



CONSULTING GROUP



A POSTRETIREMENT WELFARE BENEFIT

GASB 45 ACTUARIAL VALUATION

For:

Town of Glocester, RI

As of:

July 1, 2015

Prepared by:
USI Consulting Group



CONSULTING GROUP

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March 11, 2016

Town of Glocester, RI
1145 Putnam Pike, P.O. Box B
Chepachet, RI 02814

RE: July 1, 2015 Actuarial Valuation of Postretirement Welfare Benefits

We enclose the report covering the actuarial valuation of the postretirement medical insurance plan for the employees of the Town of Glocester, RI as of July 1, 2015. The numbers presented in this report reflect the adoption, by the Town of Glocester, RI, of the Statement of Governmental Accounting Standard No. 45 (GASB 45).

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation, including the calculation of the Annual OPEB Costs for the fiscal years ending June 30, 2016 and June 30, 2017.

Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, are also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Board Number 45 (GASB 45). We believe this report provides all of the information your auditor requires. We would appreciate a copy of the footnote to your financial statement related to the postretirement benefits.

Respectfully submitted,

USI Consulting Group

A handwritten signature in blue ink that reads "Robert W. Webb".

Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary

A handwritten signature in blue ink that reads "Denise Reed".

Denise Reed
Actuarial Consultant

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Section I

Executive Summary

The section presents the results of the July 1, 2015 valuation. The first section provides a brief summary of the valuation results. The Executive Summary Detail provides a more detailed development of the expenses and liabilities. Items I through IV show the development of the Annual Required Contribution (ARC). Items V through VIII show the calculation of the Annual OPEB Cost. Item X shows the expected benefits payable to retirees during the fiscal year.

EXECUTIVE SUMMARY

Introduction

This report details the development of the Annual OPEB Cost for the Fiscal Year ending June 30, 2016. Estimated June 30, 2016 and June 30, 2017 disclosures are included in Section III.

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Statement of Governmental Accounting Standards Number 45 (GASB 45). Liabilities developed for other purposes could be significantly different than those shown in this report.

Summary of Results

The Actuarial Accrued Liability and Normal Cost are calculated as of the valuation date. The Annual OPEB Cost and Expected Benefit Payments are for the year beginning on the valuation date. Additional detail is developed in the exhibits included in this actuarial valuation report.

Fiscal Year Ending June 30, 2016

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$203,180
<i>Actuarial Accrued Liability (AAL)</i>	\$1,355,979
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$1,355,979
<i>Annual Required Contribution (30 year amortization)</i>	\$190,131
<i>Annual OPEB Cost</i>	\$185,713
<i>Expected Benefit Payments</i>	\$30,206

Fiscal Year Ending June 30, 2017

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$358,687
<i>Actuarial Accrued Liability (AAL)</i>	\$1,486,416
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$1,486,416
<i>Annual Required Contribution (30 year amortization)</i>	\$201,537
<i>Annual OPEB Cost</i>	\$193,534
<i>Expected Benefit Payments</i>	\$37,820

Economic Assumptions

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

<u>Assumption Selection Date</u>	<u>July 1, 2015</u>
<i>Funding Interest Rate*</i>	4.00%
<i>2015 Medical Trend Rates</i>	9.00%
<i>Ultimate Medical Trend Rate</i>	5.00%
<i>Year Ultimate Trend Rates Reached</i>	2019
<i>Annual Payroll Increase</i>	2.50%

*Reflects current funding policy (assumes no funding).

EXECUTIVE SUMMARY (cont.)

Changes included in current valuation

The trend rates were reset to 9.0% in 2015, scaling down by 1.0% per annum to an ultimate trend rate of 5.0% in years 2019 and later. The mortality was updated a fully generational table, with improvement scale AA. The plan's favorable health care cost experience over the past three years resulted in a gain. More detail is provided in Appendix II.

Accounting for Postretirement Benefits

This report provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans. The unfunded actuarial accrued liability and the ARC are developed in the Executive Summary Detail included in this section. For this Fiscal Year / Valuation Report, Section III presents the disclosure information based on estimated contributions made.

