

**City of Warwick Rhode Island**  
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

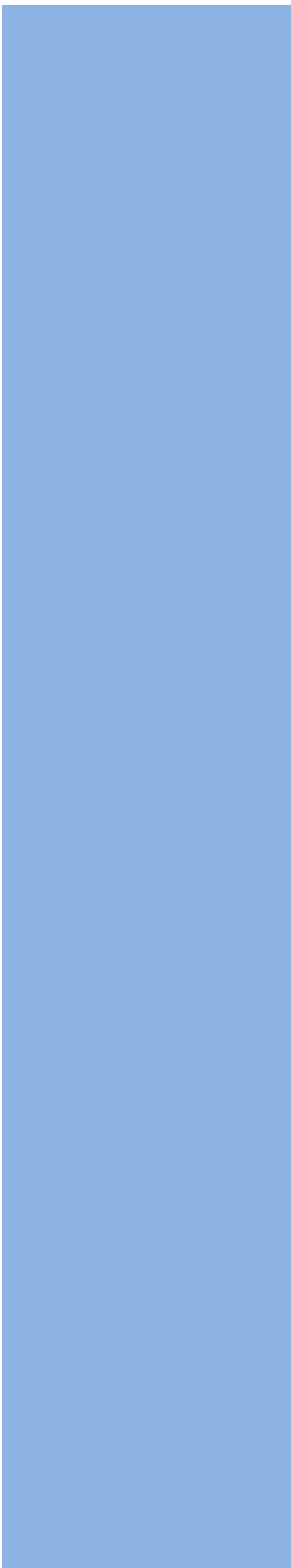
---

Prepared by: Jefferson Solutions, Inc.



[www.gasb45.com](http://www.gasb45.com)

# Table of Contents



Executive Summary ..... 1

Actuarial Certification ..... 2

Benefit Information ..... 3

Plan Cost Information ..... 4

Financial Results ..... 5

Census Information..... 9

Projected Benefit Payments (Ten Year Projection) ..... 11

Assumptions and Methodology ..... 12

Calculation of Per Capita Costs..... 15

Glossary of Terminology ..... 18

Comments for Auditor and the Preparer of the Financial Statements..... 21

Financial Statement Footnotes ..... 22

Results by Employee Group (City of Warwick Rhode Island)..... 26

Results Assuming Provisions of an Irrevocable Trust ..... 27

Combined Projected Benefit Payments (Ten Year Projection - Funded)..... 30

## EXECUTIVE SUMMARY

### INTRODUCTION

The City of Warwick Rhode Island are required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the City 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 City of Warwick Rhode Island 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 Ended June 30,	
	2014	2015
Present Value of Future Benefits	\$356,712,299	\$369,804,081
Unfunded Actuarial Accrued Liability	\$263,936,479	\$281,166,875
Annual Required Contribution (ARC)	\$24,385,273	\$25,647,209
Annual OPEB Cost	\$23,081,875	\$24,080,274
Expected Benefit Payments	\$7,307,821	\$7,224,889
Increase in Net OPEB Obligation	\$15,774,054	\$16,855,385
Net OPEB Obligation	\$93,788,723	\$110,644,108

### THE UAAL AND PARTICIPANT COUNT:

	For the Year Ending June 30,		Participant Count
	2014	2015	
Active	\$138,425,510	\$155,122,908	743
Retired	\$125,510,969	\$126,043,967	792
Total	\$263,936,479	\$281,166,875	1,535

### Key Assumptions:

Census Collection Date .....	July 1, 2013
Discount Rate .....	4.00%
Year 1 Inflation Rates:	
Pre 65 .....	from (2.24%) to 12.35%
Post 65 .....	4.09%
Year 2 Inflation Rate .....	6.00%
Ultimate Inflation Rate.....	6.00%
Year Ultimate Inflation Rate is Reached.....	2039
Actuarial Cost Method .....	Projected Unit Credit

### 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

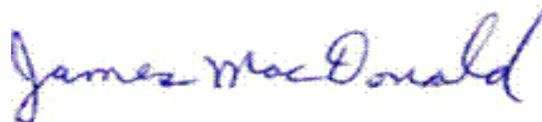
The financial results for GASB 45 are summarized in this report. The valuation has been prepared as of July 1, 2013 and July 1, 2014. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

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 9, 2015

Date

## BENEFIT INFORMATION

### 1. PLAN TYPES:

The city provides medical benefits to its eligible retirees. The plans offered are Classic Blue, Healthmate Coast to Coast, and BlueCHip Plus

### 2. BENEFITS PROVIDED:

The City of Warwick administers single-employer defined benefit healthcare plan. The plan provides medical/drug and dental (police officers only) benefits for eligible retirees and their dependents through the City's group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by union contract, through negotiations between the City and the respective unions. The plan does not issue a publicly available financial report.

