

Town of Johnston, Rhode Island Police Pension System

Actuarial Valuation and Review as of
July 1, 2014





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April 1, 2015

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Finance Director

Town of Johnston, Rhode Island Police 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 and 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 Pension 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* ³⁰⁴
William Connolly, FCA, MAAA, EA
Consulting Actuary

Jeanette R. Cooper
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Vice President and Actuary

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

Purpose

This report has been prepared by Segal Consulting to present a valuation of the Town of Johnston, Rhode Island Police 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 \$7,197,627.
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 \$1,151,852.
3. The ARC increased from \$6,579,139 in last year's valuation to \$7,197,627 this year. The ARC as a percentage of payroll increased from 125.64% to 147.64%. The unfunded actuarial liability increased from \$53,602,581 to \$59,103,826. Details of the demographic experience are shown in Section 2, Chart 13. Since the Plan is closed to new entrants, as the payroll continues to decrease, the contribution as a percent of payroll will grow. The contribution increased primarily because of increases in benefit amounts for retirees and beneficiaries already in pay status and because the actual contributions paid were less than the recommended amount. This was partially offset by favorable asset performance.

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

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 years 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.

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

Summary of Key Valuation Results

	2014	2013
Contributions for following Fiscal Year beginning July 1:		
Recommended contribution	\$7,197,627	\$6,579,139
Recommended contribution as a percentage of projected payroll	147.64%	125.64%
Funding elements for plan year beginning July 1:		
Total normal cost, including administrative expenses	\$1,640,883	\$1,677,813
Market value of assets	17,142,437	15,816,172
Actuarial value of assets	17,142,437	15,816,172
Actuarial accrued liability	76,246,263	69,418,753
Unfunded actuarial accrued liability	59,103,826	53,602,581
Funded ratio	22.48%	22.78%
Demographic data for plan year beginning July 1:		
Number of retired participants and beneficiaries	99	96
Number of active participants	55	60
Total payroll	\$4,573,055	\$4,912,089
Average payroll	83,146	81,868
Projected payroll	4,875,134	5,236,563
GASB 67/68 for Fiscal Year beginning July 1:		
Actuarially determined employer contribution (ADEC)	\$6,579,139	--
Total pension liability	114,717,915	
Fiduciary net position	17,142,437	
Net pension liability	97,575,478	
Funded ratio	14.94%	--
GASB 25/27 for plan year beginning July 1:		
Annual required contribution (ARC)	--	\$6,633,618*
Actual contributions	--	2,711,326
Percentage of ARC contributed	--	40.87%
Funded ratio	--	22.78%
Covered payroll	--	\$4,912,089

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 Police Pension System

A. PARTICIPANT DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered participants, including active participants, vested terminated 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

Year Ended June 30	Active Participants	Vested Terminated Participants*	Retired Participants and Beneficiaries**	Ratio of Non-Actives to Actives
1999	69	--	49	0.71
2001	68	2	49	0.75
2003	72	1	54	0.76
2005	76	1	65	0.87
2007	74	--	68	0.92
2009	73	--	80	1.10
2011	70	--	92	1.31
2012	68	--	92	1.35
2013	60	--	96	1.60
2014	55	--	99	1.80

**Excludes terminated participants due a refund of employee contributions*

***Includes disabled retirees*

SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Police 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 55 active participants with an average age of 40.3, average years of service of 11.1 years and average payroll of \$83,146. The 60 active participants in the prior valuation had an average age of 39.9, average service of 10.9 years and average payroll of \$81,868.

This plan has been closed to new hires since July 1, 2010.

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

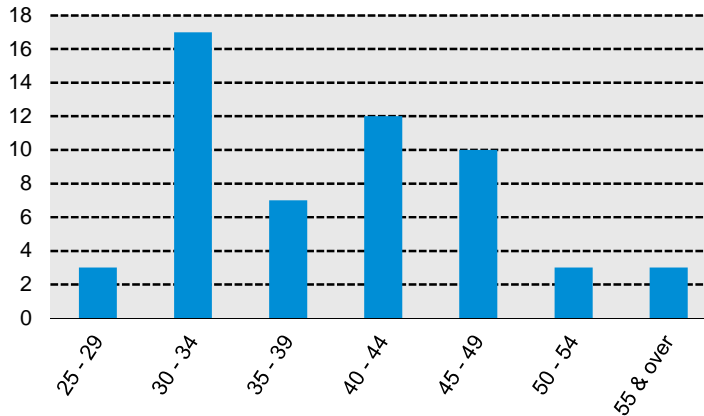
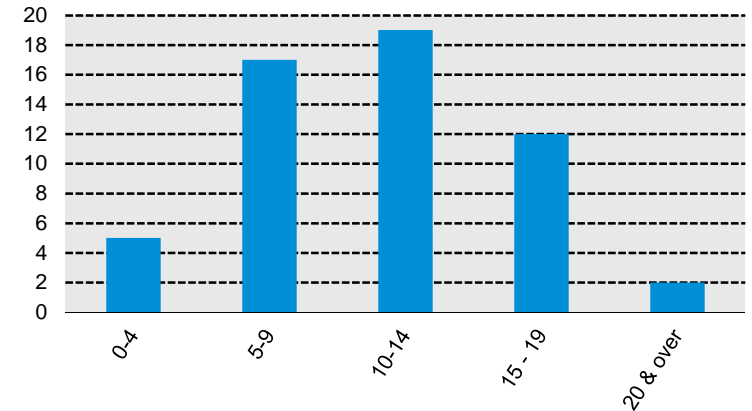


CHART 3
Distribution of Active Participants by Years of Service as of June 30, 2014



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

Retired Participants and Beneficiaries

As of June 30, 2014, 85 retired participants (including seven QDROs) and 14 beneficiaries were receiving total monthly benefits of \$325,068. For comparison, in the previous valuation, there were 82 retired participants (including seven QDROs) and 14 beneficiaries receiving monthly benefits of \$283,054.

