

**Town of Barrington, Rhode Island
Postretirement Health Insurance Program**

**Financial Disclosure Information
in accordance with Statement of
Governmental Accounting Standards
Board No. 75
for the period beginning July 1, 2016 and
ending June 30, 2017**

Revised 10/24/2017

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I. INTRODUCTION

The purpose of this report is to present certain financial information relative to the Town of Barrington, Rhode Island Postretirement Health Insurance Program in accordance with the Statement of Governmental Accounting Standards Board No. 75 (GASB 75).

The report presents the actuarial valuation for the Town of Barrington, Rhode Island Postretirement Health Insurance Program as of July 1, 2016. This report is based on the adoption of GASB 75 for the Plan effective July 1, 2016. This report includes the determination of the Plan's current discount rate, Net OPEB Liability, OPEB expense, and balances of deferred inflows and outflows.

This report was based on information submitted to our firm by the Town of Barrington, Rhode Island in the form of census data, substantive plan provisions, medical premium rates, asset/benefit payment information, and other ancillary material pertaining to the plan.

Actuarial computations under GASB 75 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with my understanding of GASB 75 and are in conformity with applicable actuarial standards of practice. To the best of my knowledge, the information contained in this report was determined in accordance with GASB 75. In addition, no relationship exists with the plan or plan sponsor that impairs the objectivity of our work.

I meet the GASB 75 Qualification Standards of the American Academy of Actuaries to render the actuarial opinions included in this report, based upon my education, experience and continuing education.

This report was revised to update asset information and add additional exhibits.



Simon R. Encarnacion, F.S.A., E.A.
Consulting Actuary

10/24/2017
Date

II. DESCRIPTIVE INFORMATION

Plan Description: Single-employer, defined benefit postretirement health insurance program

Groups Covered & Eligibility: The Town of Barrington, Rhode Island can be separated under five groups of employees. Each group is covered under a separate contract with the Town. The groups are:

Police Department
Fire Department
Department of Public Works (DPW)
Dispatchers
Non-Union Town Employees (Town)

Each member of the groups above is a participant in the Municipal Employee Retirement System (MERS) and eligible for coverage under this Postretirement Health Insurance Program upon retirement. Retirement provisions for Police and Firefighters is age 55 with 10 years of service or any time after attaining 20 years of service. Retirement provisions for the remaining groups is age 58 with 10 years of service or any time after attaining 30 years of service.

Effective July 1, 2012, retirement age under MERS changed to age 55 and 25 years of service (or Social Security Normal Retirement Age and 5 years of service) for police officers and firefighters that were not retirement eligible as of June 30, 2012.

Effective July 1, 2012, retirement age under MERS for the other members (DPW, dispatcher, and non-union town employees) changed to Social Security Normal Retirement Age and 5 years of service (early retirement as early as age 59) that were not retirement eligible as of June 30, 2012.

II. DESCRIPTIVE INFORMATION (cont'd)

Benefit Formula:

Police: Upon retirement, Police Officers receive fully covered medical coverage (single or family) for the remainder of the fiscal year of retirement plus five (5) additional years or until Medicare eligible or the retiree secures employment with equivalent coverage.

Effective 7/1/2012: no new hires are eligible for postretirement medical coverage.

Police Officers may continue coverage for up to four (4) additional years with the entire cost paid for by the retiree.

Fire: Upon retirement, Firefighters receive fully covered medical coverage (single or family) for the remainder of the fiscal year of retirement plus five (5) additional years or until Medicare eligible or the retiree secures employment with equivalent coverage. In no event does coverage continue past age 65. Firefighters that retire after 7/1/1999 must contribute 20% of the premium towards their coverage.

Effective 7/1/2012: no new hires are eligible for postretirement medical coverage.

Full disability coverage is available to firefighters for the lifetime of the retiree while that retiree is deemed disabled.

DPW: Upon retirement, DPW members receive fully covered medical coverage (single or family) for five (5) years after retirement. Members that are hired after 7/1/1991 must contribute 20% of the premium towards their coverage.

Members that are hired after 7/1/1995 are not eligible for postretirement medical coverage.

II. DESCRIPTIVE INFORMATION (cont'd)

Benefit Formula
(cont'd):

Dispatchers: Upon retirement, Dispatchers receive fully covered medical coverage (single or family) for two (2) years after retirement. Members hired after 7/1/1995 receive coverage for one (1) year after retirement. Members that are hired after 7/1/1993 must contribute 20% of the premium towards their coverage.

Effective 7/1/2012: no new hires are eligible for postretirement medical coverage.

Town: Upon retirement with 20 years of service, non-union town employees receive fully covered medical coverage (single or family) for the remainder of the fiscal year of retirement plus five (5) additional years or until Medicare eligible or the retiree secures employment with equivalent coverage. If the town employee retires with between 10 and 19 years of service, coverage is extended for only three (3) additional years past the fiscal year of retirement. Members that are hired after 7/1/1991 must contribute 20% of the premium towards their coverage.

Effective 9/1/1994: no new hires are eligible for postretirement medical coverage.

Dental coverage is not provided to retirees.

Life Insurance coverage is not provided to retirees.

Significant Events: None.

III. ACTUARIAL METHODS

Measurement Date: July 1, 2016 for all purposes.

Actuarial Cost Method: Costs have been computed in accordance with the Entry Age Actuarial Cost Method.

