

City of Warwick Rhode Island

Actuarial Valuation Postretirement Benefits

(GASB 45) as of July 1, 2011

With Estimated Disclosures for the Years Ended June 30, 2012 and June 30, 2013

Prepared by: Jefferson Solutions, Inc.

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SECTION 1 - Executive Summary

Introduction

The City of Warwick Rhode Island is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the city is required to disclose its obligations for post employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees. Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 45 - "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions" (GASB No. 45). This report has been prepared to determine the future obligations of the City of Warwick Rhode Island and provide the information necessary to be included in the financial statements to satisfy the reporting and disclosure requirements as set forth in GASB No. 45.

Summary of Results

The following table displays the most important items derived from the July 1, 2011 valuation that are necessary for required GASB 45 disclosure.

Disclosures	06/30/2012	06/30/2013
Present Value of Future Benefits Payments	\$ 306,297,710	\$ 324,511,988
Unfunded Actuarial Accrued Liability (UAAL)	\$ 223,593,412	\$ 246,036,471
Annual Required Contribution (ARC)	\$ 21,498,650	\$ 22,929,800
Expected Benefit Payments for Fiscal Year Ended	\$ 6,750,000	\$ 7,191,700
Increase in Net OPEB Obligation in Fiscal Year	\$ 13,923,126	\$ 14,679,962
Net OPEB Obligation (NOO) as of	\$ 63,334,707	\$ 78,014,669

The UAAL and participant count by benefit group is as follows:

Group	Liability		Count
	06/30/2012	06/30/2013	
Active	\$ 132,938,783	\$ 148,673,214	729
Retired / Survivors	\$ 90,654,629	\$ 97,363,257	713
Total	\$ 223,593,412	\$ 246,036,471	1,442

Appendix 1 contains an explanation of these Disclosure items.

Benefit Provisions

The city provides postretirement medical benefits to its retired employees and their spouses.

Uniformed employees are eligible for benefits after serving the city for 20 years. General employees are eligible after reaching age 55 and serving the city for 10 years.

Retirees do not contribute for individual coverage, two person or family coverage.

Survivors can continue coverage on the same terms as retirees.

(Continued)

Economic Assumptions:

The employer, with the approval of the auditor, is responsible for selecting the economic assumptions as of the disclosure date. The following table details the selected economic assumptions for the current fiscal year:

Census Collection Date	July 1, 2011
Assumption Selection Date.....	July 1, 2011
Funding Interest Rate*	4.00%
06/30/2012 Medical Cost Trend Rate	
Pre 65 -	15.20%
Post 65 -	8.62%
Ultimate Medical Cost Trend Rate	5.70%
Fiscal year Ultimate Medical Trend Rate Reached	6/30/2070
Actuarial Cost Method	Projected Unit Credit (PUC)

** Reflects current funding policy (assumes no funding / pay-as-you-go funding). Increasing the interest rate by 1% will decrease the liability by 16.40%.*

Changes included in current valuation:

1. Current year premiums were used for per capita costs.
2. Inflation factors/Trends were moved forward one year and the initial medical cost trend rate was changed to better reflect actual experience.
3. The city changed from a self-insured plan to a premium based plan.

SECTION II - Certification

Actuarial Certification

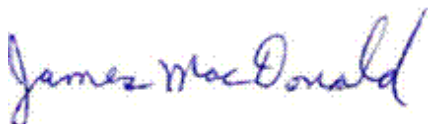
The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2011 and July 1, 2012. The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the July 1, 2011 census data and plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 45 (GAS 45). In our opinion, the actuarial assumptions are reasonable, taking in account the experience of the plan and reasonable expectations and, individually represent our best estimate of the anticipated experience under the plan.

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report.

I certify that I am member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 45.



James MacDonald, FSA, EA

11/18/2012

Date

SECTION 3 - Notes to Financial Statements

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

1. A Brief Description of the Retiree Medical Plan:

- a. **Benefits** - The City of Warwick administers single-employer defined benefit healthcare plan. The plan provides medical/drug and dental (police officers only) benefits for eligible retirees and their dependents through the City's group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by union contract, through negotiations between the City and the respective unions. The plan does not issue a publicly available financial report.
- b. **Plan Types** - The city district provides medical benefits to its eligible retirees. The plans offered are Classic Blue, Healthmate Coast to Coast, and BlueCHIP Plus.
- c. **Eligibility - Uniformed Employees.** This classification includes the uniformed members of the police and fire departments. Employees in this classification hired before 7/1/2012 are required to work for the city for 20 years to be eligible for benefits. Employees hired after 7/1/2012 are required to work for 25 years to be eligible. There is no required contribution for individual or dependent coverage.
- d. **Eligibility - General Employees.** This classification includes all other full-time employee groups not mentioned above. Employees hired before 7/1/2012 are required to reach age 55 and serve the city for 10 years to be eligible for benefits. Employees hired after 7/1/2/12 are required to reach age 59 and work for the city for 10 years to be eligible. There is no required contribution for individual or dependent coverage.
- e. **Surviving Spouse Benefit** - Survivors can continue coverage on the same terms as retirees.
- f. **Medical Premiums Effective 7/1/2011:**

	Classic Blue		Healthmate Coast to Coast		Blue CHIP Plus	
	Employee Only	Employee and Dependent	Employee Only	Employee and Dependent	Employee Only	Employee and Dependent
Municipal	\$8,122.32	\$19,910.40	\$6,725.28	\$16,467.72	NA	NA
Police	\$8,122.32	\$19,910.40	\$6,725.28	\$16,449.72	NA	NA
Fire	\$8,122.32	\$19,910.40	\$6,754.68	\$16,523.04	NA	NA
Post 65	\$1,856.52	\$3,713.04	NA	NA	\$2,280.00	\$4,560.00

- g. **Medical Premiums Effective 7/1/2012:**

	Classic Blue		Healthmate Coast to Coast		Blue CHIP Plus	
	Employee Only	Employee and Dependent	Employee Only	Employee and Dependent	Employee Only	Employee and Dependent
Municipal	\$9,368.40	\$22,964.88	\$7,743.36	\$18,939.96	NA	NA
Police	\$9,368.40	\$22,964.88	\$7,743.36	\$18,939.96	NA	NA
Fire	\$9,368.40	\$22,964.88	\$7,777.56	\$19,025.04	NA	NA
Post 65	\$1,913.28	\$3,826.56	NA	NA	\$2,580.00	\$5,160.00

