



Warwick Public School System

Actuarial Valuation Post-Employment Benefits

(GASB 45) as of July 1, 2013

With Estimated Disclosures for the Years Ended

June 30, 2014 and June 30, 2015

Prepared by: Jefferson Solutions, Inc.



www.gasb45.com

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EXECUTIVE SUMMARY

INTRODUCTION

The Warwick Public School System are required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the School District are 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, 2013 valuation that are necessary for required GASB 45 disclosure.

Disclosures:	For the Year Ending June 30,	
	2014	2015
Present Value of Future Benefits	\$ 53,893,279	\$ 58,179,715
Unfunded Actuarial Accrued Liability	\$ 35,979,047	\$ 40,139,099
Annual Required Contribution (ARC)	\$ 3,730,401	\$ 4,071,745
Annual OPEB Cost	\$ 3,526,052	\$ 3,832,606
Expected Benefit Payments	\$ 1,443,740	\$ 1,709,076
Increase in Net OPEB Obligation	\$ 2,082,312	\$ 2,123,530
Net OPEB Obligation	\$ 14,313,585	\$ 16,437,115

THE UAAL AND PARTICIPANT COUNT:

	For the Year Ending June 30,		Participant Count
	2014	2015	
Active	\$ 34,290,293	\$ 37,784,155	1,291
Retired	\$ 1,688,754	\$ 2,354,944	74
Total	\$ 35,979,047	\$ 40,139,099	1,365

Key Assumptions:

Census Collection Date	July 1, 2013
Discount Rate	4.00%
Year 1 Inflation Rates	7.00%
Year 2 Inflation Rate.....	7.00%
Ultimate Inflation Rate.....	6.00%
Year Ultimate Inflation Rate is Reached	2038
Actuarial Cost Method	Projected Unit Credit

EXECUTIVE SUMMARY (Continued)

CHANGES INCLUDED IN THE CURRENT YEAR REPORT:

1. Current year premiums were used for Per Capita Costs.
2. Inflation factors/Trends were moved forward one year and the initial medical cost trend rate was changed to better reflect actual experience.
3. The mortality table was changed to the RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA. We believe that this change in assumption is a better measurement of the expected outcome for the plan.

PREPARERS STATEMENT

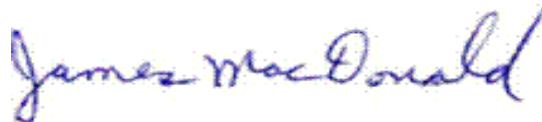
The financial results for GASB 45 are summarized in this report. The valuation has been prepared as of July 1, 2013 and July 1, 2014. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the July 1, 2013 census data and plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

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

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

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



James MacDonald, FSA, EA, MAAA

March 10, 2015

Date

BENEFIT INFORMATION

1. **PLAN TYPES:**

The Warwick Public School System provides medical benefits to its eligible retirees. The plans offered are Classic Blue, Healthmate Coast to Coast, and BlueChip Plus.

2. **BENEFITS PROVIDED:**

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 school'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 School and the respective unions. The plan does not issue a publicly available financial report. All benefits terminate at age 65.

3. **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.

4. **BENEFIT COST SHARING (TEACHING EMPLOYEES):**

Teaching employees with 30 or more years of service at retirement contribute 20% of the cost of coverage.

Teaching employees with at least 20 but fewer than 30 years of service at retirement contribute 60% of the cost of coverage.

Spouses of teaching employees are not covered by the plan.

5. **BENEFIT COST SHARING (CLASSIFIED EMPLOYEES):**

All Other employees will contribute 20% for coverage.

Spouses of other district employees will contribute 20% for coverage.

6. **DURATION OF BENEFITS:**

All benefits terminate at age 65.

7. **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.

