



**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

JULY 1, 2011 VALUATION

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

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**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

CERTIFICATION

We have performed an actuarial valuation of the Town of South Kingstown Other Post-Employment Benefits Program as of July 1, 2011. The results of this valuation, along with supporting data, are set forth in the following report.

Milliman has prepared this report in compliance with Government Accounting Standard No. 45. No attempt is being made to offer any accounting opinion or advice. The calculations reported herein have been made on a basis consistent with our understanding of the plan provisions. Additional determinations may be needed for purposes other than meeting accounting requirements.

In preparing this report, we relied on employee census data, asset information, claims and premium information as of the valuation date, furnished by the Town of South Kingstown. We performed a limited review of the information used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge, this report is complete and accurate, all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices, and the methods and assumptions produced results which are reasonable. 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 or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

The actuarial method and assumptions used in this valuation are discussed on pages 17-27 of this report. A summary of the plan provisions starts on page 28 of this report.

**TOWN OF SOUTH KINGSTOWN
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CERTIFICATION

Milliman's work is prepared solely for the internal business use of the Town of South Kingstown. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following (a) The Town of South Kingstown may provide a copy of Milliman's work, in its entirety, to the Town of South Kingstown's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Town of South Kingstown; and (b) The Town of South Kingstown may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law. No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

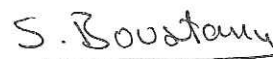
The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN INC.

December 6, 2011



Steve A. Lemanski, FSA, FCA
Consulting Actuary



Samuel Boustani, ASA
Actuary

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

OVERVIEW OF GASB 43 AND GASB 45

GASB 43 requires OPEB plans to disclose information about asset and liability levels and show historical contribution information. GASB 43 only applies in situations where a separate trust is established to prefund these benefits. GASB 45 requires employers to perform periodic actuarial valuations to determine annual accounting costs, and to keep a running tally of the extent to which these amounts are over or under funded. GASB 43 was effective starting in FY 2006-07 for a Phase I government, FY 2007-08 for a Phase II government, and FY 2008-09 for a Phase III government. GASB 45 was effective for the fiscal year following implementation of GASB 43.

GASB 43 and 45 apply to just about any benefit that is provided after retirement except for pension benefits: medical insurance, dental, vision, and hearing benefits plus life insurance and long term care insurance. The benefits provided by the Town to retirees include medical and dental insurance plus life insurance. The philosophy driving the accounting standard is that these post-employment benefits are part of the compensation that is paid to employees in return for their services, and the cost of these benefits should be recognized while the employees are providing those services, rather than after they have retired. This philosophy has already been applied for years to defined benefit pensions; GASB 43 and 45 extend the same thinking to all other post-employment benefits.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

THE VALUATION PROCESS

The process of determining the liability for OPEB benefits is based on many assumptions about future events. The key actuarial assumptions are:

Turnover and retirement rates: How likely is it that an employee will qualify for post-employment benefits and when will they start?

Medical inflation and claims costs assumptions: When an employee starts receiving post-employment benefits many years from now, how much will be paid each year for the benefits and how rapidly will the costs grow?

Mortality assumption: How long is a retiree likely to receive the benefits?

Discount rate assumption: What is the present value of those future benefit payments in terms of today's dollars?

Since the liability is being recognized over the employee's whole career with the Town, the present value is divided into three pieces: the part that is attributed to past years (the "Accrued Liability" or "Past Service Liability"), the part that is being earned this year (the "Normal Cost"), and the part that will be earned in future years (the "Future Service Liability").

Once the Accrued Liability and the Normal Cost have been calculated, the next step is to determine an annual contribution. This consists of two pieces:

- Normal Cost – because the benefits earned each year should be paid for each year
- Past Service Cost – a catch-up payment to fund the Accrued Liability over time.

**TOWN OF SOUTH KINGSTOWN
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IMPLICIT RATE SUBSIDIES

As part of the Other Post-Employment Benefits Program, there are situations where the cost is borne partly or entirely by retirees. In most cases, the premium that is used to split the cost is lower than the true cost of providing the medical benefits, for two reasons:

- The cost sharing premium is usually a fixed amount such as a COBRA premium that does not take into account the age of the retiree and his/her dependents. Since medical costs generally increase with age, the cost sharing premium is often lower than the true cost of the medical benefits:



- The cost sharing premium is usually a blended rate that takes into account the cost of medical benefits for active employees as well as retirees. Medical costs are generally higher for retirees than for active employees of the same age. This means that, again, the cost sharing premium is often lower than the true cost of the medical benefits.

Because of these two factors, a retiree who is paying 100% of the cost sharing premium is most likely not paying 100% of the true cost of the medical benefits. This situation is known as an "implicit rate subsidy". GASB 43 and 45 require the plan sponsor to measure the liability for this subsidy; that is, the difference between the true cost of the medical benefits and the cost sharing premiums paid by the retiree. To do this, our valuation consists of several steps:

First, we calculate the liability for the true cost of medical benefits expected to be received by retirees and their dependents. This liability is based on factors developed by Milliman's health actuaries that reflect how the cost of medical benefits varies by age and gender, as well as the other assumptions discussed on the prior page. We term this amount the "gross liability".

Next, we calculate the liability for the future premiums expected to be paid by the retiree for their own and their dependents' coverage. This liability is based on the current premium rates without adjustment for age or gender. It also is based on the terms of the retiree medical program – different retirees pay different percentages based on their union, date of retirement, age at retirement, and other factors. We term this amount the "offset liability".

Finally, the net liability for the Town is calculated as the difference between the gross liability and the offset liability.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

DISCUSSION OF EXPERIENCE

This valuation reflects a number of changes relative to the July 1, 2009 valuation:

Demographic Changes from 2009 to 2011

From July 1, 2009 to July 1, 2011, the overall membership decreased from 1,036 to 1,027. The total number of active members decreased from 797 to 769 and the total number of retirees and spouses of retirees increased from 239 to 258.

The average age of active members increased from 47.0 to 47.6, and the average age of retired members increased from 65.0 to 66.1.

