

***Town of Narragansett
Chapter 1666 Police
Pension Plan***

***Actuarial Valuation Report
July 1, 2014***

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Highlights

Purpose of the Valuation

This report summarizes actuarial information regarding the plan's liabilities and benefit obligations as compared to assets available for benefits on the valuation date. The report was prepared by Nyhart to:

- determine the acceptable range of employer contributions;
- determine the plan's funded status; and
- measure values of plan benefits and obligations under governmental financial accounting standards.

Principal results of actuarial valuations are shown in the following sections.

Plan Year Beginning	07/01/14	07/01/13
Employer Contributions		
Actuarial Recommended Funding Contribution	\$ 208,518	N/A
Annual Required Contribution	\$ 208,518	\$ 129,257
Employer contribution	N/A	\$ 124,954
Plan Assets		
Fair market value	\$ 848,473	\$ (49,199)
Actuarial value for funding	\$ 848,473	\$ (49,199)
Participants		
Financial Accounting		
Present value of accumulated plan benefits	\$ 2,542,858	\$ 1,001,118
Assets available for benefits	\$ 848,473	\$ (49,199)
Surplus/(shortfall) of assets over Value of plan benefits	\$(1,694,385)	\$(1,050,317)
Participants		
Number of participants:		
Active	0	0
Inactive with deferred benefits	0	0
Inactive receiving benefits	11	5
Beneficiary receiving benefits	7	7
Alternate payee receiving benefits	<u>0</u>	<u>0</u>
Total in valuation	18	12

Actuary's Opinion

This report provides information regarding the actuarial valuation prepared for

Town of Narragansett Chapter 1666 Police Pension Plan

The actuarial valuation was prepared as of July 1, 2014 using information which has been reconciled and reviewed for reasonableness. Employee census information was provided by the Town and asset information was provided by the Town. Our review was not performed at the source, and we therefore do not accept responsibility for the accuracy or completeness of the data on which the information is based.

To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with the Actuarial Standards of Practice as described by the American Academy of Actuaries.

In our opinion, the actuarial assumptions and methods are individually reasonable and in combination represent our best estimate of anticipated experience of the plan.

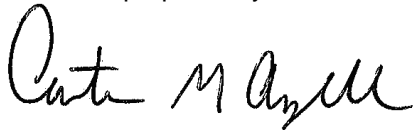
Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report.

To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

Nyhart

Valuation prepared by:



Carter M. Angell, FSA, EA

Valuation reviewed by:



Tayt V. Odom, FSA, EA

December 4, 2014

Date

Section 1 - Assets

1.1 Reconciliation of Plan Assets

Transaction activity is summarized in Section A and market value of assets is reconciled in Section B from 06/30/13 to 06/30/14 as follows:

A. Net income/(loss):

(1) Contributions:			
From town	\$	124,954	
From participants		0	
Other		<u>0</u>	\$ 124,954
(2) Earnings on investments			0
(3) Realized gain			0
(4) Other income			0
(5) Disbursements:			
Benefit payments	\$	231,586	
Other		0	
Administrative expenses		<u>0</u>	231,586
(6) Net income/(loss) = (1) + (2) + (3) + (4) – (5)			\$ (106,632)

B. Reconciliation of market value of assets:

(1) Market value of assets as of 06/30/13	\$	(49,199)
(2) Net income/(loss) from A(6)		(106,632)
(3) Unrealized appreciation/depreciation of assets		0
(4) Prepaid Expense		(13,112)
(5) Adjustment		(8,464)
(6) Transfer of assets from Town of Narragansett Pension Plan		1,025,880
(7) Market value of assets as of 06/30/14 = (1) + (2) + (3) + (4) + (5) + (6)	\$	848,473

Section 2 – Contribution Alternatives – All Divisions

2.1 Actuarial Recommended Funding Contribution

The contribution required to meet a recommended minimum funding standard is shown for the current and prior plan years.

