



80 Lambertson Road  
Windsor, CT 06095  
USA

December 8, 2014

Main +1 860 687 2110  
Fax +1 860 687 2111

***PERSONAL & CONFIDENTIAL***

milliman.com

Mr. Robert Thibeault Jr.  
Finance Director  
Town of Coventry  
Town Hall  
1670 Flat River Road  
Coventry, RI 02816

Re: Town of Coventry Other Post-Employment Benefits Program

Dear Bob:

We are pleased to provide this actuarial report for the Town of Coventry Other Post-Employment Benefits Program. The report shows the financial status of the plan as of July 1, 2013 and presents the cost figures for the 2014-15 fiscal year.

We have included 25 bound copies of the report and one unbound copy in case you need to make additional copies.

Please let us know if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve A. Lemanski".

Steve A. Lemanski, FSA, FCA  
Consulting Actuary

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**TOWN OF COVENTRY  
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

**July 1, 2013 Actuarial Valuation**

**Prepared by**  
Milliman, Inc.

**Steve A. Lemanski, FSA, FCA**  
Consulting Actuary

**Samuel Boustani, ASA**  
Actuary

80 Lamberton Road  
Windsor, CT 06095 USA  
Tel +1 860.687.2110  
Fax +1 860.687.2111  
milliman.com

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## **Certification**

We have performed an actuarial valuation of the Town of Coventry Other Post-Employment Benefits Program as of July 1, 2013. The results of this valuation, along with supporting data, are set forth in the following report.

Milliman has prepared this report in compliance with Government Accounting Standard No. 45. No attempt is being made to offer any accounting opinion or advice. The calculations reported herein have been made on a basis consistent with our understanding of the plan provisions. Additional determinations may be needed for purposes other than meeting accounting requirements.

In preparing this report, we relied on employee census data, claims and premium information as of the valuation date, furnished by the Town of Coventry. We performed a limited review of the information used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate, all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices, and the methods and assumptions produced results which are reasonable. 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 or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The actuarial method and assumptions used in this valuation are discussed on pages 18-23 of this report. A summary of the plan provisions starts on page 24 of this report.

Milliman's work is prepared solely for the internal business use of the Town of Coventry. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s): (a) The Town of Coventry may provide a copy of Milliman's work, in its entirety, to the Town of Coventry's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Town of Coventry; and (b) The Town of Coventry may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

## **Certification**

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension and health actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

December 8, 2014



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Steve A. Lemanski, FSA, FCA  
Consulting Actuary



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Samuel Boustani, ASA  
Actuary

## **Discussion of Experience**

This valuation reflects a number of changes relative to the July 1, 2011 valuation:

### **Demographic Changes from 2011 to 2013**

From July 1, 2011 to July 1, 2013, the overall membership increased from 1,102 to 1,152. The total number of active members increased from 717 to 736 and the total number of retirees and spouses of retirees increased from 385 to 416.

The average age of active members increased from 46.2 to 47.3 and the average age of retired members increased from 67.2 to 68.6.

### **Assumption Changes**

**Medical age curves:** We updated the age curves with respect to expected claims costs, based on our analysis of the claims experience and premium information provided to us for this valuation.

**Medical inflation:** The medical cost inflation trend used in this valuation was derived from the "Getzen Model" established by the Society of Actuaries for developing long term medical cost trends. The Getzen model was subsequently updated to reflect the latest economic growth factors and an adjustment was made to reflect the Affordable Care Act new fees starting in 2014 and the value of the expected excise tax payable in 2018 and later. This assumption was revised to an initial inflation rate of 6.58%, grading down to an ultimate inflation rate of 4.40% over a period of 79 years (Prior valuation: an initial inflation rate of 5.80% graded down to an ultimate inflation rate of 4.40% over a period of 49 years).

The combined effect of the above changes reduced the Accrued Liability by about \$250,000 and reduced the Annual Required Contribution by about \$50,000.

### **Changes in Plan Provisions**

**Police hired on or after January 1, 2013:** Police hired on or after January 1, 2013 shall be eligible for retirement at age 55 with 25 years of service (Prior: Eligible for retirement at 23 years of service, regardless of age).

The effect of this change had no material impact on the results of this valuation, but longer term, this change will reduce the growth rate of the Accrued Liability and Annual Required Contribution.

## **Overview of GASB 43 and GASB 45**

GASB 43 requires OPEB plans to disclose information about asset and liability levels and show historical contribution information. GASB 43 only applies in situations where a separate trust is established to prefund these benefits. GASB 45 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. GASB 43 was effective starting in FY 2006-07 for a Phase I government, FY 2007-08 for a Phase II government, and FY 2008-09 for a Phase III government. GASB 45 was effective for the fiscal year following implementation of GASB 43.

