Warwick Public School System

Actuarial Valuation Post Employment Benefits Other Than Pensions

as of July 1, 2011 under

Governmental Accounting Standards Board Statement No. 45 (GASB 45)

(Estimated Disclosures for the Years Ending June 30, 2012 and June 30, 2013)

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Introduction to GASB 45

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).

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). There are two types of OPEB:

> The first and most common OPEB is referred to as Explicit OPEB. This may include employer paid post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan.
>
> The second type of OPEB is referred to as Implicit OPEB. Implicit or implied OPEB exists when an entity provides access to post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits through its current benefit structure without having separate rates for active and retired employees. In this case, the premiums are considered to be blended premiums requiring the determination of the implicit rate subsidy. ***This implicit OPEB is valued in this report.***

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 45 required the Warwick Public School System to implement GASB 45 for the fiscal year ending June 30, 2008. This requires additional financial statement presentation and disclosure. This report is intended to provide the information needed to present GASB 45 in conformity with Generally Accepted Accounting Principles.

SECTION 1 - Executive Summary

Introduction

The Warwick Public School System is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the school district 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 Warwick Public School System 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		Period Ending June 30, 2012	Period Ending June 30, 2013
Present Value of Future Benefits Payments	$	55,202,037	57,015,369
Unfunded Actuarial Accrued Liability (UAAL)	$	37,833,649	39,359,679
Annual Required Contribution (ARC)	$	3,670,067	3,841,949
Expected Benefit Payments for Fiscal Year Ended	$	2,777,971	2,637,067
Increase in Net OPEB Obligation in Fiscal Year	$	716,722	1,017,534
Net OPEB Obligation (NOO) as of	$	11,213,739	12,231,273

Appendix 1 *contains an explanation of these Disclosure items.*

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

Group		Liability July 1, 2011		Liability July 1, 2012	Count
Active	$	30,660,950	$	33,778,015	1,380
Retired	$	7,172,699	$	5,581,664	276
Total	$	37,833,649	$	39,359,679	1,656

Benefit Provisions

The district provides implicit postretirement medical benefits to its retired employees and some their spouses depending on the employment classification. All benefits terminate at age 65.

Teaching Employees are eligible for GASB 45 benefits after serving the district for 20 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.

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 cost of the benefits.

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	5.40%
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 16.12%.*

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.

Accounting for Postretirement Benefits:

This report provides the information needed to prepare the footnote in your financial statements related to your district's postretirement benefit plans. The unfunded actuarial accrued liability and the ARC are developed in the Executive Summary Detail included in this section. For this Fiscal Year / Valuation Report, Section 3 presents the disclosure information based on **estimated contributions made**. The preparer of the financial statements should use actual net district OPEB payments.

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	11/18/2012
James MacDonald, FSA, EA	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 Warwick Public School System administers single-employer defined benefit healthcare plan. The plan provides medical/drug benefits for eligible retirees and their dependents through the City's group health insurance plan, 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. All benefits terminate at age 65.

b. Eligibility:

Teaching Employees are eligible for GASB 45 benefits after serving the district for 20 to 30 years. Other district employees are required to reach age 62 and have 25 years of service.

c. Benefit Cost Sharing - Retiree:

Teaching employees contribute 20 to 60% for coverage depending on their date of hire. Other employees will contribute 20% for coverage.

d. Spouse Benefit:

Spouses of teaching employees are not covered by the plan. Spouses of other district employees will contribute 20% for coverage.

e. Surviving Spouse Benefit:

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 cost of the benefits.