These graphs show a distribution of the current retired participants (including QDROs) 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

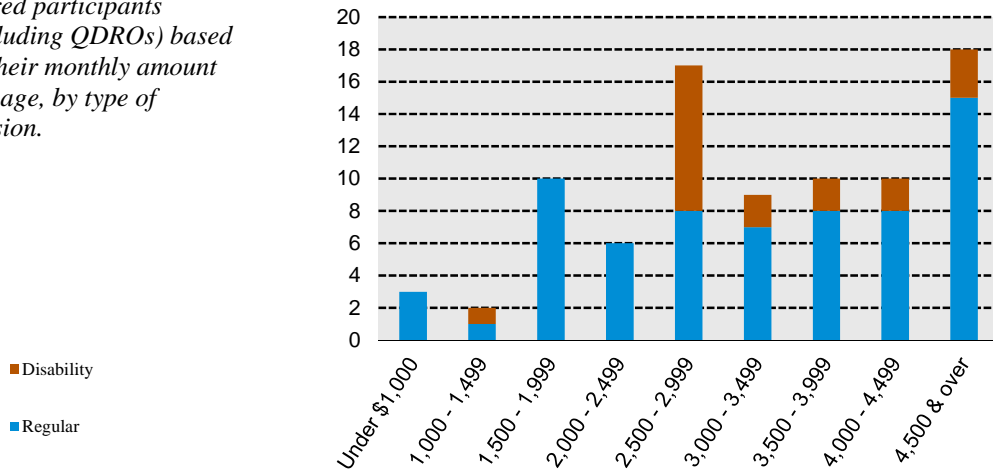
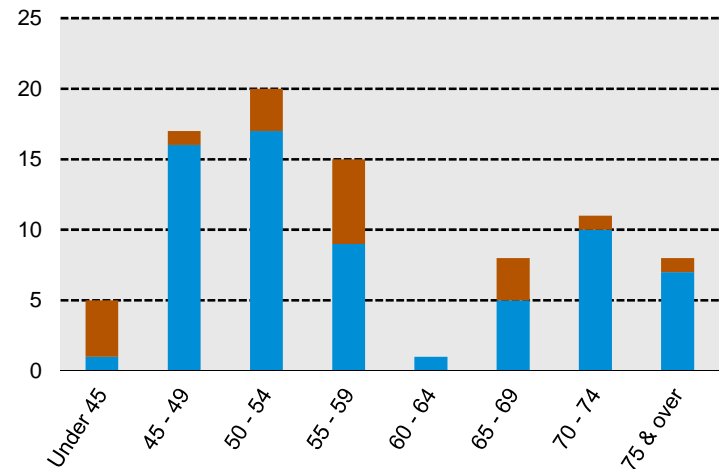


CHART 5

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 Police Pension System

B. FINANCIAL INFORMATION

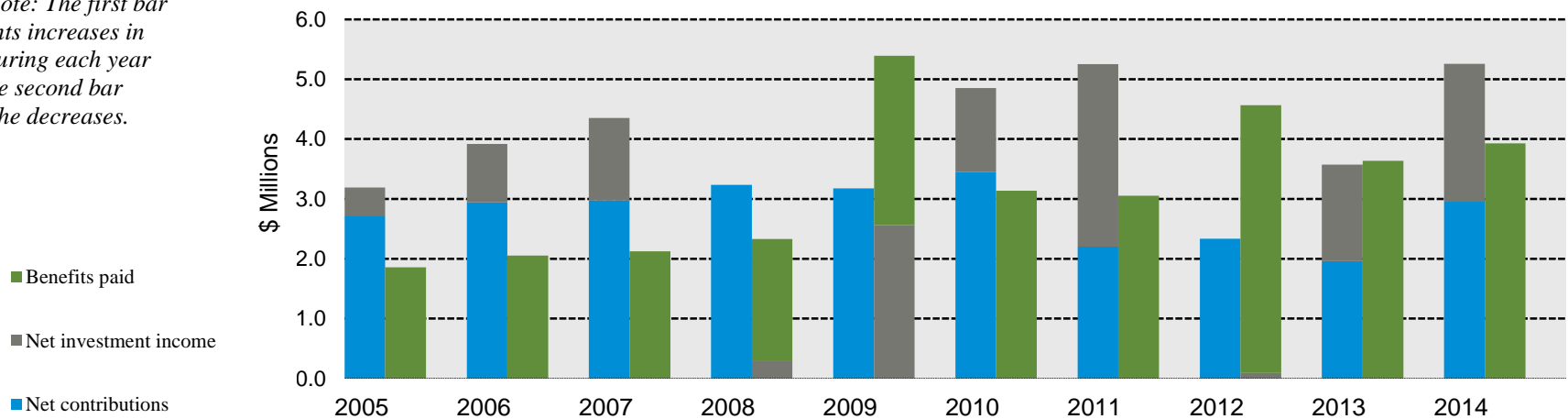
Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

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 Police Pension System

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.

