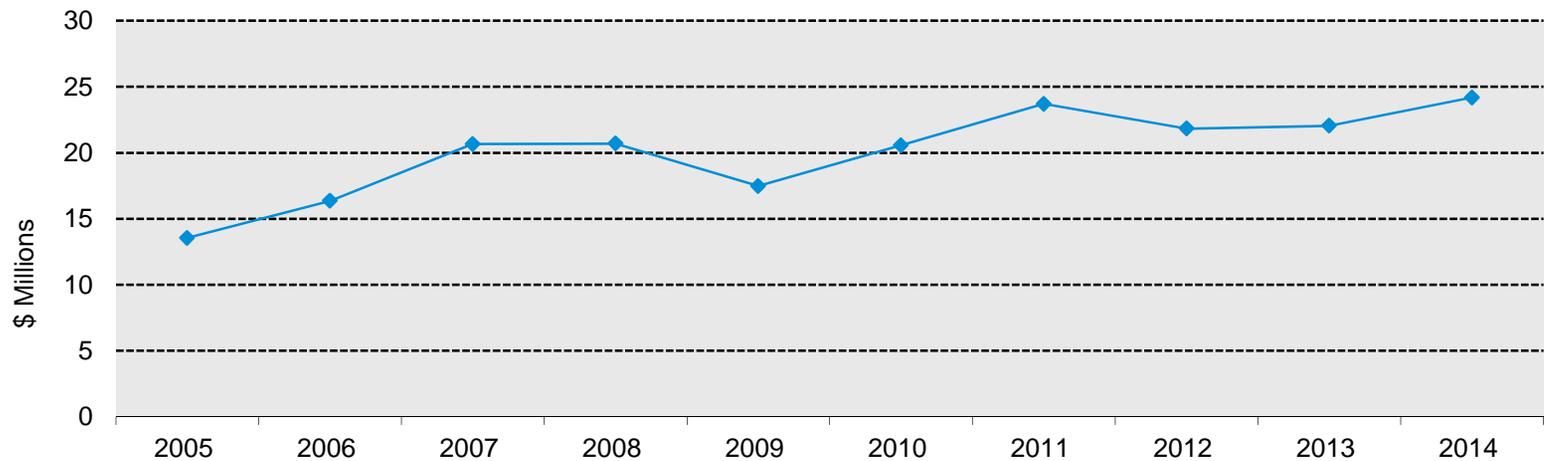
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The actuarial value (equal to the market value of assets) is a representation of the Firefighters Pension System's financial status. The actuarial asset value is significant because the Firefighters Pension System's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

*This chart shows how the actuarial value of assets (equal to the market value of assets) has changed over the past ten years.*

**CHART 8**

**Actuarial Value of Assets (equal to Market Value of Assets) as of June 30, 2005 – 2014**



**SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System**

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**C. ACTUARIAL EXPERIENCE**

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year’s experience was a short-term

development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total gain is \$311,756, \$1,615,690 from investment gains and \$1,303,934 in losses from all other sources. The net experience variation from individual sources other than investments was 1.6% of the actuarial accrued liability. A discussion of the major components of the actuarial experience is on the following pages.

*This chart provides a summary of the actuarial experience during the past year.*

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**CHART 9  
Actuarial Experience for Year Ended June 30, 2014**

1. Net gain/(loss) from investments*	\$1,615,690
2. Net gain/(loss) from administrative expenses	-122,716
3. Net gain/(loss) from other experience**	<u>-1,181,218</u>
4. Net experience gain/(loss): (1) + (2) + (3)	\$311,756

\* Details in Chart 10  
 \*\* Details in Chart 13

**SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System**

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**Investment Rate of Return**

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Town of Johnston’s investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 7.50%. The actual rate of return on an actuarial basis for the 2014 plan year was 15.01%.

Since the actual return for the year was greater than the assumed return, the Town of Johnston Firefighters Pension System experienced an actuarial gain during the year ended June 30, 2014 with regard to its investments.

*This chart shows the gain/(loss) due to investment experience.*

**CHART 10**  
**Actuarial Value Investment Experience for Year Ended June 30, 2014**

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1. Actual return	\$3,228,280
2. Average value of assets	21,501,195
3. Actual rate of return: (1) ÷ (2)	15.01%
4. Assumed rate of return	7.50%
5. Expected return: (2) x (4)	\$1,612,590
6. Actuarial gain/(loss): (1) – (5)	<u>\$1,615,690</u>

**SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System**

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Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis for the last ten years, including five-year and ten-year averages.

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**CHART 11**

**Investment Return – Actuarial Value of Assets (equal to Market Value of Assets): 2005 - 20014**

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Year Ended June 30	Actuarial Value Investment Return	
	Amount	Percent
2005	\$897,734	7.49%
2006	1,219,012	8.50
2007	2,478,794	14.35
2008	-1,144,522	-5.39
2009	-3,871,296	-18.42
2010	2,434,222	13.68
2011	4,414,857	22.16
2012	-125,235	-0.55
2013	2,230,398	10.71
2014	<u>3,228,280</u>	15.01
Total	\$11,762,244	
	Five-year average return	11.84%
	Ten-year average return	6.23%

*Note: Each year's yield is weighted by the average asset value in that year.*

## SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System

The actuarial value of assets has been equal to market value for the last ten years. This has resulted in relatively volatile actuarial rates of return and pension plan cost.