Actuarial Certification

The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2015. The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the July 1, 2015 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. Actuarial adjustments were made to the data to produce appropriate results for the valuation.

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



Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary



Adeniyi Olaiya, ASA, MAAA
Associate Vice President and Actuary

EXECUTIVE SUMMARY DETAIL
GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST
AS OF JULY 1, 2015 BY EMPLOYEE GROUP

	<u>Clerks</u>	<u>Police</u>	<u>Town Non- Contract</u>	<u>School Certified</u>	<u>School Non- Certified</u>	<u>Total</u>
I. Present value of Future benefits						
A. Retirees/Disableds	\$0	\$24,679	\$0	\$0	\$0	\$24,679
B. Active Employees	<u>\$35,086</u>	<u>\$1,153,899</u>	<u>\$162,120</u>	<u>\$1,121,217</u>	<u>\$342,576</u>	<u>\$2,814,898</u>
C. Total	\$35,086	\$1,178,578	\$162,120	\$1,121,217	\$342,576	\$2,839,577
II. Actuarial Accrued Liability						
A. Retirees/Disableds	\$0	\$24,679	\$0	\$0	\$0	\$24,679
B. Active Employees	<u>\$21,924</u>	<u>\$440,317</u>	<u>\$69,482</u>	<u>\$617,478</u>	<u>\$182,099</u>	<u>\$1,331,300</u>
C. Total	\$21,924	\$464,996	\$69,482	\$617,478	\$182,099	\$1,355,979
III. Actuarial Assets	\$0	\$0	\$0	\$0	\$0	\$0
IV. Unfunded Actuarial Accrued Liability (UAAL)	\$21,924	\$464,996	\$69,482	\$617,478	\$182,099	\$1,355,979
V. Annual Required Contribution (ARC)						
A. Normal Cost	\$1,897	\$44,165	\$4,988	\$37,883	\$13,954	\$102,887
B. Supplemental Cost	\$1,444	\$30,216	\$3,955	\$35,688	\$9,209	\$80,512
C. Compound Interest to Year End	<u>\$105</u>	<u>\$2,877</u>	<u>\$329</u>	<u>\$2,629</u>	<u>\$792</u>	<u>\$6,732</u>
D. Annual Required Contribution [A. + B. + C.]	\$3,446	\$77,258	\$9,272	\$76,200	\$23,955	\$190,131
VI. Net OPEB Obligation	(\$18,584)	\$304,639	(\$2,729)	(\$106,531)	\$26,385	\$203,180
VII. Interest on net OPEB Obligation	(\$743)	\$12,186	(\$109)	(\$4,261)	\$1,055	\$8,128
VIII. Adjustment to ARC	\$1,148	(\$18,812)	\$169	\$6,578	(\$1,629)	(\$12,546)
IX. Annual OPEB Cost (Expense) [V.D. + VII. + VIII.]	\$3,851	\$70,632	\$9,332	\$78,517	\$23,381	\$185,713
X. Expected Benefit Payments						
A. Retirees/Disableds	\$0	\$2,570	\$0	\$0	\$0	\$2,570
B. Active Employees	<u>\$1,448</u>	<u>\$2,340</u>	<u>\$1,421</u>	<u>\$15,704</u>	<u>\$6,723</u>	<u>\$27,636</u>
C. Total	\$1,448	\$4,910	\$1,421	\$15,704	\$6,723	\$30,206

