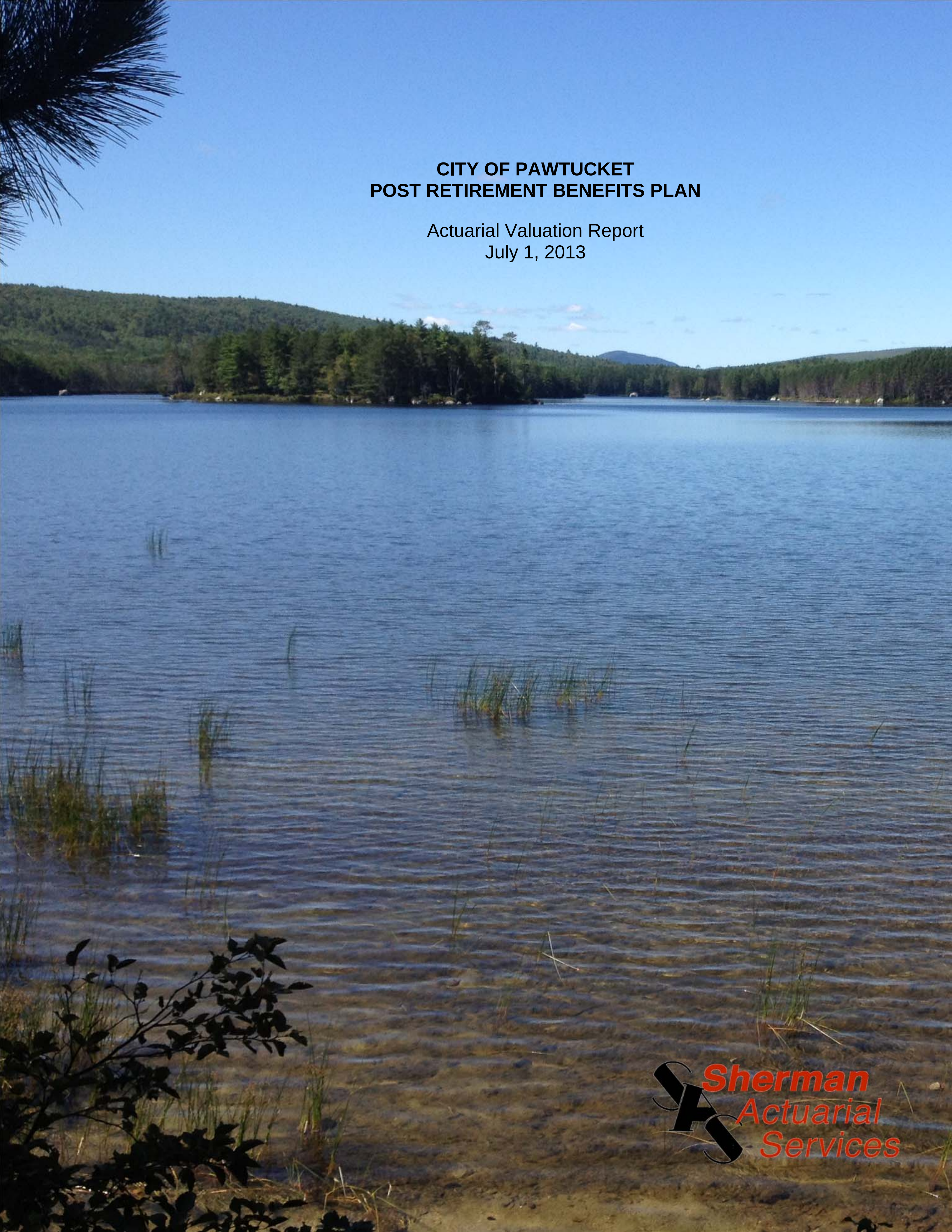
CITY OF PAWTUCKET
POST RETIREMENT BENEFITS PLAN

Actuarial Valuation Report
July 1, 2013



Sherman Actuarial Services

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SECTION I - OVERVIEW

The City of Pawtucket has engaged Sherman Actuarial Services, LLC (SAS) to prepare an actuarial valuation of their post-retirement benefits program as of July 1, 2013. This valuation was performed using employee census data, enrollment data, premiums, participant contributions and plan provision information provided by personnel of the City of Pawtucket. SAS did not audit these data, although they were reviewed for reasonability. The results of the valuation are dependent on the accuracy of the data.