2. GASB 45 Disclosure Requirements - Estimated:

Plan Results for GASB 45

A. Annual OPEB Cost and Net OPEB Obligation		**06/30/2012**		**06/30/2013**
1. Normal Cost	$	1,495,024	$	1,578,712
2. Supplemental Cost		2,103,773		2,188,629
3. Interest		71,270		74,608
4. Annual Required Contribution (ARC) [1 + 2 + 3]	$	3,670,067	$	3,841,949
5. Interest on Net OPEB Obligation		419,881		448,550
6. Adjustment to ARC		595,255		635,898
7. Annual OPEB Cost (Expense) [4 + 5 - 6]	$	3,494,693	$	3,654,601
8. Expected benefit payments*		2,777,971		2,637,067
9. Increase in net OPEB Obligation [7 - 8]	$	716,722	$	1,017,534
10. Net OPEB Obligation - July 1, 2011		10,497,017		11,213,739
11. Net OPEB Obligation - June 30, 2012 [9 + 10]	$	11,213,739	$	12,231,273

*Benefit Payments are Estimated.

Summary of Annual Results:

Warwick Public School System's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending:

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

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)		Estimated 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	$	97,613,452	38.76%
7/1/2012	$	0	$	39,359,679	$	39,359,679	NA	$	99,565,721	39.53%

SECTION 4 - Development of Annual OPEB Expense

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

I.	**Present Value of Future Benefits**		**06/30/2012**		**06/30/2013**
	a. Retirees	$	7,172,699	$	5,581,664
	b. Active Employees	$	48,029,338	$	51,433,705
	c. Total	$	55,202,037	$	57,015,369
II.	**Unfunded Actuarial Accrued Liability (UAAL)**				
	a. Retirees	$	7,172,699	$	5,581,664
	b. Fully Eligible Employees	$	9,840,527	$	10,764,794
	c. Other Active Employees	$	20,820,423	$	23,013,221
	d. Total	$	37,833,649	$	39,359,679
III.	**Annual Required Contribution (ARC)**				
	a. Normal Cost	$	1,495,024		1,578,712
	b. Supplemental Cost				
	i. Funding liability	$	37,833,649	$	39,359,679
	ii. Actuarial Assets	$	0	$	0
	iii. Unfunded Actuarial Accrued Liability [(i) - (ii)]	$	37,833,649	$	39,359,679
	iv. Amortization Period		30		30
	v. Supplemental Cost	$	2,103,773	$	2,188,629
	c. Beginning Of Year Contribution [a. + b. (v)]	$	3,598,797	$	3,767,341
	d. Compound Interest to Year End	$	71,270	$	74,608
	e. Preliminary ARC [c. + d.]	$	3,670,067	$	3,841,949
IV.	**Annual OPEB Expense and Net OPEB Obligation:**				
	a. Annual Required Contribution (ARC) [III. e.]	$	3,670,067	$	3,841,949
	b. Interest on net OPEB Obligation, Beginning of year	$	419,881	$	448,550
	c. Adjustment to ARC	$	595,255	$	635,898
	d. Annual OPEB Cost (Expense) [a + b - c]	$	3,494,693	$	3,654,601
	e. Net OPEB Obligation, Beginning of Period	$	10,497,017	$	11,213,739
	f. Benefit Payments*	$	2,777,971	$	2,637,067
	g. Net OPEB Obligation, End of Period [d + e - f]	$	11,213,739	$	12,231,273

*Benefit Payments are Estimated

Key Actuarial Assumptions	
Census Collection Date	July 1, 2011
Funding interest Rate	4.00%
06/30/2012 Trend Rate	5.40%
06/30/2013 Trend Rate	7.20%
Ultimate Trend Rate	5.70%
Fiscal year ultimate trend rate reached	6/30/2070

V. Summary of Annual Results:

Warwick Public School System's annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending:

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

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)	Estimated 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	$ 97,613,452	38.76%
7/1/2012	$ 0	$ 39,359,679	$ 39,359,679	NA	$ 99,565,721	39.53%