EXECUTIVE SUMMARY DETAIL
GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST
AS OF JULY 1, 2016 BY EMPLOYEE GROUP

	<u>Clerks</u>	<u>Police</u>	<u>Town Non- Contract</u>	<u>School Certified</u>	<u>School Non- Certified</u>	<u>Total</u>
<i>I. Present value of Future benefits</i>						
A. Retirees/Disableds	\$0	\$69,094	\$1,539	\$37,494	\$19,462	\$127,589
B. Active Employees	<u>\$35,012</u>	<u>\$1,393,996</u>	<u>\$165,616</u>	<u>\$1,112,557</u>	<u>\$329,961</u>	<u>\$3,037,142</u>
C. Total	\$35,012	\$1,463,090	\$167,155	\$1,150,051	\$349,423	\$3,164,731
<i>II. Actuarial Accrued Liability</i>						
A. Retirees/Disableds	\$0	\$69,094	\$1,539	\$37,494	\$19,462	\$127,589
B. Active Employees	<u>\$23,297</u>	<u>\$455,426</u>	<u>\$74,461</u>	<u>\$628,066</u>	<u>\$177,577</u>	<u>\$1,358,827</u>
C. Total	\$23,297	\$524,520	\$76,000	\$665,560	\$197,039	\$1,486,416
<i>III. Actuarial Assets</i>	\$0	\$0	\$0	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>	\$23,297	\$524,520	\$76,000	\$665,560	\$197,039	\$1,486,416
<i>V. Annual Required Contribution (ARC)</i>						
A. Normal Cost	\$1,944	\$45,269	\$5,113	\$38,830	\$14,303	\$105,459
B. Supplemental Cost	\$1,562	\$33,925	\$4,375	\$39,050	\$10,143	\$89,055
C. Compound Interest to Year End	<u>\$140</u>	<u>\$3,036</u>	<u>\$321</u>	<u>\$2,843</u>	<u>\$683</u>	<u>\$7,023</u>
D. Annual Required Contribution [A. + B. + C.]	\$3,646	\$82,230	\$9,809	\$80,723	\$25,129	\$201,537
<i>VI. Net OPEB Obligation</i>	(\$16,181)	\$370,361	\$5,182	(\$43,718)	\$43,043	\$358,687
<i>VII. Interest on net OPEB Obligation</i>	(\$647)	\$14,814	\$207	(\$1,749)	\$1,722	\$14,347
<i>VIII. Adjustment to ARC</i>	\$1,008	(\$23,077)	(\$323)	\$2,724	(\$2,682)	(\$22,350)
<i>IX. Annual OPEB Cost (Expense)</i> <i>[V.D. + VII. + VIII.]</i>	\$4,007	\$73,967	\$9,693	\$81,698	\$24,169	\$193,534
<i>X. Expected Benefit Payments</i>						
A. Retirees/Disableds	\$0	\$5,028	\$1,421	\$13,602	\$6,723	\$26,774
B. Active Employees	<u>\$0</u>	<u>\$1,555</u>	<u>\$1,483</u>	<u>\$0</u>	<u>\$8,008</u>	<u>\$11,046</u>
C. Total	\$0	\$6,583	\$2,904	\$13,602	\$14,731	\$37,820

Section II

Census Information

This section details statistics related to the participants in the postretirement benefit plan.

CENSUS INFORMATION – A.

EMPLOYEE COUNTS

		<i>As of July 1, 2015</i>			<i>As of July 1, 2012</i>		
		<u>Actives</u>	<u>Retirees</u>	<u>Total</u>	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>
Clerks	Male	0	0	0	0	0	0
	Female	<u>6</u>	<u>0</u>	<u>6</u>	<u>8</u>	<u>1</u>	<u>9</u>
	Total	6	0	6	8	1	9
Police	Male	13	3	16	12	5	17
	Female	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>
	Total	14	3	17	13	5	18
Town Non-Contract	Male	12	2	14	14	1	15
	Female	<u>3</u>	<u>1</u>	<u>4</u>	<u>4</u>	<u>0</u>	<u>4</u>
	Total	15	2	18	18	1	19
Educational Support	Male	3	0	3	4	1	5
	Female	<u>42</u>	<u>4</u>	<u>46</u>	<u>48</u>	<u>10</u>	<u>58</u>
	Total	45	4	49	52	11	63
Teachers	Male	2	0	2	2	0	2
	Female	<u>19</u>	<u>0</u>	<u>19</u>	<u>19</u>	<u>1</u>	<u>20</u>
	Total	21	0	21	21	1	22
Total	Male	30	5	35	32	7	39
	Female	<u>71</u>	<u>5</u>	<u>76</u>	<u>80</u>	<u>12</u>	<u>92</u>
	Total	101	9	111	112	19	131

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES :

<u>Age</u>	<u>Currently Eligible to Retire</u>	<u>Not Currently Eligible to Retire</u>	<u>Total</u>
29 and under	0	2	2
30 - 34	0	6	6
35 - 39	0	5	5
40 - 44	0	12	12
45 - 49	1	12	13
50 - 54	3	21	24
55 - 59	2	17	19
60 - 64	12	6	18
65 and over	2	0	2
Total	20	81	101

CENSUS INFORMATION – B.