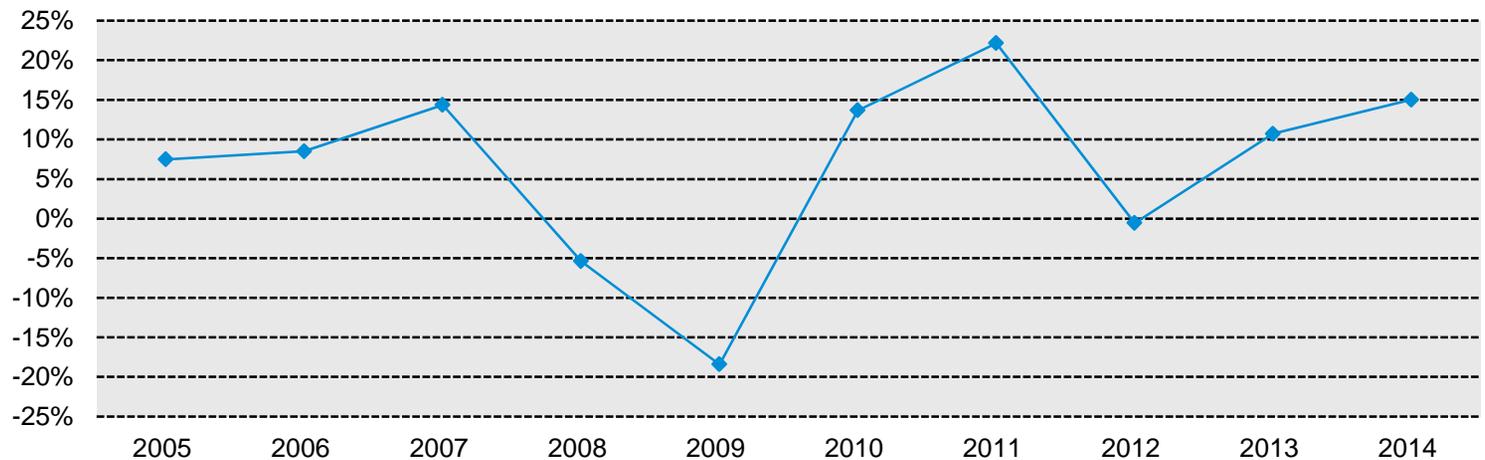
### Administrative Expenses

Administrative expenses for the year ended June 30, 2014 totaled \$127,318 compared to the assumption of \$0. This resulted in a loss of \$122,716 for the year. Because it is expected that these expenses will continue to occur, we have changed the assumption from \$0 to \$75,000, payable as of the beginning of the year for the current year.

*This chart illustrates the rates of return.*

**CHART 12**

**Actuarial Rates of Return (equal to Market Value Rates of Return) for Years Ended June 30, 2005 - 2014**



## SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System

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### Other Experience

There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended June 30, 2014 amounted to \$1,181,218, which is 1.4% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the Town of Johnston Firefighters Pension System for the year ended June 30, 2014 is shown in the chart below.

*The chart shows elements of the experience gain/(loss) for the most recent year.*

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### CHART 13

#### Experience Due to Changes in Demographics for Year Ended June 30, 2014

1. Retirement experience different than expected	-\$564,183
2. Disability retirements	-465,406
3. Salary increases less than expected	461,861
4. Adjustment to reflect COLA portion of benefit for certain retirees with purchased annuities	-304,176
5. Deaths among retired members and beneficiaries	299,701
6. Actual benefit payments less than expected	102,581
7. Miscellaneous	<u>-711,596</u>
8. Total	<u>-\$1,181,218</u>

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**SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System**

**D. RECOMMENDED CONTRIBUTION**

The amount of annual contribution required to fund the Plan is comprised of an employer normal cost payment and a payment on the unfunded actuarial accrued liability. This total amount is then divided by the projected payroll for active members to determine the funding rate of 205.02% of payroll.

Prior to July 1, 2012, the amortization period was 30 years with 18 remaining as of July 1, 2011.

Effective July 1, 2012 the recommended contribution is based on a 24-year amortization of the unfunded actuarial accrued liability. As of July 1, 2014, there are 22 years remaining on this schedule.

*The chart compares this valuation's recommended contribution with the prior valuation.*

**CHART 14**  
**Recommended Contribution**

	Year Beginning July 1			
	2014		2013	
	Amount	% of Payroll	Amount	% of Payroll
1. Total benefit normal cost*	\$993,747	32.87%	\$1,101,876	32.85%
2. Administrative expenses*	75,000	2.48%	0	0.00%
3. Expected employee contributions*	<u>-241,852</u>	<u>-8.00%</u>	<u>-268,343</u>	<u>-8.00%</u>
4. Employer normal cost: (1) + (2) + (3)*	\$826,895	27.35%	\$833,533	24.85%
5. Actuarial accrued liability	82,359,411		78,316,245	
6. Actuarial value of assets	<u>24,179,398</u>		<u>22,051,272</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$58,180,013		\$56,264,973	
8. Payment on unfunded actuarial accrued liability*	5,097,482	168.61%	4,843,251	144.39%
9. Total recommended contribution: (4) + (8), adjusted for timing**	<u>\$6,607,532</u>	<u>205.02%</u>	<u>\$6,331,388</u>	<u>177.06%</u>
10. Projected payroll	\$3,222,851		\$3,575,862	

\*As a percent of reported payroll.

\*\*Recommended contributions are assumed to be paid at the middle of the next fiscal year.

**SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System**

The recommended contribution as of July 1, 2014 is based on all of the data described in the previous sections, the actuarial assumptions described in Section 6, and the Plan provisions adopted at the time of preparation of the Actuarial Valuation. They include all changes affecting future costs, adopted benefit changes, actuarial gains and losses and changes in the actuarial assumptions.

**Reconciliation of Recommended Contribution**

The chart below details the changes in the recommended contribution from the prior valuation to the current year’s valuation.

*The chart reconciles the contribution from the prior valuation to the amount determined in this valuation.*

**CHART 15**

**Reconciliation of Recommended Contribution**

<b>Recommended Mid-Year Contribution for Fiscal Year Ending June 30, 2015</b>	\$6,331,388
Effect of contributions less than recommended contribution	322,025
Effect of investment gain	-157,883
Effect of change in administrative expense assumption	83,648
Effect of other gains and losses on accrued liability	119,406
Effect of net other changes	<u>-91,052</u>
<b>Total change</b>	<u>\$276,144</u>
<b>Recommended Mid-Year Contribution for Fiscal Year Ending June 30, 2016</b>	\$6,607,532

## SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Firefighters Pension System

### E. INFORMATION REQUIRED BY THE GASB

This section provides historical information requested by GASB Statement 25 and 27. This has now been replaced with information required under GASB Statements 67 and 68.

Governmental Accounting Standards Board (GASB) reporting information provides standardized information for comparative purposes of governmental pension plans. This information allows a reader of the financial statements to compare the funding status of one governmental plan to another on relatively equal terms.

Critical information to the GASB is the historical comparison of the GASB required contribution to the actual contributions. This comparison demonstrates whether a plan is being funded within the range of the GASB reporting requirements. Chart 16 below presents a graphical representation of this information for the Plan.

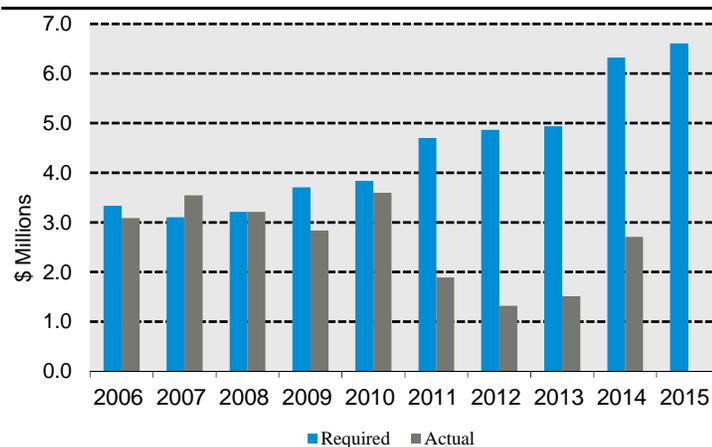
The other critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the Plan as calculated under the GASB Standards. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

Although the GASB requires that the actuarial value of assets be used to determine the funded ratio, Chart 17 shows the funded ratio calculated using both the actuarial value of assets and the market value of assets.

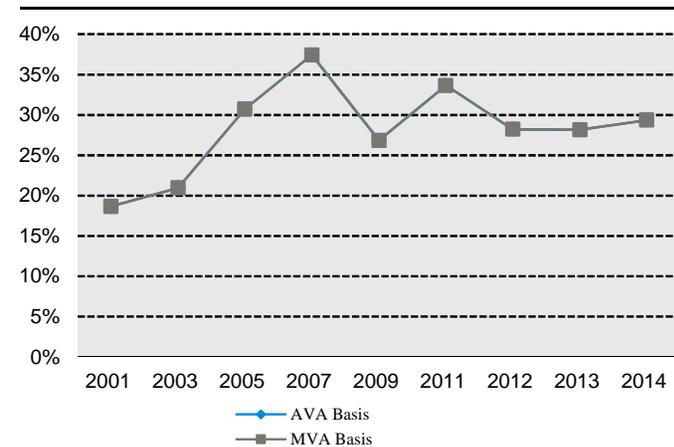
The details regarding the calculations of these values and other GASB numbers may be found in Section 4, Exhibits II, III, and IV.

*These graphs show key GASB factors.*

**CHART 16**  
**Required Versus Actual Contributions**



**CHART 17**  
**Funded Ratio**



**SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT A**

**Table of Plan Coverage**

Category	Year Ended June 30		Change From Prior Year
	2014	2013	
<b>Active participants in valuation:</b>			
Number	31	35	-11.4%
Average age	46.3	45.4	N/A
Average years of service	19.2	18.3	N/A
Total payroll	\$3,023,153	\$3,354,290	-9.9%
Average payroll	97,521	95,837	1.8%
Total active vested participants	31	35	-11.4%
<b>Retired participants:</b>			
Number in pay status	47	44	6.8%
Average age	59.4	59.2	N/A
Average monthly benefit	\$4,658	\$4,472	4.2%
<b>Disabled participants:</b>			
Number in pay status	34	33	3.0%
Average age	56.0	55.3	N/A
Average monthly benefit	\$3,948	\$3,884	1.6%
<b>Beneficiaries in pay status:</b>			
Number in pay status	2	3	-33.3%
Average age	62.4	66.2	N/A
Average monthly benefit	\$2,445	\$2,506	-2.4%

**SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT B**

**Participants in Active Service as of June 30, 2014  
By Age, Years of Service, and Average Payroll**

Age	Years of Service			
	Total	15 - 19	20 - 24	25 - 29
Under 25	--	--	--	--
25 - 29	--	--	--	--
30 - 34	--	--	--	--
35 - 39	--	--	--	--
40 - 44	12	11	--	1
45 - 49	\$94,302	\$93,051	--	\$108,062
50 - 54	3	3	--	--
55 - 59	108,582	108,582	--	--
60 - 64	1	1	--	--
65 - 69	84,603	84,603	--	--
70 & over	--	--	--	--
Unknown	--	--	--	--
<b>Total</b>	<b>31</b>	<b>25</b>	<b>2</b>	<b>4</b>
	\$97,521	\$92,579	\$113,216	\$120,565

**SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT C**

**Reconciliation of Participant Data**

	<b>Active Participants</b>	<b>Disableds</b>	<b>Retired Participants</b>	<b>Beneficiaries</b>	<b>Total</b>
Number as of July 1, 2013	35	33	44	3	115
Retirements	-3	N/A	3	N/A	0
New disabilities	-1	1	N/A	N/A	0
Died without beneficiary	<u>0</u>	<u>0</u>	<u>0</u>	<u>-1</u>	<u>-1</u>
Number as of July 1, 2014	31	34	47	2	114

**SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT D**

**Summary Statement of Income and Expenses on an Actuarial and Market Value Basis**

	Year Ended June 30, 2014	Year Ended June 30, 2013
<b>Net assets at actuarial value at the beginning of the year</b>	\$22,051,272	\$21,828,784
<b>Contribution income:</b>		
Employer contributions	\$2,706,157	\$1,504,172
Employee contributions	277,539	282,495
Purchase of service contributions	79,045	24,125
Less administrative expenses	<u>-127,318</u>	<u>0</u>
Net contribution income	2,935,423	1,810,792
<b>Investment income</b>	<u>3,228,280</u>	<u>2,230,398</u>
<b>Total income available for benefits</b>	\$6,163,703	\$4,041,190
<b>Less benefit payments</b>	-\$4,035,577	-\$3,818,702
<b>Change in reserve for future benefits</b>	\$2,128,126	\$222,488
<b>Net assets at actuarial value at the end of the year</b>	\$24,179,398	\$22,051,272

**SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT E**

**Development of the Fund Through June 30, 2014**

<b>Year Ended June 30</b>	<b>Employer Contributions</b>	<b>Employee Contributions*</b>	<b>Net Investment Return**</b>	<b>Administrative*** Expenses</b>	<b>Benefit Payments</b>	<b>Actuarial Value of Assets at End of Year</b>
2005	\$2,669,806	\$366,375	\$897,734	\$0	\$1,712,311	\$13,549,265
2006	3,084,995	371,015	1,219,012	0	1,866,816	16,357,471
2007	3,544,672	383,637	2,478,794	0	2,101,578	20,662,996
2008	3,209,813	390,201	-1,144,522	0	2,428,198	20,690,290
2009	2,833,053	479,991	-3,871,296	0	2,659,161	17,472,877
2010	3,596,440	295,826	2,434,222	0	3,237,396	20,561,969
2011	1,886,017	296,478	4,414,857	0	3,463,917	23,695,404
2012	1,316,296	444,235	-125,235	0	3,501,916	21,828,784
2013	1,504,172	306,620	2,230,398	0	3,818,702	22,051,272
2014	2,706,157	356,584	3,228,280	127,318	4,035,577	24,179,398

\* Includes purchase of service

\*\* Net of investment fees

\*\*\* Shown separately beginning in 2014; prior to that included in net investment return

**SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT F**

**Development of Unfunded Actuarial Accrued Liability  
for Year Ended June 30, 2014**

1. Unfunded actuarial accrued liability at beginning of year		\$56,264,973
2. Total normal cost at beginning of year		1,101,876
3. Total contributions		-3,062,741
4. Interest		
(a) For whole year on (1) + (2)	\$4,302,514	
(b) For half year on (3)	<u>-114,853</u>	
(c) Total interest		<u>4,187,661</u>
5. Expected unfunded actuarial accrued liability		\$58,491,769
6. Changes due to:		
(a) (Gain)/loss	-\$311,756	
(b) Assumptions	N/A	
(c) Funding method	N/A	
(d) Plan provisions	N/A	
(e) Total changes		<u>-311,756</u>
7. Unfunded actuarial accrued liability at end of year		<u>\$58,180,013</u>

**SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Firefighters Pension System**

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**EXHIBIT G**

**Definitions of Pension Terms**

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The following list defines certain technical terms for the convenience of the reader:

**Assumptions or Actuarial Assumptions:**

The estimates on which the cost of the Plan is calculated including:

- (a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;
- (b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;
- (c) Retirement rates — the rate or probability of retirement at a given age;
- (d) Withdrawal rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

**Normal Cost:**

The amount of contributions required to fund the benefit allocated to the current year of service.

**Actuarial Accrued Liability For Actives:**

The value of all projected benefit payments for current members less the portion that will be paid by future normal costs.

