



CONSULTING GROUP



A POSTRETIREMENT WELFARE BENEFIT GASB 45 ACTUARIAL VALUATION

For:

City of Woonsocket Education Department

As of:

July 1, 2015

Prepared by:
USI Consulting Group



CONSULTING GROUP

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December 23, 2016

City of Woonsocket, RI
169 Main Street
Woonsocket, RI 02895

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 City of Woonsocket Education Department as of July 1, 2015. The numbers presented in this report reflect the adoption, by the City of Woonsocket Education Department, 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.

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

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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 V show the development of the Annual Required Contribution (ARC). Items VI through IX show the calculation of the Annual OPEB Cost. Item XII provides a brief summary of the key assumptions used in developing the plan's costs and liabilities.

EXECUTIVE SUMMARY

Introduction

This report details the development of the Annual OPEB Cost for the Fiscal Years ending June 30, 2016 and June 30, 2017. The June 30, 2016 and June 30, 2017 actuarial accrued liability is 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>	\$12,038,567
<i>Actuarial Accrued Liability (AAL)</i>	\$24,698,186
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$24,698,186
<i>Annual Required Contribution (30 year amortization)</i>	\$1,931,871
<i>Annual OPEB Cost</i>	\$1,763,327
<i>Expected Benefit Payments</i>	\$1,008,624

Fiscal Year Ending June 30, 2017

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$12,793,270
<i>Actuarial Accrued Liability (AAL)</i>	\$25,275,650
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$25,275,650
<i>Annual Required Contribution (30 year amortization)</i>	\$2,019,698
<i>Annual OPEB Cost</i>	\$1,819,653
<i>Expected Benefit Payments</i>	\$1,017,328

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.)

Experience Gains and Losses

The plan had an accumulated experience gain over the past two years, primarily due to favorable demographic experience and health care costs increasing less than assumed. The impact of the gain on the actuarial accrued liability is provided in Appendix II.

Changes included in current valuation

The termination and retirement assumptions have been changed to coincide with the most recent state Municipal Employees' Retirement System valuation. The impact of the changes is shown in Appendix II.

Accounting for Postretirement Benefits

Government Accounting Standard No. 45 (GAS 45) addresses the accounting and financial reporting requirements by Employers for Postemployment Benefits Other than Pensions (OPEB). Employers that are required to follow Government Accounting Standards are subject to this standard. The statement does not require that the benefits be pre-funded, however, it defines a financial framework for assessing the costs, design, and sustainability of OPEBs offered by employers.

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of Governmental Accounting Standards Board Statement No. 45. This report also provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans.

The Annual Required Contribution (ARC) and Annual OPEB Cost are developed in the Executive Summary Detail included in this section. Section III presents the disclosure information, including the development of the Net OPEB obligation based on expected contributions / benefits to be paid during the fiscal year.

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 January 1, 2016 census data and July 1, 2016 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.

EXECUTIVE SUMMARY (cont.)

Actuarial Certification (cont.)

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 FOR FYE 6/30/2016 BY EMPLOYEE GROUP**