CHART 7

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

1. Actuarial value of assets at beginning of year (equal to market value)	\$15,816,172
2. Employer contributions	2,711,326
3. Employee contributions	369,825
4. Net investment income	2,301,494
5. Benefit payments	-3,929,063
6. Administrative expenses	-127,317
7. Actuarial value of assets at end of year (equal to market value)	<u>\$17,142,437</u>

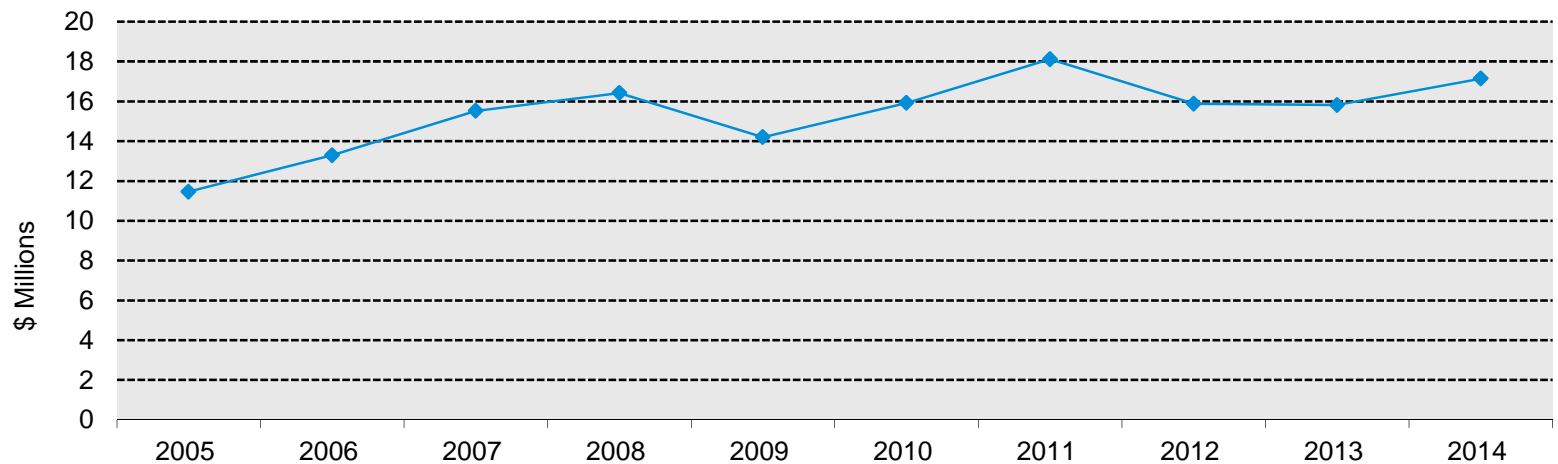
SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Police Pension System

The actuarial value (equal to the market value of assets) is a representation of the Police Pension System's financial status. The actuarial asset value is significant because the Police 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 Police Pension System

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 loss is \$2,874,096, including a loss of \$3,566,525 due to changes in benefit amounts for retirees, partially offset by a gain of \$1,151,852 from favorable asset performance. The net experience variation from individual sources other than investments was 5.3% 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.

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

1. Net gain/(loss) from investments*	\$1,151,852
2. Net gain/(loss) from administrative expenses	-122,715
3. Net gain/(loss) from other experience**	<u>-3,903,233</u>
4. Net experience gain/(loss): (1) + (2) + (3)	-\$2,874,096

* Details in Chart 10

** Details in Chart 13

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

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 Police 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

1. Actual return	\$2,301,494
2. Average value of assets	15,328,558
3. Actual rate of return: (1) ÷ (2)	15.01%
4. Assumed rate of return	7.50%
5. Expected return: (2) x (4)	\$1,149,642
6. Actuarial gain/(loss): (1) – (5)	<u>\$1,151,852</u>

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

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.

CHART 11

Investment Return – Actuarial Value of Assets (equal to Market Value of Assets): 2005 - 2014

Year Ended June 30	Actuarial Value Investment Return	
	Amount	Percent
2005	\$466,083	4.42%
2006	944,486	7.94
2007	1,372,785	10.01
2008	-288,579	-1.79
2009	-2,561,193	-15.44
2010	1,407,076	9.80
2011	3,048,523	19.68
2012	-93,521	-0.55
2013	1,611,219	10.71
2014	<u>2,301,494</u>	15.01
Total	\$8,208,373	
	Five-year average return	10.71%
	Ten-year average return	5.62%

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 Police 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 \$127,317 compared to the assumption of \$0. This resulted in a loss of \$122,715 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 Police Pension System

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 \$3,903,233, which is 5.1% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of the Town of Johnston Police 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.

CHART 13
Experience Due to Changes in Demographics for Year Ended June 30, 2014

1. Change in benefit amounts for retired participants and beneficiaries	-\$3,566,525
2. Post-retirement mortality	710,996
3. Actual benefit payments greater than expected	-597,993
4. Salary increases greater than expected	-353,498
5. Retirement experience different than expected	163,082
6. Disability retirements	145,219
7. Miscellaneous	<u>-404,514</u>
8. Total	-\$3,903,233

SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Police 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 147.64% of payroll.

Effective July 1, 2012, the recommended contribution is based on a 24-year level dollar amortization of the unfunded actuarial accrued liability. As of July 1, 2014, there are 22 years remaining on this schedule. Prior to July 1, 2012, the amortization period was 30 years with 18 years remaining as of July 1, 2011.

