The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island

Actuarial Valuation and Review as of July 1, 2015

Segal Consulting
116 Huntington Ave., 8th Floor Boston, MA 02116
T 617.424.7300 www.segalco.com

December 11, 2015

Mr. James Lathrop
Deputy Town Administrator/Finance Director
Town of Portsmouth
2200 East Main Road
Portsmouth, RI 02871

Dear Mr. Lathrop:

We are pleased to submit this Actuarial Valuation and Review as of July 1, 2015. It summarizes the actuarial data used in the valuation, establishes the funding requirements for fiscal 2016 and later years and analyzes the preceding year's experience.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Town to assist in administering the Plan. The census information and financial information on which our calculations were based was prepared by the staff of the Town of Portsmouth. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and changes in plan provisions or applicable law.

An actuarial valuation is a measurement at a specific date – it is not a prediction of a plan's future financial condition. We have not been retained to perform an analysis of the potential range of financial measurements, except where otherwise noted.

The actuarial calculations were directed under the supervision of Kathleen A. Riley, FSA, MAAA, EA. She is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of her knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in her opinion, the assumptions as approved by the Board are reasonably related to the experience of and the expectations for the Plan.

We look forward to reviewing this report at your next meeting and to answering any questions.

Sincerely,

Segal Consulting, a Member of The Segal Group, Inc.

By: _____

Kathleen A. Riley, FSA, MAAA, EA
Senior Vice President and Actuary

William J. Connolly, FCA, MAAA, EA
Consulting Actuary

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SECTION 1

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Purpose

This report has been prepared by Segal Consulting to present a valuation of the Retirement Plan for Employees of the Town of Portsmouth, Rhode Island as of July 1, 2015. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to present certain disclosure information required by the Governmental Account Standards Board Statements No. 67 and 68 as of June 30, 2015. The contribution requirements presented in this report are based on:

- The benefit provisions of the Pension Plan, as administered by the Town;
- The characteristics of covered active employees, inactive vested employees, and retired employees and beneficiaries as of July 1, 2015;
- The assets of the Plan as of June 30, 2015;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant Issues in Valuation Year

The following key findings were the result of this actuarial valuation:

1. The actuarial valuation report as of July 1, 2015 is based on financial information as of that date. Changes in the value of assets subsequent to that date, to the extent that they exist, are not reflected.
2. During the plan year ended June 30, 2015, the market value rate of return was 0.59%. Because the actuarial value of assets gradually recognizes market value fluctuations over a five-year period, the actuarial rate of return for the plan year ended June 30, 2015 was 9.16% resulting in an investment gain of $1.0 million. The actuarial value of assets as of June 30, 2015 was $47.5 million, or 99.5% of the market value of assets of $47.8 million. As of June 30, 2014, the actuarial value of assets was 91.7% of the market value.
3. We have changed the following assumptions with this valuation:
   - The administrative expense assumption was decreased from $62,000 to $35,000.

- The mortality assumption for non-disabled participants was changed from the RP-2000 Combined Healthy Mortality Table projected generationally using Scale AA to the RP-2014 Employee and Healthy Annuitant Mortality Tables with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006.
- The mortality assumption for disabled participants was changed from the RP-2000 Disabled Retiree Mortality Assumption to the RP-2014 Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006 and set forward 5 years.

Changing these assumptions resulted in an increase in the unfunded actuarial accrued liability of $2,343,849 and an increase in the employer normal cost of $22,384.

4. The unfunded liability was expected to decrease from $35.4 million as of July 1, 2014 to $34.6 million as of July 1, 2015. The actual unfunded liability as of July 1, 2015 was $37.1 million. The $2.5 million increase from the expected unfunded liability was due to the assumption changes noted above and a net experience loss as detailed on page 11.
5. The recommended contribution for the fiscal year ended June 30, 2016 is the previously budgeted amount of $3,623,290. The results of this valuation are used to determine the Actuarially Determined Contribution for the fiscal year ending June 30, 2017 of $3,955,207. In the prior valuation, the fiscal 2017 contribution was projected to be $3,542,614. The increase is primarily due to the investment loss on a market value basis and the change in the mortality assumption. This contribution is comprised of a projected employer normal cost payment and a 24-year level payment on the projected July 1, 2016 unfunded actuarial accrued liability.
6. On a market value basis, the funded ratio has decreased from 59.8% as of July 1, 2014 to 56.4% as of July 1, 2015. On an actuarial basis, the funded ratio has increased from 54.8% as of July 1, 2014 to 56.2% as of July 1, 2015.
7. The Governmental Accounting Standards Board (GASB) approved two new Statements affecting the reporting of pension liabilities for accounting purposes. Statement 67 replaces Statement 25 and is for plan reporting. Statement 68 replaces Statement 27 and is for employer reporting. Section 5 shows the disclosure information required by GASB Statements No. 67 and 68.
   - It is important to note that the new GASB rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices.

- The Net Pension Liability (NPL) is equal to the difference between the Total Pension Liability (TPL) and the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis. The NPL increased from $31.5 million as of June 30, 2014 to $36.9 million as of June 30, 2015 and the Plan's Fiduciary Net Position as a percent of the TPL decreased from 59.78% to 56.40%.
- The NPL was measured as of June 30, 2015 and 2014 and determined based upon the results of the actuarial valuations as of July 1, 2015 and July 1, 2014 respectively.
- The discount rate used to determine the TPL and NPL as of June 30, 2015 and 2014 was 6.75%.

Summary of Key Valuation Results

	2015	2014
Contributions for fiscal year beginning July 1:		
Actuarially Determined Contribution for fiscal 2016 and fiscal 2015	$3,623,290	$4,054,721
Actuarially Determined Contribution for fiscal 2017 and fiscal 2016	3,955,207	3,623,290
Funding elements for plan year beginning July 1:		
Normal cost, including administrative expenses	$1,287,788	$1,302,913
Market value of assets	47,752,905	46,829,397
Actuarial value of assets	47,537,913	42,930,879
Actuarial accrued liability	84,662,311	78,330,009
Unfunded actuarial accrued liability	37,124,398	35,399,130
Funded ratio based on market value of assets	56.4%	59.8%
Funded ratio based on actuarial value of assets	56.2%	54.8%
Demographic data for plan year beginning July 1:		
Number of retired employees and beneficiaries	153	144
Number of inactive employees entitled to a return of their employee contributions	0	4
Number of inactive employees with a vested right to a deferred or immediate benefit	7	7
Number of active employees	160	164
Total compensation	$7,969,261	$7,837,400
Average compensation	49,808	47,789

Important Information About Actuarial Valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal Consulting ("Segal") relies on a number of input items. These include:

- **Plan of benefits** Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report to confirm that Segal has correctly interpreted the plan of benefits.
- **Participant data** An actuarial valuation for a plan is based on data provided to the actuary by the Town of Portsmouth. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
- **Assets** The valuation is based on the market value of assets as of the valuation date, as provided by the Town of Portsmouth. The Town of Portsmouth uses an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
- **Actuarial assumptions** In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Town of Portsmouth. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
- If the Town of Portsmouth is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Town of Portsmouth should look to their other advisors for expertise in these areas.

As Segal Consulting has no discretionary authority with respect to the management or assets of the Plan, it is not a fiduciary in its capacity as actuaries and consultants with respect to the Plan.

A. EMPLOYEE DATA

The Actuarial Valuation and Review considers the number and demographic characteristics of covered employees, including active employees, inactive employees, retired employees and beneficiaries.

This section presents a summary of significant statistical data on these employee groups.

More detailed information for this valuation year and the preceding valuation can be found in Section 3, Exhibits A and B.

A historical perspective of how the employee population has changed over the past several valuations can be seen in this chart.

CHART 1

Employee Population: 2011 – 2015

Year Ended June 30	Active Employees	Inactive Employees	Retired Employees and Beneficiaries	Ratio of Non-Actives to Actives
2011	189	14	109	0.65
2012	178	13	121	0.75
2013	165	14	137	0.91
2014	164	11	144	0.95
2015	160	7	153	1.00

Note: Participant counts prior to 2014 are from the prior actuary's reports.

Active Employees

Plan costs are affected by the age, years of service and payroll of active employees. In this year's valuation, there were 160 active employees with an average age of 47.1, average years of service of 10.9 years and average payroll of $49,808. The 164 active employees in the prior valuation had an average age of 46.9, average service of 10.5 years and average payroll of $47,789.

Among the active employees, there none with unknown age and/or service information.

Inactive Employees

In this year's valuation, there were seven employees with a vested right to a deferred or immediate vested benefit.

These graphs show a distribution of active employees by age and by years of service.