- h. **Dental Premiums Effective 7/1/2011** - Individual \$390.12 / Family \$1,244.64(Police Officers Only)

2. GASB 45 Disclosure Requirements:

Plan Results for GASB 45

	<u>06/30/2012</u>	<u>06/30/2013</u>
A. Annual OPEB Cost and Net OPEB Obligation		
1. Normal Cost	\$ 8,648,056	\$ 8,803,447
2. Supplemental Cost	12,433,105	13,681,071
3. Interest	417,489	445,282
4. Annual Required Contribution (ARC) [1 + 2 + 3]	\$ 21,498,650	\$ 22,929,800
5. Interest on Net OPEB Obligation	1,976,463	2,533,388
6. Adjustment to ARC	2,801,987	3,591,526
7. Annual OPEB Cost (Expense) [4 + 5 - 6]	\$ 20,673,126	\$ 21,871,662
8. Expected Benefit Payments ¹	6,750,000	7,191,700
9. Increase in net OPEB Obligation [7 - 8]	\$ 13,923,126	\$ 14,679,962
10. Net OPEB Obligation - Beginning of Year	49,411,581	63,334,707
11. Net OPEB Obligation - End of Year [9 + 10]	\$ 63,334,707	\$ 78,014,669

Summary of Annual Results:

City of Warwick Rhode Island's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year:

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$20,225,642	37.0%	\$36,360,944
June 30, 2011	\$20,718,067	37.0%	\$49,411,581
June 30, 2012	\$20,673,126	32.8%	\$63,334,707
June 30, 2013	\$21,871,662	32.7%	\$78,014,669

Funded Status and Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrual Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of covered payroll (AAL) (((b-a)/c)</u>
7/1/2009	\$ 0	\$ 229,348,997	\$ 229,348,997	NA	NA	NA
7/1/2010	\$ 0	\$ 240,497,738	\$ 240,497,738	NA	NA	NA
7/1/2011	\$ 0	\$ 223,593,412	\$ 223,593,412	NA	NA	NA
7/1/2012	\$ 0	\$ 246,036,471	\$ 246,036,471	NA	NA	NA

¹ Contribution were adjusted based on information provided by the city.

SECTION 4 - Development of Annual OPEB Expense

GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST Year

	<u>06/30/2012</u>	<u>06/30/2013</u>
I. Present Value of Future Benefits		
a. Retirees	\$ 90,654,629	\$ 97,363,257
b. Active Employees	\$ 215,643,081	\$ 227,148,731
c. Total	<u>\$ 306,297,710</u>	<u>\$ 324,511,988</u>
II. Unfunded Actuarial Accrued Liability (UAAL)		
a. Retirees	\$ 90,654,629	\$ 97,363,257
b. Fully Eligible Employees	\$ 40,532,616	\$ 47,443,108
c. Other Active Employees	\$ 92,406,167	\$ 101,230,106
d. Total	<u>\$ 223,593,412</u>	<u>\$ 246,036,471</u>
III. Annual Required Contribution (ARC)		
a. Normal Cost	\$ 8,648,056	\$ 8,803,447
b. Supplemental Cost		
i. Funding liability	\$ 223,593,412	\$ 246,036,471
ii. Actuarial Assets	\$ 0	\$ 0
iii. Unfunded Actuarial Accrued Liability [(i) - (ii)]	\$ 223,593,412	\$ 246,036,471
iv. Amortization Period	0	0
v. Supplemental Cost ²	<u>\$ 12,433,105</u>	<u>\$ 13,681,071</u>
c. Beginning Of Year Contribution [a. + b. (v)]	\$ 21,081,161	\$ 22,484,518
d. Compound Interest to Year End	\$ 417,489	\$ 445,282
e. Preliminary ARC [c. + d.]	<u>\$ 21,498,650</u>	<u>\$ 22,929,800</u>
IV. Annual OPEB Expense and Net OPEB Obligation:		
a. Annual Required Contribution (ARC) [III. E.]	\$ 21,498,650	\$ 22,929,800
b. Interest on net OPEB Obligation, Beginning of year	\$ 1,976,463	\$ 2,533,388
c. Adjustment to ARC	\$ 2,801,987	\$ 3,591,526
d. Annual OPEB Cost (Expense) [a + b - c]	\$ 20,673,126	\$ 21,871,662
e. Net OPEB Obligation, Beginning of Year	\$ 49,411,581	\$ 63,334,707
f. Expected Benefit Payments ³	<u>\$ 6,750,000</u>	<u>\$ 7,191,700</u>
g. Net OPEB Obligation, End of Year [d + e - f]	<u>\$ 63,334,707</u>	<u>\$ 78,014,669</u>

Key Actuarial Assumptions

Census Collection Date	July 1, 2011
Funding interest Rate	4.00%
06/30/2012 Trend Rate	15.20%
06/30/2013 Trend Rate	7.20%
Ultimate Trend Rate	5.70%
Fiscal year ultimate trend rate reached	6/30/2070

² The Supplemental cost is the amortization of the Unfunded Actuarial Accrued Liability. The city has elected to amortize this liability over 30 years, as permitted by GASB No. 45.

³ Contribution were adjusted based on information provided by the city.

V. Summary of Annual Results:

City of Warwick Rhode Island's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$20,225,642	37.0%	\$36,360,944
June 30, 2011	\$20,718,067	37.0%	\$49,411,581
June 30, 2012	\$20,673,126	32.8%	\$63,334,707
June 30, 2013	\$21,871,662	32.7%	\$78,014,669

VI. Funded Status and Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of covered payroll (AAL) ((b-a)/c)
7/1/2009	\$ 0	\$ 229,348,997	\$ 229,348,997	NA	\$ NA	NA
7/1/2010	\$ 0	\$ 240,497,738	\$ 240,497,738	NA	\$ NA	NA
7/1/2011	\$ 0	\$ 223,593,412	\$ 223,593,412	NA	\$ NA	NA
7/1/2012	\$ 0	\$ 246,036,471	\$ 246,036,471	NA	\$ NA	NA

VII. Projected Benefit Payments:

The table below illustrates the projected benefit payments for the ten year period ending June 30, 2021 and has been developed based on our understanding of the benefits offered to retirees. The amount captured in the column labeled active, represents a proportionate share of emerging retirees. Since these figures are estimates / projections, actual benefit payments should be used in arriving at a final figure for the June 30, 2012 Net OPEB Obligation (NOO).