The service cost is the sum of the service costs for all participants. For a current participant, the individual service cost is (a) the present value of future benefits as of the participant's entry age divided by (b) the present value of future service as of the participant's entry age. For other than a current active participant, the service cost equals \$0.

The accrued liability is the sum of the individual accrued liabilities for all participants. The individual accrued liability is equal to the present value of future benefits less the service cost accrual rate multiplied by the present value of future service.

III. ACTUARIAL METHODS (cont'd)

Asset Valuation Method: The Town of Barrington, RI has established a fund, separate and apart from the general revenues of the Town, known as the OPEB Trust Fund. Pursuant to Section 33-47 of the Town's legislation, the OPEB Trust Fund shall consist of:

- (a) All funds appropriated or otherwise made available by the Town for the purposes of meeting the current and future OPEB costs payable by the Town;
- (b) Amounts contributed or otherwise made available by employees of the Town for the purpose of meeting future OPEB costs payable by the Town;
- (c) All interest, dividends and other income derived from the above; and
- (d) Any surplus derived from the Town's medical internal service fund, as measured by the Finance Director.

The Town does not have a certain contribution schedule maintained, however it is the Town's intention to gradually fund the Plan.

The Fiduciary Net Position is based on the fair market value of assets as of the measurement date.

III. ACTUARIAL METHODS (cont'd)

Census Information: Census data and premium information as of July 1, 2016 were used to calculate the Total OPEB Liability and Net OPEB Liability.

Net OPEB Liability at Fiscal Year End: Based on actual benefit payments, contributions to the Plan trust, and implicit rate subsidy, if any, for the fiscal year ending June 30, 2017.

IV. ACTUARIAL ASSUMPTIONS

Actuarial assumptions are estimates as to the occurrence of future events impacting the costs of the plan such as mortality rates, withdrawal rates, medical trend rates, retirement ages, rates of investment earnings, etc. The assumptions have been chosen to anticipate the long-term experience of the plan.

Assumptions for the Current Valuation

Discount Rate: 5.34%

The Town's OPEB Trust Fund is currently partially prefunded. As a result, the discount rate selected reflects the estimated proportionate amounts of the Town and Trust's assets expected to be used to fund benefits under this Plan. It is assumed, based on the conservative investments of the Town's OPEB Trust, that the long term discount rate is 4.93%. If the Trust was not partially prefunded the long-term rate of return assumption would also be 3.87%.

*Long Term Rate of Return
on Assets:* 7.00%

Healthy Mortality: RP-2014 Employee and Healthy Annuitant with Scale MP-2016 generational improvements from 2006 (Male/Female)

Disabled Mortality: RP-2000 Male/Female Disability Table

Turnover: Sarason Crocker Straight Table T-1. Sample rates below:

Age	Rate
25	4.9%
35	2.3%
45	0.3%
50	0.0%

Disability: SOA 1978 Disability. Sample rates below:

Age	Rate
25	0.1%
35	0.1%
45	0.4%

IV. ACTUARIAL ASSUMPTIONS (cont'd)

Retirement Rates: Police and Fire:

Age	Grandfathered Retirement Rates	New Retirement Rates
40-44	2%	0%
45	5%	0%
46-49	10%	0%
50	25%	0%
51-54	15%	0%
55-59	100%	50%
60	100%	100%

DPW, Dispatcher, and Town:

Age	Grandfathered Retirement Rates	New Retirement Rates
50-54	2%	0%
55	15%	0%
56-57	5%	0%
58	15%	0%
59	10%	25%
60-61	10%	10%
62-64	50%	50%
65-66	100%	50%
67	100%	100%

Health Care Monthly

Premium Rates: See Per Capita Medical Costs in Section XII.

Health Care Cost Trend Rates - Medical Costs: 5.90% per year graded down by the getzen model to an ultimate rate of 3.94% per year.

Plan Election: All eligible retirees are assumed to elect medical coverage under the Healthmate Coast to Coast plan.

IV. ACTUARIAL ASSUMPTIONS (cont'd)

Participation: 100% of eligible future retirees are assumed to elect medical coverage under the Plan. 100% of current retirees are assumed to participate. Coverage is assumed to stop once a retiree reaches their maximum years of benefit coverage, coverage where Town of Barrington contributes toward the cost, as described in Section II.

Marital Status: 80% of future retirees are assumed to be married and elect family medical coverage. Female spouses are assumed to be 3 years younger than males.

Actual spousal information is used for current retirees.

Aging Assumption: Claims costs under Healthmate Coast to Coast are assumed to increase by the following rates per year of age to reflect higher healthcare costs for older individuals:

Age	Rate
45-69	3.0%
70-74	2.5%
75-79	2.0%
80-84	1.0%
85-89	0.5%
90+	0%

V. CHANGES IN ACTUARIAL ASSUMPTIONS

The table below indicates which assumptions, other than the Health Care Working Rates, have changed from the prior valuation. In the opinion of the actuary, these changes were made to better reflect current expectations of future experience.

	July 1, 2014	July 1, 2016
<i>Discount Rate:</i>	4.00%	5.34%
<i>Mortality</i>	RP-2000 with no mortality improvement	RP-2014 Employee and Healthy Annuitant with Scale MP-2016 generational improvements from 2006 (Male/Female)
<i>HCCTR</i>	6.0% down by 0.5% per year to an ultimate rate of 4.5%	5.90% per year graded down by the getzen model to an ultimate rate of 3.94% per year.