### 3. ELIGIBILITY:

- **Uniformed Employees.** This classification includes the uniformed members of the police and fire departments. Employees in this classification hired before 7/1/2012 are required to work for the city for 20 years to be eligible for benefits. Employees hired after 7/1/2012 are required to work for 25 years to be eligible.
- **General Employees.** This classification includes all other full-time employee groups not mentioned above. Employees hired before 7/1/2012 are required to reach age 55 and serve the city for 10 years to be eligible for benefits. Employees hired after 7/1/2/12 are required to reach age 59 and work for the city for 10 years to be eligible.

### 4. BENEFIT COST SHARING:

There are no required contributions for individual or dependent coverage.  
See examples for the calculation of the per capita cost on page 15.

### 5. DURATION OF BENEFITS:

Benefits are payable for the life time of the employee. Benefits will change at age 65 as the retiree moves into Medicare supplemental plans.

### 6. SURVIVING SPOUSE BENEFIT:

Surviving Spouse Benefit - Survivors can continue coverage by making the same contribution for coverage as when the retiree was living

## PLAN COST INFORMATION

### 1. ANNUAL GROSS PREMIUMS FOR RETIREES 2013 - 2014:

Group / Plan	Pre 65		Post 65	
	Individual	Family	Individual	Family
<b>Fire Department:</b>				
M904 / 900-2	\$9,463.92	\$23,198.88	\$1,938.00	NA
904 / 900-3	\$7,856.88	\$19,218.96	\$5,314.20	NA
1C14	\$7,848.36	\$19,198.08		
M1C14	\$8,663.28	\$21,212.88		
<b>Police Department:</b>				
2H15 / 1995-3	\$8,663.28	\$21,212.88	\$5,172.00	NA
3A11 / 4L20-2	\$7,830.36	\$19,152.36	\$1,938.00	NA
3A11/300/600 RX cap	\$8,213.28	\$20,089.32		
7267	\$7,822.32	\$19,133.04		
M3A11	\$9,463.92	\$23,198.88		
M3A11/300/600 RX cap	\$9,933.24	\$24,350.04		
M7267	\$9,463.92	\$23,198.88		
<b>Municipal Employees:</b>				
101214 / 735-2	\$7,822.32	\$19,154.04	\$1,938.00	NA
8958 / 6515-3	\$7,822.32	\$19,133.04	\$5,314.20	NA
4B03 / MC0005	\$7,822.32	\$19,133.04	\$2,784.00	NA
M8958	\$9,463.92	\$23,198.88		
M4B03	\$8,663.28	\$21,212.88		

### 2. ANNUAL GROSS PREMIUMS FOR RETIREES 2014 - 2015:

Group / Plan	Pre 65		Post 65	
	Individual	Family	Individual	Family
<b>Fire Department:</b>				
M904 / 900-2	\$9,252.00	\$22,679.28	\$2,013.24	NA
904 / 900-3	\$7,680.84	\$18,788.52	\$4,998.36	NA
1C14	\$7,672.56	\$18,768.12		
M1C14	\$8,469.24	\$20,737.80		
<b>Police Department:</b>				
2H15 / 1995-3	\$8,469.24	\$20,737.80	\$4,871.52	NA
3A11 / 4L20-2	\$7,654.92	\$18,723.36	\$2,013.24	NA
3A11/300/600 RX cap	\$8,029.32	\$19,639.32		
7267	\$7,647.12	\$18,704.52		
M3A11	\$9,252.00	\$22,679.28		
M3A11/300/600 RX cap	\$9,710.76	\$23,804.64		
M7267	\$9,252.00	\$22,679.28		
<b>Municipal Employees:</b>				
101214 / 735-2	\$7,647.12	\$18,725.04	\$2,013.24	NA
8958 / 6515-3	\$7,647.12	\$18,704.52	\$4,998.36	NA
4B03 / MC0005	\$7,647.12	\$18,704.52	\$2,904.00	NA
M8958	\$9,252.00	\$22,679.28		
M4B03	\$8,469.24	\$20,737.80		

## FINANCIAL RESULTS

Detailed Financial Illustrations are found on the following pages:

Section.....	Page
Information for Financial Statement Disclosure.....	6
OPEB Liabilities, Annual OPEB Expense and Net OPEB Obligation.....	7
Year to Year Historical Comparison.....	8

## Information for Financial Statement Disclosure

	For the Year Ended June 30,	
	2014	2015
Annual OPEB Cost and Net OPEB Obligation:		
1. Normal Cost	\$ 9,235,311	\$ 9,514,631
2. Supplemental Cost <sup>1</sup>	14,676,416	15,634,527
3. Interest	473,546	498,051
4. Annual Required Contribution (ARC)	\$ 24,385,273	\$ 25,647,209
5. Interest on Net OPEB Obligation	\$ 3,120,586	\$ 3,751,549
6. Adjustment to ARC	4,423,984	5,318,484
7. Annual OPEB Cost (Expense)	\$ 23,081,875	\$ 24,080,274
8. Expected Benefit Payments <sup>2</sup>	\$ 7,307,821	\$ 7,224,889
9. Increase in net OPEB Obligation	15,774,054	16,855,385
10. Net OPEB Obligation - Beginning of Year	78,014,669	93,788,723
11. Net OPEB Obligation - End of Year	\$ 93,788,723	\$ 110,644,108

<sup>1</sup> 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.

