

K7

7. Town Treasurer Goucher re Municipal Pension Funding Report

Barboza/Herreshoff - Voted unanimously to adopt the report as presented.

Prior to the vote taken, Council Chairman Marshall asked to know how often the Town adjusts the rate of return with Town Treasurer Goucher responding that this is done typically every five years.

Tk
Treasurer ✓

Town of Bristol - one FIP submitted.

TOWN COUNCIL
NOV 14 2012
MEETING



RECEIVED
NOV 09 2012
BY: DORCE

Finance Department

Town Hall, 10 Court Street, Bristol, RI 02809-2208

Telephone 401-253-7000 Facsimile 401-253-1570

www.bristolri.us

November 7, 2012

Ms. Rosemary Booth Gallogly
Chairperson of the Pension Study Commission
Department of Revenue
One Capitol Hill
Providence, RI 02908-5855

Dear Ms. Booth Gallogly:

I have enclosed the 2012 Critical Status Report for the Town of Bristol RI Police Retirement Plan which complies with R.I. Gen. Laws 45-65-6 and your letter of July 3, 2012. It is anticipated that this report will be approved by the Town Council at its meeting of November 14, 2012.

Please contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Julie R. Goucher".

Julie R. Goucher
Treasurer

cc: Diane C. Mederos, Town Administrator

**Town of Bristol RI Police Retirement Plan
Municipal Pension Critical Status Report
November 11, 2012**

Executive Summary

In accordance with Rhode Island General Laws Section 45-65-6, the Town of Bristol is submitting this Critical Status Report to the Locally-Administered Pension Plans Study Commission. The Town had completed an actuarial valuation and an experience study as of July 1, 2011. Based upon these results, the funded ratio of the pension plan as of July 1, 2011 was 47.6% and therefore the plan was considered to be in “critical status” per the terms of RI General Law Chapter 45-65.

The Police Retirement Plan has been closed to new members since 1998. As of July 1, 2012, only five active members remain in the Plan along with 46 retirees. Because of the small number of remaining active members, the Town does not anticipate bargaining any plan changes. The Town’s preferred approach to improving the Plan’s funded status is to continue to fully pay the Annual Required Contribution each year. With a remaining amortization period of 17 years as of July 1, 2012, the Plan is projected to emerge from critical status by 2019. We have therefore only included one Funding Improvement Plan in this Critical Status Report.

**Town of Bristol RI Police Retirement Plan
Municipal Pension Critical Status Report
November 11, 2012**

Funding Improvement Plan #1: No Future Plan Changes

Based on the preliminary results of the July 1, 2012 valuation, the plan's funded ratio is 46.8% and the Annual Required Contribution for FY 2013-14 is \$1,288,194. If the Town makes no future plan changes but pays the Annual Required Contribution in full each year, the plan is projected to emerge from critical status in 2019. The principal results of the July 1, 2012 valuation are set forth below per Section I of the July 3, 2012 memo regarding funding improvement plans:

FY 2013-14 Annual Required Contribution	\$1,288,194
Amortization method, including period	Level percent over a closed 17 year period
Interest rate	6.75%
Rate of increase in payments	3.00%
Amortization amount	\$1,087,777
Market value of assets	\$12,415,633
Actuarial value of assets	\$12,415,633 (reset to market @ 7/1/2012)
Accrued liability	\$26,521,112
Funded ratio	46.8%
Total normal cost	\$163,239
Expected employee contributions	\$44,277
Expected administrative expenses	\$0
Employer normal cost	\$118,962
Description of benefit changes	None
Plan to emerge from critical status	Pay 100% of Annual Required Contribution
Time frame to emerge from critical status	By 2019
Required actions to implement plan	Pay 100% of Annual Required Contribution
Deterministic forecasts	See Exhibit A attached
Five year forecast of municipal revenue growth	See Exhibit B attached

**Town of Bristol RI Police Retirement Plan
Municipal Pension Critical Status Report
November 11, 2012**

This approach of the Town paying 100% of the Annual Required Contribution meets the Funding Improvement Guidelines as set forth in Section II of the July 3, 2012 memo regarding funding improvement plans:

Guideline	Bristol Compliance
Historic contribution policy	100+% of the Annual Required Contribution since FYE 2007
Amortization period (maximum 30 years)	17 years as of July 1, 2012
Projected to emerge from critical status (within 20 years)	2019
Percent increase in amortization payments (maximum 4%)	3.00%
Decrease in annual contribution other than resulting from benefit reduction (none permitted)	The Annual Required Contribution may decrease as a result of favorable experience; it is not anticipated that the Town would contribute less than 100% of the Annual Required Contribution, which the Town feels meets the spirit of the guidelines
Shorter amortization schedule than 30 years	17
Amortization period for frozen plans with only retirees (not more than average future lifetime)	Not applicable
No open amortization period	Amortization period is closed
Future changes in UAL may be amortized up to 20 years as separate bases	Separate bases are not utilized
Temporary increases in ARC capped at 8%	It is not anticipated that this provision would be utilized

Exhibit A shows the forecast of key values under this approach, including two deterministic long-range forecasts. These materials were prepared by Milliman, Inc., our valuation actuary.

Town of Bristol, RI Police Retirement Plan
Exhibit A - Long-Range Funding Forecast Assuming No Plan Changes
1 - Projection Based on July 1, 2012 Preliminary Valuation Results - Based on Actuarial Assumptions

Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Amortization Period	Amortization Payment (3% Growth Rate)	Normal Cost	Interest	Annual Required Contribution	for FYE	Payroll	Benefit Payments
07/01/2012	12,416,000	12,416,000	26,521,000	14,105,000	46.8%	17	1,088,000	119,000	81,000	1,288,000	2014	358,000	1,324,000
07/01/2013	12,821,000	12,821,000	27,070,000	14,249,000	47.4%	16	1,149,000	108,000	84,000	1,341,000	2015	331,000	1,362,000
07/01/2014	13,611,000	13,611,000	27,596,000	13,986,000	49.3%	15	1,183,000	103,000	87,000	1,373,000	2016	320,000	1,404,000
07/01/2015	14,470,000	14,470,000	28,114,000	13,644,000	51.5%	14	1,217,000	107,000	89,000	1,413,000	2017	319,000	1,440,000
07/01/2016	15,359,000	15,359,000	28,609,000	13,250,000	53.7%	13	1,252,000	60,000	88,000	1,400,000	2018	245,000	1,494,000
07/01/2017	16,196,000	16,196,000	28,932,000	12,736,000	56.0%	12	1,282,000	32,000	89,000	1,403,000	2019	91,000	1,623,000
07/01/2018	17,002,000	17,002,000	29,166,000	12,165,000	58.3%	11	1,314,000	19,000	90,000	1,423,000	2020	56,000	1,688,000
07/01/2019	17,816,000	17,816,000	29,354,000	11,538,000	60.7%	10	1,348,000	16,000	92,000	1,456,000	2021	48,000	1,733,000
07/01/2020	18,669,000	18,669,000	29,513,000	10,844,000	63.3%	10	1,267,000	16,000	86,000	1,369,000	2022	47,000	1,767,000
07/01/2021	19,580,000	19,580,000	29,649,000	10,069,000	66.0%	10	1,176,000	12,000	80,000	1,268,000	2023	46,000	1,800,000
07/01/2022	20,420,000	20,420,000	29,747,000	9,326,000	68.6%	10	1,090,000	11,000	74,000	1,175,000	2024	35,000	1,839,000
07/01/2023	21,180,000	21,180,000	29,816,000	8,636,000	71.0%	10	1,009,000	11,000	69,000	1,089,000	2025	34,000	1,871,000
07/01/2024	21,862,000	21,862,000	29,858,000	7,996,000	73.2%	10	934,000	4,000	64,000	1,002,000	2026	33,000	1,903,000
07/01/2025	22,451,000	22,451,000	29,841,000	7,390,000	75.2%	10	863,000	0	59,000	922,000	2027	11,000	1,948,000
07/01/2026	22,948,000	22,948,000	29,779,000	6,830,000	77.1%	10	798,000	0	54,000	852,000	2028	0	1,986,000
07/01/2027	23,367,000	23,367,000	29,683,000	6,316,000	78.7%	10	738,000	0	50,000	788,000	2029	0	2,015,000
07/01/2028	23,713,000	23,713,000	29,549,000	5,836,000	80.3%	10	682,000	0	46,000	728,000	2030	0	2,043,000
07/01/2029	23,988,000	23,988,000	29,377,000	5,389,000	81.7%	10	630,000	0	42,000	672,000	2031	0	2,070,000
07/01/2030	24,192,000	24,192,000	29,162,000	4,970,000	83.0%	10	581,000	0	39,000	620,000	2032	0	2,097,000
07/01/2031	24,327,000	24,327,000	28,914,000	4,587,000	84.1%	10	536,000	0	36,000	572,000	2033	0	2,121,000
07/01/2032	24,392,000	24,392,000	28,620,000	4,228,000	85.2%	10	494,000	0	33,000	527,000	2034	0	2,146,000
07/01/2033	24,387,000	24,387,000	28,273,000	3,886,000	86.3%	10	454,000	0	31,000	485,000	2035	0	2,169,000
07/01/2034	24,314,000	24,314,000	27,892,000	3,578,000	87.2%	10	418,000	0	28,000	446,000	2036	0	2,191,000
07/01/2035	24,170,000	24,170,000	27,462,000	3,292,000	88.0%	10	385,000	0	26,000	411,000	2037	0	2,212,000
07/01/2036	23,957,000	23,957,000	26,983,000	3,026,000	88.8%	10	354,000	0	23,000	377,000	2038	0	2,231,000
07/01/2037	23,673,000	23,673,000	26,453,000	2,779,000	89.5%	10	325,000	0	22,000	347,000	2039	0	2,249,000
07/01/2038	23,320,000	23,320,000	25,870,000	2,550,000	90.1%	10	298,000	0	20,000	318,000	2040	0	2,265,000
07/01/2039	22,897,000	22,897,000	25,231,000	2,334,000	90.7%	10	273,000	0	18,000	291,000	2041	0	2,279,000