Changes in Plan Provisions

Town Council 94: members who retire due to disability after July 1, 2005 will now be subject to the same premium copayment as active employees for a 60 month period or until age 65 (Prior: 100% Town-Paid for a 60 month period or until age 65).

School Teachers 161: Effective September 1, 2011, there is a graduated health insurance contribution starting at 15%, rising to 20% of premium.

The combined effect of the above changes was to reduce the Accrued Liability by roughly \$770,000 and reduce the Annual Required Contribution by about \$110,000.

Assumption Changes

All groups: Certain actuarial demographic assumptions are based on the assumptions used in the valuations of the Employees' Retirement System of Rhode Island and the Municipal Employees' Retirement System State of Rhode Island by Gabriel, Roeder, Smith and Company (GRS). Our valuation reflects the applicable assumption changes made by GRS in their June 30, 2010 valuations. Note that these assumption changes include the impact of changes in retirement eligibility for Teachers.

Medical and dental age curves: We updated the age curves with respect to expected claims costs, based on our analysis of the claims experience and premium information provided to us for this valuation.

The combined effect of the above changes was to reduce the Accrued Liability by roughly \$370,000 and reduce the Annual Required Contribution by about \$40,000.

**TOWN OF SOUTH KINGSTOWN
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KEY ASSUMPTIONS

Our results are highly dependent on two key assumptions: the rate at which we assume medical costs will increase over time, and the discount rate we use to translate future payments into current dollars.

| Medical inflation rate | Medical Benefits | |
|-------------------------------------|-------------------------|----------------|
| | Pre-65 | Post-65 |
| Initial inflation rate | 5.80% | 5.80% |
| Ultimate inflation rate | 4.40% | 4.40% |
| Years until ultimate inflation rate | 49 | 49 |
| Discount rate | 8.00% | |

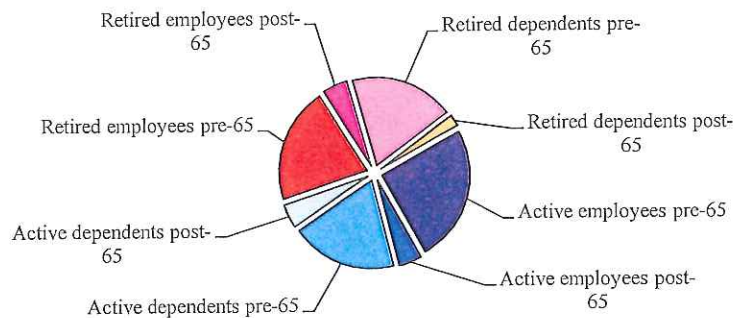
The 8.00% discount rate reflects that the Town has established an OPEB trust and is prefunding its OPEB benefits.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF LIABILITIES AS OF JULY 1, 2011

We have calculated the Accrued Liability separately for six groups of Town employees, who are eligible for different OPEB benefits. We have broken the accrued liability for each group into several pieces: benefits that are expected to be paid prior to age 65 (i.e. prior to Medicare) and after age 65 (i.e. after Medicare) to current active members and their covered dependents after retirement, and the same figures for members who have already retired and are currently receiving benefits. In all cases, the Accrued Liability only reflects benefits that are paid for by the Town, taking into account any implicit rate subsidies.

| | Fund 101 | Fund 210 | Fund 215 | Fund 340 | Fund 345 | School Fund | Total |
|--------------------------------|------------------|--------------|----------------|--------------|--------------|------------------|-------------------|
| Current active members | | | | | | | |
| Employees under age 65 | \$2,114,000 | \$6,000 | \$128,000 | \$8,000 | \$2,000 | \$2,542,000 | \$4,800,000 |
| Employees over age 65 | 0 | 0 | 0 | 0 | 0 | 802,000 | 802,000 |
| Dependents under age 65 | 2,124,000 | 0 | 148,000 | 0 | 0 | 1,482,000 | 3,754,000 |
| Dependents over age 65 | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>842,000</u> | <u>842,000</u> |
| Total | 4,238,000 | 6,000 | 276,000 | 8,000 | 2,000 | 5,668,000 | 10,198,000 |
| Current retired members | | | | | | | |
| Employees under age 65 | 2,279,000 | 0 | 331,000 | 0 | 0 | 1,472,000 | 4,082,000 |
| Employees over age 65 | 0 | 0 | 0 | 0 | 0 | 891,000 | 891,000 |
| Dependents under age 65 | 2,258,000 | 0 | 367,000 | 0 | 0 | 1,064,000 | 3,689,000 |
| Dependents over age 65 | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>400,000</u> | <u>400,000</u> |
| Total | 4,537,000 | 0 | 698,000 | 0 | 0 | 3,827,000 | 9,062,000 |
| Total Accrued Liability | 8,775,000 | 6,000 | 974,000 | 8,000 | 2,000 | 9,495,000 | 19,260,000 |



**TOWN OF SOUTH KINGSTOWN
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ANNUAL REQUIRED CONTRIBUTION

The Annual Required Contribution (ARC) for the OPEB program consists of two pieces: a **Normal Cost** (the cost of benefits earned each year should be accrued in that year) plus a **Past Service Cost** (a catch-up accrual to amortize the Unfunded Accrued Liability). The amortization period is 30 years starting FY 2009. The amortization method produces annual payments that will increase over time as payroll grows. On this basis, the ARC is determined as follows:

| | Fund 101 | Fund 210 | Fund 215 | Fund 340 | Fund 345 | School Fund | Total |
|---|----------------|----------|---------------|----------|----------|----------------|------------------|
| Accrued Liability | \$8,775,000 | \$6,000 | \$974,000 | \$8,000 | \$2,000 | \$9,495,000 | \$19,260,000 |
| Assets | 983,000 | 5,000 | 97,000 | 4,000 | 1,000 | 560,000 | 1,650,000 |
| Unfunded Accrued Liability | 7,792,000 | 1,000 | 877,000 | 4,000 | 1,000 | 8,935,000 | 17,610,000 |
| Amortization Period | 26 | 26 | 26 | 26 | 26 | 26 | 26 |
| Payroll Growth Rate | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% | 4.25% |
| Past Service Cost | 450,000 | 0 | 51,000 | 0 | 0 | 516,000 | 1,017,000 |
| Normal Cost | 311,000 | 0 | 15,000 | 0 | 0 | 396,000 | 722,000 |
| Interest | 61,000 | 0 | 5,000 | 0 | 0 | 73,000 | 139,000 |
| ARC for FY 2013 | 822,000 | 0 | 71,000 | 0 | 0 | 985,000 | 1,878,000 |
| Expected Benefit Payouts | 654,000 | 0 | 61,000 | 0 | 0 | 1,187,000 | 1,902,000 |
| Net Budget Impact (not less than zero) | 168,000 | 0 | 10,000 | 0 | 0 | 0 | 178,000 |

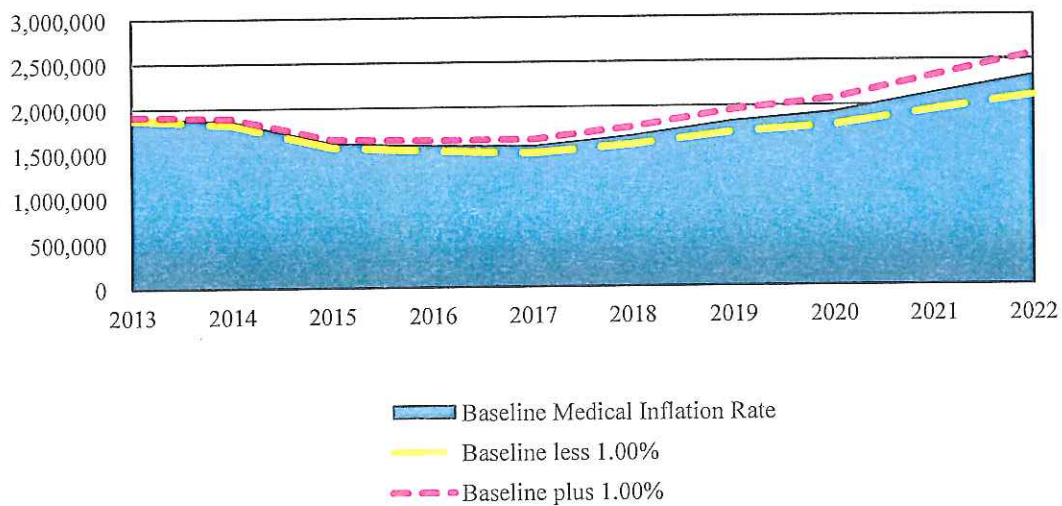
The ARC is assumed to be paid at the beginning of the Fiscal Year.

**TOWN OF SOUTH KINGSTOWN
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PROJECTED PAYOUTS

The annual Town payments for OPEB benefits are expected to rise over time, both because medical costs are expected to rise over time and because more employees will retire and start to receive Town-paid OPEB benefits. The table and graph below show the expected annual payments for OPEB benefits for the next 10 years.

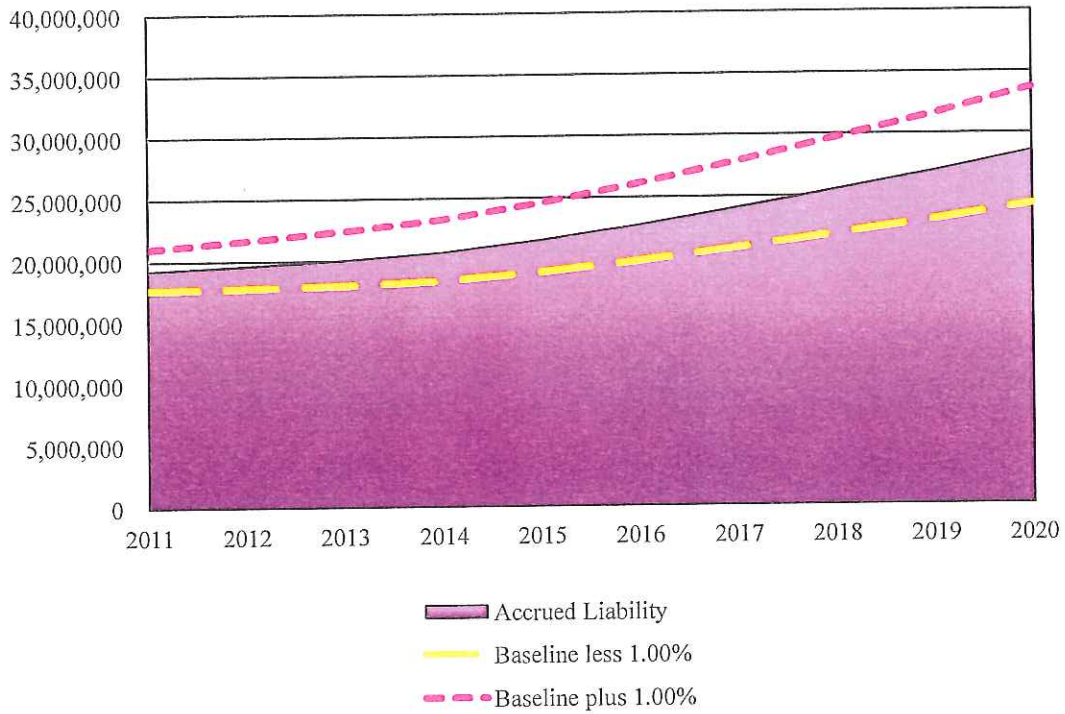
| Fiscal Year | Baseline less 1.00% | Baseline Medical Inflation Rate | Baseline plus 1.00% |
|-------------|------------------------|--|------------------------|
| 2013 | \$1,884,000 | \$1,902,000 | \$1,920,000 |
| 2014 | 1,822,000 | 1,857,000 | 1,893,000 |
| 2015 | 1,565,000 | 1,611,000 | 1,657,000 |
| 2016 | 1,518,000 | 1,578,000 | 1,640,000 |
| 2017 | 1,490,000 | 1,565,000 | 1,642,000 |
| 2018 | 1,579,000 | 1,675,000 | 1,776,000 |
| 2019 | 1,709,000 | 1,831,000 | 1,960,000 |
| 2020 | 1,779,000 | 1,926,000 | 2,083,000 |
| 2021 | 1,945,000 | 2,129,000 | 2,326,000 |
| 2022 | 2,098,000 | 2,321,000 | 2,563,000 |



**TOWN OF SOUTH KINGSTOWN
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PROJECTED LIABILITIES

The graph below shows how the Town's accrued liability for OPEB benefits is expected to grow over the next 10 years.