The purposes of the valuation are to analyze the current funded position of the City's post-retirement benefits program, determine the level of contributions necessary to assure sound funding and provide reporting and disclosure information for financial statements, governmental agencies and other interested parties. This valuation report contains information required by the Governmental Accounting Standards Board's Statements Nos. 43 and 45, respectively entitled "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans" and "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

According to GASB principles, if the benefits are not prefunded, the rate earned by the General Asset Account must be used to select the discount rate used to measure the plan. To measure on that basis we have used a discount rate of 4%. The 4% scenario figures should be reflected in the City's financial statements based on the City's current Pay-as-You-Go funding approach. Should the City decide to set up an OPEB Trust Fund and fully fund the obligation, we also provide the results using a discount rate of 7.5%.

Section II provides a summary of the principal valuation results. Section VI provides a projection of expense and funding amounts.

While the actuary believes that the assumptions are reasonable for financial reporting purposes, it should be understood that there is a range of assumptions that could be deemed reasonable that would yield different results. Moreover, while the actuary considers the assumption set to be reasonable based on prior plan experience, it should be understood that future plan experience may differ considerably from what has been assumed.

The report was prepared under the supervision of Daniel Sherman, an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries, who takes responsibility for the overall appropriateness of the analysis, assumptions and results. Daniel Sherman is deemed to meet the General Qualification Standard and the basic education and experience requirement in the pension area. Based on over twenty years of performing FAS 106 valuations of similar complexity, Mr. Sherman is qualified by experience in retiree medical valuation. Daniel Sherman has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

The costs and actuarial exhibits presented in this report have been prepared in accordance with Generally Accepted Accounting Practices and the requirements of GASB 45. I am available to answer questions about this report.

Respectfully Submitted,

SHERMAN ACTUARIAL SERVICES, LLC

Daniel W. Sherman

June 17, 2014

Daniel Sherman, ASA, MAAA, EA — Date

SECTION II - SUMMARY

		Full Prefunding		Pay-As-You-Go		
		7.5%		4.0%		
a) Actuarial valuation date		July 1, 2013		July 1, 2013		Difference
b) Actuarial Value of Assets	$	0	$	0	$	0
c) Actuarial Accrued Liability						
Active participants	$	45,432,953	$	81,321,916	$	35,888,963
Retired participants		152,385,109		228,332,437		75,947,328
Total AAL	$	197,818,062	$	309,654,353	$	111,836,291
d) Unfunded Actuarial Liability "UAL" [c - b]	$	197,818,062	$	309,654,353	$	111,836,291
e) Funded ratio [b / c]		0.0%		0.0%		0.0%
f) Annual covered payroll	$	91,107,273	$	91,107,273		
g) UAL as percentage of covered payroll		217.1%		339.9%		
h) Normal Cost for fiscal year 2013	$	2,996,793	$	5,852,908	$	2,856,115
i) Amortization of UAL for fiscal year 2014 *	$	11,143,142	$	11,441,465	$	298,323
j) Interest to the middle of the fiscal year	$	520,662	$	342,496	$	-178,166
k) Annual Required Contribution "ARC" for fiscal year 2014 [h + i + j]	$	14,660,597	$	17,636,869	$	2,976,272
l) Expected claims payments	$	13,085,067	$	13,085,067	$	0

* 30-year amortization, increasing 3.25% per year

SECTION III - MEDICAL PREMIUMS

Monthly Premiums effective July 1, 2013

Health benefits are available to employees and retirees through several plans. The following are gross monthly rates per subscriber for plans in which most current City employees and/or retirees are enrolled:

	Individual	Family
Blue Cross Classic - Teachers	$536.23	$1,381.72
Blue Cross Classic – School Non-Teachers	$553.34	$1,273.54
Blue Cross - Fire	$816.65	$1,455.67
Blue Cross - Police	$814.37	$2,109.64
Healthmate - Teachers	$522.59	$1,349.39
Healthmate – School Non-Teachers	$544.69	$1,405.61
Healthmate – Police, City, Water	$569.60	$1,455.67
Healthmate - Fire	$667.80	$1,706.48
Plan 65	$162.15	
Delta Dental	$39.54	$124.48

School retirees contribute towards their coverage in the amount of 10% of stated premiums.