CHART 2

Distribution of Active Employees by Age as of June 30, 2015

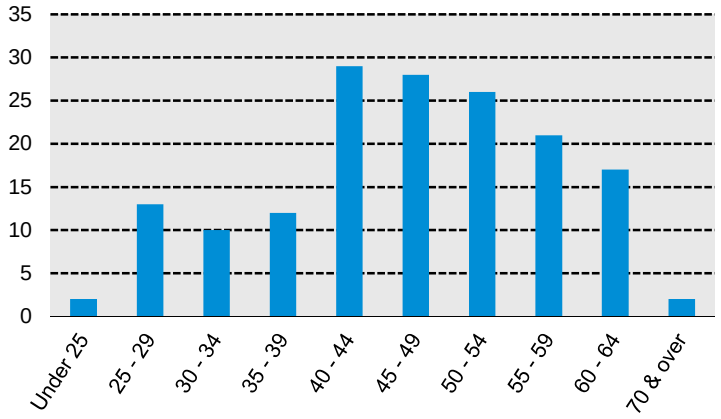
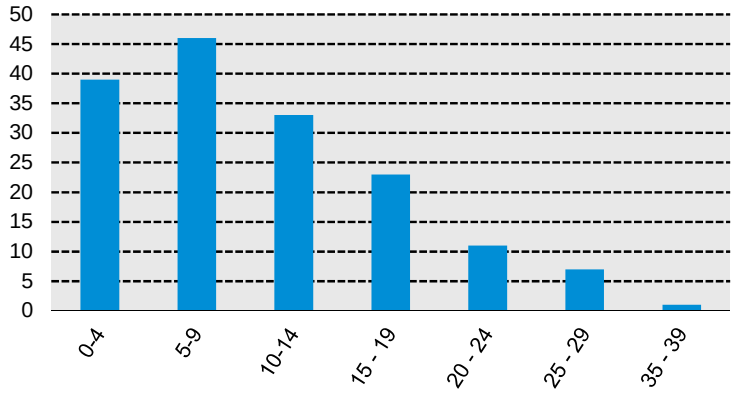


CHART 3

Distribution of Active Employees by Years of Service as of June 30, 2015



Retired Employees and Beneficiaries

As of June 30, 2015, 143 retired employees and 10 beneficiaries were receiving total monthly benefits of $350,010. For comparison, in the previous valuation, there were 136 retired employees and 8 beneficiaries receiving monthly benefits of $327,316. These monthly benefits include the amounts paid for certain participants by MetLife.

These graphs show a distribution of the current retired employees and beneficiaries based on their monthly amount and age, by type of pension.

CHART 4

Distribution of Retired Employees and Beneficiaries by Type and by Monthly Amount as of June 30, 2015

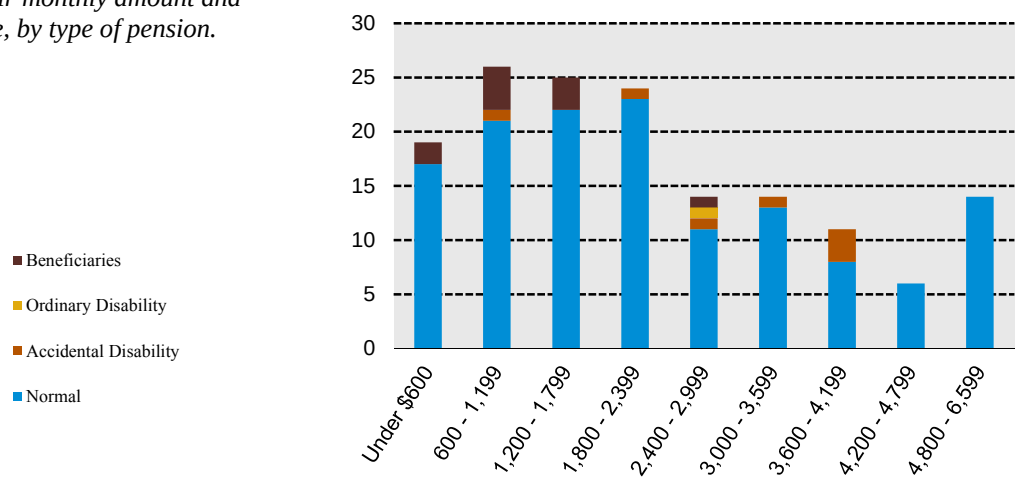
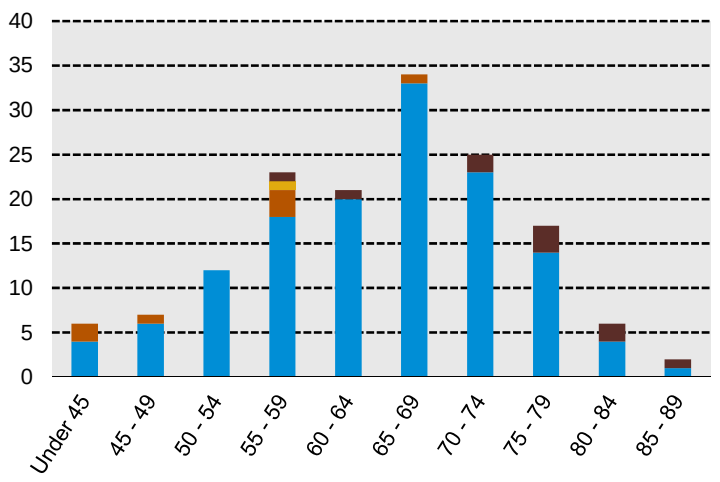


CHART 5

Distribution of Retired Employees and Beneficiaries by Type and by Age as of June 30, 2015



B. FINANCIAL INFORMATION

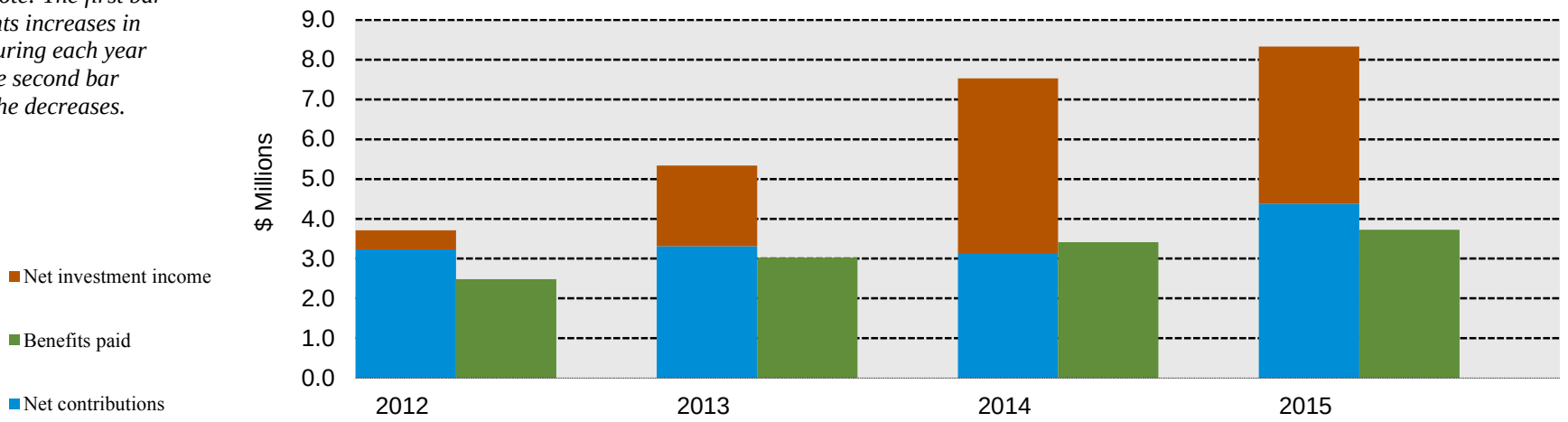
Retirement plan funding anticipates that, over the long term, both contributions (less administrative expenses) and net investment earnings (less investment fees) will be needed to cover benefit payments.

Retirement plan assets change as a result of the net impact of these income and expense components. Additional financial information, including a summary of these transactions for the valuation year, is presented in Section 3, Exhibits C and D.

The chart depicts the components of changes in the actuarial value of assets over the last four years. Note: The first bar represents increases in assets during each year while the second bar details the decreases.

CHART 6

Comparison of Increases and Decreases in the Actuarial Value of Assets for Years Ended June 30, 2012 – 2015



It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Town has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

The chart shows the determination of the actuarial value of assets as of the valuation date.

CHART 7

Determination of Actuarial Value of Assets for Year Ended June 30, 2015

1. Market value of assets, June 30, 2015			$47,752,905
	Original	Unrecognized	
2. Calculation of unrecognized return*	Amount	Return	
(a) Year ended June 30, 2015	-$2,905,039	-$2,324,031	
(b) Year ended June 30, 2014	3,561,195	2,136,717	
(c) Year ended June 30, 2013	2,742,672	1,097,068	
(d) Year ended June 30, 2012	-3,473,811	-694,762	
(e) Year ended June 30, 2011	3,967,418	0	
(f) Total unrecognized return			214,992
3. Preliminary actuarial value: (1) - (2f)			47,537,913
4. Adjustment to be within 20% corridor			0
5. Final actuarial value of assets as of June 30, 2015: (3) + (4)			$47,537,913
6. Actuarial value as a percentage of market value: (5) ÷ (1)			99.5%
7. Amount deferred for future recognition: (1) - (5)			$214,992

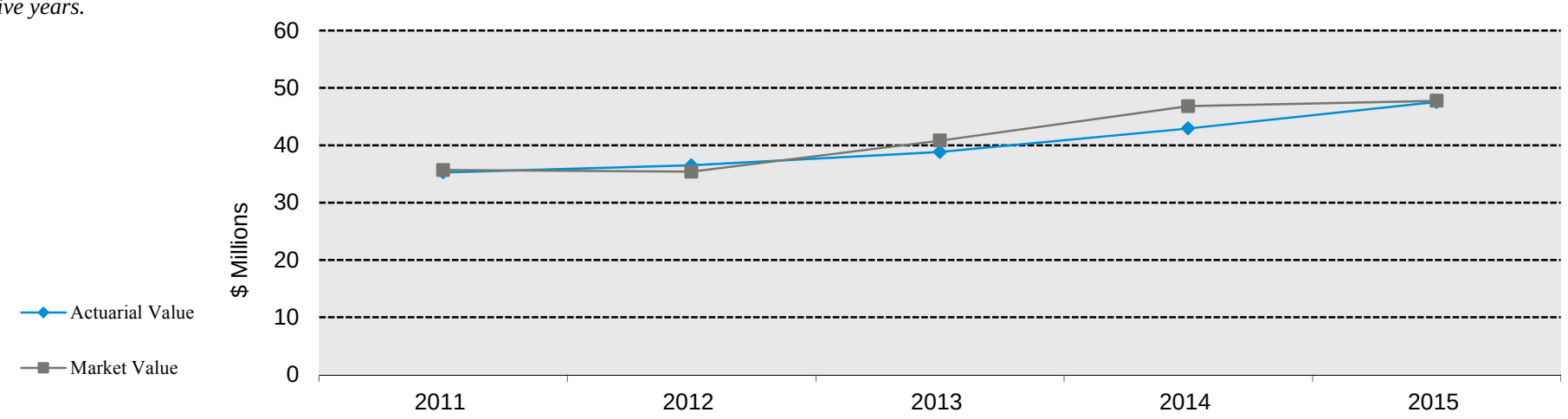
* *Unrecognized return is the difference between the total return and the expected return on a market value basis and is recognized over a five-year period.*

Both the actuarial value and market value of assets are representations of the Plan's financial status. As investment gains and losses are gradually taken into account, the actuarial value of assets tracks the market value of assets. The actuarial asset value is significant because the Plan's liabilities are compared to these assets to determine what portion, if any, remains unfunded. Amortization of the unfunded actuarial accrued liability is an important element in determining the contribution requirement.