Years	Fiscal Year	Active on 07/01/2011	Retiree on 07/01/2011	Amount	Accumulated
1	06/30/2012	\$ 1,117,081	\$ 5,632,920	\$ 6,750,001	\$ 6,750,001
2	06/30/2013	\$ 578,278	\$ 5,977,231	\$ 6,555,509	\$ 13,305,510
3	06/30/2014	\$ 809,287	\$ 6,013,429	\$ 6,822,716	\$ 20,128,226
4	06/30/2015	\$ 1,237,983	\$ 6,133,428	\$ 7,371,411	\$ 27,499,637
5	06/30/2016	\$ 1,544,658	\$ 6,163,197	\$ 7,707,855	\$ 35,207,492
6	06/30/2017	\$ 1,908,900	\$ 5,984,254	\$ 7,893,154	\$ 43,100,646
7	06/30/2018	\$ 2,506,002	\$ 5,908,684	\$ 8,414,686	\$ 51,515,332
8	06/30/2019	\$ 2,901,213	\$ 5,898,805	\$ 8,800,018	\$ 60,315,350
9	06/30/2020	\$ 3,694,380	\$ 5,764,575	\$ 9,458,955	\$ 69,774,305
10	06/30/2021	\$ 4,744,203	\$ 5,506,931	\$ 10,251,134	\$ 80,025,439

SECTION 5 - Census Information

This section details the statistics related to the participants in the postretirement benefit plan. The census collection date is July 1, 2011.

The file that was used to prepare the GASB 45 valuation was provided by the city. Our understanding is that this file represents the population of the city's active and retired employees as of July 1, 2011, the census collection date.

The census file contained 1455 records. The GASB 45 valuation excluded 13 records because the employee may have been hired after the census collection date (July 1, 2011) or the records represented individuals that are not entitled to benefits.

Employee and Retiree Counts by Gender:

	As of July 1, 2011		
	Actives	Retirees and Survivors	Total
Male	583	405	988
Female	146	308	454
Total	729	713	1,442

Active - Counts by Age and Eligibility Status:

Age	Active Employees as of July 1, 2011		TOTAL
	Not Currently Eligible to Retire	Currently Eligible to Retire ⁴	
29 and Under	56		56
30 - 34	76		76
35 - 39	101		101
40 - 44	124	7	131
45 - 49	117	38	155
50 - 54	76	31	107
55 - 59	21	48	69
60 - 64	9	16	25
65 and Over	2	7	9
Total	582	147	729

Retiree and Covered Spouses - Counts by Age:

Age	Retired as of July 1, 2011		TOTAL
	Retirees and Survivors	Spouses	
54 and Under	124	142	266
55 - 59	104	83	187
60 - 64	157	85	242
65 - 69	89	7	96
70 - 74	63		63
75 - 79	62		62
80 and Over	114		114
Total	713	317	1,030

⁴ These active employees have met the minimum age and service requirements needed to vest in an OPEB benefit upon retirement.

Average age and Service:

**As of July 1,
2011**

Active Employees:

A. Average Age at Hire:

Males	29.6
Females	34.7

B. Average Service

Males	14.0
Females	13.7

C. Average Current Age

Males	43.5
Females	48.4

Current Retirees:

D. Average Current Age

Males	62.6
Females	71.3

Active Employees by Age and Service as of July 1, 2011 using the census collected on July 1, 2011:

AGE	YEARS OF SERVICE								TOTAL
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 Plus	
20 to 24	18	2							20
25 to 29	26	8	2						36
30 to 34	12	55	9						76
35 to 39	6	43	43	9					101
40 to 44	4	31	45	31	18	2			131
45 to 49	7	23	22	27	51	23	2		155
50 to 54	1	19	18	11	31	23	3	1	107
55 to 59	5	16	11	10	12	8	4	3	69
60 to 64	3	6	4	3	8	1			25
65 Plus		2	3		2	1		1	9
TOTAL	82	205	157	91	122	58	9	5	729

SECTION 6 - Assumptions and Methodology

1. Census Collection Date: The census used in this report represents the eligible population as of July 1, 2011.
2. Mortality: RP-2000 Combined Mortality Table
3. Discount Rate / Funding Interest Rate: An interest rate of 4.00% was used
4. Age at Retirement: Representative assumed average retirement ages are shown below. These values are consistent with the requirements for retirement stated above, the input provided by the City and the adjustment for disability retirements.

	General Employees	Uniformed Employees
<55	61	55
55 – 60	61	Age + 1
61+	X + 2	Age + 1

5. Turnover: Representative values of assumed annual turnover rates for general and uniformed employees are as follows. Turnover rates for

Age Group	General Employees	Uniformed Employees
<20	15.00%	1.50%
20-24	13.13%	1.50%
25-29	10.12%	1.50%
30-34	8.33%	1.46%
35-39	6.78%	1.22%
40-44	5.96%	0.28%
45-49	5.13%	0.03%
50-54	3.23%	0.03%
55-59	2.45%	0.00%
60-64	2.07%	0.00%
65-69	1.94%	0.00%
70-74	1.22%	0.00%
75+	0.00%	0.00%

6. Disability: Representative values of assumed annual disability rates for uniformed employees are as follows:

Age	Male	Female
25	0.032%	0.045%
30	0.039%	0.055%
35	0.053%	0.075%
40	0.077%	0.110%
45	0.126%	0.180%
50	0.214%	0.305%

7. Participation Rate: It was assumed that 100% of future retirees eligible for coverage will elect the benefit.
8. Percent Married: It was assumed that 75% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses.
9. Actuarial Value of Assets: None
10. Actuarial Cost Method: This report was developed using the Projected Unit Credit (PUC) cost method.