SECTION IV - REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress on a Pay-as-You-Go Basis - 4%

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	Covered Payroll	[(b)-(a)] / (c) UAL as Percentage of Covered Payroll
7/1/2007	0	414,578	414,578	0.00%	n/a	n/a
7/1/2009	0	378,184	378,184	0.00%	n/a	n/a
7/1/2011	0	311,500	311,500	0.00%	92,030,000	338.48%
7/1/2013	0	309,654	309,654	0.00%	91,107,273	339.88%

SECTION V - NET OPEB OBLIGATION

GASB Statement No. 45 requires the development of Annual OPEB Cost and Net OPEB Obligation (NOO). This development is shown in the following table.

Development of OPEB Cost and Net OPEB Obligation (NOO)

Annual Net OPEB Obligations - City, including Water

Year Ending June 30	(a) Annual Required Contribution	(b) Interest on NOO	(c) Amortization of NOO	(d) Annual OPEB Cost (a)+(b)-(c)	(e) Contribution	(f) Change in NOO (d)-(e)	(g) NOO Balance
2008	29,044,043	n/a	n/a	29,044,043	9,766,451	19,277,592	19,277,592
2009	31,011,620	867,492	733,941	31,145,171	10,032,096	21,113,075	40,390,667
2010	19,285,740	1,716,603	1,638,017	22,960,272	11,416,382	11,543,890	51,934,557
2011	24,211,420	2,207,219	2,174,140	24,244,499	12,541,409	11,703,090	63,637,647
2012	19,285,740	2,545,505	2,675,421	19,155,824	12,939,217	6,216,607	69,854,254
2013	20,257,675	2,794,170	3,043,553	20,008,292	12,953,770	7,054,522	76,908,776
2014	17,636,868	3,076,351	2,862,356	17,850,863	12,892,143	4,958,720	81,867,496
2015	18,098,832	3,274,700	3,046,907	18,326,625	13,312,292	5,014,333	86,881,829

Annual Net OPEB Obligations - Water Only

Year Ending June 30	(a) Annual Required Contribution	(b) Interest on NOO	(c) Amortization of NOO	(d) Annual OPEB Cost (a)+(b)-(c)	(e) Contribution	(f) Change in NOO (d)-(e)	(g) NOO Balance
2009	479,044	12,283	10,392	480,935	198,083	282,852	555,809
2010	487,390	23,622	22,540	488,472	186,166	302,306	858,115
2011	505,925	38,615	35,923	508,617	229,447	279,170	1,137,285
2012	424,086	45,491	47,813	421,764	313,512	108,252	1,245,537
2013	444,602	49,821	54,267	440,156	318,644	121,512	1,367,049
2014	260,765	54,682	50,878	264,569	192,924	71,645	1,438,694
2015	268,117	57,548	53,545	272,120	199,211	72,909	1,511,603

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

The Government Accounting Standards Board's Statement No. 45 "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" outlines various requirements of a funding schedule that will amortize the unfunded actuarial liability and cover normal costs. Amortization of the unfunded actuarial liability is to be based on a schedule that extends no longer than 30 years. The contribution towards the amortization of the unfunded actuarial liability may be made in level payments or in payments increasing at the same rate as salary increases. There is no requirement to actually fund the Annual Required Contribution, however.

In the amortization schedules shown on the following pages, the amortization of the unfunded accrued liability is increasing at 3.0% for 30 years. The normal cost is expected to increase at the same rate as the assumed ultimate health care trend rate. The contributions were computed assuming that the contribution is paid at the end of the fiscal year. Projected benefit payments/employer contributions reflect only the benefit for those individuals now employed or retired, not any future entrants.

Paragraph 12 of GASB 45 stipulates that valuations must be performed at least biennially. The following projections are intended only to illustrate long-term implications of Prefunding versus Pay-as-You-Go.

