



**CITY OF PAWTUCKET
POST RETIREMENT BENEFITS PLAN**

Actuarial Valuation Report
July 1, 2015

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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, 2015. 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.

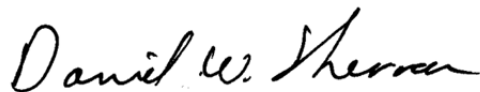
While the actuary believes that the assumptions are reasonable for financial reporting purposes, it should be understood that there is a range of assumptions that could be deemed reasonable that would yield different results. Moreover, while the actuary considers the assumption set to be reasonable based 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 Sherman, ASA, MAAA, EA

December 15, 2015

Date

SECTION II - SUMMARY

	<u>Full Prefunding</u>	<u>Pay-As-You-Go</u>	
	7.5%	4.0%	
	July 1, 2015	July 1, 2015	Difference
a) Actuarial valuation date	July 1, 2015	July 1, 2015	Difference
b) Actuarial Value of Assets	\$ 0	\$ 0	\$ 0
c) Actuarial Accrued Liability			
Active participants	\$ 57,155,631	\$ 100,642,370	\$ 43,486,739
Retired participants	155,405,192	244,584,676	89,179,484
Total AAL	\$ 212,560,823	\$ 345,227,046	\$ 132,666,223
d) Unfunded Actuarial Liability "UAL" [c - b]	\$ 212,560,823	\$ 345,227,046	\$ 132,666,223
e) Funded ratio [b / c]	0.0%	0.0%	0.0%
f) Annual covered payroll	\$ 90,924,672	\$ 90,924,672	
g) UAL as percentage of covered payroll	233.8%	379.7%	
h) Normal Cost for fiscal year 2015	\$ 3,544,978	\$ 6,908,927	\$ 3,363,949
i) Amortization of UAL for fiscal year 2015	\$ 11,973,605	\$ 12,755,846	\$ 782,241
j) Interest	\$ 0	\$ 0	\$ 0
k) Annual Required Contribution "ARC" for fiscal year 2015 [h + i + j]	\$ 15,518,583	\$ 19,664,773	\$ 4,146,190
l) Expected claims payments	\$ 9,976,571	\$ 9,976,571	\$ 0

* 30-year amortization, increasing 3.25% per year

SECTION III - MEDICAL PREMIUMS

Monthly Premiums effective July 1, 2015

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:

	<u>Individual</u>	<u>Family</u>
Blue Cross Classic - Teachers	\$893.33	\$2,119.22
Blue Cross Classic – School Non-Teachers	\$916.64	\$2,187.80
Blue Cross - Fire	\$917.01	\$2,319.38
Blue Cross - Police	\$914.51	\$2,316.87
Healthmate - Teachers	\$592.36	\$1,459.62
Healthmate – School Non-Teachers	\$640.46	\$1,582.54
Healthmate – Police, City, Water	\$618.36	\$2,316.87
Healthmate - Fire	\$645.49	\$1,598.12
Plan 65	\$162.15	
Delta Dental	\$39.54	\$124.48

School retirees contribute towards their coverage in the amount of 15% 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	338.48%
7/1/2013	0	309,654	309,654	0.00%	91,107	339.88%
7/1/2015	0	345,227	345,227	0.00%	90,925	379.68%

Amounts in Thousands

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	19,664,769	3,274,700	3,046,907	19,892,562	9,976,571	9,915,990	91,783,487
2016	20,604,671	3,671,339	3,415,956	20,860,054	11,109,056	9,750,998	101,534,485

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	406,962	57,548	53,545	410,965	319,403	91,562	1,530,256
2016	426,413	61,210	56,952	430,671	355,660	75,011	1,605,267