COUNTS BY AGE AND ELIGIBILITY STATUS

<i>Age</i>	<i>Retirees</i>	<i>Spouse</i>	<i>Total</i>
54 and under	2	0	2
55 - 59	1	0	1
60 - 64	6	0	6
65 - 69	1	0	1
70 - 74	0	0	0
75 - 79	0	0	0
80 and over	0	0	0
Total	10	0	10

AVERAGE AGE AND SERVICE

	<u>As of July 1, 2015</u>	<u>As of July 1, 2012</u>
ACTIVE EMPLOYEES:		
A. Average Age at Hire		
Males	31.5	30.7
Females	34.1	34.7
Total	33.3	33.5
B. Average Service		
Males	15.2	13.4
Females	18.5	15.5
Total	17.5	14.9
C. Average Current Age		
Males	46.7	44.1
Females	52.6	50.2
Total	50.8	48.4
CURRENT RETIREES		
D. Average Current Age		
Males	55.1	55.9
Females	62.4	62.0
Total	59.2	59.7

Section III

Financial Statement Disclosure

This section provides the required information and notes to the Financial Statements for the fiscal years ending June 30, 2016 and June 30, 2017.

FINANCIAL STATEMENT DISCLOSURE

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

1.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND LIFE INSURANCE PLANS:

a. Plan Types:

Clerks:

Medical: HealthMate

Police:

Medical: HealthMate

Dental: Rhode Island Delta Dental

Town Non-Contract:

Medical: HealthMate

Teachers:

Medical: Blue Cross/Blue Shield Classic or HealthMate

Educational Support:

Medical: Blue Cross/ Blue Shield or HealthMate

Dental: Rhode Island Delta Dental

b. Eligibility:

Clerks: 10 years of service and age 62. Benefits cease at age 65 or when retiree is Medicare eligible, whichever occurs first.
Employees hired after 12/15/2011 are ineligible.

Police: Members hired before 1/1/2001 must have at least 20 years of service. Members that are hired on or after 1/1/2001 must have at least 25 years of service. Benefits cease at age 65 or when the retiree is Medicare eligible, whichever occurs first. If the spouse becomes eligible for Medicare or reaches age 65 before the retiree, the retiree shall continue to be eligible for coverage.

Town Non-Contract: 10 years of service and age 62. Benefits cease at age 65 or when retiree is Medicare eligible, whichever occurs first.
Employees hired after 7/1/2009 are ineligible.

Teachers: If vested prior to 7/2/2005, 28 years of service or at age 60 with 10 years of contributing service. If vested after 7/1/2005, age 59 with 29 years of service or age 62 with 10 years of service.

Retire prior to 7/1/2012: Benefits cease at age 65 or when retiree is Medicare eligible, whichever occurs first.

Retire on or after 7/1/2012: Benefits cease after 6 years or until retiree is Medicare eligible, whichever occurs first.

Employees hired after 7/1/2010 are ineligible.

Educational Support: 10 years of service and age 60. Benefits cease at age 65 or when retiree is Medicare eligible, whichever occurs first.

Employees hired after 1/1/2009 are ineligible.

FINANCIAL STATEMENT DISCLOSURE (cont.)

c. Benefit/Cost Sharing: **Clerks:** The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare.

Police: The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare.

Town Non-Contract: The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare.

Teachers:

- a) Individuals who retired before 7/1/2006 do not contribute.
- b) Individuals who retired after 6/30/2006, but on or before 6/30/2010, pay \$600 annually for single coverage.
- c) Individuals who retired after 6/30/2010, but on or before 6/30/2011, pay 20% of the cost of a single plan up to a maximum of \$1,296 for each year of coverage
- d) Individuals who retire after 6/30/2011, but on or before 6/30/2012, pay 20% of the cost of a single plan up to a maximum of \$1,400 for each year of coverage
- e) Individuals who retire on or after 7/1/2012 pay the same co-payment of medical insurance premiums as then current employees for each year of coverage up to a maximum of six years.