Projection Assumptions

The number of active members declines to zero. Individual pay increases and patterns of turnover, retirement, disability, and mortality are per the valuation assumptions stated in the 2011 Experience Study. The Town always pays the Annual Required Contribution. The investments earn the assumed annual rate of return each year in the future. There are no future plan changes, assumption changes, funding method changes, or actuarial gains / losses.

Caveats

This work product was prepared solely for the Town for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Except as otherwise indicated above, the explanatory notes contained in the July 1, 2011 Valuation Report dated November 22, 2011, including statements of reliance and limitations on use, continue to apply.

Town of Bristol, RI Police Retirement Plan
Exhibit A - Long-Range Funding Forecast Assuming No Plan Changes
2 - Projection Assumes Investment Returns are 50 Basis Points Lower than Assumed

Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Amortization Period	Amortization Payment (3% Growth Rate)	Normal Cost	Interest	Annual Required Contribution for FYE	Payroll	Benefit Payments	
07/01/2012	12,416,000	12,416,000	26,521,000	14,105,000	46.8%	17	1,088,000	119,000	81,000	1,288,000	2014	358,000	1,324,000
07/01/2013	12,760,000	12,772,000	27,070,000	14,298,000	47.2%	16	1,153,000	108,000	84,000	1,345,000	2015	331,000	1,362,000
07/01/2014	13,482,000	13,507,000	27,596,000	14,090,000	48.9%	15	1,192,000	103,000	87,000	1,382,000	2016	320,000	1,404,000
07/01/2015	14,269,000	14,308,000	28,114,000	13,806,000	50.9%	14	1,231,000	107,000	91,000	1,429,000	2017	319,000	1,440,000
07/01/2016	15,083,000	15,136,000	28,609,000	13,473,000	52.9%	13	1,273,000	60,000	89,000	1,422,000	2018	245,000	1,494,000
07/01/2017	15,843,000	15,898,000	28,932,000	13,033,000	55.0%	12	1,312,000	32,000	91,000	1,435,000	2019	91,000	1,623,000
07/01/2018	16,569,000	16,628,000	29,166,000	12,538,000	57.0%	11	1,354,000	19,000	93,000	1,466,000	2020	56,000	1,688,000
07/01/2019	17,305,000	17,367,000	29,354,000	11,987,000	59.2%	10	1,401,000	16,000	95,000	1,512,000	2021	48,000	1,733,000
07/01/2020	18,083,000	18,147,000	29,513,000	11,365,000	61.5%	10	1,328,000	16,000	90,000	1,434,000	2022	47,000	1,767,000
07/01/2021	18,922,000	18,990,000	29,649,000	10,659,000	64.0%	10	1,245,000	12,000	85,000	1,342,000	2023	46,000	1,800,000
07/01/2022	19,692,000	19,763,000	29,747,000	9,984,000	66.4%	10	1,167,000	11,000	79,000	1,257,000	2024	35,000	1,839,000
07/01/2023	20,382,000	20,455,000	29,816,000	9,361,000	68.6%	10	1,094,000	11,000	74,000	1,179,000	2025	34,000	1,871,000
07/01/2024	20,994,000	21,070,000	29,858,000	8,788,000	70.6%	10	1,027,000	4,000	69,000	1,100,000	2026	33,000	1,903,000