<sup>2</sup> Payments for the City have been adjusted to reflect actual net OPEB paid per the city.



## OPEB Liabilities, Annual OPEB Expense and Net OPEB Obligation

	For the Year Ended June 30,	
	2014	2015
<b>Present Value of Future Benefits:</b>		
Retirees	\$ 125,510,969	\$ 126,043,967
Active Employees	231,201,330	243,760,114
Total	\$ <u>356,712,299</u>	\$ <u>369,804,081</u>
<b>Unfunded Actuarial Accrued Liability (UAAL):</b>		
Retirees	\$ 125,510,969	126,043,967
Fully Eligible Employees	41,221,389	48,828,730
Other Active Employees	97,204,121	106,294,178
Total	\$ <u>263,936,479</u>	<u>281,166,875</u>
<b>Change in Net OPEB Obligation:</b>		
Annual OPEB Cost (Expense)	\$ 23,081,875	24,080,274
Expected Benefit Payments	<u>7,307,821</u>	<u>7,224,889</u>
Increase in net OPEB Obligation	15,774,054	16,855,385
Net OPEB Obligation - Beginning of Year	<u>78,014,669</u>	<u>93,788,723</u>
Net OPEB Obligation - End of Year	\$ <u>93,788,723</u>	<u>110,644,108</u>

## Year to Year Historical Comparison

### SCHEDULE OF EMPLOYER CONTRIBUTIONS:

Fiscal Year Ending June 30,	Annual OPEB Cost	Expected Contribution	Percentage Contributed
2010	\$20,225,642	\$7,487,501	37.02%
2011	\$20,718,067	\$7,667,430	37.01%
2012	\$20,673,126	\$6,750,000	32.65%
2013	\$21,871,662	\$7,191,700	32.88%
2014	\$23,081,875	\$7,307,821	31.66%
2015	\$27,912,880	\$8,933,965	32.01%

### INCREASE IN NET OPEB:

Fiscal Year Ending June 30,	Beginning Net OPEB Obligation	Annual OPEB Cost	Expected Contribution	Ending Net OPEB Obligation
2010	\$23,622,803	\$20,225,642	\$7,487,501	\$36,360,944
2011	\$36,360,944	\$20,718,067	\$7,667,430	\$49,411,581
2012	\$49,411,581	\$20,673,126	\$6,750,000	\$63,334,707
2013	\$63,334,707	\$21,871,662	\$7,191,700	\$78,014,669
2014	\$78,014,669	\$23,081,875	\$7,307,821	\$93,788,723
2015	\$93,788,723	\$27,912,880	\$8,933,965	\$112,767,638

### 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	\$229,348,997	NA	NA
07/01/2010	\$0	\$240,497,738	NA	NA
07/01/2011	\$0	\$223,593,412	NA	NA
07/01/2012	\$0	\$246,036,471	NA	NA
07/01/2013	\$0	\$263,936,479	NA	NA
07/01/2014	\$0	\$281,166,875	NA	NA

## CENSUS INFORMATION

### CITY OF WARWICK RHODE ISLAND:

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 City. Our understanding is that this file represents the population of the City's active and retired employees as of July 1, 2013, the census collection date.

**CENSUS RECONCILIATION COMMENT:** The combined census file contained 1,561 records. The GASB 45 valuation excluded 26 records because the employee may have been hired after the census collection date (July 1, 2013) or the records represented individuals that are not entitled to benefits.

### PARTICIPANTS BY GENDER:

	Active	Inactive	Total
Male	595	461	1,056
Female	148	331	479
Total	743	792	1,535

### ACTIVE - COUNTS BY AGE AND ELIGIBILITY STATUS:

Age	Not Currently Eligible to Retire	Currently Eligible to Retire <sup>3</sup>	TOTAL
29 and Under	89		89
30 - 34	64		64
35 - 39	85		85
40 - 44	131	3	134
45 - 49	156	40	196
50 - 54	112	30	142
55 - 59	10	51	61
60 - 64	9	27	36
65 and Over	2	7	9
Total	658	158	816

### RETIREE AND COVERED SPOUSES - COUNTS BY AGE:

Age	Retirees	Spouses	TOTAL
54 and Under	124	153	277
55 - 59	127	97	224
60 - 64	171	91	262
65 - 69	125	49	174
70 - 74	71	21	92
75 - 79	66	29	95
80 and Over	108	47	155
Total	792	487	1,279

Average Age Active Employees: 44.2

Average Age Retired Employees: 66.0

Average Service Active: 13.8

<sup>3</sup> These active employees have met the minimum age and service requirements needed to vest in an OPEB benefit upon retirement.