VI. DETERMINATION OF DISCOUNT RATE

A. Determination of Discount Rate as of June 30, 2017 - Analysis of Crossover Point (Town)

Plan Year Valuation	Prior Year's Actuarially Determined Contribution	Prior Year's Employee Contributions	Total Prior Year Contributions	Projected Normal Cost	Projected Market Value of Assets	Projected Benefit Payments	Projected Benefit Payments		Actuarial Present Value of Benefit Payments			
							"Funded"	"Unfunded"	Present Value of "Funded"	Present Value of "Unfunded"	Present Value of All Benefit Payments - Single Rate	
							Portion of Benefit Payments	Portion of Benefit Payments	7.00%	3.87%	5.34%	
6/30												
2017	392,653	0	392,653	129,543	4,277,140	392,653	392,653	0	366,965	0	372,752	
2018	352,337	0	352,337	126,282	4,183,887	352,337	352,337	0	307,745	0	317,527	
2019	383,227	0	383,227	122,822	4,124,422	383,227	383,227	0	312,827	0	327,861	
2020	437,985	0	437,985	120,253	4,029,904	437,985	437,985	0	334,137	0	355,717	
2021	342,565	0	342,565	116,811	3,874,013	342,565	342,565	0	244,244	0	264,119	
2022	294,270	0	294,270	112,473	3,802,629	294,270	294,270	0	196,085	0	215,384	
2023	299,296	0	299,296	109,365	3,774,543	299,296	299,296	0	186,387	0	207,960	
2024	305,323	0	305,323	105,582	3,739,465	305,323	305,323	0	177,701	0	201,395	
2025	335,526	0	335,526	101,518	3,695,904	335,526	335,526	0	182,504	0	210,100	
2026	384,508	0	384,508	96,903	3,619,091	384,508	384,508	0	195,464	0	228,569	
2027	445,621	0	445,621	91,343	3,487,920	445,621	445,621	0	211,711	0	251,472	
2028	563,788	0	563,788	83,359	3,286,453	563,788	563,788	0	250,329	0	302,030	
2029	614,893	0	614,893	75,077	2,952,717	614,893	614,893	0	255,159	0	312,712	
2030	631,348	0	631,348	70,057	2,544,514	631,348	631,348	0	244,848	0	304,807	
2031	658,456	0	658,456	61,657	2,091,282	658,456	658,456	0	238,655	0	301,783	
2032	645,634	0	645,634	55,376	1,579,216	645,634	645,634	0	218,699	0	280,909	
2033	513,303	0	513,303	52,074	1,044,127	513,303	513,303	0	162,499	0	212,014	
2034	536,011	0	536,011	44,034	603,913	536,011	536,011	0	158,586	0	210,172	
2035	575,721	0	575,721	36,997	110,176	575,721	110,176	465,545	30,465	226,282	214,301	
2036	523,673	0	523,673	29,342	0	523,673	0	523,673	0	245,052	185,048	
2037	482,399	0	482,399	26,843	0	482,399	0	482,399	0	217,327	161,823	
2038	525,234	0	525,234	24,141	0	525,234	0	525,234	0	227,809	167,263	
2039	412,186	0	412,186	19,685	0	412,186	0	412,186	0	172,116	124,609	
2040	359,955	0	359,955	17,452	0	359,955	0	359,955	0	144,706	103,304	
2041	344,606	0	344,606	15,065	0	344,606	0	344,606	0	133,373	93,886	
2042	348,804	0	348,804	12,773	0	348,804	0	348,804	0	129,968	90,214	
2043	338,573	0	338,573	10,090	0	338,573	0	338,573	0	121,456	83,129	
2044	342,964	0	342,964	6,259	0	342,964	0	342,964	0	118,447	79,940	
2045	322,027	0	322,027	4,186	0	322,027	0	322,027	0	107,073	71,255	
2046	285,084	0	285,084	3,135	0	285,084	0	285,084	0	91,258	59,884	
2047	275,186	0	275,186	2,546	0	275,186	0	275,186	0	84,807	54,875	
2048	206,091	0	206,091	1,094	0	206,091	0	206,091	0	61,147	39,014	
2049	144,251	0	144,251	531	0	144,251	0	144,251	0	41,204	25,923	
2050	114,243	0	114,243	166	0	114,243	0	114,243	0	31,417	19,490	
2051	95,123	0	95,123	81	0	95,123	0	95,123	0	25,184	15,406	
2052	51,197	0	51,197	0	0	51,197	0	51,197	0	13,050	7,871	
2053	28,903	0	28,903	0	0	28,903	0	28,903	0	7,093	4,218	
2054	18,611	0	18,611	0	0	18,611	0	18,611	0	4,397	2,579	
2055	12,252	0	12,252	0	0	12,252	0	12,252	0	2,787	1,612	
2056	8,187	0	8,187	0	0	8,187	0	8,187	0	1,793	1,022	
2057	4,265	0	4,265	0	0	4,265	0	4,265	0	899	506	
2058	3,035	0	3,035	0	0	3,035	0	3,035	0	616	342	
2059	2,114	0	2,114	0	0	2,114	0	2,114	0	413	226	

2060	1,442	0	1,442	0	0	1,442	0	1,442	0	271	146		
2061	964	0	964	0	0	964	0	964	0	175	93		
2062	633	0	633	0	0	633	0	633	0	110	58		
2063	407	0	407	0	0	407	0	407	0	68	35		
2064	258	0	258	0	0	258	0	258	0	42	21		
2065	159	0	159	0	0	159	0	159	0	25	12		
2066	97	0	97	0	0	97	0	97	0	15	7		
2067	60	0	60	0	0	60	0	60	0	9	4		
2068	37	0	37	0	0	37	0	37	0	5	2		
2069	23	0	23	0	0	23	0	23	0	3	1		
2070	14	0	14	0	0	14	0	14	0	2	1		
2071	9	0	9	0	0	9	0	9	0	1	1		
2072	3	0	3	0	0	3	0	3	0	0	0		
2073	0	0	0	0	0	0	0	0	0	0	0		
									<hr/>	<hr/>	<hr/>		
									4,275,007	+	2,210,397	=	6,485,405

* The 3.87% discount rate is the 6/30/2017 Citigroup Liability Index.