This chart shows the change in the actuarial value of assets versus the market value over the past five years.

CHART 8

Actuarial Value of Assets vs. Market Value of Assets as of June 30, 2011 – 2015



C. ACTUARIAL EXPERIENCE

To calculate the required contribution, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected (an actuarial loss).

Taking account of experience gains or losses in one year without making a change in assumptions reflects the belief that the single year's experience was a short-term development and that, over the long term, experience will return to the original assumptions. For contribution requirements to remain stable, assumptions should approximate experience.

If assumptions are changed, the contribution requirement is adjusted to take into account a change in experience anticipated for all future years.

The total loss for the year ended June 30, 2015 is $150,222. A discussion of the major components of the actuarial experience is on the following pages.

This chart provides a summary of the actuarial experience during the past year.

CHART 9

Actuarial Experience for Year Ended June 30, 2015

1.	Net gain from investments*	$1,041,637
2.	Net gain from administrative expenses	35,268
3.	Net loss from other experience	-1,227,127
4.	Net experience loss: (1) + (2) + (3)	-$150,222

* *Details in Chart 10*

Investment Rate of Return

A major component of projected asset growth is the assumed rate of return. The assumed return should represent the expected long-term rate of return, based on the Town of Portsmouth's investment policy. For valuation purposes, the assumed rate of return on the actuarial value of assets is 6.75%. The actual rate of return on an actuarial basis for the 2015 plan year was 9.16%.

Since the actual return for the year was greater than the assumed return, the Town of Portsmouth experienced an actuarial gain during the year ended June 30, 2015 with regard to its investments.

This chart shows the gain/(loss) due to investment experience.

CHART 10

Actuarial Value Investment Experience for Year Ended June 30, 2015

1.	Actual return	$3,961,266
2.	Average value of assets	43,253,763
3.	Actual rate of return: (1) ÷ (2)	9.16%
4.	Assumed rate of return	6.75%
5.	Expected return: (2) x (4)	$2,919,629
6.	Actuarial gain/(loss): (1) – (5)	$1,041,637

Because actuarial planning is long term, it is useful to see how the assumed investment rate of return has followed actual experience over time. The chart below shows the rate of return on an actuarial basis compared to the market value investment return for the last four years.

Based upon this experience and future expectations, we have maintained the assumed rate of return of 6.75%.

CHART 11

Investment Return – Actuarial Value vs. Market Value: 2012 - 2015

Year Ended June 30	Actuarial Value Investment Return		Market Value Investment Return	
	Amount	Percent	Amount	Percent
2012	$476,263	1.34%	-$1,043,944	-2.90%
2013	2,031,630	5.54	5,140,734	14.47
2014	4,410,989	11.41	6,306,511	15.51
2015	3,961,266	9.16	277,740	0.59
Total	$10,880,148		$10,681,041	
	Four-year average return:	7.06%		6.70%

Note: Each year's yield is weighted by the average asset value in that year.

Subsection B described the actuarial asset valuation method that gradually takes into account fluctuations in the market value rate of return. The effect of this is to stabilize the actuarial rate of return, which contributes to leveling pension plan costs.

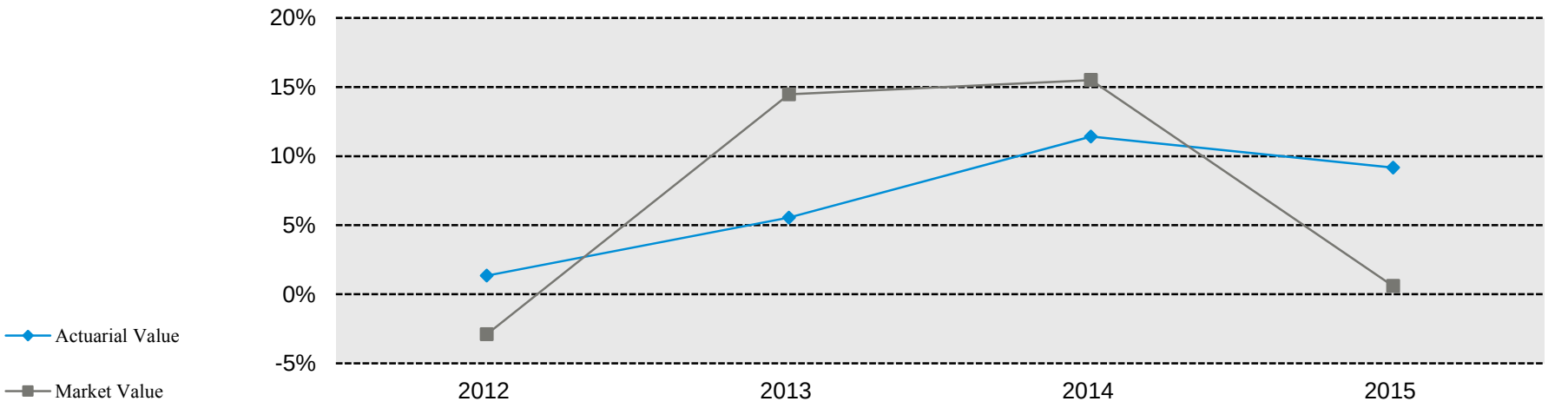
Administrative Expenses

Administrative expenses for the year ended June 30, 2015 totaled $30,000 compared to the assumption of $62,000. This resulted in a gain of $35,268 for the year. Based on guidance from the Town, we have decreased the assumption from $62,000 to $35,000 for the 2015 – 2016 plan year.

This chart illustrates how this leveling effect has actually worked over the years 2012 - 2015.

CHART 12

Market and Actuarial Rates of Return for Years Ended June 30, 2012 - 2015



Other Experience
There are other differences between the expected and the actual experience that appear when the new valuation is compared with the projections from the previous valuation. These include:

- the extent of turnover among the participants,
- retirement experience (earlier or later than expected),
- mortality (more or fewer deaths than expected),
- the number of disability retirements, and
- salary increases different than assumed.

The net loss from this other experience for the year ended June 30, 2015 amounted to $1,227,127, which is 1.4% of the actuarial accrued liability.

A brief summary of the demographic gain/(loss) experience of The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island for the year ended June 30, 2015 is shown in the chart below.

This valuation reflects the following changes in actuarial assumptions:

- The administrative expense assumption was decreased from $62,000 to $35,000.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Combined Healthy Mortality Table projected generationally using Scale AA to the RP-2014 Employee and Healthy Annuitant Mortality Tables with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006.
- The mortality assumption for disabled participants was changed from the RP-2000 Disabled Retiree Mortality Assumption to the RP-2014 Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006 and set forward 5 years.

Changing these assumptions resulted in an increase in the unfunded actuarial accrued liability of $2,343,849 and an increase in the employer normal cost of $22,384.

There are no changes in plan provisions reflected in this valuation.

The chart shows elements of the experience gain/(loss) for the most recent year.

CHART 13

Experience Due to Changes in Demographics for Year Ended June 30, 2015

1.	Gain due to salary increases for continuing actives less than expected	$150,877
2.	Loss due to fewer deaths than expected amongst retired employees and beneficiaries	-403,833
3.	Loss due to retirements earlier than expected and new disability retirements	-1,252,073
4.	Miscellaneous gain	277,902
5.	Net loss	-$1,227,127

The unfunded liability was expected to decrease from $35.4 million as of July 1, 2014 to $34.6 million as of July 1, 2015. The actual unfunded liability as of July 1, 2015 is $2.5 million higher than expected as detailed in Chart 14 below.

CHART 14

Development of Unfunded Actuarial Accrued Liability for Year Ended June 30, 2015

1.	Unfunded actuarial accrued liability at beginning of year		$35,399,130
2.	Normal cost at beginning of year		1,302,913
3.	Total contributions		-4,403,101
4.	Interest		
	(a) For whole year on (1) + (2)	$2,477,388	
	(b) For half year on (3)	-146,003	
	(c) Total interest		2,331,385
5.	Expected unfunded actuarial accrued liability		$34,630,327
6.	Changes due to:		
	(a) Experience loss	$150,222	
	(b) Assumption changes	2,343,849	
	(c) Total changes		2,494,071
7.	Unfunded actuarial accrued liability at end of year		$37,124,398

D. RECOMMENDED CONTRIBUTION

The Town has a policy to fund the unfunded actuarial accrued liability of The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island by June 30, 2040 in level amortization payments. The projection of the unfunded actuarial accrued liability recognizes any deferred investment gains or losses due to the operation of the actuarial valuation method.