## Census Information (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
	<u>Under 5</u>	<u>5 to 9</u>	<u>10 to 14</u>	<u>15 to 19</u>	<u>20 to 24</u>	<u>25 to 29</u>	<u>30 to 34</u>	<u>35 Plus</u>	
<20									
20 to 24	18	3							21
25 to 29	43	23	2						68
30 to 34	22	27	13	2					64
35 to 39	1	36	38	10					85
40 to 44	3	21	54	44	9				131
45 to 49	3	25	21	35	45	25	2		156
50 to 54	2	11	21	16	33	27	1	1	112
55 to 59	2	7	13	11	8	13	5	2	61
60 to 64	3	6	10	5	7	5			36
65 Plus	2	1	4		1			1	9
TOTAL	99	160	176	123	103	70	8	4	743

## 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	\$0	\$7,307,821	\$7,307,821	\$7,307,821
06/30/2015	\$812,800	\$7,152,298	\$7,965,098	\$15,272,919
06/30/2016	\$1,014,510	\$7,225,167	\$8,239,677	\$23,512,596
06/30/2017	\$1,300,716	\$7,132,775	\$8,433,491	\$31,946,087
06/30/2018	\$1,711,104	\$7,196,408	\$8,907,512	\$40,853,599
06/30/2019	\$2,010,979	\$7,285,291	\$9,296,270	\$50,149,869
06/30/2020	\$2,687,716	\$7,226,547	\$9,914,263	\$60,064,132
06/30/2021	\$3,477,198	\$7,111,766	\$10,588,964	\$70,653,096
06/30/2022	\$4,084,075	\$7,039,087	\$11,123,162	\$81,776,258
06/30/2023	\$4,779,401	\$7,025,943	\$11,805,344	\$93,581,602

## ASSUMPTIONS AND METHODOLOGY

- CENSUS COLLECTION DATE:** The census used in this report represents the eligible population as of 7/1/2013.
- MORTALITY:** RP-2000 Projected 10 Years using Projection Scale AA
- 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.
- 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 City and the adjustment for disability retirements.

Age	City	
	General	Uniformed
<55	61	55
55 - 60	61	Age + 1
61+	Age + 1	Age + 1

- 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	City	
	General	Uniformed
20	0.13130	0.01500
25	0.10120	0.01500
30	0.08330	0.01460
35	0.06780	0.01220
40	0.05960	0.00280
45	0.05130	0.00030
50	0.03230	0.00030

- PARTICIPATION RATE:**

It was assumed that 100% of future retirees eligible for coverage will elect the benefit. Employees that are married at retirement are assumed to elect dependent coverage.

- PERCENT MARRIED:** It was assumed that 75% 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:

Pre 65 Retiree and Dependent: The city offers several plans to its retirees. The following election assumptions have been made with respect to the election of pre 65 benefits:

Group	Plan	Percent Electing Plan	Pre 65 Medical Premium	
			Employee Only	Employee and Dependent
Fire	M904	40%	\$9,463.92	\$23,198.88
Fire	1C14	60%	\$7,848.36	\$19,198.08
		Weighted Per Capita	\$8,494.59	\$20,798.40
Police	7267	40%	\$7,822.32	\$19,133.04
Police	M3A11	60%	\$9,463.92	\$23,198.88
		Weighted Per Capita	\$8,807.28	\$21,572.54
Municipal	735-2	40%	\$7,822.32	\$19,154.04
Municipal	M3A11	60%	\$9,463.92	\$23,198.88
		Weighted Per Capita	\$8,807.28	\$21,580.94

Post 65 Retiree and Dependent (All Employee Groups): The elections for post 65 benefits assumes that 60% of retirees will elect the Blue Cross plan and 40% will select the Blue Chip plan.

Plan	Percent Electing Plan	Post 65 Weighted Premium	
		Employee Only	Employee and Dependent
Blue Cross Plan 65:			
4L20-2 / 900-2 / 735-2	60%	\$1,849.32	\$3,698.64
Blue Chip for Medicare (MC0005)	40%	\$2,700.00	\$5,400.00
	Weighted Per Capita	\$2,189.59	\$4,379.18

Currently Retired Employees: Are valued based on the plan that they are currently enroll in.

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.

## Assumptions and Methodology (Continued)

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

Period	Pre 65	Post 65
2013 - 2014	(2.24%)	4.09%
2014 - 2016	6.00%	6.00%
2018 - 2038	7.00%	7.00%
2038 +	6.00%	6.00%

The above trend rates were developed using the baseline projection of the SOA Long-Run Medical Cost Trend Model. The short-term (first 4 years) trend rates were based on the fact that the City's recent rate increase was negligible. The long-term (after 4 years) trend rates were based on the following assumptions:

Rate of Inflation .....	3.2%
Rate of Growth in Real Income / GDP per capita .....	1.9%
Income Multiplier for Health Spending .....	1.4
Extra Trend due to Technology and other factors .....	1.2%
Health Share of GDP Resistance Point .....	25.0%
Year for Limiting Cost Growth to GDP Growth .....	2075

The Society of Actuaries' (SOA's) Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical US medical expenditures and the judgments of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of an SOA Project Oversight Group. The above schedule represents a reasonable medical trend projection for the current plan provisions and demographics of the City's Retiree Welfare Benefits Plan, and no changes to these baseline assumptions are necessary.

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 city 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.