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Pay-as-You-Go Basis - 4%

Fiscal Year Ending In	Normal Cost	Amortization of UAL	ARC*	Estimated Premium Cost
2014	5,968,818	11,899,121	17,867,939	13,085,068
2015	6,237,415	11,861,418	18,098,833	13,836,968
2016	6,518,099	12,059,073	18,577,172	14,199,395
2017	6,811,413	12,266,682	19,078,095	14,366,463
2018	7,117,927	12,485,229	19,603,156	14,567,942
2019	7,438,234	12,706,774	20,145,008	14,834,900
2020	7,772,955	12,935,939	20,708,894	15,081,688
2021	8,122,738	13,163,476	21,286,214	15,582,768
2022	8,488,261	13,401,173	21,889,434	16,105,024
2023	8,870,233	13,641,502	22,511,735	16,438,360
2024	9,269,393	13,887,056	23,156,449	17,055,814
2025	9,686,516	14,132,566	23,819,082	17,694,340
2026	10,122,409	14,375,720	24,498,129	18,220,535
2027	10,577,917	14,620,763	25,198,680	18,899,002
2028	11,053,923	14,867,654	25,921,577	19,602,732
2029	11,551,350	15,116,357	26,667,707	20,332,667
2030	12,071,161	15,366,837	27,437,998	21,089,783
2031	12,614,363	15,619,060	28,233,423	21,875,090
2032	13,182,009	15,872,999	29,055,008	22,689,639
2033	13,775,199	16,128,629	29,903,828	23,534,520
2034	14,395,083	16,385,930	30,781,013	24,410,860
2035	15,042,862	16,644,887	31,687,749	25,319,833
2036	15,719,791	16,905,496	32,625,287	26,262,652
2037	16,427,182	17,167,754	33,594,936	27,240,578
2038	17,166,405	17,431,673	34,598,078	28,254,919
2039	17,938,893	17,697,271	35,636,164	29,307,030
2040	18,746,143	17,964,579	36,710,722	30,398,318
2041	19,589,719	18,233,639	37,823,358	31,530,242
2042	20,471,256	18,504,507	38,975,763	32,704,314
2043	21,392,463	18,777,258	40,169,721	33,922,105
2044	22,355,124	19,051,980	41,407,104	35,185,242

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Full Prefunding – 7.5%

Fiscal Year Ending In	Normal Cost	Amortization of UAL	ARC*	Estimated Premium Cost
2014	3,107,141	11,553,456	14,660,597	13,085,068
2015	3,246,962	11,928,943	15,175,905	13,836,968
2016	3,393,075	12,286,811	15,679,886	14,199,395
2017	3,545,763	12,655,415	16,201,178	14,366,463
2018	3,705,322	13,035,077	16,740,399	14,567,942
2019	3,872,061	13,426,129	17,298,190	14,834,900
2020	4,046,304	13,828,913	17,875,217	15,081,688
2021	4,228,388	14,243,780	18,472,168	15,582,768
2022	4,418,665	14,671,093	19,089,758	16,105,024
2023	4,617,505	15,111,226	19,728,731	16,438,360
2024	4,825,293	15,564,563	20,389,856	17,055,814
2025	5,042,431	16,031,500	21,073,931	17,694,340
2026	5,269,340	16,512,445	21,781,785	18,220,535
2027	5,506,460	17,007,818	22,514,278	18,899,002
2028	5,754,251	17,518,053	23,272,304	19,602,732
2029	6,013,192	18,043,595	24,056,787	20,332,667
2030	6,283,786	18,584,903	24,868,689	21,089,783
2031	6,566,556	19,142,450	25,709,006	21,875,090
2032	6,862,051	19,716,724	26,578,775	22,689,639
2033	7,170,843	20,308,226	27,479,069	23,534,520
2034	7,493,531	20,917,473	28,411,004	24,410,860
2035	7,830,740	21,544,997	29,375,737	25,319,833
2036	8,183,123	22,191,347	30,374,470	26,262,652
2037	8,551,364	22,857,087	31,408,451	27,240,578
2038	8,936,175	23,542,800	32,478,975	28,254,919
2039	9,338,303	24,249,084	33,587,387	29,307,030
2040	9,758,527	24,976,557	34,735,084	30,398,318
2041	10,197,661	25,725,854	35,923,515	31,530,242
2042	10,656,556	26,497,630	37,154,186	32,704,314
2043	11,136,101	27,292,559	38,428,660	33,922,105
2044	11,637,226	-	11,637,226	35,185,242