Because the fiscal year ending June 30, 2016 contribution has been previously budgeted at $3,623,290, the results of this valuation are used to determine the Actuarially Determined Contribution for the fiscal year ending June 30, 2017 of $3,955,207. This contribution is comprised of a projected employer normal cost payment and a 24-year level payment on the projected July 1, 2016 unfunded actuarial accrued liability.

The funding schedule shown in Chart 16 shows the Actuarially Determined Contribution for each year until the projected full funding date of June 30, 2040.

The chart compares this valuation's recommended contribution with the prior valuation.

CHART 15

Recommended Contribution

	Year Beginning July 1			
	2015		2014	
	Amount	% of Compensation	Amount	% of Compensation
1. Total normal cost	$1,252,788	15.19%	$1,240,913	15.30%
2. Administrative expenses	35,000	0.42%	62,000	0.76%
3. Expected employee contributions	-339,273	-4.11%	-355,512	-4.38%
4. Employer normal cost: (1) + (2) + (3)	$948,515	11.50%	$947,401	11.68%
5. Employer normal cost, adjusted for timing	972,036	11.78%	970,894	11.97%
6. Actuarial accrued liability	84,662,311		78,330,009	
7. Actuarial value of assets	47,537,913		42,930,879	
8. Unfunded actuarial accrued liability: (6) - (7)	$37,124,398		$35,399,130	
9. Payment on unfunded actuarial accrued liability, adjusted for timing	2,561,254	32.14%	2,977,760	36.71%
10. Total recommended contribution: (5) + (9)	$3,623,290	43.93%	$3,948,654	48.68%
11. Projected compensation	$8,248,185		$8,111,709	

Notes: Recommended contributions are assumed to be paid at the beginning of every quarter.
Recommended contributions are determined with previous valuations.

CHART 16

Funding Schedule

(1) Fiscal Year Ended June 30	(2) Employer Normal Cost	(3) Amortization of Unfunded Liability	(4) Actuarially Determined Contribution: (2) + (3)	(5) Increase	(6) Payroll	(7) Contributions as a % of Payroll: (4) / (6)	(8) Actuarial Accrued Liability	(9) Actuarial Value of Assets	(10) Total Unfunded Liability: (8) – (9)	(11) Funded Ratio: (9) / (8)
2016	$972,036	$2,651,254	$3,623,290	--	$8,248,185	43.93%	$84,662,311	$47,537,913	$37,124,398	56.15%
2017	935,680	3,019,527	3,955,207	9.16%	7,970,347	49.62%	87,549,649	50,668,962	36,880,687	57.87%
2018	919,192	2,962,500	3,881,692	-1.86%	7,868,601	49.33%	90,370,109	54,829,476	35,540,633	60.67%
2019	894,742	2,954,852	3,849,594	-0.83%	7,682,273	50.11%	93,140,195	58,376,490	34,763,705	62.68%
2020	869,698	3,009,619	3,879,317	0.77%	7,529,689	51.52%	95,773,976	61,110,924	34,663,052	63.81%
2021	850,415	3,009,619	3,860,034	-0.50%	7,390,175	52.23%	98,327,404	64,459,625	33,867,779	65.56%
2022	819,830	3,009,619	3,829,449	-0.79%	7,166,798	53.43%	100,760,567	67,741,741	33,018,826	67.23%
2023	800,192	3,009,619	3,809,811	-0.51%	6,998,317	54.44%	103,095,972	70,983,404	32,112,568	68.85%
2024	776,280	3,009,619	3,785,899	-0.63%	6,758,797	56.01%	105,309,075	74,163,937	31,145,138	70.43%
2025	747,458	3,009,619	3,757,077	-0.76%	6,539,331	57.45%	107,375,880	77,263,474	30,112,406	71.96%
2026	701,539	3,009,619	3,711,158	-1.22%	6,239,068	59.48%	109,245,954	80,235,989	29,009,965	73.45%
2027	651,962	3,009,619	3,661,582	-1.34%	5,924,097	61.81%	110,859,577	83,026,468	27,833,109	74.89%
2028	611,828	3,009,619	3,621,447	-1.10%	5,633,047	64.29%	112,236,449	85,659,634	26,576,815	76.32%
2029	566,881	3,009,619	3,576,500	-1.24%	5,312,282	67.33%	113,342,603	88,106,881	25,235,722	77.74%
2030	535,037	3,009,619	3,544,656	-0.89%	5,066,599	69.96%	114,222,288	90,418,183	23,804,105	79.16%
2031	481,823	3,009,619	3,491,442	-1.50%	4,716,997	74.02%	114,811,210	92,535,356	22,275,854	80.60%
2032	445,330	3,009,619	3,454,949	-1.05%	4,453,029	77.59%	115,130,858	94,486,412	20,644,446	82.07%
2033	408,110	3,009,619	3,417,729	-1.08%	4,191,559	81.54%	115,204,309	96,301,391	18,902,918	83.59%
2034	362,853	3,009,619	3,372,472	-1.32%	3,866,944	87.21%	114,983,896	97,940,059	17,043,837	85.18%
2035	331,761	3,009,619	3,341,381	-0.92%	3,639,627	91.81%	114,510,875	99,451,607	15,059,268	86.85%
2036	298,609	3,009,619	3,308,228	-0.99%	3,372,640	98.09%	113,751,735	100,810,995	12,940,740	88.62%
2037	271,705	3,009,619	3,281,325	-0.81%	3,157,757	103.91%	112,740,318	102,061,106	10,679,212	90.53%
2038	255,423	3,009,619	3,265,042	-0.50%	3,004,848	108.66%	111,505,811	103,240,781	8,265,030	92.59%
2039	245,201	3,009,619	3,254,820	-0.31%	2,908,014	111.93%	110,091,174	104,403,283	5,687,891	94.83%
2040	240,755	3,009,619	3,250,375	-0.14%	2,872,170	113.17%	108,542,374	105,605,579	2,936,795	97.29%
2041	237,275	- -	237,275	-92.70%	2,845,198	8.34%	106,875,706	106,875,706	- -	100.00%

Notes: Contribution is assumed to be paid at the beginning of each quarter.

Normal cost and payroll are based on a closed group projection, except for School Management and employees eligible for a disability benefit only, for whom normal cost and payroll are projected to increase 2.75% per year.

Schedule reflects deferred investment gains.

Columns (8) through (11) are as of the beginning of the fiscal year.

The measurements in column (11) are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

SECTION 3: Supplemental Information for The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island

EXHIBIT A

Table of Plan Coverage

Category	Year Ended June 30 2015	2014	Change From Prior Year
Active employees in valuation:			
Number	160	164	-2.4%
Average age	47.1	46.9	N/A
Average years of service	10.9	10.5	N/A
Total compensation	$7,969,261	$7,837,400	1.7%
Average compensation	49,808	47,789	4.2%
Employee contributions	5,409,120	4,741,591	14.1%
Inactive employees entitled to a return of their employee contributions	0	4	N/A
Inactive employees with a vested right to a deferred or immediate benefit	7	7	0.0%
Retired employees:			
Number in pay status	135	129	4.7%
Average age	64.5	64.3	N/A
Average monthly benefit	$2,332	$2,316	0.7%
Disabled employees:			
Number in pay status	8	7	14.3%
Average age	52.6	54.4	N/A
Average monthly benefit	$2,967	$2,977	-0.3%
Beneficiaries in pay status:			
Number in pay status	10	8	25.0%
Average age	75.5	76.1	N/A
Average monthly benefit	$1,147	$956	20.0%

EXHIBIT B

Employees in Active Service as of June 30, 2015
By Age, Years of Service, and Average Compensation

	Years of Service							
Age	**Total**	**0-4**	**5-9**	**10-14**	**15 - 19**	**20 - 24**	**25 - 29**	**35 - 39**
Under 25	2	2	- -	- -	- -	- -	- -	- -
	$48,736	$48,736	- -	- -	- -	- -	- -	- -
25 - 29	13	10	3	- -	- -	- -	- -	- -
	$55,218	$53,325	$61,526	- -	- -	- -	- -	- -
30 - 34	10	2	7	1	- -	- -	- -	- -
	$55,983	$52,293	$55,753	$64,973	- -	- -	- -	- -
35 - 39	12	3	6	3	- -	- -	- -	- -
	$54,606	$48,487	$52,793	$64,350	- -	- -	- -	- -
40 - 44	29	9	5	9	5	1	- -	- -
	$57,860	$40,381	$61,052	$58,268	$76,342	$103,125	- -	- -
45 - 49	28	4	7	10	5	2	- -	- -
	$50,634	$35,949	$46,067	$48,676	$68,114	$62,071	- -	- -
50 - 54	26	6	6	6	4	2	2	- -
	$39,609	$31,934	$27,323	$29,155	$62,424	$51,684	$73,154	- -
55 - 59	21	3	5	- -	7	2	4	- -
	$45,874	$59,068	$28,794	- -	$44,691	$40,514	$62,080	- -
60 - 64	17	- -	7	4	1	4	1	- -
	$44,526	- -	$36,853	$56,049	$48,160	$43,854	$51,194	- -
70 & over	2	- -	- -	- -	1	- -	- -	1
	$46,522	- -	- -	- -	$37,275	- -	- -	$55,768
Total	160	39	46	33	23	11	7	1
	$49,808	$45,046	$45,331	$50,555	$59,576	$53,371	$63,689	$55,768