8. **ANNUAL GROSS PREMIUMS FOR RETIREES 2013 - 2014:**

Group / Plan	Professional (Teaching)		Classified (Non-Teaching)	
	Individual	Family	Individual	Family
Classic Blue Cross	\$6,975.96	\$17,661.48	\$6,844.32	\$17,437.68
HealthMate	\$6,494.40	\$16,515.48	\$6,367.20	\$16,307.28

9. **ANNUAL GROSS PREMIUMS FOR RETIREES 2014 - 2015:**

Group / Plan	Professional (Teaching)		Classified (Non-Teaching)	
	Individual	Family	Individual	Family
Classic Blue Cross	\$7,464.24	\$18,897.84	\$7,323.48	\$18,658.32
HealthMate	\$6,948.96	\$17,671.56	\$6,812.88	\$17,448.84

INFORMATION FOR FINANCIAL STATEMENT DISCLOSURE

	For the Year Ending June 30,	
	2014	2015
Annual OPEB Cost and Net OPEB Obligation:		
1. Normal Cost	\$ 1,657,313	\$ 1,760,705
2. Supplemental Cost ¹	2,000,646	2,231,969
3. Interest	72,442	79,071
4. Annual Required Contribution (ARC)	\$ 3,730,401	\$ 4,071,745
5. Interest on Net OPEB Obligation	\$ 489,251	\$ 572,543
6. Adjustment to ARC	693,600	811,682
7. Annual OPEB Cost (Expense)	\$ 3,526,052	\$ 3,832,606
8. Expected Benefit Payments	\$ 1,443,740	\$ 1,709,076
9. Increase in net OPEB Obligation	2,082,312	2,123,530
10. Net OPEB Obligation - Beginning of Year	12,231,273	14,313,585
11. Net OPEB Obligation - End of Year	\$ 14,313,585	\$ 16,437,115

¹ The Supplemental cost is the amortization of the Unfunded Actuarial Accrued Liability. The organization has elected to amortize this liability over 30 years, as permitted by GASB No. 45.

OPEB LIABILITIES, ANNUAL OPEB EXPENSE AND NET OPEB OBLIGATION

	For the Year Ending June 30,	
	2014	2015
Present Value of Future Benefits:		
Retirees	\$ 1,688,754	\$ 2,354,944
Active Employees	52,204,525	55,824,771
Total	\$ <u>53,893,279</u>	\$ <u>58,179,715</u>
Unfunded Actuarial Accrued Liability (UAAL):		
Retirees	\$ 1,688,754	\$ 2,354,944
Fully Eligible Employees	9,716,743	10,291,567
Other Active Employees	24,573,550	27,492,588
Total	\$ <u>35,979,047</u>	\$ <u>40,139,099</u>
Change in Net OPEB Obligation:		
Annual OPEB Cost (Expense)	\$ 3,526,052	\$ 3,832,606
Expected Benefit Payments	1,443,740	1,709,076
Increase in net OPEB Obligation	<u>2,082,312</u>	<u>2,123,530</u>
Net OPEB Obligation - Beginning of Year	12,231,273	14,313,585
Net OPEB Obligation - End of Year	\$ <u>14,313,585</u>	\$ <u>16,437,115</u>

Year to Year Historical Comparison

SCHEDULE OF EMPLOYER CONTRIBUTIONS:

Fiscal Year Ending June 30,	Annual OPEB Cost	Expected Contribution	Percentage Contributed
2010	\$3,746,646	\$2,343,722	62.56%
2011	\$3,776,268	\$2,483,423	65.76%
2012	\$3,494,693	\$2,777,971	79.49%
2013	\$3,654,601	\$2,637,067	72.16%
2014	\$3,526,052	\$1,443,740	40.94%
2015	\$3,832,606	\$1,709,076	44.59%

INCREASE IN NET OPEB:

Fiscal Year Ending June 30,	Beginning Net OPEB Obligation	Annual OPEB Cost	Expected Contribution	Ending Net OPEB Obligation
2010	\$7,801,248	\$3,746,646	\$2,343,722	\$9,204,172
2011	\$9,204,172	\$3,776,268	\$2,483,423	\$10,497,017
2012	\$10,497,017	\$3,494,693	\$2,777,971	\$11,213,739
2013	\$11,213,739	\$3,654,601	\$2,637,067	\$12,231,273
2014	\$12,231,273	\$3,526,052	\$1,443,740	\$14,313,585
2015	\$14,313,585	\$3,832,606	\$1,709,076	\$16,437,115