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	$ 908,492	$ 1,869,479	$ 2,777,971	$ 2,777,971
2	06/30/2013	$ 1,071,529	$ 1,565,538	$ 2,637,067	$ 5,415,038
3	06/30/2014	$ 1,260,837	$ 1,326,846	$ 2,587,683	$ 8,002,721
4	06/30/2015	$ 1,496,917	$ 987,417	$ 2,484,334	$ 10,487,055
5	06/30/2016	$ 1,753,240	$ 749,156	$ 2,502,396	$ 12,989,451
6	06/30/2017	$ 1,778,854	$ 479,271	$ 2,258,125	$ 15,247,576
7	06/30/2018	$ 1,962,327	$ 356,461	$ 2,318,788	$ 17,566,364
8	06/30/2019	$ 2,039,492	$ 268,555	$ 2,308,047	$ 19,874,411
9	06/30/2020	$ 2,110,652	$ 181,072	$ 2,291,724	$ 22,166,135
10	06/30/2021	$ 2,323,607	$ 144,830	$ 2,468,437	$ 24,634,572

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 school district. Our understanding is that this file represents the population of the school district's active and retired employees as of July 1, 2011, the census collection date.

The census file contained 1826 records. The GASB 45 valuation excluded 170 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**	**Total**
Male	348	89	437
Female	1,032	187	1,219
Total	1,380	276	1,656

Active - Counts by Age and Eligibility Status:

	Active Employees as of July 1, 2011		
Age	**Not Currently Eligible to Retire**	**Currently Eligible to Retire[1]**	**TOTAL**
29 and Under	64		64
30 - 34	147		147
35 - 39	185		185
40 - 44	190		190
45 - 49	220		220
50 - 54	239		239
55 - 59	179	42	221
60 - 64	81	33	114
65 and Over			0
Total	1,305	75	1,380

Retiree and Covered Spouses - Counts by Age:

	Retired as of July 1, 2011		
Age	**Retirees**	**Spouses**	**TOTAL**
54 and Under	7		7
55 - 59	56		56
60 - 64	213		213
65 - 69		1	1
70 - 74			
75 - 79			
80 and Over			
Total	276	1	277

[1] 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	33.4
	Females	33.4
B.	Average Service	
	Males	13.1
	Females	13.3
C.	Average Current Age	
	Males	46.5
	Females	46.6
Current Retirees:		
D.	Average Current Age	
	Males	62.0
	Females	61.4

Active Employees by Age and Service as of July 1, 2011

	YEARS OF SERVICE								
AGE	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 Plus	TOTAL
20 to 24	11								11
25 to 29	41	12							53
30 to 34	21	105	21						147
35 to 39	22	65	81	17					185
40 to 44	15	46	64	45	20				190
45 to 49	15	26	68	45	61	5			220
50 to 54	5	19	48	60	81	17	9		239
55 to 59	6	17	24	34	72	43	19	6	221
60 to 64	2	8	11	14	23	23	30	3	114
65 Plus									
TOTAL	138	298	317	215	257	88	58	9	1,380

SECTION 6 - Assumptions and Methodology

A. Mortality: RP-2000 Combined Mortality Table

B. Discount Rate / Funding Interest Rate: An interest rate of 4.00% was used

C. Age at Retirement: Classified employees are assumed to retire at the later of age 62 and the age when the employee has 25 years of service. Professional employees are assumed to retire at the later of age 55 and the age when the employee has 30 years of service.

Age	Classified	Professional
<55	60	55
55-59	60	Age + 1
60+	Age + 1	Age + 1

D. Termination Rates: Turnover - Representative values of assumed annual turnover rates for employees are as follows.

Age	Turnover Rate
20	13.310%
25	10.120%
30	8.330%
35	6.780%
40	5.960%
45	5.130%
50	3.230%

E. Trend: It was assumed that health care costs would increase in accordance with the trend rates in the following table:

Year	Medical
06/30/2012	5.40%
06/30/13 - 06/30/14	7.20%
06/30/15 - 06/30/17	7.10%
06/30/18 - 06/30/19	7.00%
06/30/20 - 06/30/24	6.90%
06/30/25- 06/30/29	6.80%
06/30/30 - 06/30/39	6.70%
06/30/40 - 06/30/49	6.20%
06/30/50 - 06/30/59	5.90%
06/30/60 - 06/30/69	5.80%
06/30/70+	5.70%

F. Retirement Election Rates:

- Professional Employees - It has been assumed that 97% of retiring professional employees will elect the benefit.
- Classified Employees - It has been assumed that 15% of retiring professional employees will elect the benefit.