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*	\$1,565,883	34.24%	\$1,677,813	34.16%
2. Administrative expenses*	75,000	1.64%	0	0.00%
3. Expected employee contributions*	<u>-365,844</u>	<u>-8.00%</u>	<u>-392,967</u>	<u>-8.00%</u>
4. Employer normal cost: (1) + (2) + (3)*	\$1,275,039	27.88%	\$1,284,846	26.16%
5. Actuarial accrued liability	76,246,263		69,418,753	
6. Actuarial value of assets	<u>17,142,437</u>		<u>15,816,172</u>	
7. Unfunded actuarial accrued liability: (5) - (6)	\$59,103,826		\$53,602,581	
8. Payment on unfunded actuarial accrued liability*	5,178,423	113.24%	4,614,074	93.93%
9. Total recommended contribution: (4) + (8), adjusted for timing**	<u>\$7,197,627</u>	<u>147.64%</u>	<u>\$6,579,139</u>	<u>125.64%</u>
10. Projected payroll (assuming 3.25% annual growth for two years)	\$4,875,134		\$5,236,563	

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

** As a percent of reported payroll.

SECTION 2: Valuation Results for the Town of Johnston, Rhode Island Police 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 from July 1, 2013 to July 1, 2014

Recommended Contribution as of July 1, 2013	\$6,579,139
Effect of contributions less than recommended contribution	348,572
Effect of investment gain	-112,558
Effect of change in administrative expense assumption	83,648
Effect of other gains and losses on accrued liability	393,411
Effect of net other changes	<u>-94,585</u>
Total change	<u>\$618,488</u>
Recommended Contribution as of July 1, 2014	\$7,197,627

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

E. INFORMATION REQUIRED BY THE GASB

This section provides historical information required by GASB Statements 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.

CHART 16
Required Versus Actual Contributions

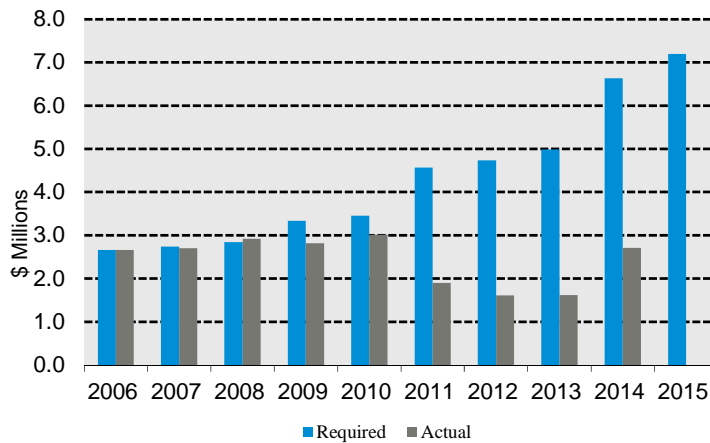
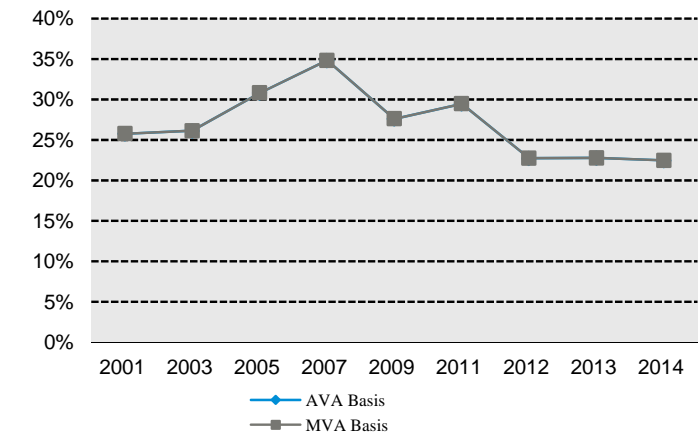


CHART 17
Funded Ratio



These graphs show key GASB factors.

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

EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30		Change From Prior Year
	2014	2013	
Active participants in valuation:			
Number	55	60	-8.3%
Average age	40.3	39.9	N/A
Average years of service	11.1	10.9	N/A
Total payroll	\$4,573,055	\$4,912,089	-6.9%
Average payroll	83,146	81,868	1.6%
Total active vested participants	33	28	17.9%
Retired participants:			
Number in pay status	66	64	3.1%
Average age	59.0	59.1	N/A
Average monthly benefit	\$3,475	\$3,109	11.8%
Disabled participants:			
Number in pay status	19	18	5.6%
Average age	56.3	56.3	N/A
Average monthly benefit	\$3,463	\$3,282	5.5%
Beneficiaries in pay status:			
Number in pay status	14	14	0.0%
Average age	67.6	69.1	N/A
Average monthly benefit	\$2,138	\$1,786	19.7%

SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Police 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	0-4	5-9	10-14	15 - 19	20 - 24	25 - 29
25 - 29	3	3	--	--	--	--	--
	\$76,437	\$76,437	--	--	--	--	--
30 - 34	17	2	9	6	--	--	--
	76,555	74,388	\$74,609	\$80,197	--	--	--
35 - 39	7	--	3	4	--	--	--
	77,536	--	71,655	81,946	--	--	--
40 - 44	12	--	3	4	5	--	--
	86,891	--	69,913	83,155	\$100,068	--	--
45 - 49	10	--	2	4	3	1	--
	91,464	--	84,149	83,934	98,122	\$116,243	--
50 - 54	3	--	--	1	1	--	1
	90,267	--	--	76,082	100,226	--	\$94,494
55 - 59	2	--	--	--	2	--	--
	89,354	--	--	--	89,354	--	--
60 - 64	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
65 - 69	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
70 & over	1	--	--	--	1	--	--
	92,708	--	--	--	92,708	--	--
Unknown	--	--	--	--	--	--	--
	--	--	--	--	--	--	--
Total	55	5	17	19	12	1	1
	\$83,146	\$75,617	\$74,381	\$81,758	\$97,196	\$116,243	\$94,494

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

EXHIBIT C

Reconciliation of Participant Data

	Active Participants	Disableds	Retired Participants	Beneficiaries	Total
Number as of July 1, 2013	60	18	64	14	156
Retirements	-4	N/A	4	N/A	0
New disabilities	-1	1	N/A	N/A	0
Died without beneficiary	<u>0</u>	<u>0</u>	<u>-2</u>	<u>0</u>	<u>-2</u>
Number as of July 1, 2014	55	19	66	14	154

SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Police 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
Net assets at actuarial value at the beginning of the year	\$15,816,172	\$15,882,375
Contribution income:		
Employer contributions	\$2,711,326	\$1,614,233
Employee contributions	369,825	347,048
Less administrative expenses	<u>-127,317</u>	<u>0</u>
Net contribution income	2,953,834	1,961,281
Investment income	<u>2,301,494</u>	<u>1,611,219</u>
Total income available for benefits	\$5,255,328	\$3,572,500
Less benefit payments:		
Benefit payments	-\$3,929,063	-\$3,500,191
Claims and contingencies	<u>0</u>	<u>-138,512</u>
Net benefit payments	-\$3,929,063	-\$3,638,703
Change in reserve for future benefits	\$1,326,265	-\$66,203
Net assets at actuarial value at the end of the year	\$17,142,437	\$15,816,172

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

EXHIBIT E

Development of the Fund Through June 30, 2014

Year Ended June 30	Employer Contributions*	Employee Contributions**	Net Investment Return***	Administrative Expenses****	Benefit Payments	Actuarial Value of Assets at End of Year
2005	\$2,544,765	\$178,917	\$466,083	\$0	\$1,857,996	\$11,455,511
2006	2,659,279	280,636	944,486	0	2,051,601	13,288,311
2007	2,703,188	274,782	1,372,785	0	2,123,069	15,515,997
2008	2,923,367	309,667	-288,579	0	2,040,057	16,420,395
2009	2,817,204	363,039	-2,561,193	3,340	2,834,239	14,201,866
2010	3,013,527	438,133	1,407,076	3,760	3,138,155	15,918,687
2011	1,899,530	306,796	3,048,523	3,800	3,055,991	18,113,745
2012	1,808,661	528,246	-93,521	3,495	4,471,261	15,882,375
2013	1,614,233	347,048	1,611,219	0	3,638,703	15,816,172
2014	2,711,326	369,825	2,301,494	127,317	3,929,063	17,142,437

* includes employer contribution for claims and judgment.

** Includes single premium deferred annuities.

*** Net of investment fees

**** Through 2013, only reflects ING account balance maintenance fees.

SECTION 3: Supplemental Information for the Town of Johnston, Rhode Island Police 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		\$53,602,581
2. Total normal cost at beginning of year		1,677,813
3. Total contributions		-3,081,151
4. Interest		
(a) For whole year on (1) + (2)	\$4,146,030	
(b) For half year on (3)	<u>-115,543</u>	
(c) Total interest		<u>4,030,487</u>
5. Expected unfunded actuarial accrued liability		\$56,229,730
6. Changes due to:		
(a) (Gain)/loss	\$2,874,096	
(b) Assumptions		N/A
(c) Funding method		N/A
(d) Plan provisions		N/A
(e) Total changes		<u>2,874,096</u>
7. Unfunded actuarial accrued liability at end of year		<u>\$59,103,826</u>

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

EXHIBIT G

Definitions of Pension Terms

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 Police Pension System

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 4: Reporting Information for the Town of Johnston, Rhode Island Police Pension System

EXHIBIT I

Summary of Actuarial Valuation Results

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

1. Retired participants as of the valuation date (including 14 beneficiaries in pay status)		99
2. Participants inactive during year ended June 30, 2014 with vested rights		0
3. Participants active during the year ended June 30, 2014		55
Fully vested	33	
Not vested	22	
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		\$1,640,883
2. Actuarial accrued liability		76,246,263
Retired participants and beneficiaries	\$57,616,953	
Active participants	18,629,310	
3. Actuarial value of assets (equal to market value)		17,142,437
4. Unfunded actuarial accrued liability		\$59,103,826

SECTION 4: Reporting Information for the Town of Johnston, Rhode Island Police Pension System

EXHIBIT I (continued)

Summary of Actuarial Valuation Results

The determination of the recommended contribution is as follows:

1. Total benefit normal cost	\$1,565,883
2. Administrative expenses	75,000
3. Expected employee contributions	<u>-365,844</u>
4. Employer normal cost: (1) + (2) + (3)	\$1,275,039
5. Payment on unfunded actuarial accrued liability	5,178,423
6. Total recommended contribution: (4) + (5), adjusted for timing	<u>\$7,197,627</u>
7. Projected payroll	\$4,875,134
8. Total recommended contribution as a percentage of projected payroll: (6) ÷ (7)	147.64%
9. Annual required contribution for Fiscal Year ending June 30, 2016: (6)	\$7,197,627

SECTION 4: Reporting Information for the Town of Johnston, Rhode Island Police Pension System

EXHIBIT II

History of Employer Contributions

Plan Year Ended June 30	Actuarially Determined Employer Contributions (ADEC)* (or) Annual Required Contributions (ARC)	Actual Contributions	Percentage Contributed
2006	\$2,659,279	\$2,659,279	100.0%
2007	2,743,417	2,703,188	98.5%
2008	2,839,437	2,923,367	103.0%
2009	3,337,523	2,817,204	84.4%
2010	3,454,336	3,013,527	87.2%
2011	4,570,429	1,899,530	41.6%
2012	4,730,394	1,610,531	34.0%
2013	4,984,688	1,614,233	32.4%
2014	6,633,618	2,711,326	40.9%
2015	6,579,139	--	--

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

SECTION 4: Reporting Information for the Town of Johnston, Rhode Island Police Pension System