GASB 43 and 45 apply to just about any benefit that is provided after retirement except for pension benefits: medical insurance, dental, vision, and hearing benefits plus life insurance and long term care insurance. The benefits provided by the Town to retirees include medical and dental insurance. The philosophy driving the accounting standard is that these post-employment benefits are part of the compensation that is paid to employees in return for their services, and the cost of these benefits should be recognized while the employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 43 and 45 extend the same thinking to all other post-employment benefits.

## The Valuation Process

The process of determining the liability for OPEB benefits is based on many assumptions about future events. The key actuarial assumptions are:

**Turnover and retirement rates:** How likely is it that an employee will qualify for post-employment benefits and when will they start?

**Medical inflation and claims costs assumptions:** When an employee starts receiving post-employment benefits many years from now, how much will be paid each year for the benefits and how rapidly will the costs grow?

**Mortality assumption:** How long is a retiree likely to receive the benefits?

**Discount rate assumption:** What is the present value of those future benefit payments in terms of today's dollars?

Since the liability is being recognized over the employee's whole career with the Town, the present value is divided into three pieces: the part that is attributed to past years (the "Accrued Liability" or "Past Service Liability"), the part that is being earned this year (the "Normal Cost"), and the part that will be earned in future years (the "Future Service Liability").

Once the Accrued Liability and the Normal Cost have been calculated, the next step is to determine an annual contribution. This consists of two pieces:

- Normal Cost – because the benefits earned each year should be paid for each year
- Past Service Cost – a catch-up payment to fund the Accrued Liability over time.

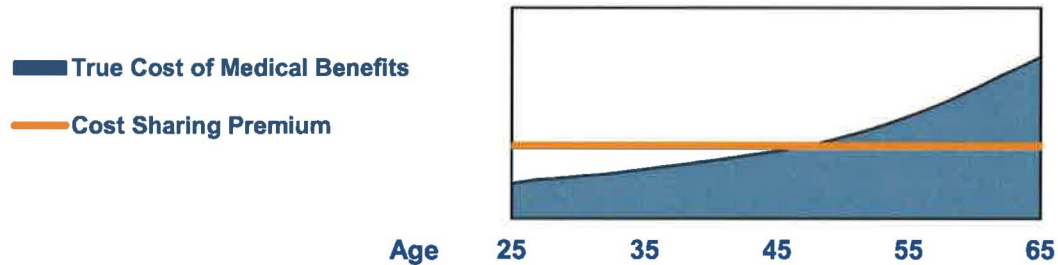
The final step is to keep track going forward of how much of the contribution is actually paid. There is no requirement to actually fund these benefits, but the cumulative deficiency must be disclosed on the Town's financial statements. In addition, the Discount Rate used to calculate the liabilities must reflect the expected investment income of whatever funds are set aside to prefund the benefits; if there is no prefunding then the Discount Rate will be much lower and the liabilities significantly higher than if the benefits are prefunded.



## Implicit Rate Subsidies

As part of the Other Post-Employment Benefits Program, there are situations where the cost is borne partly or entirely by retirees. In most cases, the premium that is used to split the cost is lower than the true cost of providing the medical benefits, for two reasons:

- The cost sharing premium is usually a fixed amount such as a COBRA premium that does not take into account the age of the retiree and his/her dependents. Since medical costs generally increase with age, the cost sharing premium is often lower than the true cost of the medical benefits:



- The cost sharing premium is usually a blended rate that takes into account the cost of medical benefits for active employees as well as retirees. Medical costs are generally higher for retirees than for active employees of the same age. This means that, again, the cost sharing premium is often lower than the true cost of the medical benefits.

Because of these two factors, a retiree who is paying 100% of the cost sharing premium is most likely not paying 100% of the true cost of the medical benefits. This situation is known as an "implicit rate subsidy". GASB 43 and 45 require the plan sponsor to measure the liability for this subsidy; that is, the difference between the true cost of the medical benefits and the cost sharing premiums paid by the retiree. To do this, our valuation consists of several steps:

First, we calculate the liability for the true cost of medical benefits expected to be received by retirees and their dependents. This liability is based on factors developed by Milliman's health actuaries that reflect how the cost of medical benefits varies by age and gender, as well as the other assumptions discussed on the prior page. We term this amount the "gross liability".

Next, we calculate the liability for the future premiums expected to be paid by the retiree for their own and their dependents' coverage. This liability is based on the current premium rates without adjustment for age or gender. It also is based on the terms of the retiree medical program – different retirees pay different percentages based on their union, date of retirement, age at retirement, and other factors. We term this amount the "offset liability".

Finally, the net liability for the Town is calculated as the difference between the gross liability and the offset liability.