	<u>School Support</u>	<u>Teachers</u>	<u>Teacher Assistants</u>	<u>Total</u>
<i>I. Present value of Future benefits</i>				
A. Retirees/Disableds	\$556,673	\$11,333,240	\$683,607	\$12,573,520
B. Active Employees	<u>\$2,324,597</u>	<u>\$13,965,536</u>	<u>\$2,800,442</u>	<u>\$19,090,575</u>
C. Total	\$2,881,270	\$25,298,776	\$3,484,049	\$31,664,095
<i>II. Actuarial Accrued Liability</i>				
A. Retirees/Disableds	\$556,673	\$11,333,240	\$683,607	\$12,573,520
B. Active Employees	<u>\$1,537,752</u>	<u>\$8,526,752</u>	<u>\$2,060,162</u>	<u>\$12,124,666</u>
C. Total	\$2,094,425	\$19,859,992	\$2,743,769	\$24,698,186
<i>III. Actuarial Assets</i>	\$0	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>	\$2,094,425	\$19,859,992	\$2,743,769	\$24,698,186
<i>V. Annual Required Contribution (ARC)</i>				
A. Normal Cost	\$77,484	\$430,568	\$86,499	\$594,551
B. Supplemental Cost	\$103,181	\$1,036,158	\$143,075	\$1,282,414
C. Compound Interest to Year End	<u>\$6,381</u>	<u>\$40,493</u>	<u>\$8,032</u>	<u>\$54,906</u>
D. Annual Required Contribution [A. + B. + C.]	\$187,046	\$1,507,219	\$237,606	\$1,931,871
<i>VI. Net OPEB Obligation</i>	\$1,058,655	\$9,060,769	\$1,919,143	\$12,038,567
<i>VII. Interest on net OPEB Obligation</i>	\$42,346	\$362,431	\$76,766	\$481,543
<i>VIII. Adjustment to ARC</i>	(\$57,168)	(\$489,285)	(\$103,634)	(\$650,087)
<i>IX. Annual OPEB Cost (Expense)</i> [V.D. + VII. + VIII.]	\$172,224	\$1,380,365	\$210,738	\$1,763,327
<i>X. Expected Benefit Payments</i>				
A. Retirees/Disableds	\$38,734	\$899,317	\$44,452	\$982,503
B. Active Employees	<u>\$3,542</u>	<u>\$9,507</u>	<u>\$13,072</u>	<u>\$26,121</u>
C. Total	\$42,276	\$908,824	\$57,524	\$1,008,624

EXECUTIVE SUMMARY DETAIL

**GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
 AND ANNUAL OPEB COST FOR FYE 6/30/2017 BY EMPLOYEE GROUP**

	<u>School Support</u>	<u>Teachers</u>	<u>Teacher Assistants</u>	<u>Total</u>
<i>I. Present value of Future benefits</i>				
A. Retirees/Disableds	\$539,017	\$10,859,302	\$665,143	\$12,063,462
B. Active Employees	<u>\$2,440,082</u>	<u>\$14,711,887</u>	<u>\$2,943,677</u>	<u>\$20,095,646</u>
C. Total	\$2,979,099	\$25,571,189	\$3,608,820	\$32,159,108
<i>II. Actuarial Accrued Liability</i>				
A. Retirees/Disableds	\$539,017	\$10,859,302	\$665,143	\$12,063,462
B. Active Employees	<u>\$1,676,647</u>	<u>\$9,315,880</u>	<u>\$2,219,661</u>	<u>\$13,212,188</u>
C. Total	\$2,215,664	\$20,175,182	\$2,884,804	\$25,275,650
<i>III. Actuarial Assets</i>	\$0	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>	\$2,215,664	\$20,175,182	\$2,884,804	\$25,275,650
<i>V. Annual Required Contribution (ARC)</i>				
A. Normal Cost	\$79,421	\$441,332	\$88,661	\$609,414
B. Supplemental Cost	\$111,671	\$1,086,492	\$154,004	\$1,352,167
C. Compound Interest to Year End	<u>\$6,705</u>	<u>\$43,253</u>	<u>\$8,159</u>	<u>\$58,117</u>
D. Annual Required Contribution [A. + B. + C.]	\$197,797	\$1,571,077	\$250,824	\$2,019,698
<i>VI. Net OPEB Obligation</i>	\$1,188,603	\$9,532,310	\$2,072,357	\$12,793,270
<i>VII. Interest on net OPEB Obligation</i>	\$47,544	\$381,292	\$82,894	\$511,730
<i>VIII. Adjustment to ARC</i>	(\$66,130)	(\$530,346)	(\$115,299)	(\$711,775)
<i>IX. Annual OPEB Cost (Expense)</i> <i>[V.D. + VII. + VIII.]</i>	\$179,211	\$1,422,023	\$218,419	\$1,819,653
<i>X. Expected Benefit Payments</i>				
A. Retirees/Disableds	\$37,936	\$858,813	\$43,992	\$940,741
B. Active Employees	<u>\$8,995</u>	<u>\$34,192</u>	<u>\$33,400</u>	<u>\$76,587</u>
C. Total	\$46,931	\$893,005	\$77,392	\$1,017,328

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 January 1, 2016</i>			<i>As of July 1, 2013</i>		
	<u>Actives</u>	<u>Retirees*</u>	<u>Total</u>	<u>Actives</u>	<u>Retirees*</u>	<u>Total</u>
Male	136	31	167	159	62	221
Female	461	78	539	540	114	654
Total	597	109	706	699	176	875