## CALCULATION OF PER CAPITA COSTS

Calculating the Annual Per Capita Cost - Fire retiring in the future

### Year 01

2013 - 2014

	Employee Only		Dependent / Spouse	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit(s):				
2. Medical	\$8,494.59	\$2,189.59	\$20,798.40	\$2,189.59
3. Dental	-	-	-	-
4. Less Individual OPEB	-	-	\$8,494.59	-
Gross OPEB ( 2 + 3 - 4 )	\$8,494.59	\$2,189.59	\$12,303.81	\$2,189.59
5. Contribution:				
6. Medical Premium	\$8,494.59	\$2,189.59	\$20,798.40	\$2,189.59
7. Percentage Contributed by Retiree	0%	0%	0%	0%
8. Contribution from Retiree ( 6 * 7 )	-	-	-	-
Net Cost to City ( 4 - 8 )	\$8,494.59	\$2,189.59	\$12,303.81	\$2,189.59

### Year 02

2015 - 2016

	Employee Only		Dependent / Spouse	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit(s):				
2. Medical	\$8,304.34	\$2,276.40	\$20,332.58	\$2,276.40
3. Dental	-	-	-	-
4. Less Individual OPEB	-	-	\$8,304.34	-
Gross OPEB ( 2 + 3 - 4 )	\$8,304.34	\$2,276.40	\$12,028.24	\$2,276.40
5. Contribution:				
6. Medical Premium	\$8,304.34	\$2,276.40	\$20,332.58	\$2,276.40
7. Percentage Contributed by Retiree	0%	0%	0%	0%
8. Contribution from Retiree ( 6 * 7 )	-	-	-	-
Net Cost to City ( 4 - 8 )	\$8,304.34	\$2,276.40	\$12,028.24	\$2,276.40

## Calculation of Per Capita Costs (Continued)

Calculating the Annual Per Capita Cost - Police retiring in the future

### Year 01

2013 - 2014

	Employee Only		Dependent / Spouse	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit(s):				
2. Medical (1/2 of Two Person Rate)	\$8,807.28	\$2,189.59	\$21,572.54	\$2,189.59
3. Dental	\$405.72	\$405.72	\$1,294.43	\$1,294.43
4. Less Individual OPEB	-	-	\$9,213.00	\$405.72
Gross OPEB ( 2 + 3 - 4 )	\$9,213.00	\$2,595.31	\$13,653.97	\$3,078.30
5. Contribution:				
6. Medical (1/2 of Two Person Rate) Premium	\$8,807.28	\$2,189.59	\$21,572.54	\$2,189.59
7. Percentage Contributed by Retiree	0%	0%	0%	0%
8. Contribution from Retiree ( 6 * 7 )	-	-	-	-
Net Cost to City ( 4 - 8 )	\$9,213.00	\$2,595.31	\$13,653.97	\$3,078.30

### Year 02

2015 - 2016

	Employee Only		Dependent / Spouse	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit(s):				
2. Medical (1/2 of Two Person Rate)	\$8,610.05	\$2,276.40	\$21,089.38	\$2,276.40
3. Dental	\$405.72	\$405.72	\$1,244.64	\$1,244.64
4. Less Individual OPEB	-	-	\$9,015.77	\$405.72
Gross OPEB ( 2 + 3 - 4 )	\$9,015.77	\$2,682.12	\$13,318.25	\$3,115.32
5. Contribution:				
6. Medical (1/2 of Two Person Rate) Premium	\$8,610.05	\$2,276.40	\$21,089.38	\$2,276.40
7. Percentage Contributed by Retiree	0%	0%	0%	0%
8. Contribution from Retiree ( 6 * 7 )	-	-	-	-
Net Cost to City ( 4 - 8 )	\$9,015.77	\$2,682.12	\$13,318.25	\$3,115.32

## Calculation of Per Capita Costs (Continued)

Calculating the Annual Per Capita Cost - Municipal retiring in the future

### Year 01

2013 - 2014

	Employee Only		Dependent / Spouse	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit(s):				
2. Medical (1/2 of Two Person Rate)	\$8,807.28	\$2,189.59	\$21,580.94	\$2,189.59
3. Dental	-	-	-	-
4. Less Individual OPEB	-	-	\$8,807.28	-
Gross OPEB ( 2 + 3 - 4 )	\$8,807.28	\$2,189.59	\$12,773.66	\$2,189.59
5. Contribution:				
6. Medical (1/2 of Two Person Rate) Premium	\$8,807.28	\$2,189.59	\$21,580.94	\$2,189.59
7. Percentage Contributed by Retiree	0%	0%	0%	0%
8. Contribution from Retiree ( 6 * 7 )	-	-	-	-
Net Cost to City ( 4 - 8 )	\$8,807.28	\$2,189.59	\$12,773.66	\$2,189.59