## Summary of Liabilities as of July 1, 2013

We have calculated the Accrued Liability separately for four groups of Town employees, who are eligible for different OPEB benefits. We have broken the accrued liability into several pieces: benefits that are expected to be paid prior to age 65 (i.e. prior to Medicare) and after age 65 (i.e. after Medicare) to current active members and their covered dependents after retirement, and the same figures for members who have already retired and are currently receiving benefits. In all cases, the Accrued Liability only reflects benefits that are paid for by the Town, taking into account any implicit rate subsidies.

	Police	Town	Teachers	School Others	Total
<b>Current active members</b>					
Employees under age 65	\$242,099	\$100,665	\$2,138,601	\$216,732	\$2,698,097
Employees over age 65	0	0	1,610,647	69,141	1,679,788
Dependents under age 65	83,308	29,517	423,487	19,938	556,250
Dependents over age 65	<u>0</u>	<u>0</u>	<u>835,083</u>	<u>0</u>	<u>835,083</u>
Total	325,407	130,182	5,007,818	305,811	5,769,218
<b>Current retired members</b>					
Employees under age 65	396,957	0	653,279	69,913	1,120,149
Employees over age 65	698,764	0	5,400,642	54,418	6,153,824
Dependents under age 65	445,673	0	105,071	0	550,744
Dependents over age 65	<u>818,593</u>	<u>0</u>	<u>2,030,754</u>	<u>0</u>	<u>2,849,347</u>
Total	2,359,987	0	8,189,746	124,331	10,674,064
<b>Total Accrued Liability</b>	2,685,394	130,182	13,197,564	430,142	16,443,282

## Annual Required Contribution

The Annual Required Contribution (ARC) for the OPEB program consists of two pieces: a **Normal Cost** (the cost of benefits earned each year should be accrued in that year) plus a **Past Service Cost** (a catch-up accrual to amortize the Unfunded Accrued Liability).

The initial amortization period was 25 years. The amortization method produces level dollar annual payments. On this basis, the ARC is determined as follows:

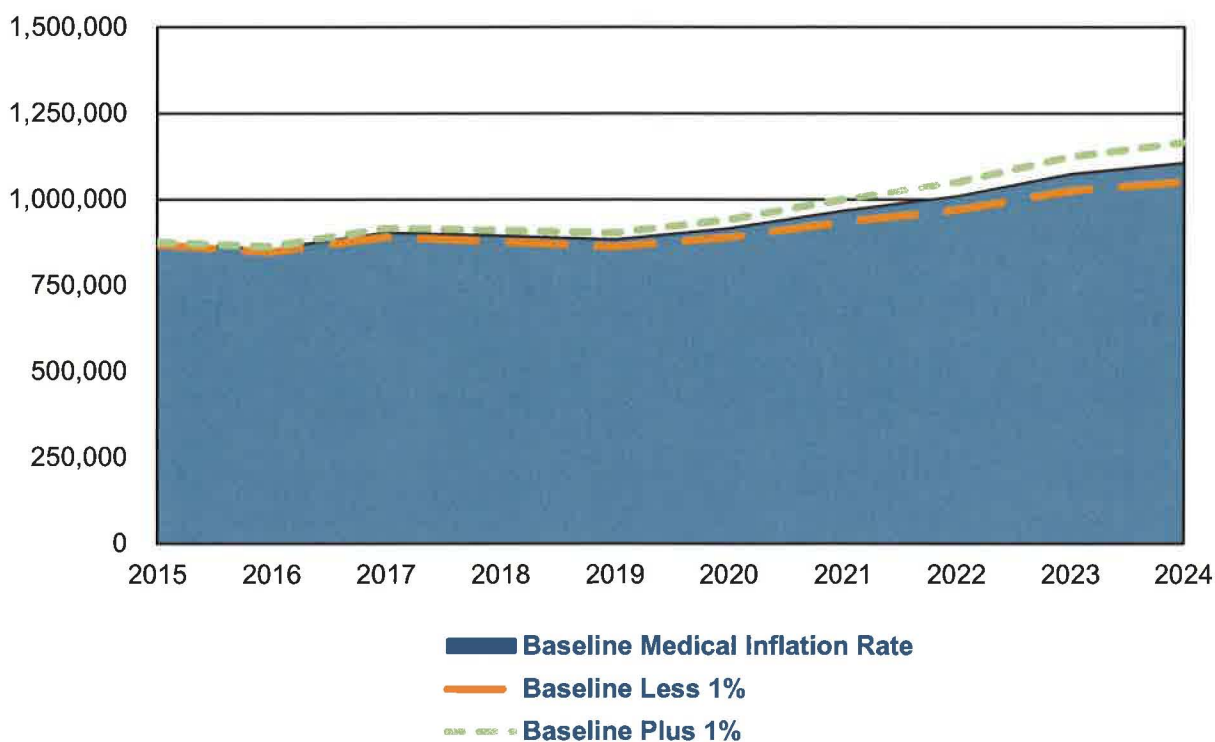
	Police	Town	Teachers	School Others	Total
Accrued Liability	\$2,685,394	\$130,182	\$13,197,564	\$430,142	\$16,443,282
Assets	0	0	0	0	0
Unfunded Accrued Liability	2,685,394	130,182	13,197,564	430,142	16,443,282
Amortization Period	20	20	20	20	20
Past Service Cost	189,996	9,211	933,750	30,433	1,163,390
Total Normal Cost	32,900	8,992	251,054	22,955	315,901
Employee Contributions	0	0	0	0	0
Net Normal Cost	32,900	8,992	251,054	22,955	315,901
Interest	8,916	728	47,392	2,136	59,172
ARC for FY 2015	231,812	18,931	1,232,196	55,524	1,538,463
Expected Benefit Payouts	111,936	2,871	709,127	49,245	873,179