EXHIBIT III

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded/ (Overfunded) AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll* [(b) - (a)] / (c)
07/01/2007	\$15,515,997	\$44,530,429	\$29,014,432	34.84%	\$4,815,217	602.56%
07/01/2009	14,201,866	53,957,636	39,755,770	26.32%	5,142,023	773.15%
07/01/2011	18,113,745	61,433,641	43,319,896	29.49%	5,170,018	837.91%
07/01/2012	15,882,375	69,815,295	53,932,920	22.75%	5,273,429	1,022.73%
07/01/2013	15,816,172	69,418,753	53,602,581	22.78%	4,912,089	1,091.24%
07/01/2014	17,142,437	76,246,263	59,103,826	22.48%	4,573,055	1,292.44%

* *Not less than zero*

SECTION 4: Reporting Information for the Town of Johnston, Rhode Island Police Pension System

EXHIBIT IV

Supplementary Information

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

Actuarial assumptions:

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

Plan membership:

Retired participants and beneficiaries receiving benefits	99
Terminated participants entitled to, but not yet receiving benefits	0
Active participants	<u>55</u>
Total	154

SECTION 4: Reporting Information for the Town of Johnston, Rhode Island Police Pension System

EXHIBIT V

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

Plan Year Ended June 30	Employer Annual Required Contribution (a)	Employer Amount Contributed (b)	Interest on NPO (h) x 7.75%* (c)	ARC Adjustment (h) / (e) (d)	Amortization Factor (e)	Pension Cost (a) + (c) - (d) (f)	Change in NPO (f) - (b) (g)	NPO Balance NPO + (g) (h)
2009	\$3,337,523	\$2,817,204	\$81,546	\$76,128	13.8216	\$3,342,941	\$525,737	\$1,577,946
2010	3,454,336	3,013,527	122,291	117,555	13.4230	3,459,072	445,545	2,023,491
2011	4,570,429	1,899,530	156,821	155,557	13.0080	4,571,693	2,672,163	4,695,654
2012	4,730,394	1,610,531	363,913	373,382	12.5760	4,720,925	3,110,394	7,806,048
2013	4,984,688	1,614,233	604,969	643,734	12.1262	4,945,923	3,331,690	11,137,738
2014	6,633,618	2,711,326	835,330	1,014,089	10.9830	6,454,859	3,743,533	14,881,271

* 7.50% beginning in 2014

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

EXHIBIT 1

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

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

Inactive employees or beneficiaries currently receiving benefits	99
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>55</u>
Total	154

The Pension System was closed to new Police Officers as of July 1, 2010.

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

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

EXHIBIT 2

Net Pension Liability

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

Total pension liability	\$114,717,915
Plan fiduciary net position	17,142,437
Association's net pension liability	97,575,478
Plan fiduciary net position as a percentage of the total pension liability	14.94%

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% for 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 Police Pension System

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:

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

	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
Net pension liability	\$119,453,062	\$97,575,478	\$80,708,318

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

EXHIBIT 3

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

	2014	2013	2012	2011	2010
Total pension liability					
Service cost					(Historical information prior to implementation of GASB 67/68 is not required.)
Interest	\$3,486,338	4,843,141			
Change of benefit terms		--			
Differences between expected and actual experience	5,744,046				
Changes of assumptions		--			
Benefit payments, including refunds of employee contributions	<u>-3,929,063</u>				
Net change in total pension liability	\$10,144,462				
Total pension liability – beginning	<u>104,573,453</u>				
Total pension liability – ending (a)	<u>\$114,717,915</u>				
Plan fiduciary net position					
Contributions – employer	\$2,711,326				
Contributions – employee	369,825				
Net investment income	2,301,494				
Benefit payments, including refunds of employee contributions	-3,929,063				
Administrative expense	-127,317				
Other	--				
Net change in plan fiduciary net position	1,326,265				
Plan fiduciary net position – beginning	<u>15,816,172</u>				
Plan fiduciary net position – ending (b)	\$17,142,437				
System's net pension liability – ending (a) – (b)	<u>\$97,575,478</u>				
Plan fiduciary net position as a percentage of the total pension liability	14.94%				
Covered employee payroll	\$4,573,055				
System's net pension liability as percentage of covered employee payroll	2,133.70%				

Notes to Schedule:

Benefit changes: There have been no changes in benefit provisions since GASB 67 implementation.

Change of Assumptions: There have been no changes in assumptions since GASB 67 implementation.

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

EXHIBIT 4

Schedule of Town of Johnston’s Contributions to the Police Pension System - Last Ten Fiscal Years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2005	(Historical information prior to implementation of GASB 67/68 is not required.)				
2006					
2007					
2008					
2009					
2010					
2011					
2012					
2013					
2014	\$6,633,618	\$2,711,326	\$3,922,292	\$4,573,055	59.29%

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

EXHIBIT 5

Notes to Required Supplementary Information

Valuation date	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.
Methods and used assumptions to determine contribution rates:	
Actuarial cost method	Entry age
Amortization method	Closed level dollar for remaining unfunded liability
Remaining amortization period	22 years remaining as of June, 30, 2014
Asset valuation method	Market value
Actuarial assumptions:	
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	Retirements prior to July 1, 2005 – 1.625% Retirements on and after July 1, 2005 – 3.00%
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.