SECTION VII – DEPARTMENT RESULTS

	City	Fire	Police	School	Water	Total
Accrued Liability @ 7.5%						
Active	4,295,007	11,429,321	11,351,657	17,409,404	947,564	45,432,953
Retired	9,976,762	58,311,605	65,140,531	17,139,706	1,816,505	152,385,109
Total	14,271,769	69,740,926	76,492,188	34,549,110	2,764,069	197,818,062
Annual Required Contribution FYE 2014						
Normal Cost	270,908	720,685	769,454	1,288,102	57,993	3,107,140
Amortization of UAL	833,534	4,073,180	4,467,484	2,017,822	161,434	11,553,454
Total	1,104,442	4,793,865	5,236,938	3,305,924	219,427	14,660,594
Claims Cost	1,089,950	3,431,936	3,735,847	4,634,410	192,924	13,085,067
Annual Required Contribution FYE 2015						
Normal Cost with interest	283,099	753,116	804,079	1,346,067	60,603	3,246,962
Amortization of UAL with interest	860,624	4,205,558	4,612,677	2,083,401	166,681	11,928,941
Total	1,143,723	4,958,674	5,416,756	3,429,468	227,284	15,175,903

	City	Fire	Police	School	Water	Total
Accrued Liability @ 4%						
Active	7,681,279	20,888,992	23,979,170	27,114,678	1,657,797	81,321,916
Retired	13,589,746	89,188,146	104,147,458	18,973,323	2,433,764	228,332,437
Total	21,271,025	110,077,138	128,126,628	46,088,001	4,091,561	309,654,353
Annual Required Contribution FYE 2014						
Normal Cost	518,006	1,507,887	1,709,721	2,126,613	106,591	5,968,820
Amortization of UAL	801,511	4,147,804	4,827,925	1,736,637	154,174	11,668,048
Total	1,319,517	5,655,691	6,537,646	3,863,250	260,765	17,636,868
Claims Cost	1,089,950	3,431,936	3,735,847	4,634,410	192,924	13,085,067
Annual Required Contribution FYE 2015						
Normal Cost with interest	541,316	1,575,742	1,786,658	2,222,311	111,388	6,237,417
Amortization of UAL with interest	813,837	4,211,592	4,902,172	1,763,344	156,545	11,847,487
Total	1,355,153	5,787,334	6,688,830	3,985,655	267,933	18,084,904

SCHEDULE A – ACTIVE DISTRIBUTION

Age/Service Distribution as of July 1, 2013

Attained Age	<5	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
< 20	2	0	0	0	0	0	0	0	2
20-24	17	0	0	0	0	0	0	0	17
25-29	41	30	2	0	0	0	0	0	73
30-34	30	81	34	0	0	0	0	0	145
35-39	16	36	74	17	0	0	0	0	143
40-44	17	30	83	75	10	1	0	0	216
45-49	14	28	58	46	26	25	1	0	198
50-54	14	24	41	59	27	50	5	0	220
55-59	6	20	43	44	29	28	8	4	182
60-64	5	9	27	35	20	20	7	6	129
65-69	7	4	4	3	5	12	0	2	37
70+	0	0	3	0	2	0	0	0	5
Total Employees	169	262	369	279	119	136	21	12	1,367

SCHEDULE B – RETIREE DISTRIBUTION

Retiree Distribution as of July 1, 2013

Number of Employees			
Attained Age	Male	Female	Total
< 20	0	0	0
20-24	1	0	1
25-29	1	0	1
30-34	5	3	8
35-39	5	0	5
40-44	11	3	14
45-49	31	5	36
50-54	43	12	55
55-59	79	61	140
60-64	153	177	330
65-69	148	15	163
70-74	56	11	67
75-79	39	7	46
80-84	20	1	21
85-89	11	2	13
90-94	5	0	5
95+	3	0	3
Total	611	297	908

SCHEDULE C - ACTUARIAL ASSUMPTIONS AND METHODS

Interest:

Pay-as-You-Go: 4.00% per year, net of investment expenses
Full Prefunding: 7.50% per year, net of investment expenses

Actuarial Cost Method:

Projected Unit Credit. Benefits are attributed ratably to service from date of hire until full eligibility date. Full eligibility date is assumed to be first eligibility for retiree medical benefits.

Healthcare Cost Trend Rate:

Year	Inflation Rate
2014	7.0%
2015	6.5%
2016	6.0%
2017	5.5%
2018	5.0%
2019 & after	4.5%

Amortization Period:

30-year level percent of pay assuming 3.25% aggregate annual payroll growth, open basis for Pay-as-You-Go. The amortization period is 30 years for all future valuations.

Participation:

95% of future retirees are assumed to participate in the retiree medical plan. 30% of future school retirees are assumed to participate in the dental plan. 90% of future Public Safety retirees are assumed to participate in the dental plan.