The ARC is assumed to be paid at the beginning of the Fiscal Year.

## Projected Payouts

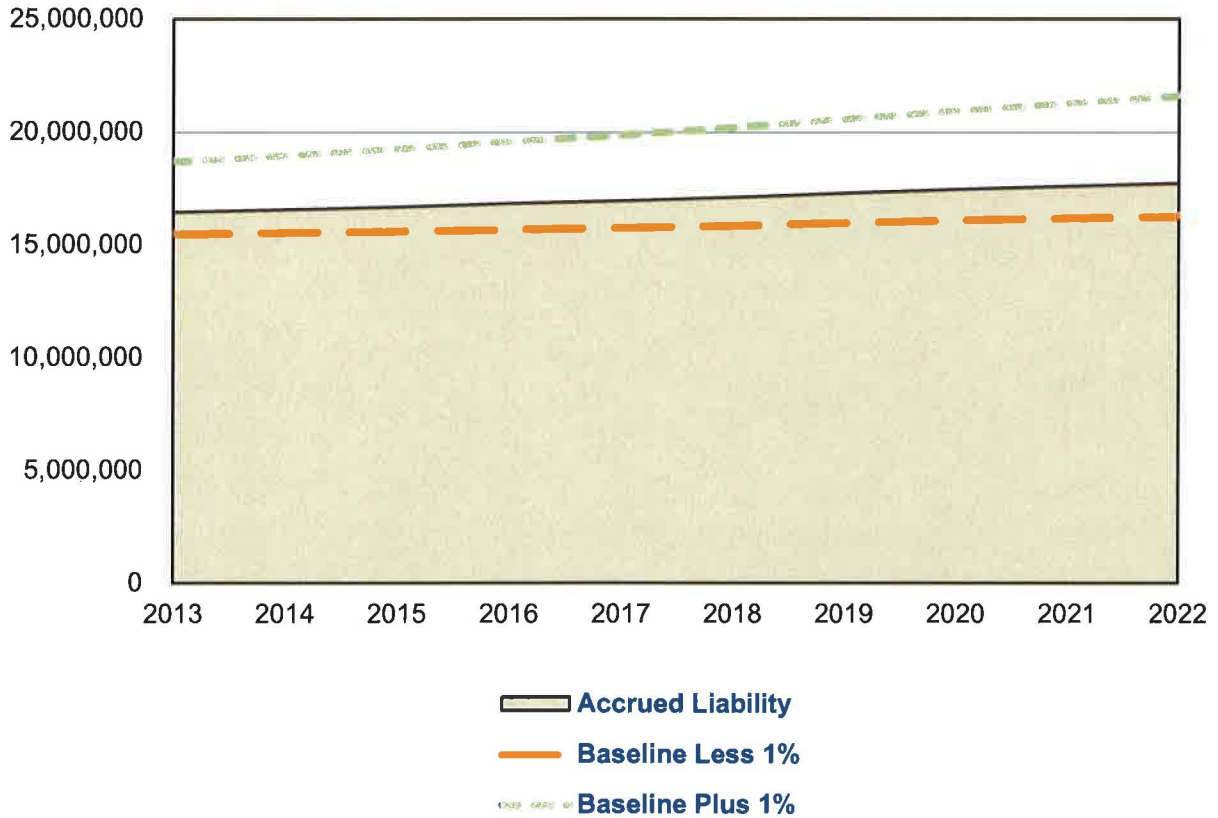
The table and graph below show the expected annual payments for OPEB benefits for the next 10 years.

Fiscal Year	Baseline Less 1%	Baseline Medical Inflation Rate	Baseline Plus 1%
2015	\$869,076	\$873,179	\$877,282
2016	848,897	856,732	864,643
2017	891,024	903,894	917,010
2018	878,112	894,514	911,387
2019	863,400	883,362	904,095
2020	890,236	915,655	942,307
2021	934,863	967,169	1,001,365
2022	970,322	1,009,366	1,051,088
2023	1,025,804	1,073,731	1,125,433
2024	1,052,037	1,106,791	1,166,423



### Projected Liabilities

The graph below shows how the Town's accrued liability for OPEB benefits is expected to grow over the next 10 years.