FUNDED STATUS / FUNDING PROGRESS/ COVERED PAYROLL:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrual Liability (AAL)	Covered Payroll	UAL as a Percent of Covered Payroll
07/01/2009	\$0	\$41,643,649	NA	NA
07/01/2010	\$0	\$42,722,906	NA	NA
07/01/2011	\$0	\$37,833,649	NA	NA
07/01/2012	\$0	\$39,359,679	NA	NA
07/01/2013	\$0	\$35,979,047	NA	NA
07/01/2014	\$0	\$40,139,099	NA	NA

CENSUS INFORMATION (PARTICIPANT DATA)

This section details the statistics related to the participants in the post-employment benefit plan. The census collection date is July 1, 2013.

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, 2013, the census collection date.

PARTICIPANTS BY GENDER:

	Active	Inactive	Total
Male	313	21	334
Female	978	53	1,031
Total	1,291	74	1,365

ACTIVE - COUNTS BY AGE AND ELIGIBILITY STATUS:

Age	Not Currently Eligible to Retire	Currently Eligible to Retire ²	TOTAL
29 and Under	48		48
30 - 34	107		107
35 - 39	165		165
40 - 44	199		199
45 - 49	213		213
50 - 54	206		206
55 - 59	169	50	219
60 - 64	96	38	134
65 and Over	0	0	0
Total	1,203	88	1,291

RETIREE AND COVERED SPOUSES - COUNTS BY AGE:

Age	Retirees	Spouses	TOTAL
54 and Under	2		2
55 - 59	12		12
60 - 64	60		60
65 - 69			
70 - 74			
75 - 79			
80 and Over			
Total	74		74

Average Age Active Employees: 47.6

Average Age Retired Employees: 61.6

Average Service Active: 14.4

² These active employees have met the minimum age and service requirements needed to vest in an OPEB benefit upon retirement.

Census Information (Participant Data) (Continued)

Active Employees by Age and Service as of July 1, 2013 using the census collected on July 1, 2013.

Age	YEARS OF SERVICE								TOTAL
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 Plus	
<20									
20 to 24	8								8
25 to 29	33	7							40
30 to 34	23	60	24						107
35 to 39	18	45	97	5					165
40 to 44	11	36	71	73	8				199
45 to 49	10	22	57	51	63	10			213
50 to 54	12	8	38	50	66	27	5		206
55 to 59	5	11	28	41	60	51	15	8	219
60 to 64	2	3	13	17	29	35	30	5	134
65 Plus									
TOTAL	122	192	328	237	226	123	50	13	1,291

PROJECTED BENEFIT PAYMENTS (TEN YEAR PROJECTION)

The table below illustrates the projected benefit payments for the ten year period ending June 30, 2023 and has been developed based on our understanding of the benefits offered to retirees.

<u>Year</u>	<u>Active</u>	<u>Retired</u>	<u>Total</u>	<u>Cumulative</u>
06/30/2014	\$995,875	\$447,865	\$1,443,740	\$1,443,740
06/30/2015	\$1,187,690	\$393,099	\$1,580,789	\$3,024,529
06/30/2016	\$1,413,752	\$315,420	\$1,729,172	\$4,753,701
06/30/2017	\$1,540,071	\$172,419	\$1,712,490	\$6,466,191
06/30/2018	\$1,795,195	\$141,937	\$1,937,132	\$8,403,323
06/30/2019	\$1,898,765	\$115,636	\$2,014,401	\$10,417,724
06/30/2020	\$2,017,243	\$113,437	\$2,130,680	\$12,548,404
06/30/2021	\$2,251,713	\$80,874	\$2,332,587	\$14,880,991
06/30/2022	\$2,723,853	\$32,895	\$2,756,748	\$17,637,739
06/30/2023	\$2,934,873	\$23,447	\$2,958,320	\$20,596,059