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES :

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
29 and under	39	0	39
30 - 34	43	0	43
35 - 39	75	0	75
40 - 44	84	0	84
45 - 49	101	0	101
50 - 54	75	0	75
55 - 59	93	0	93
60 - 64	61	6	67
65 and over	17	3	20
Total	588	9	597

CURRENT RETIREES:

<u>Age</u>	<u>Retirees*</u>	<u>Spouse</u>	<u>Total</u>
54 and under	2	0	2
55 - 59	10	2	12
60 - 64	56	8	64
65 - 69	27	6	33
70 - 74	9	0	9
75 - 79	3	0	3
80 and over	2	0	2
Total	109	16	125

* Includes Surviving Spouses

CENSUS INFORMATION – B.

AVERAGE AGE AND SERVICE

	<u>As of January 1, 2016</u>	<u>As of July 1, 2013</u>
ACTIVE EMPLOYEES:		
A. Average Age at Hire		
Males	36.0	35.2
Females	33.8	34.1
Total	34.3	34.3
B. Average Service		
Males	12.7	12.6
Females	13.6	13.5
Total	13.4	13.3
C. Average Current Age		
Males	48.7	47.8
Females	47.4	47.6
Total	47.7	47.6
CURRENT RETIREES		
D. Average Current Age		
Males	66.9	63.8
Females	63.6	62.6
Total	64.6	63.0

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.) GASB 45 DISCLOSURE FINANCIALS

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)	\$1,931,871	\$2,019,698
2. Interest on net OPEB Obligation	\$481,543	\$511,730
3. Adjustment to ARC	<u>(\$650,087)</u>	<u>(\$711,775)</u>
4. Annual OPEB Cost (Expense)	\$1,763,327	\$1,819,653
5. Contribution made - Benefit Payments *	<u>(\$1,008,624)</u>	<u>(\$1,017,328)</u>
6. Increase in net OPEB Obligation	\$754,703	\$802,325
7. Net OPEB Obligation - beginning of year	<u>\$12,038,567</u>	<u>\$12,793,270</u>
8. Net OPEB Obligation - end of year	\$12,793,270	\$13,595,595

* 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 are as follows:

<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	\$1,763,327	57.2%	\$12,793,270	\$38,396,986	4.59%
6/30/2017	\$1,819,653	55.9%	\$13,595,595	\$39,356,911	4.62%

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>
7/1/2013	\$0	\$24,746,975	\$24,746,975	0.0%	N/A	N/A
7/1/2014	\$0	\$25,592,568	\$25,592,568	0.0%	N/A	N/A
7/1/2015	\$0	\$24,698,186	\$24,698,186	0.0%	\$38,396,986	64.3%

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	20.63
- Annual Payroll Increase	2.50%

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:

**2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
 (reflects plan provisions in effect on 12/31/2014):**

A. SCHOOL SUPPORT EMPLOYEES (C94 Local 1137) CBA 7/1/2013 - 6/30/2018

Retire after 7/1/2013

Eligibility: Retirement with 25 years of service in WED Local 1137; in addition, 35 years of service in ERSRL required for Medicare Supplemental Plan coverage.

Coverage: Pre-65: Individual with option to “buy up” to Family for a maximum of 6 years of coverage or until age 65, whichever occurs sooner.

Post 65: Individual Medicare Supplemental Plan (no Rx rider)

Cost Sharing: Pre 65:

Hired before 7/1/13: 20% of working rate

Hired on or after 7/1/13: 50% of working rate

Post 65: 20% of working rate

Retired as of 7/1/2013

Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan

Post 65: Individual – Medicare Supplemental Plan plus Plan 65 Rx rider

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Post 65: 15% of working rates (see Section F. below)

The City will pay 100% of the cost of Medicare Supplement plus Rx for a spouse who is Medicare Eligible until the retiree reaches age 65; and will pay Part B surcharges for retiree spouse as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

FINANCIAL STATEMENT DISCLOSURE (Cont.)