Educational Support: Retired as of 1/1/2009: The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare. Retired after 1/1/2009: the employee contributes the same amount as they were contributing during their final year of service until Medicare eligible.

d. Spouse Benefit: No.

e. Surviving Spouse Benefit: No.

f. Annual Premiums: Effective July 1, 2015 through June 30, 2016
Medical

Clerks: \$7,527.60

Police: \$7,647.24

Town Non-Contract: \$7,527.60

Teachers:

Classic \$9,727.06

HealthMate \$7,527.60

Educational Support:

Classic \$9,727.06

HealthMate \$7,527.60

Dental

Police: \$ 428.28

Educational Support: \$ 433.32

FINANCIAL STATEMENT DISCLOSURE (cont.)

2.) GASB 45 DISCLOSURE REQUIREMENTS

A. Annual OPEB Cost and Net OPEB Obligation	<u>7/1/2015 - 6/30/2016</u>	<u>7/1/2016 - 6/30/2017</u>
1. Annual Required Contribution (ARC)	\$190,131	\$201,537
2. Interest on net OPEB Obligation	\$8,128	\$14,347
3. Adjustment to ARC	<u>(\$12,546)</u>	<u>(\$22,350)</u>
4. Annual OPEB Cost (Expense)	\$185,713	\$193,534
5. Contribution made (assumed middle of year) *	<u>(\$30,206)</u>	<u>(\$37,820)</u>
6. Increase in net OPEB Obligation	\$155,507	\$155,714
7. Net OPEB Obligation - beginning of year	<u>\$203,180</u>	<u>\$358,687</u>
8. Net OPEB Obligation - end of year	\$358,687	\$514,401

* Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2016 / 2017

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Covered Payroll</u>	<u>OPEB Cost % of Pay</u>
6/30/2016	\$185,713	16.3%	\$358,687	N/A	N/A
6/30/2017	\$193,534	19.5%	\$514,401	N/A	N/A

B. Funded Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)</u>
7/1/2010	\$ -	\$2,307,873	\$2,307,873	0.0%	N/A	N/A
7/1/2012	\$ -	\$2,104,978	\$2,104,978	0.0%	N/A	N/A
7/1/2015	\$ -	\$1,355,979	\$1,355,979	0.0%	N/A	N/A

C. Methods and Assumptions

- Interest Rate	4.00%
- 2015 Medical Trend Rates	9.00%
- Ultimate Medical Trend Rate	5.00%
- Year Ultimate Trend Rates Reached	2019
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2016	18.15
- Annual Payroll Increase	2.50%

Section IV

Actuarial Assumptions And Methodology

The following pages detail the assumptions used in the calculations.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY

1. **Funding Interest Rate:** An interest rate of 4.0% was used.
2. **Mortality:** RP-2000 Fully Generational Combined Male and Female table with projection scale AA.
3. **Retirement Rates:** **Non-Police employees:** Separate male and female rates. Sample rates are shown below:

30 or more years of service prior to age 58:

<u>Service</u>	<u>Male</u>	<u>Female</u>
30	30.0%	20.0%
31	25.0%	15.0%
32-34	15.0%	7.5%
35	25.0%	15.0%
36-37	25.0%	20.0%
38-39	25.0%	15.0%
40+	100.0%	100.0%

Age 58 and older:

<u>Age</u>	<u>Male</u>	<u>Female</u>
58	15.0%	15.0%
59-61	10.0%	10.0%
62	30.0%	20.0%
63-64	25.0%	15.0%
65	25.0%	20.0%
66-69	30.0%	20.0%
70-74	20.0%	20.0%
75	100.0%	100.0%

Police and Firefighters: Unisex rates based on service are used. Sample rates are shown below:

<u>Service</u>	<u>Rate</u>
20	15.0%
21	10.0%
22-23	5.0%
24	10.0%
25-26	12.0%
27	14.0%
28	16.0%
29	18.0%
30-39	35.0%
40+	100.0%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

4. **Disability Rates:** None assumed.