(Continued)

11. Trend:

Medical Costs are assumed to increase each year according to the following schedule:

Year	Medical		Dental and Vision
	Pre 65	Post 65	
06/30/2012	15.20%	8.62%	5.00%
06/30/2013	7.20%	7.20%	4.00%
06/30/2014	7.20%	7.20%	3.00%
06/30/2015	7.10%	7.10%	2.00%
06/30/2016	7.10%	7.10%	1.00%
06/30/2017	7.10%	7.10%	1.00%
06/30/2020	6.90%	6.90%	1.00%
06/30/2025	6.80%	6.80%	1.00%
06/30/2030	6.70%	6.70%	1.00%
06/30/2035	6.70%	6.70%	1.00%
06/30/2040	6.20%	6.20%	1.00%
06/30/2050	5.90%	5.90%	1.00%
06/30/2060	5.80%	5.80%	1.00%
06/30/2070	5.70%	5.70%	1.00%

The above trend rates were developed using the baseline projection of the SOA Long-Run Medical Cost Trend Model. The short-term (first 4 years) trend rates were based on the fact that the City's recent rate increase was negligible. The long-term (after 4 years) trend rates were based on the following assumptions:

Rate of Inflation	3.2%
Rate of Growth in Real Income / GDP per capita	1.9%
Income Multiplier for Health Spending	1.4
Extra Trend due to Technology and other factors	1.2%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The Society of Actuaries' (SOA's) Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical US medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group. The above schedule represents a reasonable medical trend projection for the current plan provisions and demographics of the City's Retiree Welfare Benefits Plan, and no changes to these baseline assumptions are necessary.

12. Additional Comments:

The amounts in this OPEB valuation represent a closed group and do not reflect new entrants after the census collection date, July 1, 2011.

13. Per Capita Costs:

The city offers several plans to its retirees. It has been assumed that 60% of retiring employees will elect the Healthmate Coast to Coast plan for pre 65 benefits and the remaining 40% of retiring employees will elect the Classic Blue plan for their pre 65 benefits.

The elections for post 65 benefits assumes that 60% of retirees will elect the Classic Blue plan and 40% will select the Blue Chip Plus plan.

14. Weighted Per Capita Costs:

Based on the anticipated benefit election at retirement, the following reflects the pre and post 65 per capita costs:

	Retiree	Spouse
Municipal and Police		
Pre 65	\$7,284.10	\$17,844.79
Post 65	\$2,025.91	\$4,051.82
Fire		
Pre 65	\$7,301.74	\$17,877.98
Post 65	\$2,025.91	\$4,051.82

Appendix 1 - Glossary of Terms

- GASB 45, or GASB Statement 45, is an accounting and financial reporting provision requiring government employers to measure and report the liabilities associated with other (than pension) postemployment benefits (or OPEB). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. Government employers required to comply with GASB 45 include all states, towns, education boards, water districts, mosquito districts, public schools and all other government entities that offer OPEB and report under GASB.
- GASB - Acronym that stands for Governmental Accounting Standards Board. This is the accounting board that sets standards for governmental entities. Following GASB standards allows for the preparation of financial statements that are in conformity with Generally Accepted Accounting Principles (GAAP).
- OPEB - Acronym that stands for Other Post-Employment Benefits.
- The Present Value of Future Benefit Payments (PVFBP) The PVFBP is the amount which, if contributed at the valuation date, is expected to pay the employer-provided portion of the retiree health premium for every current plan participant. A contribution equal to the PVFBP will be just enough to pay for these employer-provided health premiums provided the actuarial assumptions in the report are realized. The actuarial assumptions include expected rates of medical premium inflation plus expected rates of participant death, termination of employment, and retirement.

If the PVFBP is contributed at the valuation date then, provided all actuarial assumptions are realized, and provided that no new participants are hired, no future contributions will be required.

This present value is not used directly in the expense calculation nor is it disclosed. It is, however, a good measure of total exposure.

- The Unfunded Actuarial Accrued Liability (UAAL) is the amount which, if contributed on the plan's first valuation date, makes the plan "well funded" according to a commonly used standard. This standard says that, for participants who are either retired or active but have satisfied the age and service requirements to be eligible for employer-subsidized health benefits at retirement, the UAAL equals the present value of future benefit payments PVFB.

For an active participant who hasn't satisfied these age and service requirements the UAAL is the PVFB multiplied by a ratio. This ratio is the participant's years of service on the valuation date divided by the years of service when the participant satisfies the eligibility requirements.

If the requirement for eligibility is attainment of age 55 with 20 years of service, and a participant is age 45 with 10 years of service on the valuation date, this ratio is 10/20.

- For retired employees and actives who have reached their Full Eligibility Date, the UAAL equals the PVFBP.
- For active employees not yet eligible for full benefits, the UAAL equals a pro rata portion of the PVFBP based on years of service worked prior to the valuation date to those expected to be worked at the Full Eligibility Date.

The UAAL is used in the GASB accounting calculations to establish the plan's funded status, develop the annual required contribution (ARC), and to develop the annual OPEB cost.

- Annual Required Contribution (ARC) / Annual OPEB Cost is an employer's periodic required contribution to an OPEB plan. The ARC is made up of:

Normal Cost	\$8,648,056	(See Below)
Supplemental Cost	\$12,433,105	(See Below)
Interest Cost	\$417,489	(Calculated mid year at 4.00%)
Preliminary ARC	<u>\$21,498,650</u>	
Interest Cost	\$1,976,463	(on beginning Net OPEB Obligation)
ARC Adjustment	\$2,801,987	(prior year amortization)
Annual OPEB Cost	<u><u>\$20,673,126</u></u>	(See Below)

The Annual Required Contribution (ARC) is the amount which, if contributed to a fund each year, will allow the fund to pay for all future employer-provided health premiums.

The ARC has no direct relation to the present value of future benefit payments (PVFBP), but is related to the unfunded actuarial accrued liability (UAAL) in two ways. First the ARC has a supplemental component which amortizes the initial amount of the unfunded actuarial accrued liability (UAAL) as of the first valuation date over a 30 year period. This amortization piece is similar to the payment on a 30 year fixed rate mortgage. In this case the interest rate is the funding interest rate, which is one of the actuarial assumptions.

The second component (normal cost) of the ARC equals one year's worth of benefit accrual for active participants who haven't yet satisfied the age and service requirements.

In the example above the unfunded actuarial accrued liability (UAAL) of the participant age 45 with 10 years of service is 10/20 multiplied by the present value of future benefit payments (PVFBP). In the following year's valuation this unfunded actuarial accrued liability (UAAL) will be 11/20 multiplied by the present value of future benefit payments (PVFBP). This second component pays for this one year of benefit accrual, i.e, the increase in the participant's unfunded actuarial accrued liability (UAAL) due to the 10/20 ratio changing to 11/20.

