

**TOWN OF NORTH SMITHFIELD
[Exclusive of School]
RETIREE MEDICAL ACTUARIAL
VALUATION**

**REPORT ON COMPLIANCE WITH
GOVERNMENT ACCOUNTING STANDARDS BOARD
STATEMENT #74
ACCOUNTING AND FINANCIAL REPORTING BY THE "PLAN" (OPEB TRUST)
AND
STATEMENT #75
ACCOUNTING AND FINANCIAL REPORTING BY THE "EMPLOYER" (TOWN)
FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2021**

--PREPARED BY DANZIGER & MARKHOFF LLP--

PREPARED: November 2021

November 2021

Town of North Smithfield
1 Main Street, P.O. 248
Slatersville, RI 02876

Dear Sir/Madam:

This report was prepared to provide management with the disclosures for 1) the Town of North Smithfield (the Employer) for GASB #75 and 2) the OPEB Trust (the Plan) for GASB #74 for the fiscal year ended June 30, 2021.

Our results and accompanying disclosures reflect plan provisions in effect for the plan year ended June 30, 2021. For FYE 2021, a mid-cycle valuation was performed on the program, as permitted in accordance with GASB #74/75.

In conducting the valuation, we relied on information supplied to us by the Town of North Smithfield. This information included participant data, the terms of the written and unwritten plan, premium rates and other policies and practices of plan. We have relied on this information as accurate, and applied estimates as necessary.

GASB #75 requires results be presented on your financial statements based on actual rates as of your year-end (reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2020 is 2.66%). The Main valuation has been performed based on a 2.18% discount rate, with sensitivity results at both 1.18% and 3.18%. Since the OPEB Trust is small vs. liabilities, the Index will apply. [The expense for FYE 2021 was based on last year's rate of 2.66%].

To the best of our knowledge and belief, this valuation was conducted in accordance with generally accepted actuarial principles and practices and in accordance with our understanding of GASB #75 and the implementation guidelines published by the Government Accounting Standards Board. The employer may modify the presentation of these disclosures as needed. I am an Enrolled Actuary who satisfies the Qualifications Standards for Actuaries of the AAA that became effective January 1, 2008.

Very truly yours,



Edward A. Echeverria - Electronic Signature

Edward A. Echeverria, FCA, FSPA, MAAA, EA
Senior Actuary
DANZIGER & MARKHOFF LLP

Town of North Smithfield [TOWN]
RETIREE HEALTH VALUATION UNDER GASB #74/75

Changes in Net OPEB Liability FYE 2021

	6/30/2021 rate	2.18% FYE 6/30/2021 Disclosures
Discount Rate (Proj.)	6/30/2020 rate	2.66% FYE 6/30/2021 Expense
Investment Return Rate (Proj.)	N/A; Index will apply	

	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability</u>
Balances at Beginning of Year	6,170,314	1,056,150	5,114,164
Change	486,325	558,777	(72,452)
Balances at End of Year	6,656,639	1,614,927	5,041,712

GASB #75 Expense for FYE 2021

Service Cost		295,920
Interest Cost		130,268
	TOL	158362
	NFP	-28094
Experience & Assumption (Gain)/Loss Amort		88,002
Investment (Gain)/Loss Amort		(58,749)
GASB #75 Annual OPEB Cost Expense		455,441

Town of North Smithfield [TOWN]
RETIREE HEALTH VALUATION UNDER GASB #74/75

Sensitivity - Discount Rate

	1% Decrease <u>1.18%</u>	Discount Rate <u>2.18%</u>	1% Increase <u>3.18%</u>
Net OPEB Liability 6/30/2021	5,817,384	5,041,712	4,266,039
GASB #75 Expense for FYE 2021	520,000	455,441	390,000

Sensitivity - Health Care Trend Rate

	1% Decrease <u>(7.0% decreasing to 4.0%)</u>	Healthcare Trend Rates <u>(8.0% decreasing to 5.0%)</u>	1% Increase <u>(9.0% decreasing to 6.0%)</u>
Net OPEB Liability 6/30/2021	4,296,656	5,041,712	5,929,884
Projected Expense for FYE 2021	400,000	455,441	530,000

NOTES

Have used a 2.18% discount rate, with sensitivity at 1.18% and 3.18%.

The S&P 20 AA Municipal Bond Index (an appropriate index for GASB #75 purposes) was 2.18% on 6/30/2021, the Measurement Date.

Due to the small OPEB Trust level vs. Liabilities, the plan is not projected to have a Plan Fiduciary Net position in excess of benefit payments for any year, so the 2.18% Municipal Bond Rate will apply.

Net OPEB Liability is the GASB #75 term now used for Unfunded Accrued Liability.