## GASB 45 Schedule of Funding Progress

The following information is required to be disclosed in the Town's financial statement.

(\$ 000s)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Accrued Liability (b)	Unfunded Accrued Liability (UAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2009	\$0	\$12,835	\$12,835	0%	N/A	N/A
7/1/2011	0	12,523	12,523	0%	44,622	28.1%
7/1/2013	0	16,443	16,443	0%	44,842	36.7%

## GASB 45 Schedule of Employer Contributions

The following information is required to be disclosed in the Town's financial statement.

(\$ 000s)

<b>Year Ended June 30</b>	<b>Annual Required Contribution</b>	<b>Actual Contribution Made</b>	<b>Percentage Contributed</b>
2009	\$1,200	\$872	72.7%
2010	1,200	859	71.6%
2011	1,239	846	68.3%
2012	1,282	827	64.5%
2013	1,214	838	69.0%
2014	1,252	777	62.1%
2015	1,538	N/A	N/A

## Summary of Census Data

The following were included in our analysis based on information provided as of July 1, 2013 by the Town.

	Police	Town	Teachers	School Others	Total
<b>Number of members</b>					
Active	55	74	435	172	736
Retired members	9	0	241	17	267
Spouses of retirees	6	0	143	0	149
Total	70	74	819	189	1,152
<b>Average age</b>					
Active	37.8	49.6	45.9	52.9	47.3
Retired members	63.2	N/A	69.1	64.7	68.6
<b>Average retirement age</b>					
Active	52.5	61.3	62.6	63.8	62.0
Retired members	51.4	N/A	57.4	62.6	57.5
<b>Expected lifetime</b>					
Active [to retirement]	14.7	11.8	16.7	10.9	14.7
Retired [lifetime]	21.9	N/A	19.8	21.9	20.0

The retiree census data excludes post 65 Medicare eligible and dental only retired members who are paying 100% of the premium. It is assumed that there is no implicit rate subsidy associated with these benefits.

Where complete census data was not available, we have made assumptions which we believe to be reasonable.



## Current Premiums

Based on information provided by the Town regarding current plan elections, the following weighted average blended actual premiums were used:

<b>2013 - 2014 Monthly Premiums</b>	<b>Employee</b>	<b>Spouse</b>
Medical - BOE	\$538.78	\$851.05
Medical - Town	516.53	777.61
Dental - BOE	31.05	75.60
Dental - Town	38.69	82.87

## Expected Healthcare Costs

Milliman's Health Cost Guidelines were used to develop the expected true cost of health care benefits by age. Representative health care costs (per person per month) are shown below.

Age	Police - Medical		Town - Medical	
	Employee	Spouse*	Employee	Spouse
40	\$414	\$585	\$414	\$459
45	483	642	483	516
50	582	739	582	612
55	730	860	730	733
60	926	1,012	926	885
65	431	415	N/A	N/A
70	504	481	N/A	N/A
75	583	550	N/A	N/A
80	654	616	N/A	N/A

Age	BOE Non-Medicare Eligible - Medical		BOE Medicare Eligible - Medical	
	Employee	Spouse	Employee	Spouse
40	\$518	\$394	\$518	\$394
45	564	465	564	465
50	640	576	640	576
55	752	723	752	723
60	909	907	909	907
65	1,122	1,155	N/A	N/A
70	1,301	1,349	N/A	N/A
75	1,488	1,557	N/A	N/A
80	1,667	1,746	N/A	N/A

\* Child dependent claim costs are included with pre-65 spouse claim costs.

## Glossary

The following is an explanation of many of the terms referenced by the Statement of the Governmental Accounting Standards Board, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions".

**Actuarial Cost Method** - This is a procedure for determining the Actuarial Present Value of Benefits and allocating it to time periods to produce the Actuarial Accrued Liability and the Normal Cost. The Statement assumes a closed group of employees and other participants unless otherwise stated; that is, no new entrants are assumed. Six methods are permitted – Unit Credit, Entry Age Normal, Attained Age, Aggregate, Frozen Entry Age, and Frozen Attained Age.

**Accrued Liability** - This is the portion of the Actuarial Present Value of Benefits attributable to periods prior to the valuation date by the Actuarial Cost Method (i.e., that portion not provided by future Normal Costs).

**Actuarial Assumptions** - With any valuation of future benefits, assumptions of anticipated future events are required. If actual events differ from the assumptions made, the actual cost of the plan will vary as well. Some examples of key assumptions include the discount rate, medical cost inflation, and rates of mortality, turnover and retirement.