Plan Year Ending	06/30/15	06/30/14
(1) Employer normal cost	\$ 0	N/A
(2) Net amortization payment (Exhibit 1)	193,970	N/A
(3) Interest at valuation rate on (1) + (2)	14,548	N/A
(4) Actuarial recommended funding contribution = (1) + (2) + (3)	\$ 208,518	N/A

2.2 Annual Required Contribution

The contribution required under GASB #27 is shown for the current and prior plan years.

Plan Year Ending	06/30/15	06/30/14
(1) Employer normal cost	\$ 0	\$ 0
(2) Net amortization payment (Exhibit 1)	193,970	120,239
(3) Interest at valuation rate on (1) + (2)	14,548	9,018
(4) Annual required contribution = (1) + (2) + (3)	\$ 208,518	\$ 129,257

Section 3 – Basis for the Valuation

3.1 Plan Participants

Participant information provided by the plan administrator is summarized in the following table.

	Active	Inactive Participants		Total
		Benefits Deferred	Receiving Benefits	
Participants at 07/01/13	0	0	12	12
Retired	0	0	0	0
Rehires	0	0	0	0
Deaths without survivor	0	0	0	0
Deaths with survivor benefits	0	0	0	0
Survivors	0	0	0	0
Vested terminations	0	0	0	0
Nonvested terminations	0	0	0	0
Add alternate payees	0	0	0	0
Benefits paid in full	0	0	0	0
New participants during the plan year	0	0	0	0
Town Chapter 1666 retirees adjustment	0	0	6	6
Participants as of 07/01/14	0	0	18	18

Section 3 – Continued

3.2 Summary of Plan Provisions

Name of plan

Town of Narragansett Chapter 1666 Police Pension Plan

Participation

All members of the permanent Police Force who were hired prior to July 1, 1978 and refused the September 1984 offer to join the Chapter 1666 Pension Plan.

Normal Retirement Date

The attainment of age 65 or the completion of 20 years of service.

Normal Retirement Benefit

A monthly benefit equal to 50% of Final Earnings.

Disability retirement

In the event a member becomes unable to perform Active Police Duty by reason of clearly proved physical or mental infirmities, he shall be entitled to a Monthly Pension in the amount of 50% of Final Earnings in the Year of Disability.

Preretirement death benefit

If an active member shall die after 25 Years of Service, his widow shall receive a Monthly Benefit equal to 67.5% of the member's Accrued Benefit continuing until her death or remarriage.

Optional forms of payment

Married participants are entitled to a 67.5% Joint and Survivor Annuity. If not married, participants are entitled to a Life Annuity.

Section 3 – Continued**3.3 Actuarial Assumptions**

Actuarial assumptions concerning future events are described below. Please see *Highlights* section for comments regarding changes in assumptions since the last valuation.

Retirement age	Not Applicable
Mortality of active lives	Not Applicable
Mortality of retired lives	For Males: 115% of RP2000 Mortality for Males with White Collar Adjustments, projected with Scale AA to 2014 For Females: 95% of RP2000 Mortality for Females with White Collar Adjustments, projected with Scale AA to 2014
Mortality of disabled lives	60% of PBGC Disabled Mortality 2012 under Section 4044
Disablement	Not Applicable
Withdrawal	Not Applicable
Future salary	Not Applicable
Valuation interest rate	7.5%
Cost of Living Adjustment	3% for eligible employees

Section 3 – Continued

3.4 Valuation Procedures

Funding method

Actuarial Recommended Funding Contribution and Annual Required Contribution – Entry Age Normal Cost Method

The actuarial cost method used in determining the Actuarial Recommended Funding and Annual Required Contributions is the entry age normal cost method.

In determining the Annual Required and Actuarial Recommended Funding Contribution, the excess of the entry age actuarial accrued liability over the actuarial value of plan assets is amortized over the average expected future lifetime of the plan participants.