Membership Counts (at 6/30/2020)

	<u>Active</u>	<u>Retired</u>	<u>Total</u>
Total	219	5	224

Town of North Smithfield [TOWN]
RETIREE HEALTH VALUATION UNDER GASB #74/75
Schedule of OPEB Related Deferred Outflows/(Inflows) of Resources
FYE 6/30/2021

<u>Initial Setup Year</u>	<u>Description</u>	<u>Original Deferred Outflow</u>	<u>Original Deferred Inflow</u>	<u>Amortization Period</u>	<u>Amortization</u>	<u>Current Deferred Outflow</u>	<u>Current Deferred Inflow</u>		
6/30/2018	Experience		226,133	11	(20,558)		164,459	3yrs amort	
6/30/2018	Asset Return	7,248		5	1,450	2,898		3yrs amort	
6/30/2019	Experience	583,511		11	53,046	424,373		3yrs amort	
6/30/2019	Assumption Change	126,198		11	11,473	91,779		3yrs amort	
6/30/2019	Asset Return		27,381	5	(5,476)		10,953	3yrs amort	
6/30/2020	Experience		117,148	10	(11,715)		93,718	2yrs amort	
6/30/2020	Assumption Change	91,788		10	9,179	73,430		2yrs amort	
6/30/2020	Asset Return		33,590	5	(6,718)		20,154	2yrs amort	
6/30/2021	Experience	93,360		10	9,336	84,024			
6/30/2021	Assumption Change	372,408		10	37,241	335,167			
6/30/2021	Asset Return		240,023	5	(48,005)		192,018		
Totals						29,253	1,011,671	481,302	
					exp+disc	88,002			
					asset	(58,749)			

Summary of Deferred Outflows of Resources and Inflows of Resources Related to OPEB from the Following Sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$508,397	\$258,177
Changes of assumptions	500,376	0
Net difference between projected and actual earnings of OPEB plan investments	2,898	223,125
Total	\$1,011,671	\$481,302

Amounts Recognized in OPEB Expense as Follows:

Year ended June 30:

2022	29,253
2023	29,253
2024	33,279
2025	39,997
2026	88,002
2027-2029 (3yrs)	88,002
2030 (1yr)	46,577



Town of North Smithfield [TOWN]
Required Supplementary Information
Schedule of Changes In the Net OPEB Liability and Related Ratios
FYE 6/30/2021

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 295,920	\$ 247,948	\$ 209,996	\$ 213,275
Interest	158,362	167,014	157,290	162,163
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	93,360	(117,148)	583,511	(226,133)
Changes in assumptions	372,408	91,788	126,198	-
Benefit payments -	(433,725)	(410,934)	(327,085)	(298,581)
Net change in total OPEB liability	486,325	(21,332)	749,910	(149,276)
Total OPEB liability - beginning	6,170,314	6,191,646	5,441,736	5,591,012
Total OPEB liability - ending (a)	<u>\$ 6,656,639</u>	<u>\$ 6,170,314</u>	<u>\$ 6,191,646</u>	<u>\$ 5,441,736</u>
Plan Fiduciary net position				
Contributions - employer	724,385	660,934	527,085	804,219
Net investment income	268,117	54,559	42,550	3,403
Benefit payments	(433,725)	(410,934)	(327,085)	(298,581)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	558,777	304,559	242,550	509,041
Plan fiduciary net position - beginning	1,056,150	751,591	509,041	-
Plan fiduciary net position - ending (b)	<u>\$ 1,614,927</u>	<u>\$ 1,056,150</u>	<u>\$ 751,591</u>	<u>\$ 509,041</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 5,041,712</u>	<u>\$ 5,114,164</u>	<u>\$ 5,440,055</u>	<u>\$ 4,932,695</u>
Plan fiduciary net position as a percentage of the total OPEB liability	24.26%	17.12%	12.14%	9.35%
Covered-employee payroll (FY20rnd)	\$ 4,425,000	\$ 4,422,886	\$ 4,280,154	\$ 4,162,840
District's net OPEB liability as a percentage of covered - employee payroll	113.94%	115.63%	127.10%	118.49%

Notes to Schedule:

Benefit changes - None

Implicit Subsidy FY21: \$84,000

Town of North Smithfield [TOWN]
Required Supplementary Information
Schedule of Contributions and Assumptions
FYE 6/30/2021

	2021	2020	2019	2018
Actuarial determined contribution [SC + 20 yr amort NOL]	\$ 697,734	\$ 656,087	\$ 540,938	\$ 464,828
Contributions in relating to the actuarially determined contribution	724,385	660,934	527,085	35,769
Contribution Excess/(deficiency)	<u>\$ 26,651</u>	<u>\$ 4,847</u>	<u>\$ (13,853)</u>	<u>\$ (429,059)</u>
Covered-employee payroll	\$ 4,425,000	\$ 4,422,886	\$ 4,280,154	\$ 15,595,383
Contributions as a percentage of covered-employee payroll	16.37%	14.94%	12.31%	0.23%