**Actuarial Present Value of Benefits** - This is the value, as of the applicable date, of future payments for benefits and expenses under the Plan, where each payment is: a) Multiplied by the probability of the event occurring on which the payment is conditioned, such as the probability of survival, death, disability, termination of employment, etc.; and b) Discounted at the assumed discount rate.

**Actuarial Value of Assets** - This is the value of cash, investments and other property belonging to the Plan, as used by the actuary for the purpose of an Actuarial Valuation.

**Amortization Payment** - This is the amount of the contribution required to pay interest on and to amortize over a given period the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability. A closed amortization period is a specific number of years counted from one date and reducing to zero with the passage of time; an open amortization period is one that begins again or is recalculated at each actuarial valuation date.

**Annual Required Contribution ("ARC")** - This is the employer's periodic required contribution to a defined benefit OPEB plan, calculated in accordance with the set of requirements for calculating actuarially determined OPEB information included in financial reports.

**Attribution Period** - The period of an employee's service to which the expected postretirement benefit obligation for that employee is assigned. The beginning of the attribution period is the employee's date of hire and costs are spread across all employment.

**Benefit Payments** - The monetary or in-kind benefits or benefit coverage to which participants may be entitled under a post employment benefit plan, including health care benefits and life insurance not provided through a pension plan.

## Glossary

**Discount Rate** - GASB 45 requires that the interest rate used to discount future benefit payments back to the present day be based on the expected rate of return on any investments set aside to pay for these benefits. If no funds are set aside for this purpose, the discount rate would be based on the expected return of the employer's general funds.

**Funding Excess** - This is the excess of the Actuarial Value of Assets over the Actuarial Accrued Liability.

**Health Cost Trend** - This is the rate at which health costs are assumed to increase over time.

**Implicit Rate Subsidy** - This is the excess of the expected health care cost per retired member over the gross premium charged for that coverage. In most cases, the gross premium charged to a retiree is less than the expected health care cost, since the premium is a blended average rate that does not fully reflect the above-average, increasing costs by age that apply during retirement.

**Normal Cost** - This is the portion of the Actuarial Present Value of Benefits allocated to a valuation year by the Actuarial Cost Method.

**Net OPEB Obligation** - This is the cumulative difference since the effective date of this statement between the annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.

**Other Post-employment Benefits ("OPEB")** - This refers to post-employment benefits other than pension benefits, including healthcare benefits regardless of the type of plan that provides them, and all other post-employment benefits provided separately from a pension plan, excluding benefits defined as termination benefits or offers.

**Past Service Cost** - This is a catch-up payment to fund the Unfunded Actuarial Accrued Liability over time (generally 10 to 30 years). Also known as the **Amortization Payment**.

**Return on Plan Assets** - This is the actual investment return on plan assets during the fiscal year.

**Substantive Plan** - The terms of the postretirement benefit plan as understood by an employer that provides postretirement benefits and the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for the plan.

**Unfunded Actuarial Accrued Liability** - This is the excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

## Actuarial Method

The actuarial funding method used is the **Projected Unit Credit Cost Method**. Recommended annual contributions consist of two pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability.

The **Accrued Liability** is determined directly as the present value of benefits accrued to date, where the accrued benefit for each Member is the pro-rata portion (based on service to date) of the **projected** benefit payable at death, disability, retirement or termination.

The **Normal Cost** is similarly determined as the present value of the portion of the **projected** benefit attributable to the current year.

The **Unfunded Accrued Liability** is the Accrued Liability less the value of any plan assets.

## Actuarial Assumptions

<b>Discount Rate</b>	4.00%
<b>Inflation Rate</b>	2.75%
<b>Medical Inflation Rate</b>	6.58% - 4.40% over 79 years (Prior: 5.80% - 4.40% over 49 years)
<b>Dental Inflation Rate</b>	3.00%
<b>Amortization Method</b>	Level Dollar

### Post-Retirement Mortality

#### Healthy

**Teachers<sup>#</sup>:** 97% of rates in a GRS table based on male teacher experience, projected with Scale AA from 2000. 92% of rates in a GRS table based on female teacher experience, projected with Scale AA from 2000. This assumption includes a margin for mortality improvement beyond the valuation date. Sample rates are shown below:

Age	Number of Deaths per 100	
	Male	Female
50	0.27	0.14
55	0.46	0.35
60	0.43	0.43
65	0.55	0.40
70	1.45	0.82
75	2.42	1.31
80	4.78	2.92

**All Others:** RP-2000 Combined Healthy Table for males and females with generational projection per Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date.

#### Disabled

**Teachers<sup>#</sup>:** 60% of the PBGC Table Va for disabled males eligible for Social Security disability benefits. 60% of the PBGC Table VIa for disabled females eligible for Social Security disability benefits. This assumption does not include a margin for mortality improvement beyond the valuation date.