**TOWN OF SOUTH KINGSTOWN
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GASB 45 SCHEDULE OF FUNDING PROGRESS

The following information is required to be disclosed in the Town's financial statement.

(\$ 000s)

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Accrued Liability (b) | Unfunded Accrued Liability (UAL) (b - a) | Funded Ratio (a / b) | Covered Payroll (c) | UAL as a Percentage of Covered Payroll ((b - a) / c) |
|--------------------------------|--|-----------------------------|--|----------------------------|---------------------------|--|
| 7/1/2007 | \$0 | \$15,988 | \$15,988 | 0% | N/A | N/A |
| 7/1/2008 | 0 | 16,484 | 16,484 | 0% | N/A | N/A |
| 7/1/2009 | 0 | 18,700 | 18,700 | 0% | N/A | N/A |
| 7/1/2011 | 1,650 | 19,260 | 17,610 | 9% | 43,016 | 40.9% |

**TOWN OF SOUTH KINGSTOWN
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GASB 45 SCHEDULE OF EMPLOYER CONTRIBUTIONS

The following information is required to be disclosed in the Town's financial statement.

(\$ 000s)

| Year Ended June 30 | Annual Required Contribution | Actual Contribution Made | Percentage Contributed |
|--------------------|---------------------------------|-----------------------------|---------------------------|
| 2013 | \$1,878 | N/A | N/A |

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF CENSUS DATA

The following were included in our analysis based on information provided as of July 1, 2011 by the Town.

| | Fund 101 | Fund 210 | Fund 215 | Fund 340 | Fund 345 | School Fund | Total |
|-------------------------------|----------|----------|----------|----------|----------|-------------|-------|
| Number of members | | | | | | | |
| Active | 165 | 4 | 17 | 6 | 7 | 570 | 769 |
| Retired members | 33 | 0 | 4 | 0 | 0 | 132 | 169 |
| Spouses of retirees | 28 | 0 | 4 | 0 | 0 | 57 | 89 |
| Total | 226 | 4 | 25 | 6 | 7 | 759 | 1,027 |
| Average age | | | | | | | |
| Active | 46.0 | 51.9 | 46.2 | 50.9 | 51.8 | 48.0 | 47.6 |
| Retired | 57.1 | N/A | 54.5 | N/A | N/A | 68.7 | 66.1 |
| Average retirement age | | | | | | | |
| Active | 58.0 | 62.3 | 60.5 | 62.0 | 63.9 | 62.6 | 61.5 |
| Retired | 51.3 | N/A | 51.0 | N/A | N/A | N/A | N/A |
| Expected lifetime | | | | | | | |
| Active [to retirement] | 12.0 | 10.4 | 14.3 | 11.1 | 12.1 | 14.6 | 13.9 |
| Retired [lifetime] | 25.7 | N/A | 28.1 | N/A | N/A | 20.7 | 21.9 |

Where complete census data was not available, we have made assumptions which we believe to be reasonable.

**TOWN OF SOUTH KINGSTOWN
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CURRENT PREMIUMS

Based on information provided by the Town regarding current retirees' plan elections, the following weighted average blended actual premiums were used:

| 2011 - 2012 Monthly Premiums | | Employee | Spouse |
|------------------------------|---------|----------|----------|
| Medical - Town | | \$517.86 | \$709.57 |
| Medical - School | Pre 65 | 552.57 | 755.80 |
| | Post 65 | 552.57 | 755.80 |
| Dental - Town | | 27.78 | 55.89 |
| Dental - School | | 31.88 | 65.21 |

**TOWN OF SOUTH KINGSTOWN
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HEALTH COST ADJUSTMENT FACTORS

Milliman's Health Cost Guidelines were used to develop the expected relationship of the true cost of health benefits across age and gender. Representative factors are shown below.

| Age | Town - Medical | | School - Medical | |
|-----|----------------|--------|------------------|--------|
| | Employee | Spouse | Employee | Spouse |
| 40 | 3.06% | 1.52% | 1.29% | 3.44% |
| 45 | 4.30% | 3.06% | 2.85% | 4.58% |
| 50 | 4.99% | 4.15% | 4.00% | 5.17% |
| 55 | 5.19% | 3.90% | 3.65% | 5.45% |
| 60 | 4.60% | 4.00% | 3.89% | 4.71% |
| 65 | 2.13% | 1.95% | 1.92% | 2.17% |
| 70 | 2.26% | 2.10% | 2.06% | 2.29% |
| 75 | 1.62% | 1.32% | 1.26% | 1.67% |
| 80 | 1.03% | 1.33% | 1.39% | 0.98% |

| Age | Town - Dental | | School - Dental | |
|-----|---------------|--------|-----------------|--------|
| | Employee | Spouse | Employee | Spouse |
| 40 | 1.58% | 1.39% | 1.33% | 1.65% |
| 45 | 1.38% | 1.10% | 1.01% | 1.49% |
| 50 | 0.73% | 0.59% | 0.55% | 0.78% |
| 55 | 0.25% | 0.08% | 0.02% | 0.32% |
| 60 | 0.15% | 0.13% | 0.12% | 0.16% |
| 65 | -0.18% | -0.11% | -0.08% | -0.21% |
| 70 | 0.00% | 0.00% | 0.00% | 0.00% |
| 75 | 0.00% | 0.00% | 0.00% | 0.00% |
| 80 | 0.00% | 0.00% | 0.00% | 0.00% |

**TOWN OF SOUTH KINGSTOWN
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ACTUARIAL METHOD

The actuarial funding method used is the **Projected Unit Credit Cost Method**. Recommended annual contributions consist of two pieces: Normal Cost plus a payment towards the Unfunded Accrued Liability.