Annual OPEB Cost - amount is equal to the ARC plus interest on the beginning of the year Net OPEB Obligation (NOO) calculated at 4.00%. The ARC is reduced for amortization amounts recognized in prior periods using the formula below for supplemental cost. This ARC adjustment is based on the prior year NOO of \$49,411,581 as reported in the districts financial statements. *The Annual OPEB Cost will be presented as the post retirement benefit expense in the entity-wide annual financial statements.*

- The Normal Cost is one year's pro rata share of the PVFBP for current active employees. There is no Normal Cost for retirees or active employees who have already met the eligibility conditions for full benefits.
- The Supplemental Cost represents the amortization of the initial unfunded actuarial liability. GASB 45 permits the use of a 10 to 30 year amortization period. This amount is calculated using an annuity due amortization formula.
- The Net OPEB Obligation (NOO) is the cumulative difference since the effective date of GASB 45 between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any.
- The Annual Required Contribution (ARC) is an employer's periodic required contribution to an OPEB plan. The ARC includes the employer's normal cost and a provision for amortizing the total unfunded actuarial accrued liability (UAAL).
- The Annual OPEB Cost is the GASB 45 accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.
- The Net OPEB Obligation is the cumulative difference since the effective date of GASB 45 between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any.
- The Discount Rate is the interest rate selected as of the measurement date to determine the present value of future cash outflow of postemployment payments. GASB suggests that employers should look to the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits.

(Continued)

The disclosures required by GASB 45 include⁵:

- Benefit plan description. *Refer to page 4 for this information.*
- Description of the Employer's funding policy. *The funding policy for this report should be described as Pay - Go.*
- Components of Annual OPEB Cost (ARC, interest on the net OPEB obligation, and adjustment to the ARC). *These amounts are found on page 6 of this report.*
- Increase or decrease in the Net OPEB Obligation. *This can be found on page 6 of this report.*
 - Information about:
 - Funded status of the plan - *The plan is unfunded*
 - Actuarial value of assets - *There are no actuarial assets*
 - Actuarial accrued liability (UAAL) - *This amount is presented on page 6 and 7 of the report.*
 - Plan's funded ratio- *Page 7 shows this as Not applicable due to that fact that the district does not fund the liability.*
 - Annual covered payroll - *This amount if provided by the city appears on page 7 of this report.*
 - Actuarial methods and significant assumptions used to determine the ARC and Annual OPEB Cost. The disclosures should include:
 - Actuarial cost method. *This report was prepared using the Percentage Unit Credit Method (PUC)*
 - Methods used to determine the actuarial value of assets. *Presently the city does not fund the GASB 45 liability, therefore, this matter is not applicable.*
 - Assumptions used with respect to projected salary increases and the investment return (including the method used to determine a blended rate for a partially funded plan, if applicable). *Projected salary increases were not used in amortizing amounts in this report.*
 - Assumptions used with respect to initial and ultimate healthcare cost trend rates. *Refer to page 12 for this information.*
 - Amortization method (level dollar or level percentage of projected payroll), amortization period, and whether the period is closed or open. *This report is prepared using level dollar amortization.*

⁵ We suggest discussing financial statement presentation and disclosure requirements with your independent financial statement auditor.

Appendix 2 - Comments for Auditor and the Preparer of the Financial Statements

The information supplied by the city for the preparation of this report has not been audited. We have placed reliance on the city with respect to completeness and accuracy of the following items:

- Descriptions of benefits provided at retirement to various classifications of employees.
- The Employee Census as of July 1, 2011. Please note, a census reconciliation has been provided to the city as part of the completion of this valuation.
- Annual premiums used to develop per capita costs.
- OPEB Contributions presented in the prior period financial statement used to arrive at the beginning of the year Net OPEB Obligation.
- All assumptions used in this report have been reviewed and approved by management of the city.

Auditor's questions regarding this valuation should be directed to:

- Kenneth Alfano of the City of Warwick Rhode Island; or to
- Raymond Cerrone of Jefferson Solutions, Inc. Ray can be reached at 518-461-7805 or by email at Ray.Cerrone@JEFSI.Com.
- Auditor requests for confirmation of any information used in preparing this valuation must be made in writing by the city. These requests should be sent to Ray.Cerrone@JEFSI.Com.

Appendix 2 - Sample Footnotes for Financial Statement Preparation

The city is encouraged to consult with the financial statement auditors in determining the suitability of the notes below

A. Other Post-Employment Benefits - City

The City of Warwick administers a single-employer defined benefit healthcare plan. This plan does not include the pension benefits discussed in Note 13. The plan provides medical/drug and dental (police officers only) benefits for eligible retirees and their dependents through the City group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by union contract, through negotiations between the City and respective unions. The plan does not issue a publicly available financial report.

Funding Policy – City

Contribution requirements are negotiated between the City and the respective unions. The City is required to contribute the cost of medical/drug and dental benefits, less the amount of any applicable co-payments in effect at the time of retirement. For the year ended June 30, 2012, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2012, the City contributed \$6,750,000 (estimated) to the plan.

At July 1, 2011, membership consisted of:	City, Police, Fire
Active Employees	729
Retired	713
Total	1,442

Funding Status – City

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of covered payroll (AAL) (((b-a)/c)
7/1/2009	\$ 0	\$ 229,348,997	\$ 229,348,997	NA	\$ NA	NA
7/1/2010	\$ 0	\$ 240,497,738	\$ 240,497,738	NA	\$ NA	NA
7/1/2011	\$ 0	\$ 223,593,412	\$ 223,593,412	NA	\$ NA	NA
7/1/2012	\$ 0	\$ 246,036,471	\$ 246,036,471	NA	\$ NA	NA

Actuarial Methods and Assumptions - City

The information presented was determined as part of the actuarial valuation. Additional information as of the last valuation follows:

Valuation Date:	July 1, 2011
Actuarial Cost Method:	Projected Unit Credit (PUC)
Asset Valuation Method:	The Plan is Currently Unfunded
Payroll Growth Rate:	3.20%
Amortization Period	30 years
Remaining Amortization	29 Years

(Continued)

Annual OPEB Cost and Net OPEB Obligation - City

Below are the required OPEB obligation presentations per GASB 45 for the period ending June 30, 2012:

Annual Required Contribution (ARC)	\$	21,498,650
Interest on net OPEB Obligation, Beginning of year	\$	1,976,463
Adjustment to ARC	\$	2,801,987
Annual OPEB Cost (Expense)	\$	20,673,126
Net OPEB Obligation, Beginning of Period	\$	49,411,581
Expected Benefit Payments	\$	6,750,000
Net OPEB Obligation, End of Period	\$	63,334,707

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal June 30, 2012 and the preceding years was as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$20,225,642	37.0%	\$36,360,944
June 30, 2011	\$20,718,067	37.0%	\$49,411,581
June 30, 2012	\$20,673,126	32.8%	\$63,334,707
June 30, 2013	\$21,871,662	32.7%	\$78,014,669

B. Other Post-Employment Benefits - School

The Warwick School Department administers a single-employer defined benefit healthcare plan. The plan provides medical/drug benefits for eligible retirees and their dependents through the City's group health and dental insurance plans, which covers both active and retired members. Benefit provisions are established and amended by union contract, through negotiations between the City and respective unions. The plan does not issue a publicly available financial report. All benefits terminate at age 65.