**All Others:** RP-2000 Disabled Mortality Table. This assumption does not include a margin for mortality improvement beyond the valuation date.

### Pre-Retirement Mortality

**Teachers<sup>#</sup>:** 50% of RP-2000 Combined Healthy for Males with White Collar adjustments. 50% of RP-2000 Combined Healthy for Females with White Collar Adjustments. This assumption does not include a margin for mortality improvement beyond the valuation date.

**All Others:** RP-2000 Combined Healthy Table for males and females with generational projection per Scale AA. This assumption includes a margin for mortality improvement beyond the valuation date.

## Actuarial Assumptions

**Turnover**

**Police:** None.

**Town:** 2003 SOA Small Plan Age Table multiplied by .45:

Age	Rate
20	10.94%
25	8.78%
30	6.98%
35	5.45%
40	4.23%
45	3.29%
50	2.52%
55	1.89%

**School Others:** rates based on age:

Age	Rate
20	6.6%
30	4.8%
40	3.8%
50	1.5%
60	0.0%
65	0.0%

**Teachers\*:** rates based on gender and length of service:

Service	Male Rate	Female Rate
0	17.00%	8.90%
5	2.89%	4.55%
10	1.20%	2.33%
15	1.20%	1.19%
20	0.94%	0.61%

**Disability**

**Police and Town:** 1987 Commissioner's Group Disability Table, six month elimination period, separately for males and females:

Age	Male	Female
22	0.0800%	0.1000%
27	0.0890%	0.1157%
32	0.1050%	0.1554%
37	0.1370%	0.2315%
42	0.2020%	0.3050%
47	0.3560%	0.4628%
52	0.6620%	0.7282%
57	1.1870%	1.0683%
62	1.6710%	1.2532%

## Actuarial Assumptions

**Disability**

**School Others:** None.

**Teachers#:** sample rates are shown below:

Age	Service- Connected	Non Service- Connected
25	0.004%	0.023%
35	0.006%	0.038%
45	0.014%	0.090%
55	0.040%	0.253%
65	0.000%	0.000%

**Retirement**

**Police:** Active members are assumed to retire based on the following rates:

Employees hired prior to January 1, 1994:

- 50% assumed to retire when first eligible.
- 30% assumed to retire in the three years thereafter.
- 15% assumed to retire in the six years thereafter.
- 100% assumed to retire at 30 years of service.

Employees hired on or after January 1, 1994:

- 75% assumed to retire when first eligible.
- 20% assumed to retire in the years thereafter.
- 100% assumed to retire at 30 years of service.

**Town:** Active members are assumed to retire based on the following rates:

Age	Rate
55-58	3%
59	7%
60-61	10%
62	35%
63-64	20%
65	40%
66-69	30%
70	100%

**School Others:** rates are based on attained age:

Age	Rate
55-57	2%
58-61	5%
62	25%
63-64	20%
65	50%
66-69	20%
70	100%



## Actuarial Assumptions

### Retirement

**Teachers – Schedule A/AB Members<sup>#</sup>:** rates are based on gender, age and length of service. For members who reach 28 years of service before age 60, service-based rates are used. For members who reach age 60 before reaching 28 years of service, age-based rates are used.

**Teachers – Schedule B Members<sup>#</sup>:** 75% of members are assumed to retire when first eligible. The rates in the table below are applied after first eligibility.

Because of the enactment of Article 7 in 2009 and the Rhode Island Retirement Security Act (RIRSA) in 2011, the retirement assumption was modified for members not eligible for retirement as of September 30, 2009. Members who would have been assumed to retire prior to age 62 under the previous rules, are assumed to retire when first eligible for an unreduced benefit. This is recognized by adding 10% probability for every year the member has been deferred.

Male Rate				Female Rate			
<u>Service (0/28)</u>		<u>Age (60/10)</u>		<u>Service (0/28)</u>		<u>Age (60/10)</u>	
Service	Rate	Age	Rate	Service	Rate	Age	Rate
28	25%	60	20%	28	20%	60	20%
29	15%	61	15%	29	15%	61	15%
30	20%	62	30%	30	20%	62	25%
31	20%	63	25%	31	20%	63	20%
32	30%	64	10%	32	30%	64	20%
33	30%	65	25%	33	30%	65	35%
34	40%	66	25%	34	35%	66	25%
35	55%	67	25%	35	50%	67	25%
36	40%	68	25%	36	40%	68	25%
37	40%	69	25%	37	40%	69	25%
38	40%	70	25%	38	40%	70	25%
39	40%	71	25%	39	40%	71	25%
40	100%	72	25%	40	100%	72	25%
		73	25%			73	25%
		74	25%			74	25%
		75	100%			75	100%

Early retirement rates are based on age:

Age	Rate
55-58	0%
59	1%
60-62	2%
63	3%
64	4%
65	5%
66	6%

## Actuarial Assumptions

**Future Retiree Coverage** 20% of **Police** and **Town**, 25% of **School Others**, and 70% of **School Teachers**, active members are assumed to elect coverage through the Town of Coventry Health insurance program at retirement. 30% of **School Teachers** are assumed to purchase health insurance elsewhere and receive only the Town of Coventry stipend.