Marital Status:

80% of male employees and 80% of female employees are assumed to have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands.

Pre-Age 65 Retirees

Current retirees who are under age 65 are assumed to remain in their current medical plan until age 65. Current active employees who are assumed to retire prior to age 65 are valued with a weighted-average premium. This weighted-average premium is based on the medical plan coverage of current retirees under age 65.

Post-Age 65 Retirees

Current retirees over age 65 remain in their current medical plan until death for purposes of measuring their contributions. It is assumed that future retirees are Medicare eligible. It is furthermore assumed that all current retirees over 65 will participate in the Medicare Supplement plan in the same proportion as current retirees over 65. Per capita costs were developed from the City developed monthly costs. Amounts to be received in the future for the Medicare Part D Retiree Drug Subsidy are not reflected in the valuation.

Termination Benefit:

No benefits will payable for terminations prior to retirement eligibility.

Medical Plan Costs:

The estimated gross per capita incurred claim costs for all retirees and beneficiaries for 2013-14 are based on current costs and age-weighted adjustments. Sample costs are shown in the following table.

Age	School	Public Safety	All Others
50	6,788	7,027	7,565
55	7,946	8,225	8,855
60	9,392	9,723	10,467
64	10,861	11,243	12,104
65	11,263	1,592	1,592
70	13,185	1,863	1,863
75	14,844	2,098	2,098
80	16,229	2,293	2,293
85	17,311	2,446	2,446

It is assumed that future retirees participate in the same manner as current retirees. Employee cost sharing is based on current rates. Future cost sharing is based on the weighted average of the current cost sharing of retirees and beneficiaries.

Service Retirement – Police and Fire

Based on expected experience, the assumed annual retirement rates are illustrated at the following ages and years of service:

Age	20	21	22	23	24 - 29	30	31-32	33 - 34	35 - 38	39+
40	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
41	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
42	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
43	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
44	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
45	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
46	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
47	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
48	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
49	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
50	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
51	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
52	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
53	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
54	0.1	0.035	0.04	0.1	0.05	0.125	0.1	0.175	0.25	1.00
55	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
56	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
57	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
58	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
59	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
60	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
61	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
62	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
63	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
64	0.2	0.070	0.08	0.2	0.10	0.250	0.2	0.350	0.50	1.00
65	1.0	1.000	1.00	1.0	1.00	1.000	1.0	1.000	1.00	1.00

Service Retirement – Teachers

Based on expected experience, the assumed annual retirement rates are illustrated at the following ages and years of service:

Age	< 28	28	29	30	31 - 34	35	36 - 39	40
60	0.20	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
61	0.15	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
62	0.30	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
63	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
64	0.10	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
65	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
66	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
67	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
68	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
69	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
70	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
71	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
72	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
73	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
74	0.25	0.25	.0.15	0.30	0.30	0.55	0.40	1.00
75	1.00		1.00	1.00	1.00	1.00	1.00	1.00

Service Retirement – All Others

Based on expected experience, the assumed annual retirement rates are illustrated at the following ages and years of service:

Service	Rate
20	0.12
21	0.10
22	0.10
23	0.10
24	0.12
25	0.14
26	0.16
27	0.18
28	0.20
29	0.20
30	0.35
At age 65, regardless of service	1.00

Annual Rate of Withdrawal Prior to Retirement

Based on the Rhode Island MERS termination rates for General Employees, Fire and Police. The assumed annual rates of withdrawal may best be illustrated by the following rates at the following years of service:

	General Employees		Teachers		
Service	**Male**	**Female**	**Male**	**Female**	**Fire and Police Rates**
0	0.1750	0.1800	0.1700	0.0890	0.1000
5	0.0552	0.0584	0.0289	0.0455	0.0354
10	0.0260	0.0255	0.0120	0.0233	0.0191
15	0.0201	0.0159	0.0120	0.0119	0.0090
20	0.0175	0.0112	0.0094	0.0061	0.0000

Annual Rate of Mortality

It is assumed that the pre-retirement and post retirement mortality for general employees and Teachers are represented by the MERS Class A assumptions for 2013. It is assumed that the pre-retirement and post retirement mortality for Public Safety employees are represented by the RP2000 Mortality Table with Blue Collar adjustment, projected to 2011 using Scale AA. For disabled general and Teacher members is represented by the MERS mortality assumptions for 2013. For Public Safety disabled retirees, it is represented by RP2000 Mortality Table with Blue Collar adjustment, projected to 2011 using Scale AA, set forward 1 year for males and 2 years for females.