SECTION 5: GASB Information for Town of Johnston, Rhode Island Police 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

A. <u>Changes in the Net Pension Liability</u>	Total Pension Liability (TPL) (a)	Fiduciary Net Position (FNP) (b)	Net Pension Liability (NPL) (a) - (b)
Balances at June 30, 2013 *	\$104,573,453	\$15,816,172	\$88,757,281
Changes for the year:			
Service cost	3,486,338	--	3,486,338
Interest	4,843,141	--	4,843,141
Differences between expected and actual experience	5,744,046	--	5,744,046
Contributions – employer	--	2,711,326	(2,711,326)
Contributions – employee	--	369,825	(369,825)
Net investment income	--	2,301,494	(2,301,494)
Benefit payments, including refunds of employee contributions	(3,929,063)	(3,929,063)	--
Administrative expense	--	(127,317)	127,317
Other	--	--	--
Net changes	10,144,462	1,326,265	8,818,197
Balances at June 30, 2014 **	<u>\$114,717,915</u>	<u>\$17,142,437</u>	<u>\$97,575,478</u>
B. <u>Sensitivity of the Net Pension Liability to Changes in the Discount Rate</u>	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% Increase (5.72%)
	\$119,453,062	\$97,575,478	\$80,708,318

* 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 Police 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	\$3,486,338	
Interest on TPL	4,843,141	
Employee contributions	(369,825)	
Administrative expenses	127,317	
Expected return on assets	(1,149,642)	
Expensed portion of current year period differences between expected and actual experience in TPL	2,872,023	
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	(230,372)	
Current year recognition of deferred inflows and outflows established in prior years	--	
Total expense		\$9,578,980

B. Deferred outflows/inflows of resources related to pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$2,872,023	--
Net difference between projected and actual earnings on pension plan investments	--	(\$921,480)
Total	\$2,872,023	(\$921,480)

SECTION 5: GASB Information for Town of Johnston, Rhode Island Police 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	\$5,744,046	\$2,872,023	\$2,872,023	\$2,872,023	--	--	--	--	--
Total Outflows		\$5,744,046	\$2,872,023	\$2,872,023	\$2,872,023	--	--	--	--	--
Fiscal Year Inflows										
Investment	2015	(\$1,151,852)	(\$230,372)	(\$921,480)	(\$230,370)	(\$230,370)	(\$230,370)	(\$230,370)	--	--
Total Inflows		(\$1,151,852)	(\$230,372)	(\$921,480)	(\$230,370)	(\$230,370)	(\$230,370)	(\$230,370)	--	--
Total		\$4,592,194	\$2,641,651	\$1,950,543	\$2,641,653	(\$230,370)	(\$230,370)	(\$230,370)	--	--

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

Retirement Rates:	Years of Service	Retirement Probability
	18-23	15%
	24	50%
	25 or more	100%

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

Percent Married:	85% of all active and retired police officers are assumed to be married. Wives are assumed to be three years younger than their husbands, unless dates of birth are provided.
Net Investment Return:	7.50%
Salary Increases:	4.00%; including 2.75% for inflationary increases, 0.50% for productivity increases and 0.75% for promotional and longevity increases
Payroll Growth:	3.25%
Inflation:	2.75%
Administrative Expenses:	Administrative expenses are assumed to be \$75,000, payable as of the beginning of the year.
Cost of Living Increases:	For all retirements prior to July 1, 2005, ½ of the expected payroll growth (1.625%). For all retirements after July 1, 2005, 3.00% per year.

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

Actuarial Value of Assets:	Market value
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.
Changes in Assumptions:	The administrative expense assumption was changed from \$0 to \$75,000.

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

EXHIBIT II
Summary of Plan Provisions

This exhibit summarizes the major provisions of the Town of Johnston 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

Normal Retirement:

Eligibility 18 years of service

Amount The annual benefit at retirement is equal to the percentage of final salary specified in the table below. For pension purposes, final average salary is a three-year average of pay which is documented on the W-2 tax form, except monies paid to the Town of Johnston which were funded by private companies to hire officers for non-municipal detail assignments and the officer’s gun/qualification allowance.

<u>Years of Service</u>	<u>Benefit as a Percentage of Final Average Salary</u>
18	45.0%
19	47.5
20	50.0
21	52.5
22	55.0
23	57.5
24	60.0
25	65.0
26	66.0
27	67.0
28	68.0
29	69.0
30 or more	70.0

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

Service Related Disability:

<i>Eligibility</i>	Retirement because of a job related mental or physical incapacity
<i>Amount</i>	66 2/3% of final salary

Vesting:

<i>Eligibility</i>	Upon termination of employment after 10 years of service a member is eligible for a benefit deferred to retirement age.
<i>Benefit Formula</i>	25% of final salary at termination plus cumulative COLA. Member may waive right to deferred retirement benefit in return for refund of employee and employer contribution account.
<i>Commencement Date</i>	21 st anniversary of employment for deferred annuity. Immediate payment for refund.

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 benefit of 50% of final salary (30% of final salary for non-service related death)
<i>Commencement Date</i>	Benefits commence as of the first payroll period after death

Retiree Cost-Of-Living Increases:

For retirements prior to July 1, 2005, pensions for retirees are indexed to one-half of the negotiated base pay increases for active police after benefit commencement. For retirements after July 1, 2005, pensions for retirees shall increased by a 3.00% compounded COLA. The COLA shall begin in the 25th month following the date of the officer's retirement.

Military Service Purchase:

A member may purchase up to two years of pension service credit for prior military service by contributing 6% of pay at any time prior to retirement, for each year purchased.

Employee Contributions:

6% of gross pay increasing to 7% of gross pay effective July 1, 2011 and further increasing to 8% of gross pay effective July 1, 2012. Employees terminating before retirement may withdraw the employee-provided account and forfeit their right to pension benefits.

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

Eligibility: All members of the Police Department hired before July 1, 2010 (members hired after this date are participants in the Rhode Island Municipal Employees Retirement System).