**Future Dependent Coverage** Current active members are assumed to elect dependent coverage at retirement as follows. All female spouses are assumed to be 3 years younger than males.

	<b>Male</b>	<b>Female</b>
<b>Police</b> and <b>Town</b>	75%	25%
<b>School Others</b>	60%	60%
<b>School Teachers</b>	70%	50%

**Valuation of Dental and Post-65 Medicare Eligible Medical Benefits** It is assumed that there is no implicit rate subsidy associated with these benefits.

**Valuation of Benefits for Children** Benefits attributed to children have been excluded from this valuation for all groups, except Police, as they were determined to be de minimis.

# Certain actuarial demographic assumptions are based on the assumptions used in the June 30, 2012 valuation of the Employees Retirement System of Rhode Island.

## Summary of Plan Provisions

This summary is intended only to describe our understanding of the essential features of the benefits that will be provided to future retirees based on copies of bargaining agreements, applicable personnel rules and the benefits being currently provided to retired members. All eligibility requirements and benefit amounts shall be determined in strict accordance with the relevant plan documents. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

### Eligibility

#### Police

Members who have retired under the Town of Coventry Police Officers Retirement Plan shall be eligible to receive medical and dental benefits for self and spouse.

Normal Retirement is 20 years of service for Officers hired prior to January 1, 1994; 23 years of service for Officers hired on or after January 1, 1994 but prior to January 1, 2013; and age 55 with 25 years of service for Officers hired on or after January 1, 2013.

#### Town

Members who have retired under the Coventry Municipal Employees Retirement Plan shall be eligible to receive medical and dental benefits for self and spouse.

Normal Retirement is age 62. Early Retirement is age 55 with 10 years of service.

#### School Others

Members who have retired with the Coventry Public Schools shall be eligible to receive medical and dental benefits for self and spouse for a period of six years following the member's date of retirement.

Normal Retirement is the earlier of 30 years of service, or age 58 with 10 years of service.

#### School Teachers and Administrators

Members who have retired under the Employees' Retirement System of Rhode Island (ERSRI), with a minimum of 15 years of service with the Coventry School District, shall be eligible to receive medical and dental benefits for self and spouse.

## Summary of Plan Provisions

### Eligibility

Eligibility for retirement is as follows:

Schedule A Members (Vested by 7/1/2005 with 10 years of service):

*Members eligible for retirement by September 30, 2009 (Grandfathered Schedule A):*

The earlier of 28 years of service, or age 60 with 10 years of service.

*Members ineligible for retirement at September 30, 2009 (Schedule AB):*

Eligible for Normal Retirement at an individually determined age. This age is the result of interpolating between the retirement age under Schedule A and the retirement age applicable to members hired after September 30, 2009.

Schedule B Members (Vested after 7/1/2005 with 10 years of service):

*Members eligible for retirement by September 30, 2009 (Grandfathered Schedule B) or members eligible for retirement after September 30, 2009 and prior to July 1, 2012:*

The earlier of age 65 with 10 years of service, or age 59 with 29 years of service.

*Members eligible for retirement after July 1, 2012, with at least five years of service as of June 30, 2012:*

Eligible for Normal Retirement at an individually determined age. This age is based on the members' social security retirement age with a proportional downward adjustment based on years of service prior to July 1, 2012. The minimum retirement age is 59 with 5 years of service.

*Members eligible for retirement on or after July 1, 2012 but with less than five years of service as of June 30, 2012 and members hired on or after that date:*

Normal Retirement is on or after their Social Security normal retirement age with 5 years of service.

Transition Rules for Retirement Age:

Members with ten or more years of service by June 30, 2012 may retire at their retirement age under the previous rules.

Members who are within 5 years of reaching normal retirement age with at least 20 years of service.

## Summary of Plan Provisions

### Cost Sharing

#### Police and Town

Retiree/Spouse - 100% Retiree-paid.

#### School Others

Retiree/Spouse - For a period of six years following the member's date of retirement, School provides payments on health premium up to a maximum of \$1,200 for retiree only per contract year. Balance of premium is 100% Retiree-paid. No OPEB benefits are provided beyond the six-year period.

#### School Teachers

Retired Teachers shall have their health premium paid by the School as follows:

Pre-65: For members with age between 60 and 64, School pays health premium not to exceed \$1,200 per year.

Post-65: School pays health premium not to exceed \$1,000 per year.

Balance of premium is 100% Retiree-paid.