Asset valuation method

The actuarial value of assets is equal to the fair market value of assets on the valuation date.

Exhibit 1 – Unfunded Actuarial Liability

A. Unfunded Entry-Age Actuarial Accrued Liability

(1)	Active participants	\$ 0
(2)	Inactive participants with deferred benefits	0
(3)	Participants/beneficiaries receiving benefits	2,542,858
(4)	Total entry-age actuarial accrued liability = (1) + (2) + (3)	2,542,858
(5)	Actuarial value of assets as of 07/01/14	848,473
(6)	Unfunded actuarial liability as of 07/01/14 = (4) – (5), not less than zero	\$ 1,694,385

B. Annual Required Contribution/Actuarial Recommended Funding Contribution Amortization Schedule

	First Payment	Remaining Amortization Period (Years)	Outstanding Balance	Annual Payment
Charges:	07/01/2014	13	\$1,694,385	\$193,970

Town of Narragansett
Chapter 1666 Police Pension Plan

Appendix A

Financial Reporting for Statement No. 25/27

As Amended by Statement No. 50

**Governmental Accounting Standards Board
for Fiscal Year Ending 06/30/2014**

Town of Narragansett – Chapter 1666 Police Pension Plan

Statement of Plan Net Assets as of June 30,

	2014	2013
Assets		
Cash	\$ 0	\$ 0
Investments		
US Government and Agency Obligations	0	0
Corporate Bonds	0	0
Mutual Funds	0	0
Corporate Stock	0	0
Other	0	0
Total Investments	<u>\$ 0</u>	<u>\$ 0</u>
Receivables	\$ 826,830	\$ 0
Prepaid Expenses	\$ 21,643	\$ 8,465
Liabilities		
Due to Other Funds	\$ 0	\$ 0
Internal Balances	\$ 0	\$ (57,664)
Accounts Payable and Accrued Expenses	\$ 0	\$ 0
Net assets held in trust for pension benefits	\$ 848,473	\$ (49,199)

Town of Narragansett – Chapter 1666 Police Pension Plan

Statement of Changes in Plan Net Assets for the years ended June 30,

	2014	2013
Additions		
Contributions		
Employer	\$ 124,954	\$ 102,200
Employees	0	0
Other	0	0
Total contributions	\$ 124,954	\$ 102,200
Investment income		
Interest and dividends	\$ 0	\$ 0
Balance Adjustment	(21,576)	(46,691)
Net appreciation/ depreciation in fair value of investments	0	0
Net investment income	\$ (21,576)	\$ (46,691)
Total additions	\$ 103,378	\$ 55,509
Deductions		
Benefits	\$ 231,586	\$ 101,643
Administrative and Other Expenses	0	0
Total deductions	\$ 231,586	\$ 101,643
Transfer in/(out)	\$ 0	\$ 0
Adjustment/transfer from Town of Narragansett Pension Plan	\$ 1,025,880	\$ 0
Net increase	\$ 897,672	\$ (46,134)
Net assets held in trust for benefits		
Beginning of year	\$ (49,199)	\$ (3,065)
End of year	\$ 848,473	\$ (49,199)