07/01/2025	21,515,000	21,593,000	29,841,000	8,247,000	72.4%	10	964,000	0	65,000	1,029,000	2027	11,000	1,948,000
07/01/2026	21,946,000	22,027,000	29,779,000	7,751,000	74.0%	10	906,000	0	61,000	967,000	2028	0	1,986,000
07/01/2027	22,301,000	22,384,000	29,683,000	7,300,000	75.4%	10	853,000	0	57,000	910,000	2029	0	2,015,000
07/01/2028	22,584,000	22,669,000	29,549,000	6,880,000	76.7%	10	804,000	0	54,000	858,000	2030	0	2,043,000
07/01/2029	22,800,000	22,886,000	29,377,000	6,491,000	77.9%	10	758,000	0	52,000	810,000	2031	0	2,070,000
07/01/2030	22,947,000	23,035,000	29,162,000	6,127,000	79.0%	10	716,000	0	48,000	764,000	2032	0	2,097,000
07/01/2031	23,029,000	23,117,000	28,914,000	5,797,000	80.0%	10	677,000	0	46,000	723,000	2033	0	2,121,000
07/01/2032	23,043,000	23,132,000	28,620,000	5,488,000	80.8%	10	641,000	0	43,000	684,000	2034	0	2,146,000
07/01/2033	22,992,000	23,082,000	28,275,000	5,192,000	81.6%	10	607,000	0	41,000	648,000	2035	0	2,169,000
07/01/2034	22,876,000	22,966,000	27,892,000	4,927,000	82.3%	10	576,000	0	38,000	614,000	2036	0	2,191,000
07/01/2035	22,693,000	22,782,000	27,462,000	4,680,000	83.0%	10	547,000	0	37,000	584,000	2037	0	2,212,000
07/01/2036	22,445,000	22,533,000	26,983,000	4,450,000	83.5%	10	520,000	0	35,000	555,000	2038	0	2,231,000
07/01/2037	22,130,000	22,218,000	26,453,000	4,235,000	84.0%	10	495,000	0	33,000	528,000	2039	0	2,249,000
07/01/2038	21,750,000	21,837,000	25,870,000	4,034,000	84.4%	10	471,000	0	32,000	503,000	2040	0	2,265,000
07/01/2039	21,304,000	21,390,000	25,231,000	3,842,000	84.8%	10	449,000	0	30,000	479,000	2041	0	2,279,000

Projection Assumptions

The number of active members declines to zero. Individual pay increases and patterns of turnover, retirement, disability, and mortality are per the valuation assumptions stated in the 2011 Experience Study. The Town always pays the Annual Required Contribution. The investments earn 50 basis points lower than the assumed annual rate of return each year in the future. There are no future plan changes, assumption changes, funding method changes, or actuarial gains / losses.

Caveats

This work product was prepared solely for the Town for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Except as otherwise indicated above, the explanatory notes contained in the July 1, 2011 Valuation Report dated November 22, 2011, including statements of reliance and limitations on use, continue to apply.

Town of Bristol, RI Police Retirement Plan
Exhibit A - Long-Range Funding Forecast Assuming No Plan Changes
1 - Projection Based on July 1, 2012 Preliminary Valuation Results - Based on Actuarial Assumptions

Additional run requested
by the study commission.
Submitted 5/20/13.