VI. DETERMINATION OF DISCOUNT RATE (cont'd)

C. Funding Policy

Currently, the funding policy is to fund 100% of the actuarially determined contribution. The actuarially determined contribution are set equal to the expected employer-only benefit payments.

D. Long Term Expected Rate of Return and Asset Allocation

The long term expected rate of return on Plan investments was determined by the investment manager.

<u>Asset Class</u>	<u>June 30, 2017 Asset Allocation*</u>	<u>Target Asset Allocation*</u>	<u>Long Term Expected Real Rate of Return*</u>
Large Cap US Equity	48.30%	48.30%	8.00%
Small / Mid Cap US Equity	8.00%	8.00%	6.80%
International Equity	20.70%	20.70%	8.60%
Intermed. To Long Bonds	19.40%	19.40%	3.54%
Short-Term Bonds and Cash	3.60%	3.60%	3.90%
	<u>100.00%</u>	<u>100.00%</u>	

Projected Rate of Return*: 7.00%

* The Projected Rate of Return was estimated based on returns for similarly situated plans.

Money-Weighted Rate of Return for Fiscal Year Ending 06/30/2017**: 7.63%

** This rate is determined assuming contributions and expenses are paid in the middle of the plan year.

VII. NET OPEB LIABILITY

A. Net OPEB Liability as of July 1, 2016

The Net OPEB Liability for the Plan was measured as of July 1, 2016, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2014 and adjusted through July 1, 2016.

The components of the Net OPEB Liability of the Plan as of July 1, 2016, were as follows:

Total OPEB Liability	\$6,109,485
Plan Fiduciary Net Position	<u>(\$2,823,722)</u>
Net OPEB Liability	<u>\$ 3,285,763</u>

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	46.22%
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The discount rate used to calculate the Total OPEB Liability was 4.11% for Town.

B. Net OPEB Liability as of June 30, 2017

The Net OPEB Liability for the Plan was measured as of June 30, 2017, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2016 and adjusted through June 30, 2017.

The components of the Net OPEB Liability of the Plan as of June 30, 2017, were as follows:

Total OPEB Liability	\$5,859,303
Plan Fiduciary Net Position	<u>(\$4,277,140)</u>
Net OPEB Liability	<u>\$ 1,582,163</u>

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	73.00%
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The discount rate used to calculate the Total OPEB Liability was 5.34% for Town.

VII. NET OPEB LIABILITY

VII. NET OPEB LIABILITY (cont'd)

C. Changes in Net OPEB Liability for the Fiscal Year ending June 30, 2017

	<u>Total OPEB Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	<u>Net OPEB Liability (a) - (b)</u>
Balance as of 7/1/2016	\$6,109,485	\$2,823,722	\$3,285,763
Changes for the year:			
Service Cost	133,540		133,540
Interest on Total OPEB Liability	238,261		238,261
Differences Between Expected and Actual Experience	(273,129)		(273,129)
Changes of Assumptions	0		0
HCCTR	626,733		626,733
Mortality	71,159		71,159
Discount Rate	(659,232)		(659,232)
Changes in Benefit Terms	0		0
Contributions - Employer		1,560,622	(1,560,622)
Contributions - Employee		19,501	(19,501)
Net Investment Income		260,809	(260,809)
Benefit Payments	(387,514)	(387,514)	0
Administrative Expense			0
Other Changes	0	0	0
Net Changes	<u>(\$250,182)</u>	<u>\$1,453,418</u>	<u>(\$1,703,600)</u>
Balance as of 6/30/2017	<u><u>\$5,859,303</u></u>	<u><u>\$4,277,140</u></u>	<u><u>\$1,582,163</u></u>

Note: The Other Changes was an interfund transfer.

VII. NET OPEB LIABILITY

VII. NET OPEB LIABILITY (cont'd)

D. Sensitivity of the Net OPEB Liability to Changes in Discount Rate as of June 30, 2017

The following presents the Net OPEB Liability as of June 30, 2017 calculated using the discount rate of 5.34%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.34%) or 1-percentage-point higher (6.34%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Plan's Net OPEB Liability as of June 30, 2017:	4.34%	5.34%	6.34%
	2,102,593	1,582,163	1,118,470

E. Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trend Rate as of June 30, 2017

The following presents the Net OPEB Liability as of June 30, 2017 calculated using the trend rate of 5.9% down by the getzen model to 3.94%, as well as what the Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower (4.9% down by the getzen model to 2.94%) or 1-percentage-point higher (6.9% down by the getzen model to 4.94%) than the current rate:

	<u>1% Decrease</u>	<u>Current HCCTR</u>	<u>1% Increase</u>
Plan's Net OPEB Liability as of June 30, 2017:	4.9% down by the getzen model to 2.94%	5.9% down by the getzen model to 3.94%	6.9% down by the getzen model to 4.94%
	989,088	1,582,163	2,269,703