**Actuarial Accrued Liability For Pensioners:**

The single-sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

**Unfunded Actuarial Accrued Liability:**

The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There is a wide range of approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

### **SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Firefighters Pension System**

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#### **Amortization of the Unfunded**

**Actuarial Accrued Liability:** Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.

#### **Investment Return:**

The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

## SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System

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### EXHIBIT I

#### Summary of Actuarial Valuation Results

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The valuation was made with respect to the following data supplied to us:

1. Retired participants as of the valuation date (including two beneficiaries in pay status)		83
2. Participants inactive during year ended June 30, 2014 with vested rights		0
3. Participants active during the year ended June 30, 2014		31
Fully vested	31	
Not vested	0	
4. Inactive non-vested participants as of June 30, 2014		0

---

The actuarial factors as of the valuation date are as follows:

1. Total normal cost, including administrative expenses		\$1,068,747
2. Actuarial accrued liability		82,359,411
Retired participants and beneficiaries	\$58,894,573	
Active participants	23,464,838	
3. Actuarial value of assets (equal to market value)		24,179,398
4. Unfunded actuarial accrued liability		\$58,180,013

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**SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System**

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**EXHIBIT I (continued)**

**Summary of Actuarial Valuation Results**

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The determination of the recommended contribution is as follows:

1. Total benefit normal cost	\$993,747
2. Administrative expenses	75,000
3. Expected employee contributions	<u>-241,852</u>
4. Employer normal cost: (1) + (2) + (3)	\$826,895
5. Payment on unfunded actuarial accrued liability	5,097,482
6. Total recommended contribution: (4) + (5), adjusted for timing	<u>\$6,607,532</u>
7. Projected payroll	\$3,222,851
8. Total recommended contribution as a percentage of projected payroll: (6) ÷ (7)	205.02%
<b>9. Annual required contribution for Fiscal Year ending June 30, 2016: (6)</b>	<b>\$6,607,532</b>

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**SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT II**

**History of Employer Contributions**

<b>Plan Year Ended June 30</b>	<b>Actuarially Determined Employer Contributions (ADEC)*</b>	<b>Actual Contributions</b>	<b>Percentage Contributed</b>
2006	\$3,330,389	\$3,084,995	92.6%
2007	3,100,390	3,544,672	114.3%
2008	3,208,904	3,209,813	100.0%
2009	3,704,162	2,833,053	76.5%
2010	3,833,808	3,596,440	93.8%
2011	4,701,525	1,886,017	40.1%
2012	4,866,078	1,316,296	27.1%
2013	4,941,035	1,504,172	30.4%
2014	6,325,477	2,706,157	42.8%
2015	6,607,532	--	--

*\*Prior to 2015, this amount was the Annual Required Contribution (ARC)*

**SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT III**

**Schedule of Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)</b>	<b>Funded Ratio (a) / (b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)</b>
07/01/2007	\$20,662,996	\$55,191,527	\$34,528,531	37.44%	\$4,588,641	752.48%
07/01/2009	17,472,877	65,098,078	47,625,201	26.84%	3,449,317	1,380.71%
07/01/2011	23,695,404	70,408,046	46,712,642	33.65%	3,533,442	1,322.02%
07/01/2012	21,828,784	77,341,524	55,512,740	28.22%	3,901,034	1,423.03%
07/01/2013	22,051,272	78,316,245	56,264,973	28.16%	3,354,290	1,677.40%
07/01/2014	24,179,398	82,359,411	58,180,013	29.36%	3,023,153	1,924.48%

\*Not less than zero

## SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System

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### EXHIBIT IV Supplementary Information

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<b>Valuation date</b>	July 1, 2014
<b>Actuarial cost method</b>	Entry Age Normal Cost Method
<b>Amortization method</b>	Level dollar
<b>Remaining amortization period</b>	22 years remaining as of 2014
<b>Asset valuation method</b>	Market value

---

**Actuarial assumptions:**

Investment rate of return	7.50%
Inflation rate	2.75%
Projected salary increases	4.00%
Payroll growth	3.25%

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**Plan membership:**

Retired participants and beneficiaries receiving benefits	83
Terminated participants entitled to, but not yet receiving benefits	0
Active participants	<u>31</u>
Total	114

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**SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT V**

**Development of the Net Pension Obligation (NPO) and the Annual Pension Cost Pursuant to GASB 27**

<b>Plan Year Ended June 30</b>	<b>Employer Annual Required Contribution (a)</b>	<b>Employer Amount Contributed (b)</b>	<b>Interest on NPO (h) x 7.75%* (c)</b>	<b>ARC Adjustment (h) / (e) (d)</b>	<b>Amortization Factor (e)</b>	<b>Pension Cost (a) + (c) – (d) (f)</b>	<b>Change in NPO (f) – (b) (g)</b>	<b>NPO Balance NPO + (g) (h)</b>
2009	\$3,704,162	\$2,833,053	\$202,945	\$189,459	13.8216	\$3,717,648	\$884,595	\$3,503,235
2010	3,833,808	3,596,440	271,501	260,987	13.4230	3,844,322	247,882	3,751,117
2011	4,701,525	1,886,017	290,712	288,369	13.0080	4,703,868	2,817,851	6,568,968
2012	4,866,078	1,316,296	509,095	522,342	12.5760	4,852,831	3,536,535	10,105,503
2013	4,941,035	1,504,172	783,176	833,361	12.1262	4,890,850	3,386,678	13,492,181
2014	6,325,477	2,706,157	1,011,914	1,228,460	10.9830	6,108,931	3,402,774	16,894,955

\* 7.50% beginning in 2014

## SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System

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### EXHIBIT 1

#### General Information – “Financial Statements”, Note Disclosures and Required Supplementary Information for a Single Employer Pension Plan

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##### Plan Description

*Plan membership.* At June 30, 2014, pension plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	83
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>31</u>
Total	114

The Pension System was closed to new Firefighters as of July 1, 1999.

*Benefits provided:* See Section 6, Exhibit II for a summary of plan provisions.

## SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System

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### EXHIBIT 2

#### Net Pension Liability

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The components of the net pension liability of the Firefighters Pension System at June 30, 2014 were as follows:

Total pension liability	\$117,815,210
Plan fiduciary net position	<u>24,179,398</u>
Association's net pension liability	93,635,812
Plan fiduciary net position as a percentage of the total pension liability	20.52%

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*Actuarial assumptions.* The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	4.00%
Investment rate of return	7.50%, net of pension plan investment expense, including inflation (4.72% blended rate used to determine total pension liability)

Healthy mortality rates were based on the sex-distinct RP-2000 Combined Healthy White Collar Mortality Table using 115% of males rate for males and 95% of females rates for females, adjusted to the valuation date, using generational projection under Scale AA to reflect future mortality improvement. Disabled mortality rates for males were based on 60% of PBGC Table V(a) for disabled males eligible for Social Security disability benefits. Disabled mortality rates for females were based on 60% of PBGC Table VI(a) for disabled females eligible for Social Security disability benefits. No provision was made for future mortality improvement after the valuation date.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an experience study for the period July 1, 2007 to June 30, 2011.

**SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System**

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of the last experience study are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Domestic equity	50%	6.8%
Fixed income	49%	2.8%
Cash	1%	0.0%
<b>Total</b>	100%	

*Discount rate:* The discount rate used to measure the total pension liability is 4.72%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Town of Johnston’s contributions of \$5.2 million for the Fiscal Year ending June 30, 2014 for the combined Police and Firefighters Pension System will increase 2.75% each year. Based on these assumptions, the Pension System’s fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to the first 13 periods of projected benefit payments and a 4.29% municipal bond rate was applied to all periods thereafter to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the Firefighters Pension System, calculated using the discount rate of 4.72%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.72%) or 1 percentage point higher (5.72%) than the current rate:

	<b>1% Decrease (3.72%)</b>	<b>Current Discount Rate (4.72%)</b>	<b>1% Increase (5.72%)</b>
Net pension liability	\$113,053,702	\$93,635,812	\$78,331,189

## SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System

### EXHIBIT 3

#### Schedules of Changes in Firefighters Pension System's Net Pension Liability – Last Ten Fiscal Years

	2014	2013	2012	2011	2010
<b>Total pension liability</b>					
Service cost	\$2,208,787	(Historical information prior to implementation of GASB 67/68 is not required.)			
Interest	5,185,774				
Change of benefit terms	--				
Differences between expected and actual experience	2,570,343				
Changes of assumptions	--				
Benefit payments, including refunds of employee contributions	<u>-4,035,577</u>				
<b>Net change in total pension liability</b>	<b>\$5,929,327</b>				
<b>Total pension liability – beginning</b>	<b><u>111,885,883</u></b>				
<b>Total pension liability – ending (a)</b>	<b><u>\$117,815,210</u></b>				
<b>Plan fiduciary net position</b>					
Contributions – employer	\$2,706,157				
Contributions – employee	356,584				
Net investment income	3,228,280				
Benefit payments, including refunds of employee contributions	-4,035,577				
Administrative expense	-127,318				
Other	<u>--</u>				
<b>Net change in plan fiduciary net position</b>	<b>2,128,126</b>				
<b>Plan fiduciary net position – beginning</b>	<b><u>22,051,272</u></b>				
<b>Plan fiduciary net position – ending (b)</b>	<b>\$24,179,398</b>				
<b>System's net pension liability – ending (a) – (b)</b>	<b><u>\$93,635,812</u></b>				
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	20.52%				
<b>Covered employee payroll</b>	\$3,023,153				
<b>System's net pension liability as percentage of covered employee payroll</b>	3,097.29%				

#### Notes to Schedule:

*Benefit changes:* There have been no changes in benefit provisions since GASB67 implementation.

*Change of Assumptions:* There have been no assumption changes since GASB67 implementation.

**SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT 4**

**Schedule of Town of Johnston’s Contributions to the Firefighters Pension System – Last Ten Fiscal Years**

<b>Year Ended June 30</b>	<b>Actuarially Determined Contributions</b>	<b>Contributions in Relation to the Actuarially Determined Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered-Employee Payroll</b>	<b>Contributions as a Percentage of Covered Employee Payroll</b>
2005	(Historical information prior to implementation of GASB 67/68 is not required.)				
2006					
2007					
2008					
2009					
2010					
2011					
2012					
2013					
2014	\$6,325,477	\$2,706,157	\$3,619,320	\$3,023,153	89.51%

## SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System

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### EXHIBIT 5

#### Notes to Required Supplementary Information

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<b>Valuation date</b>	Actuarial determined contribution rates are calculated as of July 1, two years prior to the end of the fiscal year in which contributions are reported.
<b>Methods and used assumptions to determine contribution rates:</b>	
<b>Actuarial cost method</b>	Entry age
<b>Amortization method</b>	Closed level dollar for remaining unfunded liability
<b>Remaining amortization period</b>	22 years remaining as of June, 30, 2014
<b>Asset valuation method</b>	Market value
<b>Actuarial assumptions:</b>	
Investment rate of return	7.75%, net of pension plan investment expenses, including inflation.
Inflation rate	2.75%
Projected salary increases	4.00%
Cost of living adjustments	1.625%
Retirement Rates:	See Section 6, Exhibit I for summary of assumption and Exhibit 3 for the history of changes to this assumption, if any.
Mortality:	See Section 6, Exhibit I for summary of assumption and Exhibit 3 for the history of changes to this assumption, if any.
Other information:	See Exhibit 3 for the history of changes to plan provisions, if any.