Teaching Employees are eligible for GASB Statement 45 benefits after serving the district for 20 years to 30 years. Other district employees are required to reach age 62 and have 25 years of service. Teaching employees contribute 20% to 60% for coverage depending on their years of service at retirement. Other employees will contribute 20% for coverage. Spouses of teaching employees are not covered by the plan. Spouses of other district employees will contribute 20% for coverage. Surviving beneficiaries continue to receive access to the districts medical coverage through COBRA after the death of the retired employee. Survivors are required to pay the full costs of benefits.

Funding Policy – School

Contribution requirements are negotiated between the School and respective unions. The School is required to contribute the cost of medical/drug and dental benefits, less the amount of any applicable co-payments in effect at the time of retirement. For the year ended June 30, 2012, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2012, the Warwick School Department contributed \$2,777,971 (estimated) for its employees.

At July 1, 2011, membership consisted of:	School
Active Employees	1,380
Retired	276
Total	1,656

(Continued)

Funding Status – School

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrual Liability (AAL) (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of covered payroll (AAL) (((b-a)/c)
7/1/2009	\$ 0	\$ 41,643,649	\$ 41,643,649	NA	\$ 93,823,003	44.39%
7/1/2010	\$ 0	\$ 42,722,906	\$ 42,722,906	NA	\$ 95,699,463	44.64%
7/1/2011	\$ 0	\$ 37,833,649	\$ 37,833,649	NA	NA	NA
7/1/2012	\$ 0	\$ 39,359,679	\$ 39,359,679	NA	NA	NA

Actuarial Methods and Assumptions - School

The information presented was determined as part of the actuarial valuation. Additional information as of the last valuation follows:

Valuation Date: July 1, 2011
 Actuarial Cost Method: Projected Unit Credit (PUC)
 Asset Valuation Method: The Plan is Currently Unfunded
 Payroll Growth Rate: 3.20%
 Amortization Period 30 years
 Remaining Amortization 29 Years

Annual OPEB Cost and Net OPEB Obligation - School

Below are the required OPEB obligation presentations per GASB 45 for the period ending June 30, 2012:

Annual Required Contribution (ARC)	\$	3,670,067
Interest on net OPEB Obligation, Beginning of year	\$	419,881
Adjustment to ARC	\$	595,255
Annual OPEB Cost (Expense)	\$	3,494,693
Net OPEB Obligation, Beginning of Period	\$	10,497,017
Expected Benefit Payments	\$	2,777,971
Net OPEB Obligation, End of Period	\$	11,213,739

The school's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal June 30, 2012 and the preceding years was as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$3,746,646	62.6%	\$9,204,172
June 30, 2011	\$3,776,268	65.8%	\$10,497,017
June 30, 2012	\$3,494,693	79.5%	\$11,213,739
June 30, 2013	\$3,654,601	72.2%	\$12,231,273

Appendix 4 - Combining Results for the City and School District

GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST Combined Results

For the Report Dated July 1, 2011 (for the
financial statements June 30, 2012)

	City	School	Total
I. Present Value of Future Benefits			
a. Retirees	\$90,654,629	\$7,172,699	\$97,827,328
b. Active Employees	\$215,643,081	\$48,029,338	\$263,672,419
c. Total	<u>\$306,297,710</u>	<u>\$55,202,037</u>	<u>\$361,499,747</u>
II. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirees	\$90,654,629	\$7,172,699	\$97,827,328
b. Fully Eligible Employees	\$40,532,616	\$9,840,527	\$50,373,143
c. Other Active Employees	\$92,406,167	\$20,820,423	\$113,226,590
d. Total	<u>\$223,593,412</u>	<u>\$37,833,649</u>	<u>\$261,427,061</u>
III. Annual Required Contribution (ARC)			
a. Normal Cost	\$8,648,056	\$1,495,024	\$10,143,080
b. Supplemental Cost			
i. Funding liability	\$223,593,412	\$37,833,649	\$261,427,061
ii. Actuarial Assets	0	0	0
iii. Unfunded Actuarial Accrued Liability [(i) - (ii)]	<u>\$223,593,412</u>	<u>\$37,833,649</u>	<u>\$261,427,061</u>
iv. Amortization Period	0	30	30
v. Supplemental Cost	<u>\$12,433,105</u>	<u>\$2,103,773</u>	<u>\$14,536,878</u>
c. Beginning Of Year Contribution [a. + b. (v)]	\$21,081,161	\$3,598,797	\$24,679,958
d. Compound Interest to Year End	\$417,489	\$71,270	\$488,759
e. Preliminary ARC [c. + d.]	<u>\$21,498,650</u>	<u>\$3,670,067</u>	<u>\$25,168,717</u>
IV. Annual OPEB Expense and Net OPEB Obligation:			
a. Annual Required Contribution (ARC) [III. e.]	\$21,498,650	\$3,670,067	\$25,168,717
b. Interest on net OPEB Obligation, Beginning of year	\$1,976,463	\$419,881	\$2,396,344
c. Adjustment to ARC	<u>\$2,801,987</u>	<u>\$595,255</u>	<u>\$3,397,242</u>
d. Annual OPEB Cost (Expense) [a + b - c]	\$20,673,126	\$3,494,693	\$24,167,819
e. Net OPEB Obligation, beginning of year	\$49,411,581	\$10,497,017	\$59,908,598
f. Expected Benefit Payments	<u>\$6,750,000</u>	<u>\$2,777,971</u>	<u>\$9,527,971</u>
g. Net OPEB Obligation, end of year[d + e - f]	<u>\$63,334,707</u>	<u>\$11,213,739</u>	<u>\$74,548,446</u>

GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST

Combined Results

**For the Report Dated July 1, 2012 (for the
financial statements June 30, 2013)**

	<u>City</u>	<u>School</u>	<u>Total</u>
I. Present Value of Future Benefits			
a. Retirees	\$97,363,257	\$5,581,664	\$102,944,921
b. Active Employees	\$227,148,731	\$51,433,705	\$278,582,436
c. Total	<u>\$324,511,988</u>	<u>\$57,015,369</u>	<u>\$381,527,357</u>
II. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirees	\$97,363,257	\$5,581,664	\$102,944,921
b. Fully Eligible Employees	\$47,443,108	\$10,764,794	\$58,207,902
c. Other Active Employees	\$101,230,106	\$23,013,221	\$124,243,327
d. Total	<u>\$246,036,471</u>	<u>\$39,359,679</u>	<u>\$285,396,150</u>
III. Annual Required Contribution (ARC)			
a. Normal Cost	\$8,803,447	\$1,578,712	\$10,382,159
b. Supplemental Cost			
i. Funding liability	\$246,036,471	\$39,359,679	\$285,396,150
ii. Actuarial Assets	<u>0</u>	<u>0</u>	<u>0</u>
iii. Unfunded Actuarial Accrued Liability [(i) - (ii)]	\$246,036,471	\$39,359,679	\$285,396,150
iv. Amortization Period	0	30	30
v. Supplemental Cost	<u>\$13,681,071</u>	<u>\$2,188,629</u>	<u>\$15,869,700</u>
c. Beginning Of Year Contribution [a. + b. (v)]	\$22,484,518	\$3,767,341	\$26,251,859
d. Compound Interest to Year End	\$445,282	\$74,608	\$519,890
e. Preliminary ARC [c. + d.]	<u>\$22,929,800</u>	<u>\$3,841,949</u>	<u>\$26,771,749</u>
IV. Annual OPEB Expense and Net OPEB Obligation:			
a. Annual Required Contribution (ARC) [III. e.]	\$22,929,800	\$3,841,949	\$26,771,749
b. Interest on net OPEB Obligation, Beginning of year	\$2,533,388	\$448,550	\$2,981,938
c. Adjustment to ARC	\$3,591,526	\$635,898	\$4,227,424
d. Annual OPEB Cost (Expense) [a + b - c]	<u>\$21,871,662</u>	<u>\$3,654,601</u>	<u>\$25,526,263</u>
e. Net OPEB Obligation, beginning of year	\$63,334,707	\$11,213,739	\$74,548,446
f. Expected Benefit Payments	<u>\$7,191,700</u>	<u>\$2,637,067</u>	<u>\$9,828,767</u>
g. Net OPEB Obligation, end of year [d + e - f]	<u>\$78,014,669</u>	<u>\$12,231,273</u>	<u>\$90,245,942</u>

Appendix 5 - Results by Employee Group

Combined Results by Employee Group (July 1, 2011 / June 30, 2012)

	<u>General</u>	<u>Uniformed</u>	<u>Total</u>
Head Counts:			
Active	378	351	729
Retired	425	288	713
Total	<u>803</u>	<u>639</u>	<u>1,442</u>
I. Present Value of Future Benefits			
a. Retirees	\$ 19,133,431	\$ 71,521,198	\$ 90,654,629
b. Active Employees	\$ 60,576,718	\$ 155,066,363	\$ 215,643,081
c. Total	<u>\$ 79,710,149</u>	<u>\$ 226,587,561</u>	<u>\$ 306,297,710</u>
II. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirees	\$ 19,133,431	\$ 71,521,198	\$ 90,654,629
b. Fully Eligible Employees	\$ 10,429,838	\$ 30,102,778	\$ 40,532,616
c. Other Active Employees	\$ 32,281,578	\$ 60,124,589	\$ 92,406,167
d. Total	<u>\$ 61,844,847</u>	<u>\$ 161,748,565</u>	<u>\$ 223,593,412</u>
III. Annual Required Contribution (ARC)			
a. Normal Cost	\$ 2,479,040	\$ 6,169,016	\$ 8,648,056
b. Supplemental Cost			
i. Funding liability	\$ 61,844,847	\$ 161,748,565	\$ 223,593,412
ii. Actuarial Assets	\$ 0	\$ 0	\$ 0
iii. Unfunded Actuarial Accrued Liability [(i) - (ii)]	\$ 61,844,847	\$ 161,748,565	\$ 223,593,412
iv. Amortization Period	30	30	0
v. Supplemental Cost	\$ 3,438,936	\$ 8,994,169	\$ 12,433,105
c. Beginning Of Year Contribution [a. + b. (v)]	\$ 5,917,976	\$ 15,163,185	\$ 21,081,161
d. Compound Interest to Year End	\$ 117,199	\$ 300,290	\$ 417,489
e. Preliminary ARC [c. + d.]	<u>\$ 6,035,175</u>	<u>\$ 15,463,475</u>	<u>\$ 21,498,650</u>
IV. Annual OPEB Expense and Net OPEB Obligation:			
a. Annual Required Contribution (ARC) [III. e.]	\$ 6,035,175	\$ 15,463,475	\$ 21,498,650
b. Interest on net OPEB Obligation, Beginning of year	\$ 513,981	\$ 1,462,482	\$ 1,976,463
c. Adjustment to ARC	\$ 728,660	\$ 2,073,327	\$ 2,801,987
d. Annual OPEB Cost (Expense) [a + b - c]	\$ 5,820,496	\$ 14,852,630	\$ 20,673,126
e. Net OPEB Obligation, Beginning of Period	\$ 12,849,536	\$ 36,562,045	\$ 49,411,581
f. Expected Benefit Payments	\$ 1,457,880	\$ 5,292,120	\$ 6,750,000
g. Net OPEB Obligation, End of Period [d + e - f]	<u>\$ 17,212,152</u>	<u>\$ 46,122,555</u>	<u>\$ 63,334,707</u>