**2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
(reflects plan provisions in effect on 12/31/2014) (Cont.):**

B. TEACHER ASSISTANTS (AFT Local 951, Paraprofessionals Chapter) CBS 7/1/2013 – 6/30/2018

Retire after 7/1/2013

Eligibility and Coverage:

Pre 65: On a pension with 25 years of continuous service to WED as of 7/1/13, and

- 28 years of service with ERSRL – Two Individual Plans
- 32 years of service with ERSRL – Family Plan

Retire before 7/1/18 with 20 years as paraprofessional with WED, and

- 28 years of full time employment with WED, and 27.5 years of service with ERSRL – Two Individual Plans
- 32 years of service with ERSRL – Two Individual Plans

Retire on or after 7/1/18 with 20 years as paraprofessional with WED, and

- 28 years of full time employment with WED, and 27.5 years of service with ERSRL – One Individual Plan, or
- 32 years of service with ERSRL – One Individual Plan

Coverage is for a maximum of 6 years or until Medicare eligible

- * Hired before 11/1/94: free coverage if no alternative source (years of service not required); if other source WED pays co-pay of other plan. Hired on or after 11/1/94: coverage if no alternative source (years of service not required); retiree pays applicable co-pay through WED or other plan. All coverage terminates when retiree reaches age 65.

Post 65: 35 years of service with ERSRL, 25 years service with WED – Individual Medicare Supplement (No Rx Rider)

Cost Sharing:

Pre 65: Hired before 7/1/2013: 20% of working rate
Hired on or after 7/1/2013: 50% of working rate

Post 65: 20% of working rate (see Section F. below)

Survivor Coverage continues for survivor(s) of retiree until the earlier of:
1) date on which retiree would have reached age 65, or
2) benefits become available from another source

FINANCIAL STATEMENT DISCLOSURE (Cont.)

**2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
 (reflects plan provisions in effect on 12/31/2014) (Cont.):**

B. TEACHER ASSISTANTS (AFT Local 951, Paraprofessionals Chapter) CBS 7/1/2013 – 6/30/2018 (cont.)

Retired as of 7/1/2013

Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan
Post 65: Individual – Medicare Supplemental Plan and Part D Plan

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Post 65: 5% of working rate (see Section F. below)

The City will pay 100% of the cost of Medicare Supplement plus Rx for a spouse who is Medicare Eligible until the retiree reaches age 65; and will pay Part B surcharges for retiree spouse as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

C. TEACHER (AFT Local 951) CBS 7/1/2013 – 6/30/2018

Retire after 7/1/2013

Eligibility and Coverage:

- Pre 65: On a pension with 25 yrs of continuous service to WED as of 7/1/13, and 20 years with WED, and
- 32 years of service with ERSRL – 2 Individual Plans with option to “buy up” to Family Plan
 - 35 years of service with ERSRL – Family Plan

- Retire before 7/1/18 with 20 years with WED, and
- 32 years of service with ERSRL – Individual Plus or a spouse or child
- Retire on or after 7/1/18 with 20 years with WED, and
- 32 years of service with ERSRL – One Individual Plan

Coverage is for a maximum of 6 years or until Medicare eligible

FINANCIAL STATEMENT DISCLOSURE (Cont.)

**2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
 (reflects plan provisions in effect on 12/31/2014) (Cont.):**

C. TEACHER (AFT Local 951) CBS 7/1/2013 – 6/30/2018 (cont.)

Eligibility and Coverage (cont.):

Post 65: 35 years of service with ERSRL, 25 years service with WED – Individual Medicare Supplement
 (No Rx Rider)

Cost Sharing:

Pre 65: Hired before 7/1/2013: 20% of working rate
Hired on or after 7/1/2013: 50% of working rate

Post 65: 20% of working rate (see Section F. below)

Retired as of 7/1/2013

Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan
Post 65: Individual – Medicare Supplemental Plan and Part D Plan

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 + 0%	0%	

Post 65: City pays 15% of Medicare Supplemental Plan (see Section F. below)

The City will pay 100% of the cost of Medicare Supplement plus Rx for a spouse who is Medicare Eligible until the retiree reaches age 65; and will pay Part B surcharges for retiree spouse as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

FINANCIAL STATEMENT DISCLOSURE (Cont.)