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## SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System

The numbers shown in Exhibit 6 are based on a June 30, 2014 measurement date which would make them applicable to the Fiscal Year beginning July 1, 2014 and ending June 30, 2015 for GASB 68.

### EXHIBIT 6

#### Net Pension Liability

<b>A. <u>Changes in the Net Pension Liability</u></b>	<b>Total Pension Liability (TPL) (a)</b>	<b>Fiduciary Net Position (FNP) (b)</b>	<b>Net Pension Liability (NPL) (a) - (b)</b>
Balances at June 30, 2013 *	\$111,885,883	\$22,051,272	89,834,611
Changes for the year:			
Service cost	2,208,787	--	2,208,787
Interest	5,185,774	--	5,185,774
Differences between expected and actual experience	2,570,343	--	2,570,343
Contributions – employer	--	2,706,157	(2,706,157)
Contributions – employee	--	356,584	(356,584)
Net investment income	--	3,228,280	(3,228,280)
Benefit payments, including refunds of employee contributions	(4,035,577)	(4,035,577)	--
Administrative expense	--	(127,318)	127,318
Other	--	--	--
Net changes	5,929,327	2,128,126	3,801,201
Balances at June 30, 2014 **	<u>\$117,815,210</u>	<u>\$24,179,398</u>	<u>\$93,635,812</u>
<b>B. <u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u></b>	<b>1% Decrease (3.72%)</b>	<b>Current Discount Rate (4.72%)</b>	<b>1% Increase (5.72%)</b>
	\$113,053,702	\$93,635,812	\$78,331,189

\* Entry Age Normal liabilities calculated using ages and service amounts as of June 30, 2013 are used to measure TPL as of June 30, 2013. The balances as of June 30, 2013 constitute measurements of the NPL for the fiscal year ending June 30, 2014.

\*\* Entry Age Normal liabilities calculated using ages and service amounts as of June 30, 2014 are used to measure TPL as of June 30, 2014. The balances as of June 30, 2014 constitute measurements of the NPL for the fiscal year ending June 30, 2015.

## SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System

The numbers shown in Exhibit 7 are based on a June 30, 2014 measurement date which would make them applicable to the Fiscal Year beginning July 1, 2014 and ending June 30, 2015 for GASB 68.

### EXHIBIT 7

#### Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

##### A. Pension expense for the year ended June 30, 2015

Service cost	\$2,208,787	
Interest on TPL	5,185,774	
Employee contributions	(356,584)	
Administrative expenses	127,318	
Expected return on assets	(1,612,590)	
Expensed portion of current year period differences between expected and actual experience in TPL	1,285,171	
Expensed portion of current year period assumption changes	--	
Current year plan changes	--	
Expensed portion of current year period differences between projected and actual investment earnings	(323,138)	
Current year recognition of deferred inflows and outflows established in prior years	--	
Total expense		\$6,514,738

##### B. Deferred outflows/inflows of resources related to pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$1,285,172	--
Net difference between projected and actual earnings on pension plan investments	--	(\$1,292,552)
Total	\$1,285,172	(\$1,292,552)

**SECTION 5: GASB Information for Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT 7 (continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions (continued)**

**C. Projected recognition of deferred outflows/(inflows)**

	Year	Outstanding Balance at Established July 1, 2014	Amount Recognized During FYE June 30, 2015	Outstanding Balance at June 30, 2015	Deferred Outflows/(Inflows) Recognized in Future Years					
					2016	2017	2018	2019	2020	2021 and Thereafter
Fiscal Year Outflows										
Demographic	2015	\$2,570,343	\$1,285,171	\$1,285,172	\$1,285,172	--	--	--	--	--
Total Outflows		\$2,570,343	\$1,285,171	\$1,285,172	\$1,285,172	--	--	--	--	--
Fiscal Year Inflows										
Investment	2015	(\$1,615,690)	(\$323,138)	(\$1,292,552)	(\$323,138)	(\$323,138)	(\$323,138)	(\$323,138)	--	--
Total Inflows		(\$1,615,690)	(\$323,138)	(\$1,292,552)	(\$323,138)	(\$323,138)	(\$323,138)	(\$323,138)	--	--
Total		\$954,653	\$962,033	(\$7,380)	\$962,034	(\$323,138)	(\$323,138)	(\$323,138)	--	--

**SECTION 6: Reporting Information for the Town of Johnston, Rhode Island Firefighters Pension System**

**EXHIBIT I**

**Actuarial Assumptions and Actuarial Cost Method**

**Mortality Rates:**

*Healthy:* Males – 115% of the RP-2000 Combined Healthy White Collar Mortality Table for Males  
 Females – 95% of the RP-2000 Combined Healthy White Collar Mortality Table for Females  
 The healthy mortality tables are adjusted to the valuation date using generational projection under Scale AA to reflect future mortality improvements.

*Disabled:* Males – 60% of PBGC Table V(a) for disabled males eligible for Social Security disability benefits  
 Females – 60% of PBGC Table VI(a) for disabled females eligible for Social Security disability benefits  
 No provision was made to the disabled mortality tables for future mortality improvement after the measurement date.