5. **Termination Rates:** Base on service:

<u>Service</u>	<u>City</u>		<u>Police/Fire Rate</u>
	<u>Male</u>	<u>Female</u>	
0	17.50%	18.00%	10.00%
1	9.59%	10.69%	5.28%
5	5.41%	5.58%	3.54%
10	3.50%	3.18%	1.91%
15	3.19%	2.97%	0.90%
20	2.27%	2.50%	0.00%

6. **Health Care Trend Rates:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Medical Rates</u>	<u>Dental Rates</u>
	2015	9.0%
2016	8.0%	5.0%
2017	7.0%	5.0%
2018	6.0%	5.0%
2019+	5.0%	5.0%

7. **Participant Salary
Increases:**

Annual rates vary based on service:

<u>Service</u>	<u>Non-Police</u>	<u>Police</u>
0	8.50%	14.75%
1	8.00%	13.25%
2	7.50%	9.75%
3	7.25%	6.75%
4	7.00%	6.50%
5	6.75%	6.75%
6	6.00%	5.25%
7	5.50%	5.00%
8	5.25%	5.00%
9	5.00%	5.00%
10+	4.50%	4.75%

8. **Payroll Growth Rate:** 2.50% annually

9. **Participation Rate:** It is assumed that 100% of the active employees currently participating, will enroll in the retiree medical plan upon retirement.

10. **Percent Married:** N/A

11. **Actuarial Value of Assets:** N/A

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

12. **Per Capita Claims Cost:** Per Capita Claim Costs were developed by applying morbidity aging factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are the annual per capita claim costs used:

<u>Town Non-Police</u>			<u>Town Police</u>		
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
45	5,290	6,641	45	5,374	6,746
46	5,480	6,783	46	5,567	6,891
47	5,675	6,926	47	5,765	7,036
48	5,880	7,055	48	5,973	7,167
49	6,113	7,188	49	6,210	7,302
50	6,351	7,326	50	6,451	7,442
51	6,598	7,464	51	6,703	7,582
52	6,855	7,606	52	6,964	7,727
53	7,126	7,735	53	7,239	7,858
54	7,411	7,868	54	7,529	7,993
55	7,711	8,001	55	7,834	8,128
56	8,020	8,139	56	8,148	8,268
57	8,339	8,277	57	8,471	8,409
58	8,648	8,482	58	8,786	8,616
59	8,967	8,696	59	9,109	8,834
60	9,300	8,915	60	9,448	9,056
61	9,642	9,133	61	9,796	9,278
62	9,999	9,362	62	10,158	9,510
63	10,189	9,542	63	10,351	9,694
64	10,384	9,723	64	10,549	9,878

<u>School</u>			<u>Classic School</u>		
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
45	5,290	6,641	45	6,835	8,581
46	5,480	6,783	46	7,081	8,765
47	5,675	6,926	47	7,333	8,950
48	5,880	7,055	48	7,598	9,116
49	6,113	7,188	49	7,899	9,288
50	6,351	7,326	50	8,206	9,466
51	6,598	7,464	51	8,526	9,644
52	6,855	7,606	52	8,858	9,829
53	7,126	7,735	53	9,208	9,995
54	7,411	7,868	54	9,577	10,167
55	7,711	8,001	55	9,964	10,339
56	8,020	8,139	56	10,364	10,517
57	8,339	8,277	57	10,775	10,696
58	8,648	8,482	58	11,175	10,960
59	8,967	8,696	59	11,587	11,236
60	9,300	8,915	60	12,017	11,519
61	9,642	9,133	61	12,460	11,802
62	9,999	9,362	62	12,921	12,097
63	10,189	9,542	63	13,167	12,331
64	10,384	9,723	64	13,419	12,564

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

ACTUARIAL COST METHOD

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability is being amortized as a level percentage of pay over 30 years on a closed basis.

ADDITIONAL COMMENTS

The values in this GASB 45 valuation represent a closed group and do not reflect new entrants after the census collection date.

Section V
Appendices

APPENDIX - I.