2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
 (reflects plan provisions in effect on 12/31/2014) (Cont.):

D. **Dental:** Until age 65 with retiree contribution of 20%.

E. **Life:** Superintendents: \$25,000; Non-superintendents: \$10,000

F. **Monthly Premiums (7/1/2016 - 6/30/2017) :**

Medical	Individual	Family
Uniform Plan	\$ 720.94	\$ 1,730.75
High Deductible Plan	\$ 626.33	\$ 1,541.98
Medicare Supplement	\$ 178.69	
Medicare Part D	\$ 241.58 (assumed)	
Dental	\$ 32.91	98.10

G. **Plan Provisions:**

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Co-Pays</u>		
Office Visit	\$20	\$15
Specialist	\$30	\$25
Urgent Care	\$30	\$25
Emergency Room	\$150	\$100
<u>Coinsurance</u>	\$100 In-Network/ \$80 Out-of-Network	\$100 In-Network/ \$80 Out-of-Network
<u>Deductible</u>	\$500 per person/ \$1,000 per family	\$2,000 per person/ \$4,000 per family
<u>Rx Copay</u>	\$10/\$20/\$30/\$50	\$7/\$30/\$50/\$75

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 4.00% was used.
2. **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>
2015	9.0%
2016	8.0%
2017	7.0%
2018	6.0%
2019+	5.0%

For the following demographic (mortality, retirement, disability, and other termination of employment) assumptions we utilized rates used in the actuarial valuation of the Employees' Retirement System of Rhode Island.

3. **Mortality:**
 - Post-retirement mortality rates:
 - a. Male employees: 115% of the RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
 - b. Female employees: 95% of the RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
 - c. Disabled males – 60% of the PBGC Table Va for disabled males eligible for Social Security disability benefits.
 - d. Disabled females – 60% of the PBGC Table VIa for disabled females eligible for Social Security disability benefits.
 - Pre-retirement mortality (combined ordinary and duty):
 - a. RP-2000 Combined Healthy for Males with White Collar adjustments reduced 50% for teachers and 25% for non-teachers.

4. **Disability Rates:** None assumed

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

<u>Service</u>	<u>Rate</u>
0	17.50%
1	17.50%
5	7.29%
10	3.14%
15	1.83%
20	1.57%
25+	0.58%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

6. **Retirement Rates:** **City employees:**
- | <u>Age</u> | <u>Rate</u> |
|------------|-------------|
| 55-66 | 25.0% |
| 67+ | 100.0% |
7. **Participation Rate:** It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree life insurance plan upon retirement; and that 70% of the current active employees would enroll in the medical and dental insurance plans upon retirement.
8. **Percent Married:** It was assumed that 75% of the active employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.
9. **Actuarial Value of Assets:** N/A
10. **Per Capita Claims Cost:** Premiums were age-graded on the current participants in the Medical plan. Further details of the annual per capita claims cost is featured in Section V of the report.
11. **Administrative expenses:** Included in premiums used.
12. **Participant Salary Increases:** 2.50% per annum.
13. **Payroll Growth Rate:** 2.50% annually

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 determined as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability is amortized on a closed basis with each new base amortized over 30 years. The amortization amounts are combined and are amortized over an equivalent single amortization period not to exceed the maximum acceptable period.

ADDITIONAL COMMENTS

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

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Section V

Representative Claim Costs

Based on combined actual claims and premium experience, age-related representative per capita claims costs were developed. This section shows the development of these costs.

REPRESENTATIVE 2015 PER CAPITA MEDICAL CLAIM COSTS

DEVELOPMENT OF PER CAPITA RETIREE CLAIM COSTS

\$9,173,034	Employer Primary Premium Based Claims
<u>\$79,783</u>	Medicare Primary Premium Based Claims
\$9,252,817	Total Premium Based Claims
\$10,641	Retiree (Pre-65) Average Per Capita Claim
\$79,783	Retiree (Post-65) Average Per Capita Claim