### Year 02

2015 - 2016

	Employee Only		Dependent / Spouse	
	Pre 65	Post 65	Pre 65	Post 65
1. OPEB Benefit(s):				
2. Medical (1/2 of Two Person Rate)	\$8,610.05	\$2,276.40	\$21,097.58	\$2,276.40
3. Dental	-	-	-	-
4. Less Individual OPEB	-	-	\$8,610.05	-
Gross OPEB ( 2 + 3 - 4 )	\$8,610.05	\$2,276.40	\$12,487.53	\$2,276.40
5. Contribution:				
6. Medical (1/2 of Two Person Rate) Premium	\$8,610.05	\$2,276.40	\$21,097.58	\$2,276.40
7. Percentage Contributed by Retiree	0%	0%	0%	0%
8. Contribution from Retiree ( 6 * 7 )	-	-	-	-
Net Cost to City ( 4 - 8 )	\$8,610.05	\$2,276.40	\$12,487.53	\$2,276.40

## 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	\$9,235,311	(See Below)
Supplemental Cost	\$14,676,416	(See Below)
Interest Cost	<u>\$473,546</u>	(Calculated mid-year at 4.00%)
Preliminary ARC	\$24,385,273	
Interest Cost	\$3,120,586	(on beginning Net OPEB Obligation)
ARC Adjustment	<u>\$4,423,984</u>	(prior year amortization)
Annual OPEB Cost	<u><u>\$23,081,875</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 \$78,014,669 was reported in the City'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 INCLUDE<sup>4</sup>:**

- Benefit plan description. Refer to page 3 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 6 of this report.
- Increase or decrease in the Net OPEB Obligation. This can be found on page 6 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 8 of the report.
  - Plan's funded ratio - Page 8 shows this as Not applicable due to that fact that the City does not fund the liability.
- Annual covered payroll - This amount if provided by the City appears on page 8 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 City 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 14 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.

<sup>4</sup> 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 City for the preparation of this report has not been audited. We have placed reliance on the City 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 City as part of the completion of this valuation.
- Annual premiums used to develop per capita costs.
- Covered payroll figures used on page 8.
- 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 City.

**Auditor's questions regarding this valuation should be directed to:**

- Kenneth Alfano; or to
- Raymond Cerrone of Jefferson Solutions, Inc. Ray can be reached at 518-461-7805 or by email at [Ray.Cerrone@JEFSI.Com](mailto:Ray.Cerrone@JEFSI.Com).
- Auditor requests for confirmation of any information used in preparing this valuation must be made in writing by the City. These requests should be sent to [Ray.Cerrone@JEFSI.Com](mailto:Ray.Cerrone@JEFSI.Com).

## FINANCIAL STATEMENT FOOTNOTES

### Financial Statement Footnotes (CITY)

#### OTHER POST EMPLOYMENT BENEFIT OBLIGATIONS (OPEB)

##### OTHER POST-EMPLOYMENT BENEFITS - CITY

##### PLAN DESCRIPTION:

The City of Warwick administers a single-employer defined benefit healthcare plan. This plan does not include the pension benefits discussed in Note 12. The plan provides medical/drug and dental (police officers only) benefits for eligible retirees and their dependents through the City group health and dental insurance plans, which cover both active and retired members. Benefit provisions are established and amended by union contract, through negotiations between the City and respective unions. The plan does not issue a publicly available financial report.

##### FUNDING POLICY

Contribution requirements are negotiated between the City and the respective unions. The City 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 City contributed \$7,307,821 (estimated) to the plan.

At July 1, 2013, membership consisted of:	City, Police, Fire
Active Employees	743
Retired	792
Total	1,535

##### 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	\$23,622,803	\$20,225,642	\$7,487,501	\$36,360,944
2011	\$36,360,944	\$20,718,067	\$7,667,430	\$49,411,581
2012	\$49,411,581	\$20,673,126	\$6,750,000	\$63,334,707
2013	\$63,334,707	\$21,871,662	\$7,191,700	\$78,014,669
2014	\$78,014,669	\$23,081,875	\$7,307,821	\$93,788,723
2015	\$93,788,723	\$27,912,880	\$8,933,965	\$112,767,638

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrual Liability (AAL)	Covered Payroll	UAL as a Percent of Covered Payroll
07/01/2009	\$0	\$229,348,997	NA	NA
07/01/2010	\$0	\$240,497,738	NA	NA
07/01/2011	\$0	\$223,593,412	NA	NA
07/01/2012	\$0	\$246,036,471	NA	NA
07/01/2013	\$0	\$263,936,479	NA	NA
07/01/2014	\$0	\$281,166,875	NA	NA



## Financial Statement Footnotes (CITY) (Continued)

### ACTUARIAL METHODS AND ASSUMPTIONS

The information presented was determined as part of the actuarial valuation. Additional information as of the last valuation follows:

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)	\$	24,385,273
Interest on Net OPEB Obligation		3,120,586
Adjustment to ARC		(4,423,984)
Annual OPEB Cost (Expense)	\$	<u>23,081,875</u>
Expected Benefit Payments		<u>(7,307,821)</u>
Increase in net OPEB Obligation		15,774,054
Net OPEB Obligation - Beginning of Year		<u>78,014,669</u>
Net OPEB Obligation - End of Year	\$	<u><u>93,788,723</u></u>