Town of Narragansett – Chapter 1666 Police Pension Plan

Required Pension Disclosure Under GASB #27

Schedule of Funding Progress

Valuation Date	Valuation Assets	Accrued Liability*	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as % of Payroll
01/01/91	\$ 296,884	\$ 1,842,786	\$ 1,545,902	16.1%	\$ 211,835	729.8%
01/01/92	\$ 435,566	\$ 1,781,705	\$ 1,346,139	24.4%	\$ 226,345	594.7%
01/01/93	\$ 379,010	\$ 2,019,676	\$ 1,640,666	18.8%	\$ 208,336	787.5%
01/01/94	\$ 443,202	\$ 1,622,853	\$ 1,179,651	27.3%	\$ 0	N/A
01/01/95	\$ 575,286	\$ 1,560,604	\$ 985,318	36.9%	\$ 0	N/A
01/01/96	\$ 343,718	\$ 1,531,451	\$ 1,187,733	22.4%	\$ 0	N/A
01/01/97	\$ 360,622	\$ 1,504,507	\$ 1,143,885	24.0%	\$ 0	N/A
01/01/98	\$ 314,450	\$ 1,477,948	\$ 1,163,498	21.3%	\$ 0	N/A
01/01/99	\$ 308,612	\$ 1,379,936	\$ 1,071,324	22.4%	\$ 0	N/A
01/01/00	\$ 227,405	\$ 1,350,674	\$ 1,123,269	16.8%	\$ 0	N/A
01/01/03	\$ 228,565	\$ 1,271,743	\$ 1,043,178	18.0%	\$ 0	N/A
07/01/04	\$ 118,355	\$ 1,094,525	\$ 976,170	10.8%	\$ 0	N/A
07/01/05	\$ 48,555	\$ 949,819	\$ 901,264	5.1%	\$ 0	N/A
07/01/07	\$ (106,318)	\$ 846,266	\$ 952,584	0.0%	\$ 0	N/A
07/01/08	\$ 3,525	\$ 914,018	\$ 910,493	0.4%	\$ 0	N/A
07/01/09	\$ (103,557)	\$ 872,021	\$ 975,578	0.0%	\$ 0	N/A
07/01/10	\$ (76,563)	\$ 840,010	\$ 916,573	0.0%	\$ 0	N/A
07/01/11	\$ (48,816)	\$ 844,181	\$ 892,997	0.0%	\$ 0	N/A
07/01/12	\$ (3,065)	\$ 1,012,292	\$ 1,015,357	0.0%	\$ 0	N/A
07/01/13	\$ (49,199)	\$ 1,001,118	\$ 1,050,317	0.0%	\$ 0	N/A
07/01/14	\$ 848,473	\$ 2,542,858	\$ 1,694,385	33.4%	\$ 0	N/A

*Determined under the Entry Age actuarial cost method as defined in Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over an open period which was 40 years prior to July 1, 2006 and is 30 years after July 1, 2006. Beginning July 1, 2010, the amortization period has changed to be the average expected lifetime of the participants.

Town of Narragansett – Chapter 1666 Police Pension Plan

Required Pension Disclosure Under GASB #27

Schedule of Contributions from the Employer and Other Contributing Entities

Fiscal Year Ending	Annual Required Contribution*	Employer Funding Contributions	Percentage Contributed	Net Pension Obligation
12/31/2001	\$ 86,712	\$ 86,712	100.00%	\$ 0
12/31/2002	\$ 86,712	\$ 86,712	100.00%	\$ 0
12/31/2003	\$ 80,529	\$ 0	0.00%	\$ 80,529
06/30/2004	\$ 80,529	\$ 135,000	167.64%	\$ 23,181
06/30/2005	\$ 77,509	\$ 50,000	64.51%	\$ 50,702
06/30/2006	\$ 71,561	\$ 70,000	97.82%	\$ 52,321
06/30/2007	\$ 80,656	\$ 0	0.00%	\$ 132,471
06/30/2008	\$ 80,656	\$ 215,717	267.50%	\$ (3,089)
06/30/2009	\$ 77,093	\$ 0	0.00%	\$ 74,015
06/30/2010	\$ 77,093	\$ 120,000	155.66%	\$ 30,829
06/30/2011	\$ 125,293	\$ 130,000	103.76%	\$ 26,006
06/30/2012	\$ 131,117	\$ 102,200	77.94%	\$ 54,825
06/30/2013	\$ 124,954	\$ 102,200	81.79%	\$ 77,373
06/30/2013	\$ 124,954	\$ 102,200	81.79%	\$ 77,373
06/30/2014	\$ 129,257	\$ 124,954	96.67%	\$ 81,385

*Determined under the Entry Age actuarial cost method as defined in Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over an open period which was 40 years prior to July 1, 2006 and is 30 years after July 1, 2006. Beginning July 1, 2010, the amortization period has changed to be the average expected lifetime of the participants.