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		Amortization		Estimated
<u>Ending In</u>	<u>Normal Cost</u>	<u>of UAL</u>	<u>ARC*</u>	<u>Premium Cost</u>
2015	6,908,927	12,755,842	19,664,769	9,976,571
2016	7,219,829	13,384,842	20,604,671	11,109,056
2017	7,544,721	13,747,324	21,292,045	12,193,875
2018	7,884,233	14,092,179	21,976,412	13,376,138
2019	8,239,023	14,431,836	22,670,859	14,232,189
2020	8,609,779	14,762,270	23,372,049	15,203,872
2021	8,997,219	15,084,221	24,081,440	16,163,685
2022	9,402,094	15,402,231	24,804,325	17,014,269
2023	9,825,188	15,709,528	25,534,716	18,055,537
2024	10,267,321	16,004,542	26,271,863	19,145,983
2025	10,729,350	16,296,506	27,025,856	20,003,594
2026	11,212,171	16,581,215	27,793,386	20,988,696
2027	11,716,719	16,859,587	28,576,306	21,964,522
2028	12,243,971	17,145,643	29,389,614	22,592,006
2029	12,794,950	17,425,846	30,220,796	23,603,976
2030	13,370,723	17,699,191	31,069,914	24,661,275
2031	13,972,406	17,964,601	31,937,007	25,765,933
2032	14,601,164	18,220,916	32,822,080	26,920,073
2033	15,258,216	18,466,896	33,725,112	28,125,911
2034	15,944,836	18,701,210	34,646,046	29,385,762
2035	16,662,354	18,922,434	35,584,788	30,702,045
2036	17,412,160	19,129,044	36,541,204	32,077,290
2037	18,195,707	19,319,409	37,515,116	33,514,136
2038	19,014,514	19,491,790	38,506,304	35,015,343
2039	19,870,167	19,644,327	39,514,494	36,583,794
2040	20,764,325	19,775,034	40,539,359	38,222,501
2041	21,698,720	19,881,796	41,580,516	39,934,611
2042	22,675,162	19,962,354	42,637,516	41,723,412
2043	23,695,544	20,014,304	43,709,848	43,592,339
2044	24,761,843	20,035,084	44,796,927	45,544,982
2045	25,876,126	20,021,967	45,898,093	47,585,089

SECTION VI - SCHEDULE OF EMPLOYER CONTRIBUTIONS

Full Prefunding – 7.5%

Fiscal Year <u>Ending In</u>	<u>Normal Cost</u>	Amortization <u>of UAL</u>	<u>ARC*</u>	Estimated <u>Premium Cost</u>
2015	3,544,978	11,973,605	15,518,583	9,976,571
2016	3,704,502	12,362,747	16,067,249	11,109,056
2017	3,871,205	12,733,629	16,604,834	12,193,875
2018	4,045,409	13,115,638	17,161,047	13,376,138
2019	4,227,452	13,509,107	17,736,559	14,232,189
2020	4,417,687	13,914,380	18,332,067	15,203,872
2021	4,616,483	14,331,811	18,948,294	16,163,685
2022	4,824,225	14,761,765	19,585,990	17,014,269
2023	5,041,315	15,204,618	20,245,933	18,055,537
2024	5,268,174	15,660,757	20,928,931	19,145,983
2025	5,505,242	16,130,580	21,635,822	20,003,594
2026	5,752,978	16,614,497	22,367,475	20,988,696
2027	6,011,862	17,112,932	23,124,794	21,964,522
2028	6,282,396	17,626,320	23,908,716	22,592,006
2029	6,565,104	18,155,110	24,720,214	23,603,976
2030	6,860,534	18,699,763	25,560,297	24,661,275
2031	7,169,258	19,260,756	26,430,014	25,765,933
2032	7,491,875	19,838,579	27,330,454	26,920,073
2033	7,829,009	20,433,736	28,262,745	28,125,911
2034	8,181,314	21,046,748	29,228,062	29,385,762
2035	8,549,473	21,678,150	30,227,623	30,702,045
2036	8,934,199	22,328,495	31,262,694	32,077,290
2037	9,336,238	22,998,350	32,334,588	33,514,136
2038	9,756,369	23,688,301	33,444,670	35,015,343
2039	10,195,406	24,398,950	34,594,356	36,583,794
2040	10,654,199	25,130,919	35,785,118	38,222,501
2041	11,133,638	25,884,847	37,018,485	39,934,611
2042	11,634,652	26,661,392	38,296,044	41,723,412
2043	12,158,211	27,461,234	39,619,445	43,592,339
2044	12,705,330	28,285,071	40,990,401	45,544,982
2045	13,277,070	-	13,277,070	47,585,089