ALL ACTIVE PARTICIPANTS EMPLOYER PRIMARY

<i>Age Bracket</i>	<i>Number of Males</i>	<i>Number of Females</i>	<i>Male Aging Factor</i>	<i>Female Aging Factor</i>	<i>Aged (M) Average Claims</i>	<i>Aged (F) Average Claims</i>	<i>Age Related Claims</i>
24 & under	22	3	0.549	1.312	\$3,010	\$7,193	\$30,610
25 - 29	27	12	0.591	1.312	\$3,240	\$7,193	\$254,680
30 - 34	32	22	0.712	1.312	\$3,904	\$7,193	\$402,383
35 - 39	37	51	0.850	1.312	\$4,660	\$7,193	\$755,587
40 - 44	42	61	1.000	1.312	\$5,483	\$7,193	\$917,095
45 - 49	47	87	1.193	1.456	\$6,541	\$7,983	\$1,255,566
50 - 54	52	70	1.441	1.599	\$7,901	\$8,767	\$1,236,843
55 - 59	57	61	1.753	1.740	\$9,611	\$9,540	\$1,435,320
60 - 64	62	72	2.102	1.968	\$11,525	\$10,790	\$1,423,209
65 - 69	67	<u>33</u>	2.316	2.168	\$12,698	\$11,886	<u>\$621,097</u>
Employer Primary Sub.	472	555					\$8,332,390

ALL RETIREE PARTICIPANTS EMPLOYER PRIMARY

<i>Age Bracket</i>	<i>Number of Males</i>	<i>Number of Females</i>	<i>Male Aging Factor</i>	<i>Female Aging Factor</i>	<i>Aged (M) Average Claims</i>	<i>Aged (F) Average Claims</i>	<i>Age Related Claims</i>
44 & under	42	1	1.000	1.312	\$5,483	\$7,193	\$12,676
45 - 49	47	0	1.193	1.456	\$6,541	\$7,983	\$0
50 - 54	52	0	1.441	1.599	\$7,901	\$8,767	\$8,767
55 - 59	57	3	1.753	1.740	\$9,611	\$9,540	\$114,692
60 - 64	62	19	2.102	1.968	\$11,525	\$10,790	\$704,510
65 - 69	67	0	2.316	2.168	\$12,698	\$11,886	\$0
70 - 74	72	0	2.557	2.396	\$14,019	\$13,136	\$0
75 - 79	77	0	2.769	2.593	\$15,181	\$14,217	\$0
80 - 84	82	0	2.910	2.724	\$15,955	\$14,935	\$0
85 - 89	87	0	3.059	2.864	\$16,771	\$15,702	\$0
90 & Over	92	<u>0</u>	3.215	3.010	\$17,627	\$16,503	<u>\$0</u>
Employer Primary Sub.	23	56					\$840,644

ALL RETIREE PARTICIPANTS MEDICARE PRIMARY

<i>Age Bracket</i>	<i>Number of Males</i>	<i>Number of Females</i>	<i>Male Aging Factor</i>	<i>Female Aging Factor</i>	<i>Aged (M) Average Claims</i>	<i>Aged (F) Average Claims</i>	<i>Age Related Claims</i>
65 - 69	67	9	2.316	2.168	\$1,776	\$1,662	\$54,213
70 - 74	72	6	2.557	2.396	\$1,961	\$1,837	\$17,274
75 - 79	77	1	2.769	2.593	\$2,123	\$1,988	\$6,099
80 - 84	82	0	2.910	2.724	\$2,231	\$2,089	\$0
85 - 89	87	0	3.059	2.864	\$2,345	\$2,196	\$2,196
90 & Over	92	<u>0</u>	3.215	3.010	\$2,465	\$2,308	<u>\$0</u>
Medicare Primary Sub.	16	29					\$79,783
Retiree Subtotal	<u>39</u>	<u>85</u>					<u>\$920,427</u>
Grand Total	<u>511</u>	<u>640</u>					<u>\$9,252,817</u>

Section VI
Appendices

APPENDIX - I.

ACTIVE EMPLOYEE BY AGE AND SERVICE

AS OF JANUARY 1, 2016

<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	3	0	0	0	0	0	0	0	0	3
25 - 29	27	9	0	0	0	0	0	0	0	36
30 - 34	20	16	7	0	0	0	0	0	0	43
35 - 39	18	13	29	15	0	0	0	0	0	75
40 - 44	14	5	26	35	4	0	0	0	0	84
45 - 49	11	16	22	30	21	1	0	0	0	101
50 - 54	6	3	18	27	8	11	2	0	0	75
55 - 59	7	4	17	26	15	20	4	0	0	93
60 - 64	6	6	20	15	11	8	1	0	0	67
65 - 69	1	1	3	7	3	1	0	0	0	16
70 - 74	0	0	0	2	1	1	0	0	0	4
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
Total	113	73	142	157	63	42	7	0	0	597

APPENDIX – II.