G. Percent Married: It was assumed that 80% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses.

H. Per Capita Costs: The per capita costs for retired employees are based on the current plan enrollment.

The per capita costs for future retirees are based on an assumption that the employee will enroll in the Healthmate plan at retirement.

I. Actuarial Value of Assets: None

J. Administrative Expenses: Administrative costs of $660 per covered life have been included in the calculation of the districts OPEB cost. These fees are assumed to increase at 1% annually.

K. Per Capita Costs: Are based on information provided by the school regarding claims for the various employee groups and for the pre and post Medicare populations. The costs used in this valuation were developed as follows:

	Active	Classified	Professional
A. Annual Premium	N/A	$8,342	$5,876
B. Actual Annual Cost per Contract ex. Med Part B	N/A	$12,018	$8,466
C. Annual Medicare Part B Cost paid by City	N/A	n/a	n/a
D. Average Administrative Expense per Contract	N/A	$660	$660
E. Blended Annual Stop Loss Premium per Contract	N/A	$156	$156
F. Total Actual Annual Cost per Contract	N/A	$12,834	$9,282

L. Actuarial Cost Method: This report was developed using the Projected Unit Credit (PUC) cost method.

M. Prior Service in the Rhode Island Retirement System: The school district will recognize prior service in the Rhode Island Retirement System (RIRS) in determining eligibility for OPEB. The school district does not track this data. For purposes of this report, it has been assumed that any teacher over the age of 40 at the date of hire would have 10 years of prior service in the RIRS.

N. 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.

SECTION 7 - Plan Provisions

The school district provides access to medical benefits to retired employees and their eligible dependents at retirement.

Employee Group	Description of Benefits	Contributions	Comments
WISE Union, Middle-Management, School Committee (Classified)	• Medical	• Individual - 20% • Family - 20%	• Required Age - 62 • Required Service - 25
Teacher's Union, Directors and Administrators (Professional) - 30 years or more with Rhode Island State Retirement System	• Medical	• Individual - 20% • Family - Not Covered	• Required Age - None • Required Service - 30
Teacher's Union, Directors and Administrators (Professional) - 20-29 years with Rhode Island State Retirement System	• Medical	• Individual - 60% • Family - Not Covered	• Required Age - None • Required Service - 20

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 OPEB Other Post-Employment Benefits.

- The **Present Value of Future Benefit Payments (PVFBP)** is the actuarial present value of all postemployment benefits expected to be paid to each employee and his/her covered dependents in the future. The calculation considers the probability that the employee will remain with the Company until retirement, the expected retirement age, and the anticipated level of medical claims at that time.

  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 portion of the PVFBP that is attributed to employee service rendered prior to the valuation date:

  - 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.

- 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).

- **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 **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 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 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.

- Components of Annual Required Contribution (ARC)

  The components of the ARC are:

  - The employer's Normal Cost, and

  - Provisions for amortizing each of the following components of the employer's Unfunded Actuarial Accrued Liability (UAAL):

    - Initial Unfunded Accrued Liability at transition
    - Past contribution deficiencies
    - Plan changes
    - Assumption changes, and
    - Gain/loss

- Components of Annual OPEB Cost

  The components of cost ("Annual OPEB Cost" using GASB 45 terminology) are:

  - The Annual Required Contribution (ARC).
  - One year's interest on the Net OPEB Obligation.

  - The ARC Amortization Adjustment, which offsets the amount of principal and interest already included in the ARC for amortization of past contribution deficiencies or excess contributions.