The **Accrued Liability** is determined directly as the present value of benefits accrued to date, where the accrued benefit for each Member is the pro-rata portion (based on service to date) of the **projected** benefit payable at death, disability, retirement or termination.

The **Normal Cost** is similarly determined as the present value of the portion of the **projected** benefit attributable to the current year.

The **Unfunded Accrued Liability** is the Accrued Liability less the value of any plan assets.

**TOWN OF SOUTH KINGSTOWN
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ACTUARIAL ASSUMPTIONS

Payroll Growth Rate 4.25%

**Post-retirement
Mortality**

Healthy

Teachers and Administrators#:

Prior: GRS table based on male teacher experience. 95% of rates in a GRS table based on female teacher experience. Sample rates are shown below:

| Age | Number of Deaths per 100 | |
|-----|--------------------------|--------|
| | Male | Female |
| 50 | 0.28 | 0.15 |
| 55 | 0.48 | 0.36 |
| 60 | 0.45 | 0.45 |
| 65 | 0.57 | 0.41 |
| 70 | 1.50 | 0.85 |
| 75 | 2.49 | 1.35 |
| 80 | 4.93 | 3.01 |

Current: 97% of rates in a GRS table based on male teacher experience, projected with Scale AA from 2000. 92% of rates in a GRS table based on female teacher experience, projected with Scale AA from 2000. Sample rates are shown below:

| Age | Number of Deaths per 100 | |
|-----|--------------------------|--------|
| | Male | Female |
| 50 | 0.27 | 0.14 |
| 55 | 0.46 | 0.35 |
| 60 | 0.43 | 0.43 |
| 65 | 0.55 | 0.40 |
| 70 | 1.45 | 0.82 |
| 75 | 2.42 | 1.31 |
| 80 | 4.78 | 2.92 |

**TOWN OF SOUTH KINGSTOWN
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ACTUARIAL ASSUMPTIONS

| | |
|-------------------------------------|---|
| Healthy | All Others[#]: Prior: 1994 Group Annuity Mortality for males and females, set forward one year for males. Current: 115% of the RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA. 95% of the RP-2000 Combined Healthy for Females with White Collar adjustments; projected with Scale AA. |
| Disabled | All Others[#]: Prior: 65% of the PBGC Table Va for disabled males eligible for Social Security disability benefits. 100% of the PBGC Table VIa for disabled females eligible for Social Security disability benefits. Current: 60% of the PBGC Table Va for disabled males eligible for Social Security disability benefits. 60% of the PBGC Table VIa for disabled females eligible for Social Security disability benefits. |
| Pre-retirement Mortality | Teachers and Administrators[#]: Prior: 65% of the post-retirement mortality rates. Current: 50% of RP-2000 Combined Healthy for Males with White Collar adjustments. 50% of RP-2000 Combined Healthy for Females with White Collar Adjustments. All Others[#]: Prior: 65% of the post-retirement mortality rates. 87.5% of pre-retirement deaths are assumed to be Service-Connected for Police and EMS. Current: 75% of RP-2000 Combined Healthy for Males with White Collar adjustments. 75% of RP-2000 Combined Healthy for Females with White Collar Adjustments. 87.5% of pre-retirement deaths are assumed to be Service-Connected for Police and EMS. |

**TOWN OF SOUTH KINGSTOWN
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ACTUARIAL ASSUMPTIONS

Turnover

Teachers and Administrators[#]:

Prior: Rates based on gender and length of service. Sample rates are shown below:

| Service | Male Rate | Female Rate |
|---------|-----------|-------------|
| 0 | 17.00% | 13.00% |
| 5 | 2.89 | 4.18 |
| 10 | 1.04 | 2.05 |
| 15 | 0.94 | 1.34 |
| 20 | 0.94 | 1.01 |

Current: Rates based on gender and length of service. Sample rates are shown below:

| Service | Male Rate | Female Rate |
|---------|-----------|-------------|
| 0 | 17.00% | 8.90% |
| 5 | 2.89 | 4.55 |
| 10 | 1.20 | 2.33 |
| 15 | 1.20 | 1.19 |
| 20 | 0.94 | 0.61 |

General Employees[#]:

Prior: Rates based on gender and length of service. Sample rates are shown below:

| Service | Male Rate | Female Rate |
|---------|-----------|-------------|
| 0 | 17.50% | 18.00% |
| 5 | 5.41 | 5.58 |
| 10 | 3.50 | 3.18 |
| 15 | 3.19 | 2.97 |
| 20 | 2.27 | 2.50 |

Current: Rates based on gender and length of service. Sample rates are shown below:

| Service | Male Rate | Female Rate |
|---------|-----------|-------------|
| 0 | 17.50% | 18.00% |
| 5 | 5.52 | 5.84 |
| 10 | 2.60 | 2.55 |
| 15 | 2.01 | 1.59 |
| 20 | 1.75 | 1.12 |

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Turnover **Police & EMS#:** Rates based on length of service. Sample rates are shown below:

| Service | Rate |
|---------|--------|
| 0 | 10.00% |
| 5 | 3.54 |
| 10 | 1.91 |
| 15 | 0.90 |
| 20 | 0.00 |

Disability **Teachers and Administrators#:**

Prior: Sample rates are shown below:

| Age | Service-Connected | | Non Service-Connected | |
|-----|-------------------|--------|-----------------------|--------|
| | Male | Female | Male | Female |
| 25 | 0.008% | 0.004% | 0.015% | 0.016% |
| 35 | 0.013 | 0.006 | 0.024 | 0.027 |
| 45 | 0.032 | 0.014 | 0.059 | 0.066 |
| 55 | 0.089 | 0.040 | 0.165 | 0.185 |
| 65 | 0.000 | 0.000 | 0.000 | 0.000 |