VII. NET OPEB LIABILITY (cont'd)

F. Schedule of Changes in the Net OPEB Liability and Related Ratios - Last 10 Fiscal Years

Fiscal Year Ending	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Total OPEB Liability (TOL)										
Service Cost	\$ 133,540	\$ 141,224								
Interest on TOL	238,261	241,561								
Differences between exp. and actual experience	(273,129)	(130,291)								
Changes of assumptions	38,660	(48,384)								
Changes in benefit terms	0	0								
Benefit payments	(387,514)	(433,562)								
Net Change in TOL	(250,182)	(229,453)								
Total OPEB Liability - beginning	6,109,485	6,338,938								
Total OPEB Liability - end (a)	<u>\$ 5,859,303</u>	<u>\$ 6,109,485</u>								
Plan Fiduciary Net Position (FNP)										
Contributions - Employer	\$ 1,560,622	\$ 637,551								
Contributions - Employee	19,501	15,011								
Net investment income	260,809	111,262								
Benefit payments	(387,514)	(433,562)								
Administrative expense	0	0								
Other changes	<u>0</u>	<u>0</u>								
Net Changes in FNP	1,453,418	330,262								
Fiduciary Net Position - beginning	2,823,722	2,493,460								
Fiduciary Net Position - end (b)	<u>\$ 4,277,140</u>	<u>\$ 2,823,722</u>								
Net OPEB Liability - ending (a) - (b)	<u>\$ 1,582,163</u>	<u>\$ 3,285,763</u>								
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	73.00%	46.22%								
Covered Employee Payroll	\$ 3,302,085	\$ 2,804,626								
Net OPEB Liability as a percentage of covered employee payroll	47.91%	117.16%								

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

VIII. SCHEDULE OF PLAN CONTRIBUTIONS

A. Schedule of Plan Contributions - Last 10 Fiscal Years

Fiscal Year Ending	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
Valuation Date	7/1/2016	7/1/2014	7/1/2014	7/1/2013	7/1/2012	7/1/2011	7/1/2010	7/1/2009	7/1/2008	7/1/2007
Actuarially Determined Contribution	\$ 392,653	\$ 576,683								
Contribution Without Subsidy	\$ 280,105	\$ 418,792								
Implicit Subsidy	\$ 112,548	\$ 157,891								
Contributions in relation to the actuarially determined contribution	<u>\$ 1,560,622</u>	<u>\$ 637,551</u>								
Contribution deficiency / (excess)	<u>\$ (1,167,969)</u>	<u>\$ (60,868)</u>								
Covered Employee Payroll	\$ 3,302,085	\$ 2,804,626								
Contributions as a percentage of covered employee payroll	47.26%	22.73%								

IX. SCHEDULE OF INVESTMENT RETURNS

A. Schedule of Investment Returns - Last 10 Fiscal Years

Fiscal Year Ending	6/30/2017	6/30/2016	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
Annual money-weighted rate of return, net of investment expense	7.63%	5.60%								

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

X. OPEB EXPENSE

A. OPEB Expense for the Fiscal Year Ending June 30, 2017

1.	Service Cost as of July 1, 2016	\$	128,268
2.	Interest on the Total OPEB Liability		
	a. Total OPEB Liability as of July 1, 2016		\$6,109,485
	b. Service Cost		128,268
	c. Expected benefit payments (time-weighted)		(312,370)
	d. Average expected Total OPEB Liability	\$	5,925,383
	e. Discount Rate		4.11%
	f. Interest on the Total OPEB Liability [(d) x (e)]	\$	243,533
3.	Projected earning on OPEB plan investments		
	a. Fiduciary Net Position as of July 1, 2016		\$2,823,722
	b. Plan Contributions (time-weighted)		845,337
	c. Expected benefit payments (time-weighted)		(312,370)
	d. Average expected Fiduciary Net Position	\$	3,356,689
	e. Long Term Rate of Return on Investments		7.00%
	f. Earnings on Fiduciary Net Position [(d) x (e)]	\$	234,968
4.	Recognition of Deferred Outflows and (Inflows) of Resources ¹		
	a. Difference between expected and actual experience	\$	(42,084)
	b. Changes of assumptions	\$	(1,310)
	c. Difference between projected and actual earnings on Plan investments	\$	9,021
	d. Total recognized deferred outflow and (inflows) of resources [(a) + (b) + (c)]	\$	(34,373)
5.	Employee Contributions	\$	0
6.	Administrative Expenses	\$	0
7.	Other changes	\$	0
8.	Total OPEB Expense for the Fiscal Year Ending June 30, 2017	\$	102,460
	[(1) + (2.f) - (3.f) + (4.d) + (5) + (6) + (7)]		

¹ Please refer to Section XI for details of the recognition of deferred outflows and inflows of resource.