The disclosures required by GASB 45 include:

- Benefit plan description.
- Description of the Employer's funding policy.
- Components of Annual OPEB Cost (ARC, interest on the net OPEB obligation, and adjustment to the ARC).
- Increase or decrease in the Net OPEB Obligation.
- Information about the funded status of the plan, including the actuarial value of assets, the actuarial accrued liability, the plan's funded ratio, and annual covered payroll.
- Actuarial methods and significant assumptions used to determine the ARC and Annual OPEB Cost. The disclosures should include:
  - Actuarial cost method.
  - Methods used to determine the actuarial value of assets.
  - 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).
  - Assumptions used with respect to initial and ultimate healthcare cost trend rates.
  - Amortization method (level dollar or level percentage of projected payroll), amortization period, and whether the period is closed or open.

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

The information supplied by the school district for the preparation of this report has not been audited. We have placed reliance on the School district 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 School district 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 school district.

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

- Cheryl Bongivengo of the Warwick Public School System; 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 school district. These requests should be sent to Ray.Cerrone@JEFSI.Com.

Appendix 3 - Sample Footnotes for Financial Statement Preparation

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

POST EMPLOYMENT BENEFITS

Plan description and annual OPEB cost

The Warwick Public School System administers single-employer defined benefit healthcare plan. The plan provides medical/drug benefits for eligible retirees and their dependents through the City's group health insurance plan, 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. All benefits terminate at age 65.

Teaching Employees are eligible for GASB 45 benefits after serving the district for 20 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 cost of the benefits.

The school district implemented GASB Statement 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other than Pensions, in the school year ended June 30, 2008. This required the school district to calculate and record a net other post-employment benefit obligation at year end. The net other post-employment benefit obligation is basically the cumulative difference between the actuarially required contribution and the actual contributions made.

Currently, 276 retired employees receive health benefits from the school district.

The school district recognizes the cost of providing health insurance annually as expenditures In the General Fund of the funds financial statements as payments are made. For the year ended June 30, 2012, the school district recognized $2,777,971 for its share of insurance premiums for currently enrolled retirees.

The school district has obtained an actuarial valuation report as of July 1, 2011 which indicates that the total liability for other post-employment benefits is $37,833,649 ($7,172,699 related to retirees and $30,660,950 related to employees).

The school district’s annual other post-employment benefit (OPEB) cost (expense) for its plan is calculated based on the *annual required contribution of the employer (ARC),* an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the school district annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the school district's net OPEB obligation:

Annual OPEB Cost and Net OPEB Obligation		**06/30/2012**		**06/30/2013**
Normal Cost	$	1,495,024	$	1,578,712
Supplemental Cost		2,103,773		2,188,629
Interest		71,270		74,608
Annual Required Contribution (ARC)	$	3,670,067	$	3,841,949
Interest on Net OPEB Obligation		419,881		448,550
Adjustment to ARC		595,255		635,898
Annual OPEB Cost (Expense)	$	3,494,693	$	3,654,601
Expected benefit payments		2,777,971		2,637,067
Increase in net OPEB Obligation	$	716,722	$	1,017,534
Net OPEB Obligation – Beginning of Year		10,497,017		11,213,739
Net OPEB Obligation – End of Year	$	11,213,739	$	12,231,273

The school district's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were 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

As of July 1, 2011, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was $37,833,649 and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $37,833,649. The covered payroll (annual payroll of active employees covered by the plan) was $97,613,452, and the ratio of the UAL to the covered payroll was 38.76%. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In July 1, 2011 the actuarial valuation, the Projected Unit Credit cost method was used, The actuarial assumptions included a 4.00% investment rate of return (net of administrative expenses), which Is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 5.40% initially and 5.70% when the ultimate rate is reached in year 2070. The UAAL is being amortized on an open basis. The remaining amortization period at June 30, 2012 was 29 years.