## Financial Statement Footnotes (School)

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

Teaching Employees are eligible for GASB Statement 45 benefits after serving the district for 20 years to 30 years depending on their date of hire. 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 City and respective unions. The City 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:	City
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 (School) (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)	\$	3,526,052
Expected Benefit Payments		(1,443,740)
Increase in net OPEB Obligation		2,082,312
Net OPEB Obligation - Beginning of Year		12,231,273
Net OPEB Obligation - End of Year	\$	14,313,585

**RESULTS BY EMPLOYEE GROUP (CITY OF WARWICK RHODE ISLAND)**

	For the Year Ended June 30, 2014		
	<u>General</u>	<u>Uniformed</u>	<u>Total</u>
<b>Present Value of Future Benefits:</b>			
Retirees	\$ 31,023,626	\$ 94,487,343	\$ 125,510,969
Active Employees	59,490,354	171,710,976	231,201,330
Total	<u>\$ 90,513,980</u>	<u>\$ 266,198,319</u>	<u>\$ 356,712,299</u>
<b>Unfunded Actuarial Accrued Liability (UAAL):</b>			
Retirees	\$ 31,023,626	\$ 94,487,343	\$ 125,510,969
Fully Eligible Employees	12,650,954	\$28,570,435	41,221,389
Other Active Employees	30,799,902	\$66,404,219	97,204,121
Total	<u>\$ 74,474,482</u>	<u>\$ 189,461,997</u>	<u>\$ 263,936,479</u>
<b>Change in Net OPEB Obligation:</b>			
Annual OPEB Cost (Expense)	\$ 6,064,226	\$ 17,017,649	\$ 23,081,875
Expected Benefit Payments	2,375,115	4,932,706	7,307,821
Increase in net OPEB Obligation	\$ 3,689,111	\$ 12,084,943	\$ 15,774,054
Net OPEB Obligation - Beginning of Year	21,697,958	56,316,711	78,014,669
Net OPEB Obligation - End of Year	<u>\$ 25,387,069</u>	<u>\$ 68,401,654</u>	<u>\$ 93,788,723</u>
<b>For the Year Ended June 30, 2015</b>			
	<u>General</u>	<u>Uniformed</u>	<u>Total</u>
<b>Present Value of Future Benefits:</b>			
Retirees	\$ 31,491,572	\$ 94,552,395	\$ 126,043,967
Active Employees	64,008,397	179,751,717	243,760,114
Total	<u>\$ 95,499,969</u>	<u>\$ 274,304,112</u>	<u>\$ 369,804,081</u>
<b>Unfunded Actuarial Accrued Liability (UAAL):</b>			
Retirees	\$ 31,491,572	\$ 94,552,395	\$ 126,043,967
Fully Eligible Employees	16,995,740	31,832,990	48,828,730
Other Active Employees	31,682,086	74,612,092	106,294,178
Total	<u>\$ 80,169,398</u>	<u>\$ 200,997,477</u>	<u>\$ 281,166,875</u>
<b>Change in Net OPEB Obligation:</b>			
Annual OPEB Cost (Expense)	\$ 6,328,221	\$ 17,752,053	\$ 24,080,274
Expected Benefit Payments	2,405,357	\$4,819,532	7,224,889
Increase in net OPEB Obligation	3,922,864	12,932,521	16,855,385
Net OPEB Obligation - Beginning of Year	25,387,069	68,401,654	93,788,723
Net OPEB Obligation - End of Year	<u>\$ 29,309,933</u>	<u>\$ 81,334,175</u>	<u>\$ 110,644,108</u>

## RESULTS ASSUMING PROVISIONS OF AN IRREVOCABLE TRUST

**Detailed Trust Illustrations are found on the following pages:**

Section .....	Page
Results Assuming Provisions of an Irrevocable Trust (Combined).....	28
Results Assuming Provisions of an Irrevocable Trust (City) .....	29
Combined Projected Benefit Payments (Ten Year Projection - Funded) .....	30

**SUMMARY OF KEY RESULTS:**

Assumes a Funding Discount Rate of 8.00%

	City	School	Total
Present Value of Future Benefits:	\$ 173,130,458	\$ 29,257,753	\$ 202,388,211
Unfunded Actuarial Accrued Liability (UAAL):	\$ 144,167,437	\$ 21,764,200	\$ 165,931,637
Annual OPEB Cost (Expense)	\$ 15,357,093	\$ 2,624,015	\$ 17,981,108
Expected Benefit Payments	\$ 7,307,821	\$ 1,443,740	\$ 8,751,561
Net OPEB Obligation - End of Year	\$ 86,063,941	\$ 13,411,548	\$ 99,475,489