Valuation Date	Market Value of Assets	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Accrued Liability	Funded Ratio	Amortization Period	Amortization Payment (3% Growth Rate)		Interest	Annual Required Contribution for FYE		Payroll	Benefit Payments
							Normal Cost						
07/01/2012	12,416,000	12,416,000	26,521,000	14,105,000	46.8%	17	1,088,000	119,000	81,000	1,288,000	2014	358,000	1,324,000
07/01/2013	12,821,000	12,821,000	27,070,000	14,249,000	47.4%	16	1,149,000	108,000	84,000	1,341,000	2015	331,000	1,362,000
07/01/2014	13,611,000	13,611,000	27,596,000	13,986,000	49.3%	15	1,183,000	103,000	87,000	1,373,000	2016	320,000	1,404,000
07/01/2015	14,470,000	14,470,000	28,114,000	13,644,000	51.5%	14	1,217,000	107,000	89,000	1,413,000	2017	319,000	1,440,000
07/01/2016	15,359,000	15,359,000	28,609,000	13,250,000	53.7%	13	1,252,000	60,000	88,000	1,400,000	2018	245,000	1,494,000
07/01/2017	16,196,000	16,196,000	28,932,000	12,736,000	56.0%	12	1,282,000	32,000	89,000	1,403,000	2019	91,000	1,623,000
07/01/2018	17,002,000	17,002,000	29,166,000	12,165,000	58.3%	11	1,314,000	19,000	90,000	1,423,000	2020	56,000	1,688,000
07/01/2019	17,816,000	17,816,000	29,354,000	11,538,000	60.7%	10	1,348,000	16,000	92,000	1,456,000	2021	48,000	1,733,000
07/01/2020	18,669,000	18,669,000	29,513,000	10,844,000	63.3%	9	1,384,000	16,000	94,000	1,494,000	2022	47,000	1,767,000
07/01/2021	19,580,000	19,580,000	29,649,000	10,069,000	66.0%	8	1,422,000	12,000	96,000	1,530,000	2023	46,000	1,800,000
07/01/2022	20,550,000	20,550,000	29,747,000	9,197,000	69.1%	7	1,459,000	11,000	99,000	1,569,000	2024	35,000	1,839,000
07/01/2023	21,589,000	21,589,000	29,816,000	8,228,000	72.4%	6	1,497,000	11,000	101,000	1,609,000	2025	34,000	1,871,000
07/01/2024	22,706,000	22,706,000	29,858,000	7,152,000	76.0%	5	1,535,000	4,000	103,000	1,642,000	2026	33,000	1,903,000
07/01/2025	23,889,000	23,889,000	29,841,000	5,951,000	80.1%	4	1,569,000	0	105,000	1,674,000	2027	11,000	1,948,000
07/01/2026	25,147,000	25,147,000	29,779,000	4,632,000	84.4%	3	1,600,000	0	108,000	1,708,000	2028	0	1,986,000
07/01/2027	26,492,000	26,492,000	29,683,000	3,191,000	89.2%	2	1,624,000	0	110,000	1,734,000	2029	0	2,015,000
07/01/2028	27,933,000	27,933,000	29,549,000	1,616,000	94.5%	1	1,616,000	0	109,000	1,725,000	2030	0	2,043,000
07/01/2029	29,471,000	29,471,000	29,377,000	(94,000)	100.3%	1	0	0	0	0	2031	0	2,070,000
07/01/2030	31,076,000	31,076,000	29,162,000	(1,914,000)	106.6%	1	0	0	0	0	2032	0	2,097,000
07/01/2031	30,980,000	30,980,000	28,914,000	(2,067,000)	107.1%	1	0	0	0	0	2033	0	2,121,000
07/01/2032	30,853,000	30,853,000	28,620,000	(2,233,000)	107.8%	1	0	0	0	0	2034	0	2,146,000
07/01/2033	30,694,000	30,694,000	28,273,000	(2,420,000)	108.6%	1	0	0	0	0	2035	0	2,169,000
07/01/2034	30,501,000	30,501,000	27,892,000	(2,609,000)	109.4%	1	0	0	0	0	2036	0	2,191,000
07/01/2035	30,274,000	30,274,000	27,462,000	(2,811,000)	110.2%	1	0	0	0	0	2037	0	2,212,000
07/01/2036	30,011,000	30,011,000	26,983,000	(3,028,000)	111.2%	1	0	0	0	0	2038	0	2,231,000
07/01/2037	29,712,000	29,712,000	26,453,000	(3,259,000)	112.3%	1	0	0	0	0	2039	0	2,249,000
07/01/2038	29,376,000	29,376,000	25,870,000	(3,506,000)	113.6%	1	0	0	0	0	2040	0	2,265,000
07/01/2039	29,003,000	29,003,000	25,231,000	(3,772,000)	114.9%	1	0	0	0	0	2041	0	2,279,000

Projection Assumptions

The number of active members declines to zero. Individual pay increases and patterns of turnover, retirement, disability, and mortality are per the valuation assumptions stated in the 2011 Experience Study. The Town always pays the Annual Required Contribution. The investments earn the assumed annual rate of return each year in the future. There are no future plan changes, assumption changes, funding method changes, or actuarial gains / losses. For purposes of this projection the amortization period declines to 1 year to illustrate the progress of the plan towards becoming fully funded; in actual practice the amortization period will not be less than 10 years in order to shield the Town from contribution volatility.

Caveats

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