Annual Rate of Disability Prior to Retirement

Based on an analysis of experience, the assumed annual rates of disability may best be illustrated by the following rates at the following ages:

	General Employees		Teachers		
Age	**Male**	**Female**	**Male**	**Female**	**Fire and Police**
20	0.00000	0.00000	0.0027	0.0027	0.0010
30	0.00105	0.00042	0.0032	0.0032	0.0030
40	0.00209	0.00094	0.0064	0.0064	0.0030
50	0.00580	0.00232	0.0177	0.0177	0.0125

SCHEDULE D - SUMMARY OF PROGRAM PROVISIONS

Retirement Medical Insurance: Retirees may choose Healthmate or Blue Cross Classic. School retirees pay a 10% share of their post-retirement medical costs. Public Safety and Teachers and beneficiaries over the age of 65 may continue to participate in the plan until death. All other retirees, beneficiaries and active employees are eligible for participation until age 65.

Retirement Dental Insurance: Retirees may choose Delta Dental. School retirees pay a 10% share of their post-retirement costs. Public Safety and Teachers and beneficiaries over the age of 65 may continue to participate in the plan until death.

Spousal Coverage: Current and future retirees may elect to include their spouses as part of their post-retirement benefits.

Administrative Costs: The City pays administrative costs for each member of the plan as part of the monthly premium.

Retirement Eligibility: Fire and Police: 20 years of service.
Teachers: Age 60 and 10 years of service, or 28 years of service.
All Others: Age 58 and 10 years of service, or 30 years of service.

Disability Eligibility: Fire and Police: Total and permanent.
All Others: 5 years of service.

SCHEDULE E - CONSIDERATIONS OF HEALTH CARE REFORM

Early Retiree Reinsurance Program ("ERRP") - Effective June 1, 2011: Due to the short-term nature of the payments expected to be received under this program, we do not reflect this program in long-term GASB 45 liabilities.

Removal of Lifetime Maximum: The elimination of the lifetime maximums would have no impact on the retiree health plan obligations since, as far as we are aware, the plan has no lifetime maximums.

Medicare Advantage Plans - Effective January 1, 2011: The law provides for reductions to the amounts that would be provided to Medicare Advantage plans starting in 2011. Since the City does not offer these plans, the reductions would have no impact.

Expansion of Child Coverage to Age 26: Since few retirees cover children on retiree health plans, this provision will likely have a relatively small effect on the gross benefit cost. We have reflected an estimate of the amount of additional cost by assuming a higher healthcare trend rate.

Medicare Part D Subsidy - Shrinking Medicare Prescription Drug "Donut Hole"- Starting January 1, 2011: RDS payments are not reflected as on ongoing offsetting item in GASB 45 valuations, and so no direct impact is reflected. RDS actuarial equivalence testing does not reflect the new donut hole shrinking Part D benefits. Thus, the changes to Medicare Part D have no impact on the calculations.

Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) - Effective January 1, 2018: There is considerable uncertainty about how the tax would be applied, and considerable latitude in grouping of participants for tax purposes. We have estimated that the Cadillac tax applicable and included them in the liabilities.

Other: We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

SCHEDULE F - GLOSSARY OF TERMS

Actuarial Accrued Liability
That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs and therefore is the value of benefits already earned.

Actuarial assumptions
Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided OPEB benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method
A procedure for determining the Actuarial Present Value of OPEB benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss
A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Amortization (of unfunded actuarial accrued liability)
That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost
An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)
The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters. It is the value of the cash contributions for a funded plan and the value of the expense entry in the profit and loss section of the financial statements.

Closed amortization period (closed basis)
A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll
Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit OPEB plan
An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Funded ratio
The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

SCHEDULE F - GLOSSARY OF TERMS

Funding policy
The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate
The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Investment return assumption (discount rate)
The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method
The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

Level percentage of projected payroll amortization method
Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Net OPEB Obligation
The cumulative difference since the effective date of this Statement between 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. It will be included as a balance sheet entry on the financial statements.

Normal cost
That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt
All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Other postemployment benefits
Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-You-Go
A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Required supplementary information (RSI)
Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.