EXHIBIT C

Summary Statement of Income and Expenses on an Actuarial Value Basis

	Year Ended June 30, 2015		Year Ended June 30, 2014	
Net assets at actuarial value at the beginning of the year		$42,930,879		$38,816,804
Contribution income:				
Employer contributions	$4,054,721		$2,792,576	
Employee contributions	348,380		388,692	
Less administrative expenses	-30,000		-61,112	
Net contribution income		4,373,101		3,120,156
Net investment income		3,961,266		4,410,987
Total income available for benefits		$8,334,367		$7,531,143
Less benefit payments		-$3,727,333		-$3,417,068
Change in reserve for future benefits		$4,607,034		$4,114,075
Net assets at actuarial value at the end of the year		$47,537,913		$42,930,879

EXHIBIT D

Department Results as of July 1, 2015

Category	School	Fire	Police	Public Works	Town	Total
1. Demographics						
Active employees in valuation	65	33	32	16	14	160
Inactive employees	4	0	1	0	2	7
Retired employees and beneficiaries in pay status	48	38	39	11	17	153
Total	117	71	72	27	33	320
2. Total normal cost	$242,193	$373,173	$476,117	$42,082	$119,223	1,252,788
3. Administrative expenses	6,766	10,426	13,302	1,176	3,330	35,000
4. Expected employee contributions	-90,204	-76,324	-130,699	-8,862	-33,184	-339,273
5. Employer normal cost: (2) + (3) + (4)	$158,755	$307,275	$358,720	$34,396	$89,369	$948,515
6. Employer normal cost, adjusted for timing	162,693	314,895	367,616	35,249	91,583	972,036
7. Employer normal cost as a percentage of compensation	7.0%	14.4%	17.1%	4.3%	9.3%	11.5%
8. Actuarial accrued liability	$12,328,338	$27,763,962	$29,383,964	$3,625,356	$11,560,691	$84,662,311
9. Actuarial value of assets	6,922,366	15,589,473	16,499,103	2,035,639	6,491,332	47,537,913
10. Unfunded actuarial accrued liability: (8) – (9)	$5,405,972	$12,174,489	$12,884,861	$1,589,717	$5,069,359	$37,124,398
11. Payment on unfunded actuarial accrued liability, adjusted for timing	400,658	845,261	922,951	115,518	366,866	2,651,254
12. Recommended contribution for fiscal year 2016: (6)+(11)	563,351	1,160,156	1,290,567	150,767	458,449	3,623,290
13. Recommended contribution as a percentage of projected compensation	24.99%	54.33%	61.56%	18.80%	47.77%	43.93%
14. Projected compensation	$2,254,498	$2,135,494	$2,096,334	$802,096	$959,763	$8,248,185
15. Recommended contribution for fiscal year 2017	589,391	1,301,809	1,407,520	164,418	492,069	3,955,207
16. Recommended contribution for fiscal year 2018	578,349	1,276,876	1,386,422	161,787	478,258	3,881,692

EXHIBIT E

Definitions of Pension Terms

The following list defines certain technical terms for the convenience of the reader:

Assumptions or actuarial assumptions: The estimates on which the cost of the Plan is calculated including:

(a) Investment return — the rate of investment yield that the Plan will earn over the long-term future;

(b) Mortality rates — the death rates of employees and pensioners; life expectancy is based on these rates;

(c) Retirement rates — the rate or probability of retirement at a given age;

(d) Withdrawal rates — the rates at which employees of various ages are expected to leave employment for reasons other than death, disability, or retirement.

Normal cost: The amount of contributions required to fund the benefit allocated to the current year of service.

Actuarial accrued liability for actives: The value of all projected benefit payments for current members less the portion that will be paid by future normal costs.

Actuarial accrued liability for pensioners: The single-sum value of lifetime benefits to existing pensioners. This sum takes account of life expectancies appropriate to the ages of the pensioners and the interest that the sum is expected to earn before it is entirely paid out in benefits.

Unfunded actuarial accrued liability: The extent to which the actuarial accrued liability of the Plan exceeds the assets of the Plan. There are many approaches to paying off the unfunded actuarial accrued liability, from meeting the interest accrual only to amortizing it over a specific period of time.

Amortization of the unfunded actuarial accrued liability:	Payments made over a period of years equal in value to the Plan's unfunded actuarial accrued liability.
Investment return:	The rate of earnings of the Plan from its investments, including interest, dividends and capital gain and loss adjustments, computed as a percentage of the average value of the fund. For actuarial purposes, the investment return often reflects a smoothing of the capital gains and losses to avoid significant swings in the value of assets from one year to the next.

EXHIBIT I

Summary of Actuarial Valuation Results

The valuation was made with respect to the following data supplied to us:			
1.	Retired employees as of the valuation date (including 10 beneficiaries in pay status)		153
2.	Employees active during the year ended June 30, 2015 with total accumulated contributions of $5,409,120 and projected fiscal 2016 compensation of $8,248,185		160
3.	Inactive employees with a vested right to a deferred or immediate benefit as of June 30, 2015		7
The actuarial factors as of July 1, 2015 are as follows:			
1.	Normal cost		$1,252,788
2.	Administrative expenses		35,000
3.	Expected employee contributions		-339,273
4.	Employer normal cost: (1) + (2) + (3)		$948,515
5.	Actuarial accrued liability		84,662,311
	Retired employees and beneficiaries	$59,107,574	
	Active employees	24,150,382	
	Inactive employees	1,404,355	
6.	Actuarial value of assets ($47,752,905 at market value as reported in the draft Annual Statement)		47,537,913
7.	Unfunded actuarial accrued liability: (5) – (6)		37,124,398
The determination of the recommended contribution is as follows:			
1.	Employer normal cost, adjusted for timing		$972,036
2.	Payment on unfunded actuarial accrued liability (final payment in fiscal 2040) as of July 1, 2015, adjusted for timing		2,651,254
3.	Recommended fiscal 2016 contribution: (1) + (2)		3,623,290
4.	Projected compensation as of July 1, 2015		8,248,185
5.	Total recommended contribution as a percentage of projected compensation: (3) ÷ (4)		43.93%

Notes: Recommended contribution is the amount previously budgeted.
Recommended contribution is assumed to be paid at the beginning of each quarter.

EXHIBIT II

Funded Ratio

A critical piece of information regarding the Plan's financial status is the funded ratio. This ratio compares the actuarial value of assets to the actuarial accrued liabilities of the Plan as calculated. High ratios indicate a well-funded plan with assets sufficient to cover the plan's actuarial accrued liabilities. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other factors.

These measurements are not necessarily appropriate for assuming the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

The chart below depicts a history of funded ratios for this plan. On a market value basis, the funded ratio has decreased from 59.8% as of July 1, 2014 to 56.4% as of July 1, 2015. On an actuarial value basis, the funded ratio has increased from 54.8% as of July 1, 2014 to 56.2% as of July 1, 2015.

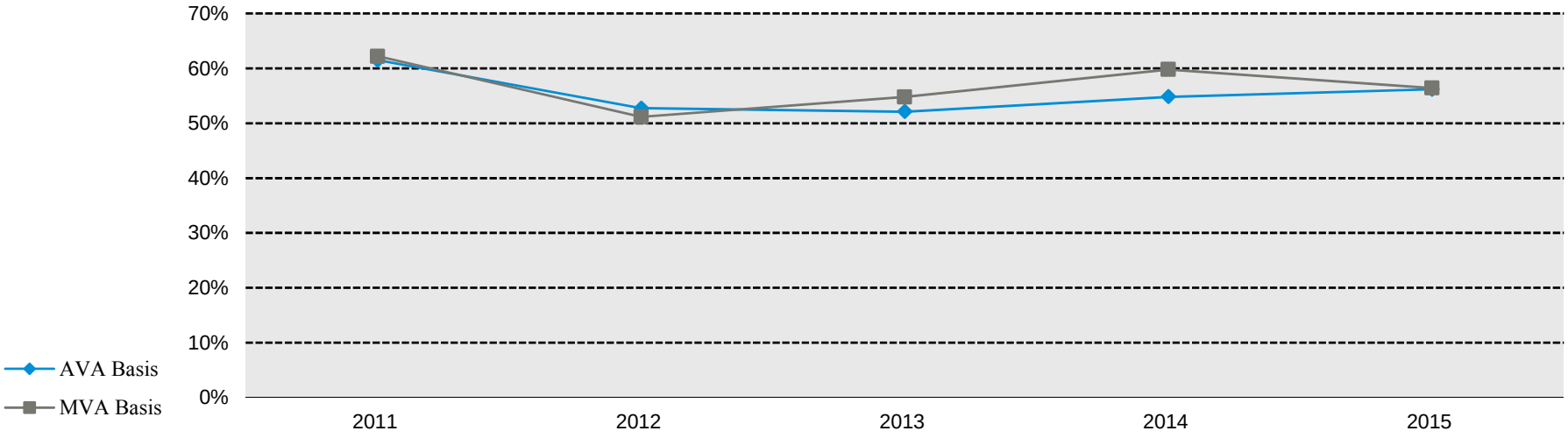


EXHIBIT III

Actuarial Assumptions and Actuarial Cost Method

Mortality Rates:

Pre-Retirement:	RP-2014 Employee Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006 (previously, RP-2000 Combined Healthy Mortality Table projected generationally using Scale AA)
Healthy Retiree:	RP-2014 Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006 (previously, RP-2000 Combined Healthy Mortality Table projected generationally using Scale AA from 2000)
Disabled Retiree:	RP-2014 Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006 and set forward 5 years (previously, RP-2000 Disabled Retiree Mortality Assumption)
	The underlying tables with generational projection to the ages of participants as of the measurement date reasonably reflect the mortality experience of the Plan as of the measurement date based on historical and current demographic data. As part of the analysis, a comparison was made between the actual number of retiree deaths and the projected number based on the prior years' assumption over the most recent two years. These mortality tables were then adjusted to future years using generational projection under Scale SSA-2014 2D to reflect future mortality improvement between the measurement date and those years.