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

8167048v1/05016.004

Data Section (do not touch)

StringBookmarks	
PlanNameLong	Town of Johnston, Rhode Island Police Pension System
PlanNameShort	Town of Johnston
OfficeAddr1	1385 Hartford Avenue
OfficeAddr2	Johnston, Rhode Island 02919
ClientContact	Joseph Chiodo CPA, MBA
FinanSource	Auditor
ActuaryName	Jeanette R. Cooper
ActuaryTitle	Vice President and Actuary
ActuaryCredential	FSA, MAAA, EA
ActuaryNumber	99-1234
Assumptions	Town
ConsultantName	William Connolly
ConsultantTitle	Consulting Actuary
SegalAddr1	116 Huntington Ave., 8th Floor
SegalAddr2	Boston, MA 02116
SegalPhone	617.424.7300
SegalFax	617.904.1833
ParticipantName	Participant
ParticipantPlural	Participants
RetireeName	Retired participant
RetireePlural	Retired participants
AuditorCompany	Bank
FMWording	Entry Age Normal
ValDate	"7/1/2014"
ValDateEOY	"6/30/2015"
FiscalDate	"7/1/2014"
CensusDate	"7/1/2014"
CensusDateEOY	"6/30/2014"
ValDate1	"7/1/2013"
ValDateEOY1	"6/30/2014"
ValDateMinusOne	"6/30/2014"
ValDate1MinusOne	"6/30/2013"
FiscalDate1	"7/1/2013"
CreditRef	Years of Service
CreditRefSingle	Year of Service
PayRef	Payroll
PayRefSingle	Payroll
GLText	loss
GLAdminText	loss
OtherGLText	loss
GLInvText	gain
HistYearsText	ten
EmpName	Employer

Data Section (do not touch)

OptCategory1
OptCategory2
OptRow
InactNonText
InactNonText

Disabled

Inactive non-vested

Data Section (do not touch)

Florida	0	"#"
FundingMethod	2	"#"
AssetMethod	7	"#"
IntVal	0.0750	"#.00%"
IntActual	0.1501	"#.00%"
IntActual1	0.1071	"#.00%"
MVIntActual	0.1501	"#.00%"
MVIntActual1	0.1071	"#.00%"
DollarLimit	210,000	"#,###"
DollarLimit1	205,000	"#,###"
Valcycle	1	"#"
Fiscal	0	"#"
ActNumTot	55	"#,###"
ActNumTot1	60	"#,###"
ActNumUnknown	0	"#,###"
AveSalary	88,639	"#,###"
AveSalary1	87,276	"#,###"
ActAge	40.3	"#,###"
ActAge1	39.9	"#,###"
ActSvc	11.1	"#,###"
ActSvc1	10.9	"##.##"
Payroll	4,875,134	"#,###"
Payroll1	5,236,563	"#,###"
BenNum	14	"#,###"
BenNum1	14	"#,###"
BenBft	29,929	"#,###"
BenBft1	25,003	"#,###"
RDNum	85	"#,###"
RDNum1	82	"#,###"
SuspendedPens	0	"#,###"
SuspendedPens1	0	"#,###"
RDBft	295,139	"#,###"
RDBft1	258,051	"#,###"
InactNum	0	"#,###"
TotalCount	154	"#,###"
TotalCount1	156	"##.##"
AstMkt	17,142,437	"#,###"
AstAct	17,142,437	"#,###.##"
AstAct1	15,816,172	"#,###"
InvGL	1,151,852	"#,###"
AstActAve	15,328,558	"#,###"

UpCorridor	1.2000	"#.00%"
LowCorridor	0.8000	"#.00%"
CorridorAdjust		"#,###"
CalcUal	59,103,826	"#,###"
OtherGL	-3,903,233	"#,###"
ExpGL	-122,715	"#,###"
TotalGl	-2,874,096	"#,###"
AdminExp	1	"#"
ActAL	76,246,263	"#,###"
ActOPExpDol	127,317	"#,###"
AsmExpDolPer	75,000	"#,###"
AsmExpDolPer1	0	"#,###"
SchAmtYrs	22	"#,###"
FCRate	1.4764	"#.00%"
FCRate1	1.2564	"#.00%"
RecCont	7,197,627	"#,###"
RecContDec	7,365,141	"#,###"
RecContInc	7,030,113	"#,###"
RecContPct	1.4764	"#.00%"
RecContPctDec	1.5108	"#.00%"
RecContPctInc	1.4420	"#.00%"

	First
Chart1First	1999
Chart6First	2005
Chart8First	2005
Chart11First	2005
Chart12First	2005

	Last
Chart1Last	2014
Chart6Last	2014
Chart8Last	2014
Chart11Last	2014
Chart12Last	2014

	Num
Chart1Num	10
Chart6Num	10
Chart8Num	10
Chart11Num	10
Chart12Num	10

Data Section (do not touch)

GASBStringBookmarks
 PlanNameLongGASB PlanNameLong
 PlanNameShortGASB PlanNameShort
 ClientShortGASB ClientShort
 FundOfficeContactGASB FundOfficeContact
 OfficeAddr1GASB OfficeAddr1
 OfficeAddr2GASB OfficeAddr2
 ActuaryNameGASB Actuary
 ActuaryTitleGASB ActuaryTitle
 ActuaryCredentialsGASB ActuaryCredentials
 AnalystGASB TSO
 ReviewerGASB TSOO
 ConsultantNameGASB Consultant
 ConsultantTitleGASB ConsultantTitleGASB
 SegalOfficeGASB SegalOffice
 ValDateGASB "1/1/2013"
 DiscDate "12/31/2012"
 DiscDate1 "12/31/2011"

IntDisc	0.0775	"#.00%"
IntDisc1	0.0775	"#.00%"
InfRate	0.03	"#.00%"
SalRate	0.04	"#.00%"
ColaRate	0.05	"#.00%"

Results of last import: Last Import was
 Successful!
 Type of import: Import Itemized!
 Spreadsheet imported from:
 M:\JohnstonRI.cli\val2014\police\polval2014.xl
 sm
 Date and time of import: 03/12/2015 5:46:43
 PM