Notes to Schedule:

Valuation date:	7/1/2020	7/1/2019	7/1/2018	7/1/2017
Census date:	6/30/2020	6/30/2020	6/30/2018	6/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal			
Amortization method	N/A			
Amortization period	N/A			
Asset valuation method	Market			
Inflation	3.00%			
Healthcare cost trend rates	8% decreasing to 5% ultimate			
Salary increases	3.00%			
Retirement age	rates from age 55, 60 or 20+ years of service			
Mortality	"RP 2006"w/ MP2019 projection			
Investment rate of return	2.18%	2.66%	2.79%	2.98%

Other information:

TOWN OF NORTH SMITHFIELD
RETIREE HEALTH VALUATION UNDER GASB #74/&75

RESULTS AND DISCLOSURES

DEVELOPMENT OF CHANGES IN OPEB LIABILITY, PLAN FIDUCIARY
NET POSITION, AND RELATED RATIOS
(*THE LAST EIGHT YEARS ILLUSTRATED)

<u>Year</u> <u>Ended</u>	<u>GASB #75</u> <u>Net OPEB</u> <u>Liability</u>	<u>Regular</u> <u>Expense</u>	<u>Contributions</u> <u>plus Earnings</u>	<u>Change in</u> <u>Net OPEB</u> <u>Liability</u>
6/30/2014		\$756,422	\$543,111	\$213,311
6/30/2015		\$809,602	\$478,052	\$331,550
6/30/2016		\$690,567	\$315,952	\$374,615
6/30/2017		\$732,568	\$353,261	\$379,307
6/30/2018	\$8,875,324	\$701,797	\$843,391	(\$227,358)
6/30/2019	\$10,271,544	\$798,885	\$608,994	\$1,396,220
6/30/2020	\$5,114,164	\$424,674	\$715,493	(\$325,891)
6/30/2021	\$5,041,712	\$455,441	\$992,502	(\$72,452)

*Pre-FYE 2018 reflects GASB #45 OPEB Cost, etc., FYE 2018 Contributions
include projected OPEB Trust Earnings*

**Prior to FYE 2020, COMBINED TOWN & SCHOOL results were illustrated*

**Starting FYE 2020, Town-Only results are illustrated*

TOWN OF NORTH SMITHFIELD
RETIREE HEALTH VALUATION UNDER GASB #74/&75

RESULTS AND DISCLOSURES

DEVELOPMENT OF CHANGES IN OPEB LIABILITY, PLAN FIDUCIARY
NET POSITION, AND RELATED RATIOS

Actuarial Valuation Date	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	[CORRECTED]		
				Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
7/1/2011	\$0	6,291,808	6,291,808	0.0%	14,929,351	42%
7/1/2013	\$0	7,141,640	7,141,640	0.0%	17,746,038	40%
7/1/2015	\$0	6,231,640	6,231,640	0.0%	18,682,246	33%
7/1/2017	\$0	9,102,682	9,102,682	0.0%	19,758,223	46%
7/1/2019	\$751,591	6,191,646	5,440,055	0.0%	4,422,886	123%

Full valuations are displayed above

*Pre-FYE 2018 reflects GASB #45 OPEB Cost, etc., FYE 2018 Contributions
include projected OPEB Trust Earnings*

**Prior to FYE 2020, COMBINED TOWN & SCHOOL results were illustrated*

**Starting FYE 2020, Town-Only results are illustrated*

Town of North Smithfield [TOWN]
Required Supplementary Information
Schedule of Investment Returns
FYE 6/30/2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
Annual money-weighted rate of return, net of investment expense	23.9%	5.9%	7.1%	1.0%	

OPEB Trust has only existed for 4 years
Still small asset balance vs. Liabilities

Town of North Smithfield [TOWN]
Required Supplementary Information
Investment Target Allocation
FYE 6/30/2021

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	45%
Domestic Bond	35%
International Equity	15%
International Bond	3%
Other	2%
Total	100%

Town of North Smithfield [TOWN]
Required Supplementary Information
Investment Rate of Return Assumption
FYE 6/30/2021

To value the 6/30/2021 Total OPEB Liability under GASB 75 the S&P Municipal Bond 20 year High Grade Bond index rate of 2.18% was utilized.

[For 2020 Expense, the index rate of 2.66% (6/30/2020) was utilized]

Since The Plan Fiduciary Net Position is not projected to satisfy future benefit payments, the index is used instead of the actual investment return.

Town of North Smithfield [TOWN]
Required Supplementary Information
Long-Term Expected REAL Rate of Return
FYE 6/30/2021

<u>Asset Class</u>	<u>Long-Term Expected REAL Rate of Return</u>
Domestic Equity	6.0%
Domestic Bond	1.5%
Private Equity	6%
Real Estate	5.5%
Cash	0%

TOWN OF NORTH SMITHFIELD
RETIREE HEALTH VALUATION UNDER GASB #74/75

SUMMARY OF PLAN PROVISIONS

The following is a summary of the current major provisions of the retiree medical program.