Termination Rates before Retirement:

Fire and Police Rate (%)

	Mortality							
	Current		Previous		Disability		Withdrawal	
Age	Male	Female	Male	Female	Male	Female	Male	Female
20	0.05	0.02	0.03	0.02	0.09	0.05	9.87	14.87
25	0.05	0.02	0.04	0.02	0.13	0.09	6.87	9.87
30	0.05	0.02	0.04	0.03	0.18	0.15	4.87	6.87
35	0.06	0.03	0.08	0.05	0.25	0.23	3.87	4.87
40	0.08	0.05	0.11	0.07	0.35	0.27	2.65	3.65
45	0.12	0.08	0.15	0.11	0.47	0.44	1.50	2.50
50	0.20	0.12	0.21	0.17	0.68	0.66	0.16	1.16
55	0.30	0.17	0.36	0.27	1.14	1.06	- -	- -
60	0.50	0.28	0.67	0.51	1.72	1.23	- -	- -

Notes: Mortality rates do not reflect generational projection.
100% of the disability rates shown represent accidental disability.

School, Public Works and Town Rate (%)

	Mortality							
	Current		Previous		Disability		Withdrawal	
Age	Male	Female	Male	Female	Male	Female	Male	Female
20	0.05	0.02	0.03	0.02	0.01	0.02	9.92	14.92
25	0.05	0.02	0.04	0.02	0.02	0.02	6.92	9.92
30	0.05	0.02	0.04	0.03	0.02	0.04	4.92	6.92
35	0.06	0.03	0.08	0.05	0.03	0.07	3.92	4.92
40	0.08	0.05	0.11	0.07	0.06	0.11	2.78	3.78
45	0.12	0.08	0.15	0.11	0.10	0.16	1.69	2.69
50	0.20	0.12	0.21	0.17	0.18	0.27	0.47	1.47
55	0.30	0.17	0.36	0.27	0.36	0.48	0.08	0.08
60	0.50	0.28	0.67	0.51	0.63	0.58	- -	- -

Note: Mortality rates do not reflect generational projection.

The termination rates and disability rates were based on historical and current demographic data, adjusted to reflect economic conditions of the area and estimated future experience and professional judgment. As part of the analysis, a comparison was made between the actual number of terminations and disability retirements and the projected number based on the prior years' assumption over the most recent two years.

Retirement Rates:

	Rate (%)	
Service	**Police**	**Fire**
20	25.0	20.0
21	15.0	10.0
22	5.0	10.0
23	5.0	10.0
24	5.0	10.0
25	50.0	10.0
26	50.0	10.0
27	50.0	30.0
28	50.0	30.0
29	50.0	30.0
30	100.0	100.0

Age	Rate (%) School	Town Management/ Public Works	Town Non-Management
55	2.0	5.0	- -
56	2.0	5.0	- -
57	2.0	5.0	- -
58	2.0	5.0	- -
59	2.0	5.0	- -
60	30.0	10.0	10.0
61	5.0	10.0	10.0
62	35.0	15.0	15.0
63	35.0	15.0	15.0
64	10.0	15.0	15.0
65	10.0	50.0	50.0
66	10.0	50.0	50.0
67	10.0	100.0	100.0
68	30.0	- -	- -
69	30.0	- -	- -
70	100.0	- -	- -

The retirement rates were based on historical and current demographic data, adjusted to reflect economic conditions of the area and estimated future experience and professional judgment. As part of the analysis, a comparison was made between the actual number of retirements by age and the projected number based on the prior years' assumption over the most recent two years.

Retirement Age for Inactive Vested Participants:

Normal Retirement Age

The retirement age for inactive vested participants was based on historical and current demographic data, adjusted to reflect economic conditions of the area and estimated future experience and professional judgment.

Unknown Data for Participants:	Same as those exhibit by participants with similar know characteristics
Family Composition:	85% of participants are assumed to be married. None are assumed to have dependent children. Females are assumed to be three years younger than their spouses.
Benefit Election:	Monthly life annuity for School, Public Works and Town. 67.5% Joint and Survivor annuity for Police and Fire, in accordance with Section 45-21.3-1, General Laws of Rhode Island (1956).
Net Investment Return:	6.75% The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes, as well as the Plan's target asset allocation.
Salary Increases:	3.5% per year. The salary scale assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment.
Interest on Employee Contributions:	5.0%
Administrative Expenses:	$35,000 (previously, $62,000) The administrative expense assumption is based on information provided by the staff of the Town of Portsmouth.
Defined Contribution Account Balance:	Balances as of July 1, 2015 were provided by the Town and were assumed to earn 6.75% annually. Balances were converted to monthly benefits using valuation interest and mortality assumptions.
2014 – 2015 Salary:	Salaries for benefits and contributions were provided by the Town. Salaries for new hires were annualized based on date of hire.

Cost-of-Living Increases:	Cost-of-living increases for pensioners whose COLAs were based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit from which the employee retired or whose COLAs were based on the annual CPI adjustment are assumed to be 2% annually. Cost-of-living increases for all other pensioners were provided by the Town.
Actuarial Value of Assets:	Market value of assets as reported by the Town less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected market return and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is age at date of hire. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary. Normal Cost is determined using the plan of benefits applicable to each member.
Changes in Assumptions:	This valuation reflects the following changes in actuarial assumptions: ➢ The administrative expense assumption was decreased from $62,000 to $35,000. ➢ The mortality assumption for non-disabled participants was changed from the RP-2000 Combined Healthy Mortality Table projected generationally using Scale AA to the RP-2014 Employee and Healthy Annuitant Mortality Tables with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006. ➢ The mortality assumption for disabled participants was changed from the RP-2000 Disabled Retiree Mortality Assumption to the RP-2014 Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006 and set forward 5 years.

EXHIBIT IV

Summary of Plan Provisions

This exhibit summarizes the major provisions of The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	Effective July 1, 2006: July 1 through June 30 Prior to July 1, 2006: January 1 through December 31
	Police
Normal Retirement Benefit:	
Service Requirement	20 years of credited service
Amount	60% of average monthly earnings plus 2% for each year beyond 20 years subject to a maximum of 70%. An employee's average monthly earnings are defined as the highest gross annual salary during the last three years of employment. Gross annual salary includes base salary and longevity, but excludes overtime, clothing allowance, holiday pay and any other forms of compensation. Employees hired on or after July 1, 2010 are not entitled to Normal Retirement Benefits.
Accidental Disability:	
Service Requirement	None.
Amount	67% of gross annual salary. For employees hired on or after July 1, 2010, this benefit will be offset by the actuarially equivalent benefit provided by the account balance from the defined contribution plan.

Ordinary Disability:	
Service Requirement	10 years of credited service
Amount	50% of highest consecutive two years average salary. For employees hired on or after July 1, 2010, this benefit is payable until Normal Retirement Date at which time the participant would begin taking distributions exclusively from the 401(a) plan.
Deferred Vested Benefit:	
Service Requirement	10 years of credited service
Amount	Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service
Spouse's Pre-Retirement Death Benefit:	
Service Requirement	10 years of credited service
Amount	30% of final five year average earnings payable to the spouse plus 10% of final five year average earnings payable to each minor child under age 21. The maximum benefit payable is 50% of final five year average earnings. Employees hired on or after July 1, 2010 are not entitled to pre-retirement death benefits.
Cost of Living Adjustments:	Employees who retired on or after July 1, 2003 with 20 years of credited service receive a 3% COLA commencing on the January 1st following the first anniversary of retirement. Employees who retired prior to July 1, 2003 receive a COLA based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit employees in the department from which the employee retired. Effective July 1, 2010, employees who retire on or after July 1, 2013 with 20 years of credited service receive a 3% COLA commencing on the January 1st following the second year of retirement. There is no COLA on a Deferred Vested Benefit or a Pre-Retirement Death Benefit.
Employee Contributions:	9.0% of gross annual earnings. No contributions for employees hired on or after July 1, 2010.

Normal Form of Payment:	Benefits will continue to the surviving spouse and dependent children of a deceased retired policeman in accordance with Section 45-21.3-1, General Laws of Rhode Island (1956). The surviving spouse will receive 67.5% of the participant's benefit until death or remarriage in which case dependent children will receive the benefit until age 18. On death, if there is no spousal benefit due, the estate will receive a refund of participant contributions in excess of any retirement payments received.
Credited Service:	Full years plus fractions thereof from date of hire to date of termination. An employee covered by the Municipal Retirement System who served as an elected official of the Town and other employees with 10 years of service will be given credited service for such service, not to exceed three years for elected officials and four years for others, provided the employee pays a lump sum amount equal to the full actuarial value of such credit as determined by the Retirement Board.
Changes in Plan Provisions:	There were no changes in plan provisions reflected in this valuation.