ASSUMPTIONS AND METHODOLOGY

1. **CENSUS COLLECTION DATE:** The census used in this report represents the eligible population as of 7/1/2013.
2. **MORTALITY:** RP-2000 Projected 10 Years using Projection Scale AA
3. **DISCOUNT RATE:** An interest rate of 4.00% was used.
One of the most important factors in determining OPEB liabilities and costs is the interest rate used to discount future benefit payments to the present. As a general guideline, a 1% decrease in the discount rate may cause a 15% - 20% increase in liability and the ARC. GASB rules state that the discount rate to value OPEB liabilities must reflect expected returns on assets used to pay benefits. If OPEB liabilities are not funded in advance, this means the discount rate would be the expected return on the assets of the sponsoring employer.
4. **AGE AT RETIREMENT:** Representative assumed average retirement ages are shown below. These values are consistent with the requirements for retirement stated above, the input provided by the School and the adjustment for disability retirements.

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

5. **TERMINATION RATES:** These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement:

Age	Rate
20	0.13310
25	0.10120
30	0.08330
35	0.06780
40	0.05960
45	0.05130
50	0.03230

6. **PARTICIPATION RATE:**
 - Professional Employees - It has been assumed that 97% of retiring employees will elect the benefit.
 - Classified Employees - It has been assumed that 15% of retiring employees will elect the benefit.
7. **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.

Assumptions and Methodology (Continued)

8. 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:

	<u>Classified</u>	<u>Professional</u>
a. Annual Premium	\$9,425	\$6,639
b. Actual Annual Cost per Contract ex. Med Part B	\$13,579	\$9,565
c. Annual Medicare Part B Cost paid by School	n/a	n/a
d. Average Administrative Expense per Contract	\$746	\$746
e. Blended Annual Stop Loss Premium per Contract	\$156	\$156
f. Total Actual Annual Cost per Contract	\$14,481	\$10,467
g. Actual Annual Cost per insured life	\$7,240.50	\$10,467

9. **IMPLICIT SUBSIDY:** Numerous studies have shown that the cost of medical benefits for retirees age 55-64 is greater than the cost of the same coverage for the typical group of active employees, who are likely to have an average age in the 30's and 40's. Employers who treat the costs as being the same often are providing subsidies of which they may not be aware. This cost difference is referred to as the implicit subsidy, and is equivalent to the "true" cost of providing retiree medical benefits minus the average active/retiree cost. However, for community-rated plans, plan sponsors are not required to report an implicit subsidy because the premiums the plan sponsor pays for its retirees (both currently and in the future) are not directly affected by the actual experience of the plan's retirees.

Therefore, no implicit subsidy has been reflected in our calculations of OPEB liability and ARC in this report.

10. **TREND:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Period</u>	<u>Classified Health Mate</u>	<u>Professional Health Mate</u>
2013 - 2014	7.00%	7.00%
2014 - 2038	7.00%	7.00%
2038 +	6.00%	6.00%

11. **ACTUARIAL VALUE OF ASSETS:** None

12. **ADMINISTRATIVE EXPENSES:** Included in the premiums used

13. **ACTUARIAL COST METHOD:** This report was developed using the Projected Unit Credit (PUC) cost method.

14. **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, 2013.

The school district should consider performing an experience study whereby it examines the assumed experience as compared with the actual plan experience. The GFOA suggests that this experience study be performed no less than once every five years.

GLOSSARY OF TERMINOLOGY

GASB 45, OR GASB STATEMENT 45, is an accounting and financial reporting provision requiring government employers to measure and report the liabilities associated with other (than pension) postemployment benefits (or OPEB). Reported OPEBs may include post-retirement medical, pharmacy, dental, vision, life, long-term disability and long-term care benefits that are not associated with a pension plan. Government employers required to comply with GASB 45 include all states, towns, education boards, water districts, mosquito districts, public schools and all other government entities that offer OPEB and report under GASB.

GASB: - Acronym that stands for Governmental Accounting Standards Board. This is the accounting board that sets standards for governmental entities. Following GASB standards allows for the preparation of financial statements that are in conformity with Generally Accepted Accounting Principles (GAAP).

OPEB - Acronym that stands for Other Post-Employment Benefits.