ACTIVE EMPLOYEE BY AGE AND SERVICE

AS OF JULY 1, 2015

<u>Age</u>	<u>Service</u>									<u>Total</u>
	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40+</u>	
0 - 19	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0
25 - 29	2	0	0	0	0	0	0	0	0	2
30 - 34	0	3	3	0	0	0	0	0	0	6
35 - 39	0	2	3	0	0	0	0	0	0	5
40 - 44	0	4	7	1	0	0	0	0	0	12
45 - 49	0	2	2	3	5	1	0	0	0	13
50 - 54	2	2	3	7	3	6	1	0	0	24
55 - 59	0	3	2	4	4	4	2	0	0	19
60 - 64	0	3	0	4	5	3	2	0	1	18
65 - 69	0	0	0	1	0	1	0	0	0	2
70 - 74	0	0	0	0	0	0	0	0	0	0
75 - 79	0	0	0	0	0	0	0	0	0	0
80 - 84	0	0	0	0	0	0	0	0	0	0
85 and Over	0	0	0	0	0	0	0	0	0	0
<u>Total</u>	<u>4</u>	<u>19</u>	<u>20</u>	<u>20</u>	<u>17</u>	<u>15</u>	<u>5</u>	<u>0</u>	<u>1</u>	<u>101</u>

APPENDIX – II.

RECONCILIATION OF ACTUARIAL ACCRUED LIABILITY

a. 7/1/2012 Actuarial Accrued Liability	\$2,104,978
b. 2012 Normal Cost	\$89,198
c. Interest Rate	4.00%
d. Interest on (b. + c.)	\$87,767
e. 2012 Expected Benefit Payments	(\$171,820)
f. Interest on e.	<u>(\$3,437)</u>
g. 7/1/2013 Expected Actuarial Accrued Liability	\$2,106,686
(a. + b. + d. + e. + f.)	
h. 2013 Normal Cost	\$91,428
i. Interest Rate	4.00%
j. Interest on (g. + h.)	\$87,925
k. 2013 Expected Benefit Payments	(\$187,444)
l. Interest on k.	<u>(\$3,750)</u>
m. 7/1/2014 Expected Actuarial Accrued Liability	\$2,094,845
(g. + h. + j. + k. + l.)	
n. 2014 Normal Cost	\$93,714
o. Interest Rate	4.00%
p. Interest on (m. + n.)	\$87,543
q. 2014 Expected Benefit Payments	(\$152,143)
r. Interest on q.	<u>(\$3,043)</u>
s. 7/1/2015 Expected Actuarial Accrued Liability	\$2,120,916
(m. + n. + q. + r. + s.)	
t. Change in Actuarial Accrued Liability due to	
i. Demographic and plan cost changes	(\$872,066)
ii. Change in Actuarial Assumptions	\$107,129
iii. Plan Change	<u>\$0</u>
iv. Total	(\$764,937)
u. 7/1/2015 Actuarial Accrued Liability	\$1,355,979
(s. + t. iv.)	

APPENDIX - III.

DEVELOPMENT OF AMORTIZATION PAYMENT

A. Prior Bases

1. Amortization Base Balance as of 7/1/2012	\$2,104,978
2. 2012 Amortization Payment	(\$100,480)
3. Interest	4.00%
4. Interest on (1) + (2)	<u>\$80,180</u>
5. Amortization Base Balance as of 7/1/2013 (1) + (2) + (4)	\$2,084,678
6. 2013 Amortization Payment	(\$103,893)
7. Interest	4.00%
8. Interest on (5) + (6)	<u>\$79,231</u>
9. Amortization Base Balance as of 7/1/2014 (5) + (6) + (8)	\$2,060,016
10. 2014 Amortization Payment	(\$106,978)
11. Interest	4.00%
12. Interest on (9) + (10)	<u>\$78,121</u>
13. Amortization Base Balance as of 7/1/2015 (9) + (10) + (12)	\$2,031,159
14. Remaining Amortization Period	21.76
15. Valuation Interest rate	4.00%
16. Assumed payroll growth	2.50%
17. 2015 Adjusted Amortization Amount	\$108,077