	Fire
Normal Retirement Benefit:	
Service Requirement	20 years of credited service
Amount	For service before July 1, 2013: 3% of average monthly earnings per year of credited service to a maximum of 20 years plus 2% for each year beyond 20 years. For service on or after July 1, 2013: 1% of average monthly earnings per year of credited service. Fire Deputy and Fire Chief: 3% of average monthly earnings per year of credited service to a maximum of 20 years plus 2% for each year beyond 20 years. The maximum benefit is 74% of average monthly earnings. An employee's average monthly earnings are defined as the highest gross annual salary during the last three years of employment. Gross annual salary includes base salary, longevity and E.M.T. bonus, but excludes overtime, clothing allowance, holiday pay and any other forms of compensation. Employees hired on or after July 1, 2013 are not entitled to Normal Retirement Benefits.
Accidental Disability:	
Service Requirement	None
Amount	66 ⅔% of gross annual salary. For employees hired on or after July 1, 2013, this benefit will be offset by the actuarially equivalent benefit provided by the account balance from the defined contribution plan.
Ordinary Disability:	
Service Requirement	10 years of credited service
Amount	50% of highest consecutive three years average salary. For employees hired on or after July 1, 2013, this benefit is payable until Normal Retirement Date at which time the participant would begin taking distributions exclusively from the 401(a) plan.

Deferred Vested Benefit:	
Service Requirement	10 years of credited service
Amount	Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service.
Spouse's Pre-Retirement Death Benefit:	
Service Requirement	10 years of credited service
Amount	30% of final five year average earnings payable to the spouse plus 10% of final five year average earnings payable to each minor child under age 21. The maximum benefit payable is 50% of final five year average earnings. Employees hired on or after July 1, 2013 are not entitled to pre-retirement death benefits.
Cost of Living Adjustments:	Employees who retired prior to July 1, 2007 receive a COLA based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit employees in the department from which the employee retired. Employees who retired on or after July 1, 2007 and before July 1, 2013 with 20 years of credited service receive a 3% COLA commencing on the January 1st immediately following the participant's retirement. Employees who retire on or after July 1, 2013 with 20 years of credited service receive a 1.7% COLA commencing on the January 1st following the fifth anniversary of retirement. Fire Deputy and Fire Chief receive a 3% COLA commencing on the January 1st following the fifth year of retirement, regardless of date of retirement. Employees who retire under total and permanent disability receive a 3% COLA commencing on the January 1st immediately following the participant's retirement. There is no COLA on a Deferred Vested Benefit or a Pre-Retirement Death Benefit.
Employee Contributions:	4.0% of base pay. Fire Deputy and Fire Chief: 10.0% of gross annual earnings inclusive of base salary, longevity, EMT bonus and holiday pay. No contributions for employees hired on or after July 1, 2013.

Normal Form of Payment:	Benefits will continue to the surviving spouse and dependent children of a deceased retired policeman in accordance with Section 45-21.3-1, General Laws of Rhode Island (1956). The surviving spouse will receive 67.5% of the participant's benefit until death or remarriage in which case dependent children will receive the benefit until age 18. On death, if there is no spousal benefit due, the estate will receive a refund of participant contributions in excess of any retirement payments received.
Credited Service:	Full years plus fractions thereof from date of hire to date of termination. An employee covered by the Municipal Retirement System who served as an elected official of the Town and other employees with 10 years of service will be given credited service for such service, not to exceed three years for elected officials and four years for others, provided the employee pays a lump sum amount equal to the full actuarial value of such credit as determined by the Retirement Board.
Changes in Plan Provisions:	There were no changes in plan provisions reflected in this valuation.

	School
Normal Retirement Benefit:	
Age and Service Requirement	Age 60 with 10 years of credited service
Amount	**Non-Certified**: For service before October 1, 2013: 2.5% of average monthly earnings per year of credited service. For service on or after October 1, 2013: 1% of average monthly earnings per year of credited service. Benefit is reduced prorata if less than 20 years of service. Non-certified employees hired after July 1, 2012 and before October 1, 2013 were transferred to the defined contribution plan effective October 1, 2013. **Management:** 2.5% of average monthly earnings per year of credited service. Benefit is reduced prorata for less than 20 years of service. An employee's average monthly earnings are defined as base annual salary and longevity pay averaged over the final three years of employment. School Department employees who are not School Management, who are hired on or after October 1, 2013 are not eligible to participate in this Plan.
Early Retirement Benefit:	
Age and Service Requirement	Age 55 with 20 years of credited service
Amount	Normal Retirement Benefit multiplied by the ratio of credited service as of the Early Retirement Date to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date.
Ordinary Disability:	
Service Requirement	10 years of credited service
Amount	Accrued benefit as of the date of disability multiplied by the ratio of credited service as of the date of disability to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date.

Deferred Vested Benefit:	
Service Requirement	10 years of credited service
Amount	Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service.
Spouse's Pre-Retirement Death Benefit:	
Service Requirement	10 years of credited service
Amount	100% Joint and Survivor benefit is payable to the spouse upon the death of the employee, prorated if less than 20 years and reduced for early retirement and payable no earlier than when the employee would be eligible to retire.
Cost of Living Adjustments:	
	Non-certified: Effective July 1, 2002, employees who retire at age 55 with 25 years of credited service or age 60 with 20 years credited service shall receive a 1.7% COLA beginning on the first anniversary of retirement. For retirements on or after October 1, 2013, the COLA commences on the fifth anniversary of retirement. **Management:** Effective January 1, 2001 employees who retire at age 55 with 25 years of credited service or age 60 with 20 years of credited service shall receive a 1.7% COLA beginning on the first anniversary of retirement. There is no COLA on a Deferred Vested Benefit or a Pre-Retirement Death Benefit.
Employee Contributions:	
	Non-Certified: 4% of gross annual salary. **Management**: 6% of gross annual salary. 2% of gross annual salary for employees hired before July 1, 1991.
Normal Form of Payment:	Life annuity payable monthly.

Credited Service:	Full years plus fractions thereof from date of hire to date of termination. An employee covered by the Municipal Retirement System who served as an elected official of the Town and other employees with 10 years of service will be given credited service for such service, not to exceed three years for elected officials and four years for others, provided the employee pays a lump sum amount equal to the full actuarial value of such credit as determined by the Retirement Board.
Changes in Plan Provisions:	There were no changes in plan provisions reflected in this valuation.

	Town
Normal Retirement Benefit:	
Age and Service Requirement	Age 60 with 10 years of credited service
Amount	**Non-Management**: For service before July 1, 2013: 2.5% of average monthly earnings per year of credited service to a maximum of 27 years. For service on or after July 1, 2013, 1% of average monthly earnings per year of credited service. The maximum benefit is 67.5% of average monthly earnings. Benefit is reduced prorata if less than 20 years of service. **Management:** 3.0% of average monthly earnings per year of credited service for up to 20 years of service, plus 2.0% of average monthly earnings per year of credited service to a maximum of 74%. For benefit accrual purposes, credited service is frozen as of July 1, 2014. Benefit is reduced prorata for less than 20 years of service. An employee's monthly earnings are defined as the highest annual salary (base salary and longevity) during the final three years of employment. Town Hall employees hired on or after July 1, 2012 are not eligible to participate in this Plan.
Early Retirement Benefit:	
Age and Service Requirement	**Management:** Age 55 with 25 years of credited service
Amount	**Management:** Normal Retirement Benefit multiplied by the ratio of credited service as of the Early Retirement Date to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date. There is no Early Retirement Benefit for Non-Management employees.

Ordinary Disability:	
Service Requirement	10 years of credited service
Amount	Accrued benefit as of the date of disability multiplied by the ratio of credited service as of the date of disability to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date.
Deferred Vested Benefit:	
Service Requirement	10 years of credited service
Amount	Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service.
Spouse's Pre-Retirement Death Benefit:	
Service Requirement	10 years of credited service
Amount	30% of final five-year average earnings payable to the spouse plus 10% of final five-year average earnings payable to each minor child under 21. The maximum benefit payable is 50% of final five-year average earnings.
Cost of Living Adjustments:	
	Non-Management: Employees who are members of PMEA and who retire on or after July 1, 1998 at age 60 with 20 years of credited service receive a 2.0% COLA with a two-year waiting period from date of retirement. Effective July 1, 2003, the COLA commences the January 1st immediately following retirement. Effective July 1, 2005 employees retiring at or after age 60 with at least 20 years of credited service shall receive a cost of living adjustment of the annual Consumer Price Index (CPI-U, U.S. city average established on December 31 of the preceding year), but shall be not less than 2% or more than 3%, annually commencing on the first anniversary of retirement. For retirements on or after July 1, 2013, the COLA is 1.7% and commences on the fifth anniversary of retirement.

	Management: Employees who retire on or after July 1, 2002 at age 60 with 20 years of credited service or age 55 with 25 years of service receive a 2.0% COLA with a one-year waiting period from date of retirement. Employees who retire on or after July 1, 2004 receive a 3.0% COLA commencing on the January 1st following the first anniversary of retirement. For retirements on or after July 1, 2013, the COLA is 1.7% commencing on the January 1st following the fifth anniversary of retirement. There is no COLA on a Deferred Vested Benefit or a Pre-Retirement Death Benefit.
Employee Contributions:	**Non-Management:** Effective July 1, 2014, 6% of base salary. **Management:** No employee contributions after July 1, 2014.
Normal Form of Payment:	Life annuity payable monthly.
Credited Service:	Full years plus fractions thereof from date of hire to date of termination. An employee covered by the Municipal Retirement System who served as an elected official of the Town and other employees with 10 years of service will be given credited service for such service, not to exceed three years for elected officials and four years for others, provided the employee pays a lump sum amount equal to the full actuarial value of such credit as determined by the Retirement Board.
Changes in Plan Provisions:	There were no changes in plan provisions reflected in this valuation.