THE PRESENT VALUE OF FUTURE BENEFIT PAYMENTS (PVFBP): The PVFBP is the amount which, if contributed at the valuation date, is expected to pay the employer-provided portion of the retiree health premium for every current plan participant. A contribution equal to the PVFBP will be just enough to pay for these employer-provided health premiums provided the actuarial assumptions in the report are realized. The actuarial assumptions include expected rates of medical premium inflation plus expected rates of participant death, termination of employment, and retirement.

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

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

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

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

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

- For retired employees and actives who have reached their Full Eligibility Date, the UAAL equals the PVFBP.
- For active employees not yet eligible for full benefits, the UAAL equals a pro rata portion of the PVFBP based on years of service worked prior to the valuation date to those expected to be worked at the Full Eligibility Date.
- The UAAL is used in the GASB accounting calculations to establish the plan's funded status, develop the annual required contribution (ARC), and to develop the annual OPEB cost.

Glossary of Terminology (Continued)

ANNUAL REQUIRED CONTRIBUTION (ARC) / ANNUAL OPEB COST is an employer's periodic required contribution to an OPEB plan. The ARC is made up of:

Normal Cost	\$1,657,313	(See Below)
Supplemental Cost	\$2,000,646	(See Below)
Interest Cost	<u>\$72,442</u>	(Calculated mid-year at 4.00%)
Preliminary ARC	\$3,730,401	
Interest Cost	\$489,251	(on beginning Net OPEB Obligation)
ARC Adjustment	<u>\$693,600</u>	(prior year amortization)
Annual OPEB Cost	<u><u>\$3,526,052</u></u>	(See Below)

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

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

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

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

ANNUAL OPEB COST - amount is equal to the ARC plus interest on the beginning of the year Net OPEB Obligation (NOO) calculated at 4.00%. The ARC is reduced for amortization amounts recognized in prior periods using the formula below for supplemental cost. This ARC adjustment is based on the prior year NOO of \$14,313,585 was reported in the School District's financial statements. The Annual OPEB Cost will be presented as the post retirement benefit expense in the entity-wide annual financial statements.

THE NORMAL COST is one year's pro rata share of the PVFBP for current active employees. There is no Normal Cost for retirees or active employees who have already met the eligibility conditions for full benefits.

THE SUPPLEMENTAL COST represents the amortization of the initial unfunded actuarial liability. GASB 45 permits the use of a 10 to 30 year amortization period. This amount is calculated using an annuity due amortization formula.

THE NET OPEB OBLIGATION (NOO) is the cumulative difference since the effective date of GASB 45 between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any.

Glossary of Terminology (Continued)

THE ANNUAL REQUIRED CONTRIBUTION (ARC) is an employer's periodic required contribution to an OPEB plan. The ARC includes the employer's normal cost and a provision for amortizing the total unfunded actuarial accrued liability (UAAL).

THE ANNUAL OPEB COST is the GASB 45 accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

THE 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.

THE DISCLOSURES REQUIRED BY GASB 45 INCLUDE³:

- Benefit plan description. Refer to page 4 for this information.
- Description of the Employer's funding policy. The funding policy for this report should be described as Pay - Go.
- Components of Annual OPEB Cost (ARC, interest on the net OPEB obligation, and adjustment to the ARC). These amounts are found on page 5 of this report.
- Increase or decrease in the Net OPEB Obligation. This can be found on page 5 of this report.
- Information about:
 - Funded status of the plan - The plan is unfunded
 - Actuarial value of assets - There are no actuarial assets
 - Actuarial accrued liability (UAAL) - This amount is presented on page 7 of the report.
 - Plan's funded ratio - Page 7 shows this as Not applicable due to that fact that the School District does not fund the liability.
- Annual covered payroll - This amount if provided by the School District appears on page 7 of this report.
- Actuarial methods and significant assumptions used to determine the ARC and Annual OPEB Cost. The disclosures should include:
 - Actuarial cost method. This report was prepared using the Percentage Unit Credit Method (PUC)
 - Methods used to determine the actuarial value of assets. Presently the School District does not fund the GASB 45 liability, therefore, this matter is not applicable.
 - Assumptions used with respect to projected salary increases and the investment return (including the method used to determine a blended rate for a partially funded plan, if applicable). Projected salary increases were not used in amortizing amounts in this report.
 - Assumptions used with respect to initial and ultimate healthcare cost trend rates. Refer to page 12 for this information.
- Amortization method (level dollar or level percentage of projected payroll), amortization period, and whether the period is closed or open. This report is prepared using level dollar amortization.