Town of Narragansett – Chapter 1666 Police Pension Plan

Required Pension Disclosure Under GASB #27

Trend Information

Fiscal Year Ending	Annual Pension Cost*	Employer Funding Contributions	Percentage Contributed	Net Pension Obligation
12/31/2001	\$ 86,712	\$ 86,712	100.00%	\$ 0
12/31/2002	\$ 86,712	\$ 86,712	100.00%	\$ 0
12/31/2003	\$ 80,529	\$ 0	0.00%	\$ 80,529
06/30/2004	\$ 77,652	\$ 135,000	173.90%	\$ 23,181
06/30/2005	\$ 77,521	\$ 50,000	64.50%	\$ 50,702
06/30/2006	\$ 71,619	\$ 70,000	97.70%	\$ 52,321
06/30/2007	\$ 80,150	\$ 0	0.00%	\$ 132,471
06/30/2008	\$ 80,157	\$ 215,717	269.10%	\$ (3,089)
06/30/2009	\$ 77,104	\$ 0	0.00%	\$ 74,015
06/30/2010	\$ 76,814	\$ 120,000	156.22%	\$ 30,829
06/30/2011	\$ 125,177	\$ 130,000	103.85%	\$ 26,006
06/30/2012	\$ 131,019	\$ 102,200	78.00%	\$ 54,825
06/30/2013	\$ 124,748	\$ 102,200	81.93%	\$ 77,373
06/30/2014	\$ 128,966	\$ 124,954	96.89%	\$ 81,385

*Determined under the Entry Age actuarial cost method as defined in Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over an open period which was 40 years prior to July 1, 2006 and is 30 years after July 1, 2006. Beginning July 1, 2010, the amortization period has changed to be the average expected lifetime of the participants.

Town of Narragansett – Chapter 1666 Police Pension Plan

Required Pension Disclosure Under GASB #27

Annual Pension Cost and Net Pension Obligation

	Year Ending 6/30/2008	Year Ending 6/30/2009	Year Ending 6/30/2010	Year Ending 6/30/2011	Year Ending 6/30/2012	Year Ending 6/30/2013	Year Ending 6/30/2014
Annual Required Contribution (ARC)	\$ 80,656	\$ 77,093	\$ 77,093	\$ 125,293	\$ 131,117	\$ 124,954	\$ 129,257
Interest on Net Pension Obligation (NPO)	9,935	(232)	5,551	2,312	1,950	4,112	5,803
Adjustment to ARC	<u>(10,434)</u>	<u>243</u>	<u>(5,830)</u>	<u>(2,428)</u>	<u>(2,048)</u>	<u>(4,318)</u>	<u>(6,094)</u>
Annual Pension Cost	\$ 80,157	\$ 77,104	\$ 76,814	\$ 125,177	\$ 131,019	\$ 124,748	\$ 128,966
Actual Contributions	<u>(215,717)</u>	<u>-</u>	<u>(120,000)</u>	<u>(130,000)</u>	<u>(102,200)</u>	<u>(102,200)</u>	<u>(124,954)</u>
Increase/(decrease) in NPO	\$(135,560)	\$ 77,104	\$ (43,186)	\$ (4,823)	\$ 28,819	\$ 22,548	\$ 4,012
NPO Beginning of Year	<u>132,471</u>	<u>(3,089)</u>	<u>74,015</u>	<u>30,829</u>	<u>26,006</u>	<u>54,825</u>	<u>77,373</u>
NPO End of Year	\$ (3,089)	\$ 74,015	\$ 30,829	\$ 26,006	\$ 54,825	\$ 77,373	\$ 81,385
Interest Rate	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
Amortization Period	30	30	30	30	30	30	30