X. OPEB EXPENSE

B. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to the Plan

The Plan's deferred outflows of resources and deferred (inflows) of resources as of June 30, 2017 are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
1. Difference between expected and actual experience	\$ 0	\$ (347,168)
2. Changes of assumptions	\$ 0	\$ (3,153)
3. Difference between projected and actual earnings on Plan investments	<u>\$ 21,894</u>	<u>\$ 0</u>
4. Total Deferred Outflows / (Inflows)	<u><u>\$ 21,894</u></u>	<u><u>\$ (350,321)</u></u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources will be recognized in OPEB expense as follows:

5. Fiscal Year Ending:	June 30, 2018	\$ (34,373)
	June 30, 2019	\$ (34,373)
	June 30, 2020	\$ (34,373)
	June 30, 2021	\$ (48,563)
	June 30, 2022	\$ (43,394)
	Thereafter	<u>\$ (133,351)</u>
	Total	<u><u>\$ (328,427)</u></u>

XI. DEFERRED OUTFLOWS AND INFLOWS

A. Schedule of Differences Between Expected and Actual Plan Experience

Year Ending	Difference Between Expected and Actual Experience	Recognition Period (Years)	Deferred Outflow/ (Inflow) as of 7/1/2016	Increase/(Decrease) in OPEB Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience												
				6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	6/30/2027		
6/30/2016	(130,291)	9.196	(116,123)	(14,168)	(14,168)	(14,168)	(14,168)	(14,168)	(14,168)	(14,168)	(14,168)	(14,168)	(2,779)	0	0	
6/30/2017	(273,129)	9.784	(273,129)	(27,916)	(27,916)	(27,916)	(27,916)	(27,916)	(27,916)	(27,916)	(27,916)	(27,916)	(27,916)	(27,916)	(21,885)	0
				<u>\$ (42,084)</u>	<u>\$ (42,084)</u>	<u>\$ (42,084)</u>	<u>\$ (42,084)</u>	<u>\$ (42,084)</u>	<u>\$ (42,084)</u>	<u>\$ (42,084)</u>	<u>\$ (42,084)</u>	<u>\$ (42,084)</u>	<u>\$ (42,084)</u>	<u>\$ (30,695)</u>	<u>\$ (21,885)</u>	<u>\$ -</u>

B. Schedule of Changes in Plan Assumptions

Year Ending	Difference Between Expected and Actual Experience	Recognition Period (Years)	Deferred Outflow/ (Inflow) as of 7/1/2016	Increase/(Decrease) in OPEB Expense Arising from the Recognition of the Effects of Changes of Plan Assumptions												
				6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	6/30/2027		
6/30/2016	(48,384)	9.196	(43,123)	(5,261)	(5,261)	(5,261)	(5,261)	(5,261)	(5,261)	(5,261)	(5,261)	(5,261)	(1,035)	0	0	
6/30/2017	38,660	9.784	38,660	3,951	3,951	3,951	3,951	3,951	3,951	3,951	3,951	3,951	3,951	3,951	3,101	0
				<u>\$ (1,310)</u>	<u>\$ (1,310)</u>	<u>\$ (1,310)</u>	<u>\$ (1,310)</u>	<u>\$ (1,310)</u>	<u>\$ (1,310)</u>	<u>\$ (1,310)</u>	<u>\$ (1,310)</u>	<u>\$ (1,310)</u>	<u>\$ (1,310)</u>	<u>\$ 2,916</u>	<u>\$ 3,101</u>	<u>\$ -</u>

C. Schedule of Difference Between Projected and Actual Earnings on Plan Investments

Year Ending	Difference Between Expected and Actual Experience	Recognition Period (Years)	Deferred Outflow/ (Inflow) as of 7/1/2016	Increase/(Decrease) in OPEB Expense Arising from the Recognition of Difference Between Projected and Actual Earnings on Plan Investments					
				6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
6/30/2016	70,945	5.000	56,756	14,189	14,189	14,189	14,189	0	0
6/30/2017	(25,841)	5.000	(25,841)	(5,168)	(5,168)	(5,168)	(5,168)	(5,169)	0
				<u>\$ 9,021</u>	<u>\$ 9,021</u>	<u>\$ 9,021</u>	<u>\$ 9,021</u>	<u>\$ (5,169)</u>	<u>\$ -</u>

XI. DEFERRED OUTFLOWS AND INFLOWS

D. Plan Demographics Projected to June 30, 2017

Status	<u>Count</u>	<u>Avg. Future Service</u>
Active	52	12.149
Retirees and Beneficiaries	<u>14</u>	<u>1.000</u>
Total	66	9.784

XII. BREAKOUT OF LIABILITY BY GROUP

A. Headcounts	Police	Fire	DPW	Dispatcher	Town	Total
1. Actives	20	15	7	3	7	52
2. Retirees	2	6	5	0	1	14
3. Total	22	21	12	3	8	66
4. Payroll for Actives	\$ 1,340,818	\$ 920,629	\$ 390,538	\$ 142,522	\$ 507,578	\$ 3,302,085
B. Total OPEB Liability (TOL)						
1. Actives' TOL	\$ 1,381,848	\$ 737,527	\$ 711,428	\$ 80,967	\$ 825,260	\$ 3,737,030
2. Retirees' TOL	\$ 169,010	\$ 1,592,348	\$ 237,519	\$ 0	\$ 119,239	\$ 2,118,116
3. Total TOL	\$ 1,550,858	\$ 2,329,875	\$ 948,947	\$ 80,967	\$ 944,499	\$ 5,855,146
4. Normal Cost	\$ 46,952	\$ 37,102	\$ 7,119	\$ 2,738	\$ 5,874	\$ 99,785
C. Net Fiduciary Position (NFP)						
1. Estimated NFP	\$ 747,922	\$ 1,123,612	\$ 457,642	\$ 39,047	\$ 455,497	\$ 2,823,720
D. Exp. Benefit Payments	\$ 47,357	\$ 121,040	\$ 143,017	\$ 0	\$ 81,239	\$ 392,653
E. TOL as a Percent of Payroll	115.7%	253.1%	243.0%	56.8%	186.1%	177.3%

Note: Valuation results as of July 1, 2016 using 5.34% discount rate.