Current: Sample rates are shown below:

| Age | Service-Connected | Non Service-Connected |
|-----|-------------------|-----------------------|
| 25 | 0.004% | 0.023% |
| 35 | 0.006 | 0.038 |
| 45 | 0.014 | 0.090 |
| 55 | 0.040 | 0.253 |
| 65 | 0.000 | 0.000 |

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Disability

All Others[#]:

Prior: Sample rates are shown below:

| Age | General Employees | | | | Police & EMS | |
|-----|-------------------|--------|-----------------------|--------|-------------------|-----------------------|
| | Service-Connected | | Non Service-Connected | | Service-Connected | Non Service-Connected |
| | Male | Female | Male | Female | | |
| 25 | 0.023% | 0.009% | 0.063% | 0.027% | 0.298% | 0.043% |
| 35 | 0.038 | 0.015 | 0.105 | 0.045 | 0.508 | 0.073 |
| 45 | 0.090 | 0.036 | 0.252 | 0.108 | 1.260 | 0.180 |
| 55 | 0.253 | 0.101 | 0.707 | 0.303 | 2.118 | 0.303 |
| 65 | 0.000 | 0.000 | 0.000 | 0.000 | 2.118 | 0.303 |

Current: Sample rates are shown below:

| Age | General Employees | | | | Police & EMS | |
|-----|-------------------|--------|-----------------------|--------|-------------------|-----------------------|
| | Service-Connected | | Non Service-Connected | | Service-Connected | Non Service-Connected |
| | Male | Female | Male | Female | | |
| 25 | 0.023% | 0.008% | 0.063% | 0.027% | 0.255% | 0.043% |
| 35 | 0.038 | 0.012 | 0.105 | 0.045 | 0.435 | 0.073 |
| 45 | 0.090 | 0.029 | 0.252 | 0.108 | 1.080 | 0.180 |
| 55 | 0.253 | 0.081 | 0.707 | 0.303 | 1.815 | 0.303 |
| 65 | 0.000 | 0.000 | 0.000 | 0.000 | 1.815 | 0.303 |

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Retirement

Teachers – Schedule A/AB Members[#]: Rates are based on gender, age and length of service. For members who reach 28 years of service before age 60, service-based rates are used. For members who reach age 60 before reaching 28 years of service, age-based rates are used.

| Male Rate | | | | Female Rate | | | |
|----------------|------|-------------|------|----------------|------|-------------|------|
| Service (0/28) | | Age (60/10) | | Service (0/28) | | Age (60/10) | |
| Service | Rate | Age | Rate | Service | Rate | Age | Rate |
| 28 | 25% | 60 | 20% | 28 | 20% | 60 | 20% |
| 29 | 15% | 61 | 15% | 29 | 15% | 61 | 15% |
| 30 | 20% | 62 | 30% | 30 | 20% | 62 | 25% |
| 31 | 20% | 63 | 25% | 31 | 20% | 63 | 20% |
| 32 | 30% | 64 | 10% | 32 | 30% | 64 | 20% |
| 33 | 30% | 65 | 25% | 33 | 30% | 65 | 35% |
| 34 | 40% | 66 | 25% | 34 | 35% | 66 | 25% |
| 35 | 55% | 67 | 25% | 35 | 50% | 67 | 25% |
| 36 | 40% | 68 | 25% | 36 | 40% | 68 | 25% |
| 37 | 40% | 69 | 25% | 37 | 40% | 69 | 25% |
| 38 | 40% | 70 | 25% | 38 | 40% | 70 | 25% |
| 39 | 40% | 71 | 25% | 39 | 40% | 71 | 25% |
| 40 | 100% | 72 | 25% | 40 | 100% | 72 | 25% |
| | | 73 | 25% | | | 73 | 25% |
| | | 74 | 25% | | | 74 | 25% |
| | | 75 | 100% | | | 75 | 100% |

Teachers - Schedule B/B1/B2 Members[#]: 75% of members who reach age 59 with 29 years of service before age 65 are assumed to retire when first eligible, at age 59 with 29 years of service (age 62 with 29 years of service for Schedule B2). 75% of other members are expected to retire when first eligible, at age 65 with 10 years of service. The rates in the table above are applied after first eligibility.

Early retirement rates for Schedule B/B1/B2 members are based on age:

| Age | Rate |
|-------|------|
| 55-58 | 0% |
| 59 | 1% |
| 60-62 | 2% |
| 63 | 3% |
| 64 | 4% |

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Retirement

General Employees#:

Prior: Separate male and female rates. For members who reach 30 years of service before age 58, rates are based on length of service. For other members, rates are based on age.

| Male Rate | | | | Female Rate | | | |
|-----------------------|------|--------------------|------|-----------------------|------|--------------------|------|
| <u>Service (0/30)</u> | | <u>Age (58/10)</u> | | <u>Service (0/30)</u> | | <u>Age (58/10)</u> | |
| Service | Rate | Age | Rate | Service | Rate | Age | Rate |
| 30 | 30% | 58 | 15% | 30 | 20% | 58 | 15% |
| 31 | 25% | 59 | 10% | 31 | 15% | 59 | 10% |
| 32 | 15% | 60 | 10% | 32 | 7.5% | 60 | 10% |
| 33 | 15% | 61 | 10% | 33 | 7.5% | 61 | 10% |
| 34 | 15% | 62 | 30% | 34 | 7.5% | 62 | 20% |
| 35 | 25% | 63 | 25% | 35 | 15% | 63 | 15% |
| 36 | 25% | 64 | 25% | 36 | 20% | 64 | 15% |
| 37 | 25% | 65 | 25% | 37 | 20% | 65 | 20% |
| 38 | 25% | 66 | 30% | 38 | 15% | 66 | 20% |
| 39 | 25% | 67 | 30% | 39 | 15% | 67 | 20% |
| 40 | 100% | 68 | 30% | 40 | 100% | 68 | 20% |
| | | 69 | 30% | | | 69 | 20% |
| | | 70-74 | 20% | | | 70-74 | 20% |
| | | 75 | 100% | | | 75 | 100% |