	Public Works
Normal Retirement Benefit:	
Age and Service Requirement	Age 60 with 10 years of credited service
Amount	For employees with less than 10 years of credited service at July 1, 2013 who were hired before June 30, 2010: 2.5% of average monthly earnings per year of credited service up to a maximum of 25%. Benefit is reduced prorata if less than 20 years of service. For employees with 10 or more years of service as of June 30, 2013: 2.5% of average monthly earnings per year of credited service prior to July 1, 2013 to a maximum of 67.5%. Benefit is reduced prorata if less than 20 years of service. An employee's average monthly earnings are defined as annual salary (base salary and longevity) averaged over the final five years of employment. Employees hired on or after July 1, 2010 are not entitled to Normal Retirement Benefits.
Early Retirement Benefit:	
Age and Service Requirement	Age 55 with 20 years of credited service
Amount	Normal Retirement Benefit multiplied by the ratio of credited service as of the Early Retirement Date to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date.
Ordinary Disability:	
Service Requirement	10 years of credited service
Amount	Accrued benefit as of the date of disability multiplied by the ratio of credited service as of the date of disability to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date. For employees hired on or after July 1, 2013, this benefit will be offset by the actuarially equivalent benefit provided by the account balance for the defined contribution plan.

Deferred Vested Benefit:	
Service Requirement	10 years of credited service
Amount	Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service.
Spouse's Pre-Retirement Death Benefit:	
Service Requirement	10 years of credited service
Amount	30% of final five-year average earnings payable to the spouse plus 10% of final five-year average earnings payable to each minor child under 21. The maximum benefit payable is 50% of final five-year average earnings. Employees hired on or after July 1, 2010 are not entitled to pre-retirement death benefits.
Cost of Living Adjustments:	Employees who retire on or after July 1, 1987 at age 60 with 20 years of credited service shall receive 50% of the percentage salary increase received the previous July 1 by the active bargaining unit employees in the department from which the employee retired. There is a two-year waiting period commencing on the January 1 following date of retirement. Employees who retire on or after July 1, 2013 at age 60 with 10 years of service receive a 1.7% COLA commencing on the sixth anniversary of retirement. There is no COLA on a Deferred Vested Benefit or a Pre-Retirement Death Benefit.
Employee Contributions:	For participants with less than 10 years of service who are eligible for an Option 1 benefit, 4.0% of annual salary, until participant has accrued 10 years of service. No employee contributions after July 1, 2013 for other employees.
Normal Form of payment:	Life annuity payable monthly.

Credited Service:	Full years plus fractions thereof from date of hire to date of termination. An employee covered by the Municipal Retirement System who served as an elected official of the Town and other employees with 10 years of service will be given credited service for such service, not to exceed three years for elected officials and four years for others, provided the employee pays a lump sum amount equal to the full actuarial value of such credit as determined by the Retirement Board.
Changes in Plan Provisions:	There were no changes in plan provisions reflected in this valuation.

EXHIBIT 1

Net Pension Liability

The components of the net pension liability of The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island are as follows:

	June 30, 2015	June 30, 2014
Total pension liability	$84,662,311	$78,330,009
Plan fiduciary net position	47,752,905	46,829,397
System's net pension liability	36,909,406	31,500,612
Plan fiduciary net position as a percentage of the total pension liability*	56.40%	59.78%

* *These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.*

Actuarial assumptions. The total pension liability as of June 30, 2015 was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.5% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Pre-retirement:	RP-2014 Employee Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006
Healthy Retiree:	RP-2014 Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006
Disabled Retiree:	RP-2014 Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006 and set forward 5 years

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding

expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Domestic equity	6.23%
International developed markets equity	6.71%
International emerging markets equity	8.95%
Core fixed income	1.56%
Real estate	4.09%

Discount rate: The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that the Town of Portsmouth's contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the Pension System, calculated using the discount rate of 6.75%, as well as what the Pension System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Net pension liability as of June 30, 2015	$49,211,166	$36,909,406	$26,954,383

EXHIBIT 2

Schedule of Changes in the Net Pension Liability – Last Ten Years

	Year End June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total pension liability										
Service cost	$1,240,913	$1,389,334								
Interest	5,245,240	4,915,100								
Differences between expected and actual experience	1,229,633	2,000,989								
Changes of assumptions	2,343,849	(203,891)								
Changes of benefit terms	0	(879,278)								
Benefit payments	(3,727,333)	(3,417,068)								
Net change in total pension liability	$6,332,302	$3,805,186								
Total pension liability - beginning	78,330,009	74,524,823								
Total pension liability - ending (a)	$84,662,311	$78,330,009								
Plan fiduciary net position										
Contributions – employer	$4,054,721	$2,792,576								
Contributions – employee	348,380	388,692								
Net investment income	277,740	6,330,851								
Benefit payments	(3,727,333)	(3,417,068)								
Administrative expenses	(30,000)	(61,112)								
Net change in fiduciary net position	$923,508	$6,033,939								
Plan fiduciary net position - beginning	46,829,397	40,795,458								
Plan fiduciary net position - ending (b)	$47,752,905	$46,829,397								
Net pension liability – ending: (a)-(b)	$36,909,406	$31,500,612								
Plan's fiduciary net position as a percentage of the total pension liability	56.40%	59.78%								
Covered-employee payroll*	$7,969,261	$7,837,400								
Net pension liability as a percentage of covered-employee payroll	463.15%	401.93%								

(Historical information prior to implementation of GASB 67/68 is not required)

(Historical information prior to implementation of GASB 67/68 is not required)

(Historical information prior to implementation of GASB 67/68 is not required)

* *Net pensionable earnings used in the funding valuation report.*

EXHIBIT 3

Schedule of Contributions – Last Ten Years

	Year End June 30,									
	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	$3,948,654*	$3,677,200								
Contributions in relation to the actuarially determined contribution	4,054,721	2,792,576								
Contribution deficiency (excess)	$(106,067)	$884,624								
Covered-employee payroll	7,969,261	7,837,400								
Contributions as a percentage of covered-employee payroll	50.88%	35.63%		(Historical information prior to implementation of GASB 67/68 is not required)						

* *Based on the results of the July 1, 2013 actuarial valuation (including assumptions and methods) which determined budgeted contribution for fiscal 2015.*

EXHIBIT 4

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions

A. Pension expense for the year ended June 30, 2015

Service cost	$1,240,913
Interest	5,245,240
Contributions – employee	(348,380)
Projected earnings on pension plan investments	(3,182,779)
Administrative expenses	30,000
Recognized portion of current-period difference between expected and actual experience	245,927
Recognized portion of current-period difference between projected and actual earnings on pension plan investments	581,008
Recognized portion of current year period assumption change	468,770
Recognized portion of current year period plan change	- -
Recognition of deferred outflows of resources	- -
Recognition of deferred inflows of resources	- -
Pension expense for fiscal year ended June 30, 2015	$4,280,699

B. Deferred outflows/inflows of resources related to pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$983,706	- -
Changes of assumptions	1,875,079	- -
Changes of benefit terms	- -	- -
Net difference between projected and actual earnings on pension plan investments	2,324,031	- -
Total	$5,182,816	- -

C. Projected recognition of deferred outflows/(inflows)

Year Ended June 30,	Recognition
2016	$1,295,705
2017	1,295,705
2018	1,295,705
2019	1,295,701
Thereafter	- -

EXHIBIT 5

Notes to Required Supplementary Information

Valuation date	Actuarial determined contributions for fiscal 2017 and later are determined with the July 1, 2015 actuarial valuation.
Actuarial cost method	Entry Age Normal Cost Method
Amortization method	Level dollar closed
Remaining amortization period	26 years from July 1, 2015
Asset valuation method	Market value of assets as reported by the Town less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial assumptions:	
Investment rate of return	6.75%, net of pension plan investment expenses , including inflation
Discount rate	6.75%
Inflation rate	2.75%
Projected salary increases	3.5% per year
Cost of living adjustments	Cost-of-living increases for pensioners whose COLAs were based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit from which the employee retired or whose COLAs were based on the annual CPI adjustment are assumed to be 2% annually. Cost-of-living increases for all other pensioners were provided by the Town.

Plan membership:	
Retired employees and beneficiaries receiving benefits	153
Inactive employees with a vested right to a deferred or immediate benefit	7
Active employees	160
Total	320

Changes in Assumptions:

The following changes were effective July 1, 2014;

- The assumed incidence of accidental disability for Police and Fire employees was increased from 50% to 100% of all disabilities.
- Assumed rates of salary increases were changed to 3.5% per year from the following age-based rates:

Age	Rate (%)
25	6.50
30	5.00
35	4.50
40	4.25
45	4.00
50	3.75

The following changes were effective July 1, 2015:

- The administrative expense assumption was decreased from $62,000 to $35,000.
- The mortality assumption for non-disabled participants was changed from the RP-2000 Combined Healthy Mortality Table projected generationally using Scale AA to the RP-2014 Employee and Healthy Annuitant Mortality Tables with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006.
- The mortality assumption for disabled participants was changed from the RP-2000 Disabled Retiree Mortality Assumption to the RP-2014 Healthy Annuitant Mortality Table with MP-2014 improvement projections backed out to a base year of 2006 and projected generationally using Scale SSA-2014 2D from 2006 and set forward 5 years.

Changes in Plan Provisions:

The following changes in plan provisions were effective July 1, 2014:

- For Police, the Accidental Disability benefit was lowered from 72% to 67% of gross annual salary and the employee contribution rate increased form 8.0% to 9.0%;
- The employee contribution rate increased from 6.5% to 10.0% for the Fire Deputy and Fire Chief;
- For Town Management, credited service is frozen as of June 30, 2014 and employee contributions cease and for retirements effective on or after July 1, 2013, the COLA was changed from 3.0% commencing on the January 1st following the first anniversary of retirement to 1.7% commencing on the January 1st following the fifth anniversary of retirement; and
- For Public Works, the employee contribution rate decreased from 5.5% to 4.0% and credited service is limited to the greater of service as of July 1, 2013 or 10 years.