XIII. PER CAPITA MEDICAL COSTS

A. Under Age 65 Per Capita Medical Costs, July 1, 2016

1.	Average annual premium for individual coverage	7,332.00
2.	Average annual premium for family coverage	18,444.00
3.	Average age of covered participants under 65:	47.66
4.	Factor to adjust to age 65 per assumptions [1.03 ^ (65.00 - (3))]	166.95%
5.	Estimate fiscal 2016 individual claims costs adjusted to age 65 basis:	12,241.09
6.	Estimate fiscal 2016 family claims costs adjusted to age 65 basis:	30,793.04
7.	Sample projected claims costs per age:	

<u>Age</u>	<u>Aging Assumption</u>	<u>Individual Cost</u>	<u>Family Cost</u>
40	3.00%	5,846.41	14,706.93
45	3.00%	6,777.59	17,049.36
50	3.00%	7,857.09	19,764.88
55	3.00%	9,108.52	22,912.91
60	3.00%	10,559.27	26,562.35
65	3.00%	12,241.09	30,793.04
70	2.50%	14,190.77	35,697.57
75	2.00%	16,055.56	40,388.53
80	1.00%	17,726.63	44,592.20
85	0.50%	18,630.87	46,866.85
90+	0.00%	19,101.32	48,050.30

B. Historical Medical Premiums - Monthly

		<u>7/1/2014</u>	<u>7/1/2015</u>	<u>7/1/2016</u>
1.	Healthmate Coast to Coast - Police			
	a. Single Coverage	607.74	624.69	624.69
	b. Family Coverage	1,575.73	1,572.01	1,572.01
2.	Healthmate Coast to Coast - DPW			
	a. Single Coverage	558.00	574.95	574.95
	b. Family Coverage	1,448.09	1,444.37	1,444.37
3.	Healthmate Coast to Coast - Fire, Dispatcher, Non-Union			
	a. Single Coverage	602.92	619.87	619.87
	b. Family Coverage	1,563.68	1,559.96	1,559.96

XIV. PARTICIPANT DATA

A. Reconciliation of Participant Data

	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>
Total as of July 1, 2014	65	19	84
New Entrants	-	n/a	0
Terminations	(10)	n/a	(10)
Active deaths	-	n/a	0
New retirees	(4)	4	0
New beneficiaries	-	-	0
Retiree/beneficiary deaths	n/a	-	0
Dropped coverage	n/a	(10)	(10)
Data adjustments	1	1	2
Total as of July 1, 2016	52	14	66

B. Age and Service Distribution of Members

1. Eligible Active Members:

Complete Years of Service as of July 1, 2016

<i>Attained</i>							
<u>Age</u>	<u>1-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-29</u>	<u>30+</u>	<u>Total</u>
Under 25	1	-	-	-	-	-	1
25-29	-	3	-	-	-	-	3
30-34	-	5	1	-	-	-	6
35-39	-	3	2	-	-	-	5
40-44	-	2	-	3	2	-	7
45-49	-	1	3	3	5	-	12
50-54	-	1	-	-	9	1	11
55-59	-	-	-	-	2	1	3
60-64	-	-	-	-	-	3	3
65+	-	-	-	-	-	1	1
Total	1	15	6	6	18	6	52

XIV. PARTICIPANT DATA (cont'd)

2. Retired Members:

<u>Attained Age</u>	<u>Individual Coverage</u>	<u>Family Coverage</u>	<u>Total</u>
Under 50	-	1	1
50-54	-	1	1
55-59	-	5	5
60-64	1	6	7
65-69	-	-	0
70-74	-	-	0
75+	-	-	0
Total	1	13	14

XIV. PARTICIPANT DATA (cont'd)

C. Participant Statistics

1. Eligible Active Members:

	Police	Fire	DPW	Dispatcher	Town	Total
Count:	20	15	7	3	7	52
Average age:	42.4	39.7	54.9	42.9	59.4	45.6
Average past service:	16.0	12.3	28.6	16.1	31.1	18.6
Average future service until retirement:	13.1	16.1	7.3	18.5	4.5	12.1
Average age of retirement:	55.5	55.9	62.2	61.4	64.0	58.0

2. Retired Members and Spouses:

	Police	Fire	DPW	Dispatcher	Town	Total
Count:	2	6	5	0	1	14
Average age under 65:	52.5	59.3	60.3	n/a	61.3	58.8
Average age over 65:	n/a	n/a	n/a	n/a	n/a	n/a
Average age all retirees:	52.5	59.3	60.3	n/a	61.3	58.8
Expected future lifetime:	32.0	18.3	24.8	n/a	26.4	23.2

3. All Covered Members Under Age 65:

Average age: 47.66

XV. GLOSSARY FOR OPEB AND GASB 75

Actuarial Accrued Liability (AAL) – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value (APV) of plan benefits and expenses allocated to all periods prior to the valuation date. This is the amount of the APV not provided by future Normal Costs.

- a) 100% of the actuarial present value of benefits expected to be paid (APV) to:
 - i) Retirees and their dependents
 - ii) Active employees who have attained their expected retirement date and their dependents
- b) Proportionate amount, based on employee service recognized up to the valuation date, of the actuarial present value of benefits expected to be paid (AAL) for active employees who have not yet attained their expected retirement date.

The AAL is the benefit obligation disclosed in the financial statements representing current plan liability.