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Retirement

Current: Separate male and female rates. For members who reach 30 years of service before age 58, rates are based on length of service. For other members, rates are based on age.

| Male Rate | | | | Female Rate | | | |
|-----------------------|------|--------------------|------|-----------------------|------|--------------------|------|
| <u>Service (0/30)</u> | | <u>Age (58/10)</u> | | <u>Service (0/30)</u> | | <u>Age (58/10)</u> | |
| 30 | 30% | 58 | 12% | 30 | 30% | 58 | 12% |
| 31 | 30% | 59 | 10% | 31 | 25% | 59 | 10% |
| 32 | 25% | 60 | 10% | 32 | 10% | 60 | 10% |
| 33 | 25% | 61 | 10% | 33 | 10% | 61 | 10% |
| 34 | 25% | 62 | 30% | 34 | 10% | 62 | 20% |
| 35 | 25% | 63 | 20% | 35 | 15% | 63 | 15% |
| 36 | 25% | 64 | 20% | 36 | 20% | 64 | 15% |
| 37 | 25% | 65 | 20% | 37 | 25% | 65 | 20% |
| 38 | 35% | 66 | 25% | 38 | 25% | 66 | 25% |
| 39 | 50% | 67 | 25% | 39 | 25% | 67 | 25% |
| 40 | 100% | 68 | 25% | 40 | 100% | 68 | 25% |
| | | 69 | 30% | | | 69 | 25% |
| | | 70-74 | 30% | | | 70-74 | 20% |
| | | 75 | 100% | | | 75 | 100% |

Police & EMS#:

Prior: Rates are based on length of service. All members are assumed to retire upon reaching age 65 with at least 10 years of service.

| Service | Rate |
|---------|------|
| 20 | 15% |
| 21 | 10% |
| 22-23 | 5% |
| 24 | 10% |
| 25-26 | 12% |
| 27 | 14% |
| 28 | 16% |
| 29 | 18% |
| 30+ | 35% |

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Retirement Current: Rates are based on length of service. All members are assumed to retire upon reaching age 65 with at least 10 years of service.

| Service | Rate |
|---------|------|
| 20 | 12% |
| 21-23 | 10% |
| 24 | 12% |
| 25 | 14% |
| 26 | 16% |
| 27 | 18% |
| 28-29 | 20% |
| 30+ | 35% |

Cost Blending In order to dampen the volatility of the premium changes, this valuation is based on 75% of expected costs/premiums plus 25% of actual costs/premiums.

Future Retiree Coverage Active members are assumed to elect coverage at retirement as follows.

| | Percentage |
|---------------------------------|------------|
| School Teachers | 100% |
| Non-Union Administrators | 100% |
| School Clerks & Aids | 20% |
| School – Council 94 | 5% |
| Town | 100% |

Future Dependent Coverage Current active members are assumed to elect dependent coverage at retirement as follows. All female spouses are assumed to be 3 years younger than males.

| | Male | Female |
|------------------------------------|------|--------|
| School Employees | 20% | 20% |
| Teachers and Administrators | 100% | 75% |
| Town Employees | 100% | 100% |
| Police & EMS | 95% | 95% |

Future Post-65 Coverage **Teachers and Administrators:** N/A (or, if applicable, the latest age coincident with age at which School-subsidized coverage ends).

All Others: N/A.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

ACTUARIAL ASSUMPTIONS

Certain actuarial demographic assumptions are based on the assumptions used in the June 30, 2010 valuations of the Employees Retirement System of Rhode Island and the Municipal Employees' Retirement System State of Rhode Island prepared by Gabriel, Roeder, Smith and Company.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Eligibility

School Teachers and Administrators

Members who have retired under the Employees' Retirement System of Rhode Island (ERSRI), with a minimum of 10 years of service with the South Kingstown School Department, shall be eligible to receive medical and dental benefits for self and spouse.

Eligibility for retirement is as follows:

If vested by 7/1/2005 and eligible for retirement at September 30, 2009 (Schedule A):

The earlier of 28 years of service, or age 60 with 10 years of service.

If vested by 7/1/2005 and ineligible for retirement at September 30, 2009 (Schedule AB):

Eligible for retirement at an individually determined age. This age is the result of interpolating between the retirement age under Schedule A and the retirement age under Schedule B2.

If vested after 7/1/2005 and eligible for retirement at September 30, 2009 (Schedule B):

The earlier of age 65 with 10 years of service, or age 59 with 29 years of service.

If vested after 7/1/2005 and ineligible for retirement at September 30, 2009 (Schedule B1):

Normal Retirement is the earlier of age 65 with 10 years of service, or age 59 with 29 years of service. Early Retirement is age 55 with 20 years of service.

If hired after September 30, 2009 (Schedule B2):

Normal Retirement is the earlier of age 65 with 10 years of service, or age 62 with 29 years of service. Early Retirement is age 55 with 20 years of service.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Eligibility

Police & EMS

Members who have retired under the Municipal Employees Retirement System (MERS) for Police & Firefighters, shall be eligible to receive medical and dental benefits for self and spouse.

Eligibility for retirement is completion of 20 years of service regardless of age.

A member of the South Kingstown Police Department may retire, provided he or she has earned a retirement allowance of at least 50%.

General Employees

Members who have retired under the Municipal Employees Retirement System (MERS), shall be eligible to receive medical benefits for self and spouse.

Eligibility for retirement is the earlier of completion of 30 years of service regardless of age, or age 58 with 10 years of service.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Cost Sharing

EMS

Medical

- Members who retire with at least 20 years of service: For 3 years, the Town shall pay up to \$1,333 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.
- Members who retire with at least 25 years of service: For 3 years, the Town shall pay up to \$2,666 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.
- Members who retire with at least 30 years of service: For 3 years, the Town shall pay up to \$4,000 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.