## Results Assuming Provisions of an Irrevocable Trust (Combined):

Assumes a Funding Discount Rate of 8.00%

	For the Year Ended June 30, 2014		
	City	School	Total
<b>Present Value of Future Benefits:</b>			
Retirees	\$ 81,224,163	\$ 1,424,136	\$ 82,648,299
Active Employees	91,906,295	27,833,617	119,739,912
Total	<u>\$ 173,130,458</u>	<u>\$ 29,257,753</u>	<u>\$ 202,388,211</u>
<b>Unfunded Actuarial Accrued Liability (UAAL):</b>			
Retirees	\$ 81,224,163	\$ 1,424,136	\$ 82,648,299
Fully Eligible Employees	23,447,137	7,424,883	30,872,020
Other Active Employees	39,496,137	12,915,181	52,411,318
Total	<u>\$ 144,167,437</u>	<u>\$ 21,764,200</u>	<u>\$ 165,931,637</u>
<b>Annual OPEB Cost and Net OPEB Obligation:</b>			
1. Normal Cost	\$ 3,330,889	\$ 799,335	\$ 4,130,224
2. Supplemental Cost	11,857,429	1,790,054	13,647,483
3. Interest	595,845	101,583	697,428
4. Annual Required Contribution (ARC)	<u>\$ 15,784,163</u>	<u>\$ 2,690,972</u>	<u>\$ 18,475,135</u>
5. Interest on Net OPEB Obligation	\$ 6,241,174	\$ 978,502	\$ 7,219,676
6. Adjustment to ARC	6,668,244	1,045,459	7,713,703
7. Annual OPEB Cost (Expense)	<u>\$ 15,357,093</u>	<u>\$ 2,624,015</u>	<u>\$ 17,981,108</u>
8. Expected Benefit Payments	\$ 7,307,821	\$ 1,443,740	\$ 8,751,561
9. Increase in net OPEB Obligation	8,049,272	1,180,275	9,229,547
10. Net OPEB Obligation - Beginning of Year	78,014,669	12,231,273	90,245,942
11. Net OPEB Obligation - End of Year	<u>\$ 86,063,941</u>	<u>\$ 13,411,548</u>	<u>\$ 99,475,489</u>

## Results Assuming Provisions of an Irrevocable Trust (City):

Assumes a Funding Discount Rate of 8.00%

	For the Year Ended June 30, 2014		
	General	Uniformed	Total
<b>Present Value of Future Benefits:</b>			
Retirees	\$ 21,042,378	\$ 60,181,785	\$ 81,224,163
Active Employees	27,716,330	64,189,965	91,906,295
Total	<u>\$ 48,758,708</u>	<u>\$ 124,371,750</u>	<u>\$ 173,130,458</u>
<b>Unfunded Actuarial Accrued Liability (UAAL):</b>			
Retirees	\$ 21,042,378	\$ 60,181,785	\$ 81,224,163
Fully Eligible Employees	7,870,732	15,576,405	23,447,137
Other Active Employees	13,888,476	25,607,661	39,496,137
Total	<u>\$ 42,801,586</u>	<u>\$ 101,365,851</u>	<u>\$ 144,167,437</u>
<b>Annual OPEB Cost and Net OPEB Obligation:</b>			
1. Normal Cost	\$ 939,248	\$ 2,391,641	\$ 3,330,889
2. Supplemental Cost	3,520,329	8,337,100	11,857,429
3. Interest	174,951	420,894	595,845
4. Annual Required Contribution (ARC)	<u>\$ 4,634,528</u>	<u>\$ 11,149,635</u>	<u>\$ 15,784,163</u>
5. Interest on Net OPEB Obligation	\$ 1,735,837	\$ 4,505,337	\$ 6,241,174
6. Adjustment to ARC	1,854,616	4,813,628	6,668,244
7. Annual OPEB Cost (Expense)	<u>\$ 4,515,749</u>	<u>\$ 10,841,344</u>	<u>\$ 15,357,093</u>
8. Expected Benefit Payments	\$ 2,375,115	\$ 4,932,706	\$ 7,307,821
9. Increase in net OPEB Obligation	2,140,634	5,908,638	8,049,272
10. Net OPEB Obligation - Beginning of Year	21,697,958	56,316,711	78,014,669
11. Net OPEB Obligation - End of Year	<u>\$ 23,838,592</u>	<u>\$ 62,225,349</u>	<u>\$ 86,063,941</u>

## COMBINED PROJECTED BENEFIT PAYMENTS (TEN YEAR PROJECTION - FUNDED)

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.

This funding Schedule reflects the required payments to fund an irrevocable trust using the pay-as-you-go funding method.

Assumes a Funding Discount Rate of 8.00%

Year	CITY		SCHOOL	
	Annual	Cumulative	Annual	Cumulative
06/30/2014	\$7,307,821	\$7,307,821	\$1,443,740	\$1,443,740
06/30/2015	\$7,965,097	\$15,272,918	\$1,443,678	\$2,887,418
06/30/2016	\$8,239,677	\$23,512,595	\$1,578,583	\$4,466,001
06/30/2017	\$8,433,493	\$31,946,088	\$1,562,946	\$6,028,947
06/30/2018	\$8,907,513	\$40,853,601	\$1,767,382	\$7,796,329
06/30/2019	\$9,296,271	\$50,149,872	\$1,837,355	\$9,633,684
06/30/2020	\$9,914,263	\$60,064,135	\$1,942,905	\$11,576,589
06/30/2021	\$10,588,964	\$70,653,099	\$2,126,280	\$13,702,869
06/30/2022	\$11,123,161	\$81,776,260	\$2,512,197	\$16,215,066
06/30/2023	\$11,805,342	\$93,581,602	\$2,695,191	\$18,910,257