**Termination Rates before Retirement:**

Age	Rate (%)					
	Mortality*		Disability		Withdrawal	
	Male	Female	Male	Female	Male	Female
20	0.04%	0.02%	0.34	0.34	0.00	0.00
25	0.04	0.02	0.34	0.34	0.00	0.00
30	0.04	0.03	0.44	0.44	0.00	0.00
35	0.07	0.04	0.58	0.58	0.00	0.00
40	0.10	0.06	0.88	0.88	0.00	0.00
45	0.15	0.10	1.44	1.44	0.00	0.00
50	0.23	0.15	2.42	2.42	0.00	0.00
55	0.38	0.25	2.42	2.42	0.00	0.00
60	0.64	0.44	2.42	2.42	0.00	0.00

*100% of deaths and disabilities are assumed to be service-related.*

*\* Generational projection is not reflected in tabular rates.*

**SECTION 6: Reporting Information for the Town of Johnston, Rhode Island Firefighters Pension System**

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**Retirement Rates:**

<b>Years of Service</b>	<b>Retirement Probability</b>
20	75%
21-25	50%
26 or more	100%

*All employees are assumed to retire no later than age 65.*

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**Percent Married:** 85% of active firefighters and retirees are assumed to be married. Wives are assumed to be three years younger than their husbands unless dates of birth are provided.

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**Net Investment Return:** 7.50%

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**Salary Increases:** 4.00%; including 2.75% for inflationary increases, 0.50% for productivity increases and 0.75% for promotional and longevity increases

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**Payroll Growth:** 3.25%

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**Inflation:** 2.75%

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**Severance Pay:** Severance pay is estimated as 50% of base pay at retirement. With this assumption, this increases the expected final average salary which includes overtime and other portions of total pay at retirement by 12.5%.

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**Administrative Expenses:** Administrative expenses are assumed to be \$75,000, payable as of the beginning of the year.

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## SECTION 6: Reporting Information for the Town of Johnston, Rhode Island Firefighters Pension System

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**Cost of Living Increases:** ½ of the expected payroll growth (1.625%)

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**Actuarial Value of Assets:** Market value

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**Actuarial Cost Method:** Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant would have commenced participation if the plan had always been in existence. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service, with Normal Cost determined as if the current benefit accrual rate had always been in effect.

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**Changes in Assumptions:** The administrative expense assumption was changed from \$0 to \$75,000.

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**SECTION 6: Reporting Information for the Town of Johnston, Rhode Island Firefighters Pension System**

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**EXHIBIT II**  
**Summary of Plan Provisions**

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This exhibit summarizes the major provisions of the Town of Johnston Firefighters Pension System included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

**Plan Year:** July 1 through June 30

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**Normal Retirement:**

*Eligibility* 20 years of service

*Amount* The annual benefit at retirement is equal to the percentage of final average salary specified in the table below. For pension purposes, final average salary is a three-year average of pay comprising base (including on-the-job injury pay), holiday and longevity pay, “severance pay” (unused sick and vacation pay distributed at retirement), and 75% of overtime pay.

<u>Years of Service</u>	<u>Benefit as a Percentage of Final Average Salary</u>
20	50.0%
21	52.5
22	55.0
23	57.5
24	60.0
25	62.5
26	65.0
27	67.5
28	70.0
29	72.5
30 or more	75.0

*Years of service include call service.*

**SECTION 6: Reporting Information for the Town of Johnston, Rhode Island Firefighters Pension System**

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<i>Commencement Date</i>	Retirement benefits commence as of the first payroll period after retirement.
<i>Form of Payment</i>	The annual benefit calculated in accordance with the formula above is payable monthly for the remainder of the retired member’s life, with 67.5% of the member’s benefit payable for the lifetime of his or her surviving spouse. The benefit ceases if the spouse remarries. If there is no spouse, a dependent’s benefit may be paid to any children until their 18 <sup>th</sup> birthday.

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**Disability:**

***Service Related***

<i>Eligibility</i>	Job-related mental or physical incapacity. Disability to be determined by the Town.
<i>Amount</i>	66 2/3% of final average salary

***Non-Service Related***

<i>Eligibility</i>	Retirement because of a non-job-related mental or physical incapacity. Disability to be determined by the Town.
<i>Amount</i>	Benefit applicable under retirement or vested termination (25% of final average salary for non-vested member is minimum benefit)
<i>Commencement Date</i>	Benefits commence as of the first payroll period after disability
<i>Form of Payment</i>	Same as Normal Retirement

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**Vested Termination:**

<i>Eligibility</i>	10 years of service
<i>Benefit Formula</i>	25% of final average salary at termination with 10 years of service, increasing by 2.5% for each additional year of service up to a maximum of 47.5% of final average salary.
<i>Commencement Date</i>	Age 55
<i>Form of Payment</i>	Same as Normal Retirement

**SECTION 6: Reporting Information for the Town of Johnston, Rhode Island Firefighters Pension System**

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**Spouse's Pre-Retirement Death Benefit:**

<i>Eligibility</i>	Death while actively employed
<i>Benefit Formula</i>	Surviving spouse (or if none, dependent children) receives 50% of final average salary (30% of final average salary for non-service related death). If surviving spouse has dependent children under age 18, additional percentages of final average salary up to a 66 2/3% benefit if service related or 50% benefit if not service related.

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**Retiree Cost-of-Living Increases:** One-half of the negotiated base pay increases for active firefighters

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**Military Service Purchase:** A member may purchase up to four years of pension service credit for prior military service by contributing 10% of the member's base pay at hire at any time prior to retirement, for each year purchased.

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**Employee Contributions:** 8% of salary including base, holiday, longevity, clothing allowance, clothing maintenance allowance, severance and overtime.

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**Eligibility:** All members of the fire department hired before July 1, 1999 (members hired after this date are participants in the Rhode Island Municipal Employees Retirement System).

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**Changes in Plan Provisions:** There have been no changes in plan provisions since the last valuation.

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