**Combined Results by Employee Group
(July 1, 2012 / June 30, 2013)**

	<u>General</u>	<u>Uniformed</u>	<u>Total</u>
Head Counts:			
Active	378	351	729
Retired	425	288	713
Total	<u>803</u>	<u>639</u>	<u>1,442</u>
I. Present Value of Future Benefits			
a. Retirees	\$ 18,184,765	\$ 79,178,492	\$ 97,363,257
b. Active Employees	\$ 65,189,330	\$ 161,959,401	\$ 227,148,731
c. Total	<u>\$ 83,374,095</u>	<u>\$ 241,137,893</u>	<u>\$ 324,511,988</u>
II. Unfunded Actuarial Accrued Liability (UAAL)			
a. Retirees	\$ 18,184,765	\$ 79,178,492	\$ 97,363,257
b. Fully Eligible Employees	\$ 13,361,213	\$ 34,081,895	\$ 47,443,108
c. Other Active Employees	\$ 34,924,513	\$ 66,305,593	\$ 101,230,106
d. Total	<u>\$ 66,470,491</u>	<u>\$ 179,565,980</u>	<u>\$ 246,036,471</u>
III. Annual Required Contribution (ARC)			
a. Normal Cost	2,465,693	\$ 6,337,754	\$ 8,803,447
b. Supplemental Cost			
i. Funding liability	66,470,491	\$ 179,565,980	\$ 246,036,471
ii. Actuarial Assets	\$ 0	0	0
iii. Unfunded Actuarial Accrued Liability [(i) - (ii)]	\$ 66,470,491	\$ 179,565,980	\$ 246,036,471
iv. Amortization Period	30	30	0
v. Supplemental Cost	\$ 3,696,149	\$ 9,984,922	\$ 13,681,071
c. Beginning Of Year Contribution [a. + b. (v)]	\$ 6,161,842	\$ 16,322,676	\$ 22,484,518
d. Compound Interest to Year End	\$ 122,029	\$ 323,253	\$ 445,282
e. Preliminary ARC [c. + d.]	<u>\$ 6,283,871</u>	<u>\$ 16,645,929</u>	<u>\$ 22,929,800</u>
IV. Annual OPEB Expense and Net OPEB Obligation:			
a. Annual Required Contribution (ARC) [III. e.]	\$ 6,283,871	\$ 16,645,929	\$ 22,929,800
b. Interest on net OPEB Obligation, Beginning of year	\$ 688,486	\$ 1,844,902	\$ 2,533,388
c. Adjustment to ARC	\$ 976,051	\$ 2,615,475	\$ 3,591,526
d. Annual OPEB Cost (Expense) [a + b - c]	\$ 5,996,306	\$ 15,875,356	\$ 21,871,662
e. Net OPEB Obligation, Beginning of Period	\$ 17,212,152	\$ 46,122,555	\$ 63,334,707
f. Expected Benefit Payments	\$ 1,510,500	\$ 5,681,200	\$ 7,191,700
g. Net OPEB Obligation, End of Period [d + e - f]	<u>\$ 21,697,958</u>	<u>\$ 56,316,711</u>	<u>\$ 78,014,669</u>

Appendix 6 - Illustration of Per Capita Costs

Calculating the Annual Per Capita Cost for Future Retirees Using Current Year Premiums
(Fire Electing Classic Blue for Pre 65 Benefits and BlueChip Plus for Post 65 Benefits for Purposes of this Example)

	Retiree Portion		Spouse Portion	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit(s):				
2. Medical	\$7,301.74	\$2,025.91	\$17,877.98	\$4,051.82
3. Dental	-	-	-	-
4. Less Individual OPEB			\$7,301.74	\$2,025.91
5. Gross OPEB (2 + 3 - 4)	\$7,301.74	\$2,025.91	\$10,576.25	\$2,025.91
6. Contribution:				
7. Medical Premium	\$8,122.32	\$2,280.00	\$19,910.40	\$4,560.00
8. Less Individual Premium			\$8,122.32	\$2,280.00
9. Net Premium (7 - 8)	\$8,122.32	\$2,280.00	\$11,788.08	\$2,280.00
10. Percentage Contributed by Retiree	0%	0%	0%	0%
11. Contribution from Retiree (9 * 8)	-	-	-	-
Net OPEB Cost (5 - 9)	\$7,301.74	\$2,025.91	\$10,576.25	\$2,025.91

Calculating the Annual Per Capita Cost for Future Retirees Using Current Year Premiums
(Police Electing Classic Blue for Pre 65 Benefits and BlueChip Plus for Post 65 Benefits for Purposes of this Example)

	Retiree Portion		Spouse Portion	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit(s):				
2. Medical	\$7,284.10	\$2,025.91	\$17,833.99	\$4,051.82
3. Dental	\$390.12	\$390.12	\$1,244.64	\$1,244.64
4. Less Individual OPEB			\$7,674.22	\$2,416.03
5. Gross OPEB (2 + 3 - 4)	\$7,674.22	\$2,416.03	\$11,404.42	\$2,880.43
6. Contribution:				
7. Medical Premium	\$8,122.32	\$2,280.00	\$19,910.40	\$4,560.00
8. Less Individual Premium			\$8,122.32	\$2,280.00
9. Net Premium (7 - 8)	\$8,122.32	\$2,280.00	\$11,788.08	\$2,280.00
10. Percentage Contributed by Retiree	0%	0%	0%	0%
11. Contribution from Retiree (9 * 8)	-	-	-	-
Net OPEB Cost (5 - 9)	\$7,674.22	\$2,416.03	\$11,404.42	\$2,880.43

Calculating the Annual Per Capita Cost for Future Retirees Using Current Year Premiums
(Municipal Electing Classic Blue for Pre 65 Benefits and BlueChip Plus for Post 65 Benefits for Purposes of this Example)

	Retiree Portion		Spouse Portion	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit(s):				
2. Medical	\$7,284.10	\$2,025.91	\$17,844.79	\$4,051.82
3. Dental	-	-	-	-
4. Less Individual OPEB			\$7,284.10	\$2,025.91
5. Gross OPEB (2 + 3 - 4)	\$7,284.10	\$2,025.91	\$10,560.70	\$2,025.91
6. Contribution:				
7. Medical Premium	\$8,122.32	\$2,280.00	\$19,910.40	\$4,560.00
8. Less Individual Premium			\$8,122.32	\$2,280.00
9. Net Premium (7 - 8)	\$8,122.32	\$2,280.00	\$11,788.08	\$2,280.00
10. Percentage Contributed by Retiree	0%	0%	0%	0%
11. Contribution from Retiree (9 * 10)	-	-	-	-
Net OPEB Cost (5 - 11)	\$7,284.10	\$2,025.91	\$10,560.70	\$2,025.91