RECONCILIATION OF ACTUARIAL ACCRUED LIABILITY

a.	7/1/2014 Actuarial Accrued Liability	\$25,592,568
b.	2014 Normal Cost	\$610,092
c.	Interest Rate	4.00%
d.	Interest on (b. + c.)	\$1,048,106
e.	2014 Expected Benefit Payments	(\$1,077,948)
f.	Interest on f.	<u>(\$21,348)</u>
g.	7/1/2015 Expected Actuarial Accrued Liability (a. + b. + d. + e. + f.)	\$26,151,470
h.	Change in Actuarial Accrued Liability due to	
	i. Demographic and plan cost changes	(\$3,737,242)
	ii. Change in Actuarial Assumptions	\$2,283,958
	iii. Plan Change	<u>\$0</u>
	iv. Total	(\$1,453,284)
i.	7/1/2015 Actuarial Accrued Liability (g. + h. iv.)	\$24,698,186

APPENDIX - III.

DEVELOPMENT OF AMORTIZATION PAYMENT

A. Prior Bases

1. Amortization Base Balance as of 7/1/2014	\$25,592,568
2. 2014 Amortization Payment	(\$1,274,730)
3. Interest	4.00%
4. Interest on (1) + (2)	<u>\$972,713</u>
5. Amortization Base Balance as of 7/1/2015 (1) + (2) + (4)	\$25,290,551
6. Remaining Amortization Period	22.53
7. Valuation Interest rate	4.00%
8. Assumed payroll growth	2.50%
9. 2015 Adjusted Amortization Amount	\$1,306,598

B. New Amortization Base

1. Demographic and plan cost changes	(\$3,737,242)
2. Change in Actuarial Assumptions	\$2,283,958
3. Plan Change	\$0
4. Loss due to Funding timing	<u>\$860,919</u>
5. Total (1) + (2) + (3) + (4)	(\$592,365)
6. Remaining Amortization Period	30
7. Valuation Interest rate	4.00%
8. Assumed payroll growth	2.50%
9. Amortization Amount	(\$24,184)

C. Combined Bases

1. Amortization Base Balance as of 7/1/2015 (A.5. + B.5.)	\$24,698,186
2. 2015 Preliminary Total Amortization Amount (A.9. + B.9.)	\$1,282,414
3. 2015 Minimum Total Amortization Amount (30 year)	\$1,008,330
4. 2015 Total Amortization Amount (greater of 2. and 3.)	\$1,282,414