The Town shall provide medical coverage to the surviving spouse of an employee killed in line of duty. Coverage will continue for 5 years following the date of death.

Cost-sharing is as follows:

Hired on or before August 1, 2002:

- 5% member-paid
- 10% member-paid (Effective July 1, 2010)
- 15% member-paid (Effective July 1, 2011)

Hired after August 1, 2002:

- 20% member-paid

Dental

Service-Connected disability only, until age 65.
100% Town-paid.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Cost Sharing

Police (IBPO)

Medical

- Members who retire after 7/1/1981, but before 7/1/2007:
 - 100% Town-paid. Coverage is pre-65 only.
- Members who retire on or after 7/1/2007:
 - 3.5% member-paid for employees hired prior to 7/1/2002. Coverage is pre-65 only.
 - 14% member-paid for employees hired after 7/1/2002. Coverage is pre-65 only.
- Members who retire on or after 1/1/2011:
 - 7% member-paid for employees hired prior to 8/1/2002. Coverage is pre-65 only.
 - 14% member-paid for employees hired after 8/1/2002. Coverage is pre-65 only.
- Members who retire on or after 7/1/2011:
 - 8.75% member-paid for employees hired prior to 8/1/2002. Coverage is pre-65 only.
 - 14% member-paid for employees hired after 8/1/2002. Coverage is pre-65 only.
- Members who retire on or after 7/1/2012:
 - 10.5% member-paid for employees hired prior to 8/1/2002. Coverage is pre-65 only.
 - 14% member-paid for employees hired after 8/1/2002. Coverage is pre-65 only.

The Town shall provide medical coverage to the surviving spouse of an employee killed in line of duty. Coverage will continue for 10 years following the date of death.

Dental

Service-Connected disability only, until age 65.
100% Town-paid.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Cost Sharing

Town Council 94

Medical

Retirees pay the same percent rate as what the active employee pays. Coverage is pre-65 only.

Cost-sharing is as follows:

Hired prior to August 1, 2002:

- 12.5% member-paid (Effective July 1, 2011)
- 15% member-paid (Effective July 1, 2012)

Hired on or after August 1, 2002, but before July 1, 2005:

- 15% member-paid. Coverage is pre-65 only.

Hired on or after July 1, 2005:

Cost-sharing is based on service at retirement and is as follows:

- Members who retire with at least 20 years of service:
For 3 years, the Town shall pay up to \$1,333 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.
- Members who retire with at least 25 years of service:
For 3 years, the Town shall pay up to \$2,666 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.
- Members who retire with at least 30 years of service:
For 3 years, the Town shall pay up to \$4,000 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Cost Sharing

Town NEA, Town Non-Union

Medical

Hired prior to July 1, 2006:

- Members who retire with at least 20 years of service: For 3 years, the Town shall pay up to \$1,333 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.
- Members who retire with at least 25 years of service: For 3 years, the Town shall pay up to \$3,500 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.
- Members who retire with at least 30 years of service: For 4 years, the Town shall pay up to \$4,500 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.

Hired on or after July 1, 2006:

- Members who retire with at least 20 years of service: For 3 years, the Town shall pay up to \$1,333 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.
- Members who retire with at least 25 years of service: For 3 years, the Town shall pay up to \$2,666 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.
- Members who retire with at least 30 years of service: For 3 years, the Town shall pay up to \$4,000 per year toward the annual cost. The retiree shall pay the difference. Coverage is pre-65 only.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Cost Sharing

School Teachers and Administrators

If retired prior to September 1, 2008: 100% School-Paid.

If retired on or after September 1, 2008: Retirees will pay the same cost-share that they were paying as an active employee at the time of their retirement. The retiree cost-sharing remains a fixed dollar amount for the 5 year period.

Medical and dental coverage for a period of 5 years, or age 70 if earlier.

In the event the member dies during the 5 year period, medical and dental coverage shall continue for surviving spouse for the balance of the five years

School Clerks and Aides

Medical and dental coverage for a period of up to 7 years. 100% Retiree-paid. Coverage is pre-65 only.

School Council 94

Medical and dental coverage for a period of up to 5 years. 100% Retiree-paid. Coverage is pre-65 only.

Disability

Police (IBPO)

Service-Connected disability. Coverage is pre-65 only. 100% Town-paid.

EMS (IAFF)

The Town will provide employees of the IAFF Union with paid medical coverage through age 65, should the employee be retired as a result of a 100% work related injury that would render the employee unable to seek alternative employment and the employee must meet eligibility requirements for collecting Federal Social Security Disability Benefits.

**TOWN OF SOUTH KINGSTOWN
OTHER POST-EMPLOYMENT BENEFITS PROGRAM**

SUMMARY OF PLAN PROVISIONS

Disability

Town Council 94

- Disability retirement prior to 7/1/2005:
100% Town-paid. Coverage is pre-65 only.
- Disability retirement on or after 7/1/2005:
Coverage is extended for 60 months from date of retirement, or until age 65 if earlier. Retirees pay the same percent rate as what the active employee pays.

Life Insurance

School Teachers

School Teachers who retire under the state pension plan with 10 years of service are eligible to continue life insurance coverage of \$30,000 paid by the district for a period of 5 years. After 5 years the retiree can elect to continue life insurance coverage of \$30,000 at their expense, paying the rate in effect at their retirement date.

Administrators and Non-Certified BOE

Retirees are eligible to continue life insurance coverage in effect at retirement as follows:

- Retiree pays the non-banded rate plus any yearly premium increase on the first \$30,000 in coverage.
- Coverage amounts beyond the first \$30,000 are paid fully by the retiree at the current banded rates. The retiree also has the option of reducing the coverage to \$30,000.

All Others

Can continue life insurance provided that retiree pays the full cost.

This summary is intended only to describe our understanding of the essential features of the benefits that will be provided to future retirees based on copies of bargaining agreements, the Town's personnel rules and the benefits being currently provided to retired members. All eligibility requirements and benefit amounts shall be determined in strict accordance with the relevant plan documents. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.