SECTION VII – DEPARTMENT RESULTS

	City	Fire	Police	School	Water	Total
Accrued Liability @ 7.5%						
Active	5,257,678	15,115,372	16,046,748	19,647,287	1,088,546	57,155,631
Retired	45,700,944	44,065,228	60,362,743	1,143,484	4,132,793	155,405,192
Total	50,958,622	59,180,600	76,409,491	20,790,771	5,221,339	212,560,823

Annual Required Contribution FYE 2015

Normal Cost	288,428	859,284	987,139	1,351,039	59,090	3,544,978
Amortization of UAL	2,870,512	3,333,658	4,304,166	1,171,149	294,119	11,973,604
Total	3,158,940	4,192,942	5,291,305	2,522,188	353,209	15,518,582
Claims Cost	3,970,141	2,363,451	2,888,266	435,310	319,403	9,976,571

Annual Required Contribution FYE 2016

Normal Cost with interest	301,407	897,952	1,031,560	1,411,835	61,749	3,704,501
Amortization of UAL with interest	2,963,804	3,442,002	4,444,051	1,209,211	303,678	12,362,746
Total	3,265,211	4,339,954	5,475,611	2,621,046	365,427	16,067,247

Accrued Liability @ 4%

Active	9,046,642	27,035,049	31,887,982	30,826,037	1,846,660	100,642,370
Retired	65,765,736	69,295,429	101,987,966	1,632,952	5,902,593	244,584,676
Total	74,812,378	96,330,478	133,875,948	32,458,989	7,749,253	345,227,046

Annual Required Contribution FYE 2015

Normal Cost	539,797	1,823,256	2,122,430	2,315,932	107,512	6,908,929
Amortization of UAL	2,764,254	3,559,329	4,946,602	1,199,332	286,328	12,755,842
Total	3,304,051	5,382,585	7,069,032	3,515,264	393,840	19,664,771
Claims Cost	3,970,141	2,363,451	2,888,266	435,310	319,403	9,976,571

Annual Required Contribution FYE 2016

Normal Cost with interest	564,088	1,905,303	2,217,939	2,420,148	112,350	7,219,830
Amortization of UAL with interest	2,844,234	3,662,313	5,089,725	1,234,033	294,612	13,124,914
Total	3,408,322	5,567,616	7,307,664	3,654,181	406,962	20,344,744

SCHEDULE A – ACTIVE DISTRIBUTION

Age/Service Distribution as of July 1, 2015

Attained Age	<5	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total
< 20	0	0	0	0	0	0	0	0	0
20-24	34	0	0	0	0	0	0	0	34
25-29	75	31	0	0	0	0	0	0	106
30-34	39	69	27	2	0	0	0	0	137
35-39	31	36	82	23	0	0	0	0	172
40-44	24	29	59	92	12	1	0	0	217
45-49	36	26	50	63	50	20	0	0	245
50-54	18	28	41	54	34	43	11	0	229
55-59	11	17	37	37	39	37	12	2	192
60-64	6	6	25	38	22	17	7	5	126
65-69	4	6	5	6	4	8	0	3	36
70+	1	0	2	2	1	1	0	0	7
Total Employees	279	248	328	317	162	127	30	10	1,501