B. New Amortization Base

1. Experience (Gain)/Loss	(\$872,066)
2. Assumption Changes	\$107,129
3. Plan Change	\$0
4. Loss due to Funding timing	<u>\$89,757</u>
5. Total (1) + (2) + (3) + (4)	(\$675,180)
6. Remaining Amortization Period	30
7. Valuation Interest rate	4.00%
8. Assumed payroll growth	2.50%
9. Amortization Amount	(\$27,565)

C. Combined Bases

1. Amortization Base Balance as of 7/1/2014 (A.13. + B.5.)	\$1,355,979
2. 2015 Preliminary Total Amortization Amount (A.17. + B.9.)	\$80,512
3. 2015 Minimum Total Amortization Amount (30 year)	\$55,359
4. 2015 Total Amortization Amount (greater of 2. and 3.)	\$80,512

APPENDIX - IV.
PROJECTED BENEFIT PAYMENTS

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2015	\$ 30,206	\$ 30,206	2030	\$ 190,276	\$ 2,356,677	2045	\$ 176,938	\$ 4,801,847
2016	\$ 37,820	\$ 68,026	2031	\$ 198,304	\$ 2,554,981	2046	\$ 137,530	\$ 4,939,377
2017	\$ 64,013	\$ 132,039	2032	\$ 198,029	\$ 2,753,010	2047	\$ 109,233	\$ 5,048,610
2018	\$ 81,380	\$ 213,419	2033	\$ 167,209	\$ 2,920,219	2048	\$ 130,011	\$ 5,178,621
2019	\$ 94,313	\$ 307,732	2034	\$ 149,960	\$ 3,070,179	2049	\$ 112,637	\$ 5,291,258
2020	\$ 118,964	\$ 426,696	2035	\$ 164,101	\$ 3,234,280	2050	\$ 82,696	\$ 5,373,954
2021	\$ 146,968	\$ 573,664	2036	\$ 162,956	\$ 3,397,236	2051	\$ 89,246	\$ 5,463,200
2022	\$ 196,754	\$ 770,418	2037	\$ 130,341	\$ 3,527,577	2052	\$ 95,691	\$ 5,558,891
2023	\$ 208,928	\$ 979,346	2038	\$ 134,169	\$ 3,661,746	2053	\$ 48,059	\$ 5,606,950
2024	\$ 212,247	\$ 1,191,593	2039	\$ 127,708	\$ 3,789,454	2054	\$ 50,970	\$ 5,657,920
2025	\$ 221,911	\$ 1,413,504	2040	\$ 132,842	\$ 3,922,296	2055	\$ -	\$ 5,657,920
2026	\$ 205,225	\$ 1,618,729	2041	\$ 143,093	\$ 4,065,389	2056	\$ -	\$ 5,657,920
2027	\$ 175,668	\$ 1,794,397	2042	\$ 162,473	\$ 4,227,862	2057	\$ -	\$ 5,657,920
2028	\$ 203,745	\$ 1,998,142	2043	\$ 228,640	\$ 4,456,502	2058	\$ -	\$ 5,657,920
2029	\$ 168,259	\$ 2,166,401	2044	\$ 168,407	\$ 4,624,909	2059	\$ -	\$ 5,657,920

APPENDIX – V.

GLOSSARY

Actuarial Accrued Liability. The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Normal Costs.

Actuarial Cost Method. A procedure for determining the Actuarial Present Value of Total Projected Benefits 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.

Actuarially Equivalent. Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Present Value of Total Projected Benefits. The present value, as of the valuation date, of the cost of future benefits to be paid to employees, retirees, and covered dependents, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Annual OPEB Cost. The 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 required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters defined in GAS 45.

Investment Return Assumption (Discount Rate). The rate used to adjust a series of future benefit payments to reflect the time value of money.

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 and technological developments.

Net OPEB Obligation. The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan.

Normal Cost. The portion of the Actuarial Present Value of plan benefits which is allocated to a valuation year by the Actuarial Cost Method.

OPEB. Postemployment benefits other than pension benefits.

Pay-As-You-Go. The amount of the benefits paid out to plan participants during the year.

Per Capita Claims Cost. The current average annual cost of providing postretirement health care benefits per individual.

Supplemental Cost. The amount of the Annual Required Contribution attributable to the amortization of the unfunded Actuarial Accrued Liability.