³ We suggest discussing financial statement presentation and disclosure requirements with your independent financial statement auditor.

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, 2013. 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.
- Covered payroll figures used on page 7.
- 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:

- Tricia Mallozzi, School Controller; 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 to Jefferson Solutions, Inc. 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.



FINANCIAL STATEMENT FOOTNOTES

OTHER POST-EMPLOYMENT BENEFITS- SCHOOL

PLAN DESCRIPTION

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

Teaching employees with 30 or more years of service at retirement contribute 20% of the cost of coverage. Teaching employees with at least 20 but fewer than 30 years of service at retirement contribute 60% of the cost of coverage. 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 date of hire. Other employees will contribute 20% for coverage. Spouses of teaching employees are not covered by the plan. Spouses of other district employees will contribute 20% for coverage. Surviving beneficiaries continue to receive access to the districts medical coverage through COBRA after the death of the retired employee. Survivors are required to pay the full costs of benefits.

FUNDING POLICY

Contribution requirements are negotiated between the School and respective unions. The School is required to contribute the cost of medical/drug and dental benefits, less the amount of any applicable co-payments in effect at the time of retirement. For the year ended June 30, 2014, the plan operated on a pay as you go basis and no provision has been made to fund future benefits to be provided to plan members. For the fiscal year ended June 30, 2014, the Warwick School Department contributed \$1,443,740 (estimated) for its employees.

At July 1, 2013, membership consisted of:

Active Employees	1,291
Retired	74
Total	<u>1,365</u>

ANNUAL OPEB COST AND NET OPEB OBLIGATION

Fiscal Year Ending June 30,	Beginning Net OPEB Obligation	Annual OPEB Cost	Expected Contribution	Ending Net OPEB Obligation
2010	\$7,801,248	\$3,746,646	\$2,343,722	\$9,204,172
2011	\$9,204,172	\$3,776,268	\$2,483,423	\$10,497,017
2012	\$10,497,017	\$3,494,693	\$2,777,971	\$11,213,739
2013	\$11,213,739	\$3,654,601	\$2,637,067	\$12,231,273
2014	\$12,231,273	\$3,526,052	\$1,443,740	\$14,313,585
2015	\$14,313,585	\$3,832,606	\$1,709,076	\$16,437,115

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrual Liability (AAL)	Covered Payroll	UAL as a Percent of Covered Payroll
07/01/2009	\$0	\$41,643,649	NA	NA
07/01/2010	\$0	\$42,722,906	NA	NA
07/01/2011	\$0	\$37,833,649	NA	NA
07/01/2012	\$0	\$39,359,679	NA	NA
07/01/2013	\$0	\$35,979,047	NA	NA
07/01/2014	\$0	\$40,139,099	NA	NA

Financial Statement Footnotes (Continued)

ACTUARIAL METHODS AND ASSUMPTIONS

Valuation Date:..... July 1, 2013
 Actuarial Cost Method:.....Projected Unit Credit (PUC)
 Asset Valuation Method:..... Plan is currently unfunded
 Payroll Growth Rate:..... NA
 Amortization Method:..... 30 years
 Remaining Amortization Period:..... 29 years

Annual OPEB Cost and Net OPEB Obligation: Below are the required OPEB obligation presentations per GASB 45 for the period ending June 30, 2014:

Annual Required Contribution (ARC)	\$	3,730,401
Interest on Net OPEB Obligation		489,251
Adjustment to ARC		(693,600)
Annual OPEB Cost (Expense)	\$	<u>3,526,052</u>
Expected Benefit Payments		<u>(1,443,740)</u>
Increase in net OPEB Obligation		2,082,312
Net OPEB Obligation - Beginning of Year		12,231,273
Net OPEB Obligation - End of Year	\$	<u><u>14,313,585</u></u>