Active Plan Participant – Any active employee who has rendered service during the credited service period and is expected to receive benefits, including benefits to or for any beneficiaries and covered dependents, under the Postemployment benefit plan.

Actuarial Cost Method or Funding Method – A procedure for determining the Actuarial Present Value of OPEB plan benefits and expenses and for developing an actuarial equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial determined contribution (ADC) – A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial Present Value of Total Projected Benefits (APV) – The actuarial present value of the cost to finance, as of a specified date, all future benefit costs or a series of benefit costs, with each amount adjusted to reflect (a) the time value of money (through discounts for interest) and (b) the probability of payment (for example, by means of decrements for events such as death, disability, withdrawal or retirement) between the specified date and the expected date of payment. This includes benefits to current active members, terminated employees entitled to benefits but not yet receiving them, if any, retirees, their beneficiaries and any covered dependents pursuant to the terms of the OPEB plan. Expressed another way, 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.

Amortization Payment – That portion of the plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability (UAAL).

Attribution Period – The period of an employee's service to which the actuarial present value of total projected benefits for that employee is assigned. The beginning of that period is generally the employee's date of hire and the end of the attribution period is the full eligibility date.

XV. GLOSSARY FOR OPEB AND GASB 75

Discount Rate – The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

- a. The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that 35 period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on **OPEB** plan investments
- b. The actuarial present value of projected benefit payments not included in (a), calculated using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Entry Age Actuarial Cost Method – A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service 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 (AAL).

Full Eligibility Date – The date at which an employee has rendered all service necessary to receive full benefits under the plan.

Gains and Losses – Changes in the Unfunded Actuarial Accrued Liability (UAAL) that is the result of actual experience of the plan being different than what was expected.

Health Care Cost Trend Rate (HCCTR) – An assumption about the annual rate(s) of change in the cost of health care benefits which are currently provided by the Postemployment benefit plan, due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The Health Care Cost Trend Rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the plan participants.

Differing types of service, such as hospital care and dental care, may have different trend rates as may service for different portions of the plan population, such as Medicare eligible and non-Medicare eligible members.

XV. GLOSSARY FOR OPEB AND GASB 75

Implicit Rate Subsidy – It is a common practice to permit retired employees to continue in the plan sponsor’s group health insurance plan at their own cost once eligibility for plan sponsor paid benefits is exhausted. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees. Therefore, unless the premium rate for retirees is set to fully recover their health costs, the premium for active employees is implicitly overstated to subsidize utilization by retirees. This is called implicit rate subsidy. This rate subsidy is considered a benefit subject to OPEB valuation, included in GASB75.

The OPEB liability normally includes the cost of the implicit rate subsidy for the years in which the retiree is paying the insurance costs for continued coverage. When the retiree is eligible for Medicare, the cost of coverage is generally much closer to the premium cost. Therefore, there is no OPEB liability assumed for Medicare-eligible retirees paying 100% of the premium.

Interest on Total OPEB Liability – The accrual of interest on the TOL for the year of the valuation. It is calculated by applying the beginning of year Discount Rate to the sum of the Expected Benefit Payments and ToL as of the beginning of year.

Market Value (or Fair Value) of Plan Assets – The amount that a plan could reasonable expect to receive for an investment in a current sale between a willing buyer and a willing seller.

Market-Related Value of Plan Assets – A balance used to calculate the Expected Return of Plan Assets. Market-related value can be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years.

Normal Cost – The portion of the Actuarial Present Value of Total Projected Benefits (APV) attributed to employee service during a valuation year by the Actuarial Cost Method.

Net OPEB Liability – The liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of GASB 74.

OPEB Assets – The amount recognized by an employer for contributions to an OPEB plan greater than the OPEB expense.

OPEB Expenditures – The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB Expense – The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB Liabilities – The amount recognized by an employer in each accounting period for contributions to an OPEB plan less than OPEB expense/expenditures.

XV. GLOSSARY FOR OPEB AND GASB 75

Open Group/Closed Group – Terms used to distinguish between two classes of Actuarial Cost Methods. Under an Open Group Actuarial Cost Method, Actuarial Present Values associated with expected future entrants are considered; under a Closed Group Actuarial Cost Method, Actuarial Present Values associated with expected future entrants are not considered.

Pay-As-You-Go (PAYGO) – A method of expensing retiree medical benefits recognizing as an expense the cash currently paid as benefits to retirees, spouses and covered dependents. The minimum method of financing a plan, having no pre-funding until benefits actually become payable.

Per Capita Benefit Cost by Age – The current cost of providing OPEB health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

Plan Fiduciary Net Position – Assets which have been irrevocably dedicated to the payment of benefits under the

Postemployment – The period between termination of employment and retirement as well as the period after retirement.

Postemployment Benefits – All forms of benefits, other than retirement income (pensions), provided by the employer to the retiree, including, but not limited to, health care, life insurance and legal assistance.

Substantive Plan – The terms of a postemployment benefit plan as understood by an employer and plan members that provides postemployment benefits to the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for this transaction. In some situations an employer's cost-sharing policy, as evidenced by past practice or by communication of intended changes to a plan's cost-sharing provisions, or a past practice of regular increases in certain monetary benefits may indicate that the substantive plan differs from the existing written plan.

Total OPEB Liability – The portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB 74. The total OPEB liability is the liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 3 of GASB 74.

Unfunded Actuarial Accrued Liability (UAAL) -- The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Valuation Date – The date as of which the plan assets and OPEB obligations are measured.