1. **MEDICAL BENEFITS**

The Plan is a fully insured plan. Current medical (2020) retiree premium rates provided to us by the Town include:

- a) Pre-age 65 Individual MED: Ranges from \$629 to \$808 per month.
- b) Pre-age 65 Family MED: Ranges from \$1,613 to \$2,064 per month.
- c) Individual Dental: Generally, \$24 per month.

Pre-age 65 coverage is provided only.

Adjustments to these premium rates to reflect the difference between the active/retiree group (for which the current premium rates were based on) and the retiree-only group, were required, in accordance with ASOP 6. The retiree and the spouse are covered under the program. For Town of North Smithfield, these adjustments were required for the Pre-Medicare liabilities.

2. **MEDICARE PART B PREMIUMS** - Not applicable.

TOWN OF NORTH SMITHFIELD
RETIREE HEALTH VALUATION UNDER GASB #74/75

SUMMARY OF PLAN PROVISIONS

3. **ELIGIBILITY:**

Generally, an employee may retire at any age after 20 years of service (25 for teachers). Certain other minimum age/service may apply.

4. **TOWN SUBSIDY:**

The Town will generally pay 80% -100% toward medical and dental coverage, depending on employee category (Police, [REDACTED], Other Town, [REDACTED]). [80% - 100% in FYE 2020]. We understand that Firefighters are not covered by the Town's plan (coverage is provided by their Department).

TOWN OF NORTH SMITHFIELD
RETIREE HEALTH VALUATION UNDER GASB #75

SUMMARY OF PLAN PROVISIONS

5. **FUNDING POLICY:**

Prior to FYE 2018, the employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). Beginning in FYE 2018, the Town began pre-funding an OPEB Trust.

TOWN OF NORTH SMITHFIELD
RETIREE HEALTH VALUATION UNDER GASB #74/75

ACTUARIAL BASIS

ACTUARIAL FUNDING METHOD: Entry Age Normal, level % pay

ACTUARIAL ASSUMPTIONS

1. Valuation Date: 7/1/2020 (6/30/2021 discls.)

2. Discount Rate: 2.66% per annum (FY2021 Expense)
 2.18% per annum (FY2021 discls.)
 (1.18% and 3.18% are illustrated for
 sensitivity)

3. Salary Scale: 3% per annum (for EAN)

4. Mortality: “RP2006” mortality table with
 MP-2019 projection.

5. Withdrawal: Police: Select rates include:
 0yr, 18%; 5yr, 5.8%; 10yr, 2.6%;
 15yr, 1.6%; 20yr, 1.1%

 Non-Police:
 Select rates include (male):
 0yr, 17.5%; 5yr, 10.9%; 10yr, 2.6%;
 15yr, 2.0%; 20yr, 1.8%

6. Disability: N/A

*GASB #75 requires results be presented on your financial statements based on actual rates as of your year-end (reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of 6/30/2021 was 2.18%). Since the plan is not pre-funded, the Index will apply.

TOWN OF NORTH SMITHFIELD
RETIREE HEALTH VALUATION UNDER GASB #74/75

ACTUARIAL BASIS

7. Retirement:

The following table illustrates the retirement rates:

A) Non-Police (20 years of service required at retirement)	Retirement <u>Age</u>	Retirement <u>Rates</u>
	60	10.0%
	61	10.0%
	62	30.0%
	63	20.0%
	64	20.0%
	65+	N/A
B) Police (20 years of service required at retirement)	<u>Years of Service</u>	Retirement <u>Rates</u>
	20	12.0%
	21-23	10.0%
	24	12.0%
	25	14.0%
	26	16.0%
	27	18.0%
	28-29	20.0%
	30+	35.0%

TOWN OF NORTH SMITHFIELD
RETIREE HEALTH VALUATION UNDER GASB #74/75

ACTUARIAL BASIS

8. Health Care Cost
Trend Rate:

The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>(Medical) Assumed Increase</u>
1	8.0%
2	7.5%
3	7.0%
4	6.5%
5	6.0%
6	5.5%
7+	5.0%

Dental: 5% per annum.

9. Marital - Actives:

Wife is assumed to be same age as the husband.
70% of males and 50% of females are assumed married.

10. Participation Rate:

80% expected to participate.

11. Inflation Rate:

3.0% per annum.

ASSET VALUATION METHOD: Market value.

AMORTIZATION BASIS:

Investment gains/losses: 5 years
Experience: Average Expected Future Working Lifetime of the whole group.
Assumption changes: Average Expected Future Working Lifetime of the whole group.