SCHEDULE B – RETIREE DISTRIBUTION

Retiree Distribution as of July 1, 2015

Number of Employees			
Attained Age	Female	Male	Total
< 20	2	3	5
20-24	0	0	0
25-29	0	1	1
30-34	0	1	1
35-39	1	2	3
40-44	0	5	5
45-49	1	25	26
50-54	6	34	40
55-59	30	58	88
60-64	133	115	248
65-69	42	84	126
70-74	17	60	77
75-79	5	42	47
80-84	4	21	25
85-89	0	10	10
90-94	2	4	6
95+	1	2	3
Total	244	467	711

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:

<u>Year</u>	<u>Inflation Rate</u>
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. 65% 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 60% 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 2015 are based on current costs and age-weighted adjustments. Sample costs are shown in the following table.

<u>Age</u>	<u>School</u>	<u>Public Safety</u>	<u>All Others</u>
50	7,952	8,779	8,221
55	7,308	10,277	9,623
60	11,002	12,147	11,375
64	12,723	14,047	13,153
65	13,194	1,570	1,570
70	15,445	1,837	1,837
75	17,388	2,069	2,069
80	19,011	2,262	2,262
85	20,279	2,413	2,413

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 an analysis of experience and anticipated changes in behavior, the assumed annual retirement rates are illustrated as follows for Police:

<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
20	0.20	30	0.25
21	0.20	31	0.20
22	0.20	32	0.20
23	0.05	33	0.35
24	0.05	34	0.35
25	0.05	35	0.50
26	0.05	36	0.50
27	0.05	37	0.50
28	0.05	38	0.50
29	0.05	39+	1.00

Based on an analysis of experience and anticipated changes in behavior, the assumed annual retirement rates are illustrated as follows for Firefighters:

<u>Service</u>	<u>Rate</u>	<u>Service</u>	<u>Rate</u>
20	0.10	28	0.10
21	0.15	29	0.10
22	0.15	30	0.25
23	0.15	31	0.20
24	0.10	32	0.20
25	0.10	33	0.35
26	0.10	34	0.35
27	0.10	35+	0.60

Service Retirement – Teachers

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

<u>Age</u>	<u>< 28</u>	<u>28</u>	<u>29</u>	<u>30</u>	<u>31 - 34</u>	<u>35</u>	<u>36 - 39</u>	<u>40</u>
60	0.20	0.25	.015	0.30	0.30	0.55	0.40	1.00
61	0.15	0.25	.015	0.30	0.30	0.55	0.40	1.00
62	0.30	0.25	.015	0.30	0.30	0.55	0.40	1.00
63	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
64	0.10	0.25	.015	0.30	0.30	0.55	0.40	1.00
65	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
66	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
67	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
68	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
69	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
70	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
71	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
72	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
73	0.25	0.25	.015	0.30	0.30	0.55	0.40	1.00
74	0.25	0.25	.015	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:

<u>Service</u>	<u>Rate</u>
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

According to the following table:

<u>Service</u>	<u>General Employees</u>		<u>Teachers</u>		<u>Fire and Police</u>
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Rates</u>
0	0.1750	0.1800	0.1700	0.0890	0.0600
5	0.0552	0.0584	0.0289	0.0455	0.0212
10	0.0260	0.0255	0.0120	0.0233	0.0115
15	0.0201	0.0159	0.0120	0.0119	0.0054
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:

<u>Age</u>	<u>General Employees</u>		<u>Teachers</u>		<u>Fire and Police</u>
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	
20	0.00000	0.00000	0.0027	0.0027	0.0005
30	0.00105	0.00042	0.0032	0.0032	0.0020
40	0.00209	0.00094	0.0064	0.0064	0.0020
50	0.00580	0.00232	0.0177	0.0177	0.0063

SCHEDULE D - SUMMARY OF PROGRAM PROVISIONS

Retirement Medical Insurance: Retirees may choose Healthmate or Blue Cross Classic. School retirees pay a 15% 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 15% 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 an 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 the Cadillac taxes 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.