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	\$ 1,008,624	\$ 1,008,624	2049	\$ 1,924,156	\$ 52,936,588	2083	\$ 144,089	\$ 87,126,840
2016	\$ 1,017,328	\$ 2,025,952	2050	\$ 1,920,504	\$ 54,857,092	2084	\$ 119,300	\$ 87,246,140
2017	\$ 962,754	\$ 2,988,706	2051	\$ 1,860,311	\$ 56,717,403	2085	\$ 97,923	\$ 87,344,063
2018	\$ 922,868	\$ 3,911,574	2052	\$ 1,803,331	\$ 58,520,734	2086	\$ 79,649	\$ 87,423,712
2019	\$ 882,339	\$ 4,793,913	2053	\$ 1,774,775	\$ 60,295,509	2087	\$ 64,197	\$ 87,487,909
2020	\$ 902,098	\$ 5,696,011	2054	\$ 1,722,928	\$ 62,018,437	2088	\$ 51,261	\$ 87,539,170
2021	\$ 948,776	\$ 6,644,787	2055	\$ 1,674,968	\$ 63,693,405	2089	\$ 40,535	\$ 87,579,705
2022	\$ 979,700	\$ 7,624,487	2056	\$ 1,626,033	\$ 65,319,438	2090	\$ 31,770	\$ 87,611,475
2023	\$ 1,043,085	\$ 8,667,572	2057	\$ 1,571,332	\$ 66,890,770	2091	\$ 24,662	\$ 87,636,137
2024	\$ 1,095,992	\$ 9,763,564	2058	\$ 1,523,378	\$ 68,414,148	2092	\$ 18,946	\$ 87,655,083
2025	\$ 1,128,238	\$ 10,891,802	2059	\$ 1,469,218	\$ 69,883,366	2093	\$ 14,402	\$ 87,669,485
2026	\$ 1,197,797	\$ 12,089,599	2060	\$ 1,410,884	\$ 71,294,250	2094	\$ 10,823	\$ 87,680,308
2027	\$ 1,267,517	\$ 13,357,116	2061	\$ 1,353,400	\$ 72,647,650	2095	\$ 8,039	\$ 87,688,347
2028	\$ 1,321,876	\$ 14,678,992	2062	\$ 1,294,043	\$ 73,941,693	2096	\$ 5,896	\$ 87,694,243
2029	\$ 1,387,228	\$ 16,066,220	2063	\$ 1,232,795	\$ 75,174,488	2097	\$ 4,270	\$ 87,698,513
2030	\$ 1,466,632	\$ 17,532,852	2064	\$ 1,170,094	\$ 76,344,582	2098	\$ 3,054	\$ 87,701,567
2031	\$ 1,541,552	\$ 19,074,404	2065	\$ 1,106,216	\$ 77,450,798	2099	\$ 2,152	\$ 87,703,719
2032	\$ 1,588,494	\$ 20,662,898	2066	\$ 1,041,501	\$ 78,492,299	2100	\$ 1,495	\$ 87,705,214
2033	\$ 1,652,409	\$ 22,315,307	2067	\$ 976,120	\$ 79,468,419	2101	\$ 1,024	\$ 87,706,238
2034	\$ 1,719,984	\$ 24,035,291	2068	\$ 910,423	\$ 80,378,842	2102	\$ 692	\$ 87,706,930
2035	\$ 1,738,014	\$ 25,773,305	2069	\$ 844,830	\$ 81,223,672	2103	\$ 460	\$ 87,707,390
2036	\$ 1,774,912	\$ 27,548,217	2070	\$ 779,656	\$ 82,003,328	2104	\$ 301	\$ 87,707,691
2037	\$ 1,824,037	\$ 29,372,254	2071	\$ 715,363	\$ 82,718,691	2105	\$ 195	\$ 87,707,886
2038	\$ 1,849,030	\$ 31,221,284	2072	\$ 652,319	\$ 83,371,010	2106	\$ 125	\$ 87,708,011
2039	\$ 1,884,847	\$ 33,106,131	2073	\$ 591,029	\$ 83,962,039	2107	\$ 77	\$ 87,708,088
2040	\$ 1,910,572	\$ 35,016,703	2074	\$ 531,949	\$ 84,493,988	2108	\$ 47	\$ 87,708,135
2041	\$ 1,971,182	\$ 36,987,885	2075	\$ 475,360	\$ 84,969,348	2109	\$ 31	\$ 87,708,166
2042	\$ 2,036,890	\$ 39,024,775	2076	\$ 421,608	\$ 85,390,956	2110	\$ 17	\$ 87,708,183
2043	\$ 2,039,844	\$ 41,064,619	2077	\$ 370,941	\$ 85,761,897	2111	\$ 8	\$ 87,708,191
2044	\$ 2,037,004	\$ 43,101,623	2078	\$ 323,691	\$ 86,085,588	2112	\$ 4	\$ 87,708,195
2045	\$ 2,026,715	\$ 45,128,338	2079	\$ 280,103	\$ 86,365,691	2113	\$ 2	\$ 87,708,197
2046	\$ 2,002,281	\$ 47,130,619	2080	\$ 240,282	\$ 86,605,973	2114	\$ 1	\$ 87,708,198
2047	\$ 1,961,047	\$ 49,091,666	2081	\$ 204,380	\$ 86,810,353	2115	\$ -	\$ 87,708,198
2048	\$ 1,920,766	\$ 51,012,432	2082	\$ 172,398	\$ 86,982,751	2116	\$ -	\$ 87,708,198

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.