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October 10, 2013

Jacky DiPietro
Town of Glocester, RI
1145 Putnam Pike, P. O. Box B
Chepachet, RI 02814

RE: July 1, 2012 Actuarial Valuation of Postretirement Welfare Benefits

Dear Jacky,

Enclosed are two copies of the report covering the July 1, 2012 valuation of postretirement benefits offered to current and future retirees of the Town of Glocester, RI.

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation. Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, is also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Board Number 45 (GASB 45).

Please call me if you have any questions.

Sincerely,

USI CONSULTING GROUP

A handwritten signature in black ink, appearing to read "Bob", written over a horizontal line.

Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary

Enclosures



**A Postretirement Welfare Benefit
GASB 45 Actuarial Valuation
As of July 1, 2012**

For:

Town of Gloucester, RI

Prepared by:
The USI Consulting Group

October 10, 2013



October 10, 2013

Town of Glocester, RI
1145 Putnam Pike, P.O. Box B
Chepachet, RI 02814

RE: July 1, 2012 Actuarial Valuation of Postretirement Welfare Benefits

We enclose the report covering the actuarial valuation of the postretirement medical insurance plan for the employees of the Town of Glocester, RI as of July 1, 2012. The numbers presented in this report reflect the adoption, by the Town of Glocester, RI, of the Statement of Governmental Accounting Standard No. 45 (GASB 45).

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation, including the calculation of the Annual OPEB Costs for the fiscal years beginning July 1, 2012 and July 1, 2013.

Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, are also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Board Number 45 (GASB 45). We believe this report provides all of the information your auditor requires. We would appreciate a copy of the footnote to your financial statement related to the postretirement benefits.

Respectfully submitted,

USI Consulting Group

A handwritten signature in black ink, reading "Robert W. Webb".

Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary

A handwritten signature in black ink, reading "Denise Reed".

Denise Reed
Actuarial Consultant



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Section I

Executive Summary

The section presents the results of the July 1, 2012 valuation. The first section provides a brief summary of the valuation results. The Executive Summary Detail provides a more detailed development of the expenses and liabilities. Items I through IV show the development of the Annual Required Contribution (ARC). Items V through VIII show the calculation of the Annual OPEB Cost. Item X provides a brief summary of the key assumptions used in developing the plan's costs and liabilities.

EXECUTIVE SUMMARY

Introduction

This report details the development of the Annual OPEB Cost for the Fiscal Year ending June 30, 2013. Estimated June 30, 2013 and June 30, 2014 disclosures are included in Section III.

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Statement of Governmental Accounting Standards Number 45 (GASB 45). Liabilities developed for other purposes could be significantly different than those shown in this report.

Summary of Results

The Actuarial Accrued Liability and Normal Cost are calculated as of the valuation date. The Annual OPEB Cost and Expected Benefit Payments are for the year beginning on the valuation date. Additional detail is developed in the exhibits included in this actuarial valuation report.

Fiscal Year Ending June 30, 2013

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$120,439
<i>Actuarial Accrued Liability (AAL)</i>	\$2,104,978
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$2,104,978
<i>Annual Required Contribution (30 year amortization)</i>	\$193,828
<i>Annual OPEB Cost</i>	\$192,667
<i>Expected Benefit Payments</i>	\$171,820

Fiscal Year Ending June 30, 2014

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$141,286
<i>Actuarial Accrued Liability (AAL)</i>	\$2,106,719
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$2,106,719
<i>Annual Required Contribution (30 year amortization)</i>	\$199,386
<i>Annual OPEB Cost</i>	\$197,790
<i>Expected Benefit Payments</i>	\$187,444

Economic Assumptions

The employer, with the approval of the auditor, is responsible for selecting the economic assumptions as of the disclosure date. The following table details the selected economic assumptions for the current fiscal year:

<u>Assumption Selection Date</u>	<u>July 1, 2012</u>
<i>Funding Interest Rate*</i>	4.00%
<i>2012 Medical Trend Rates</i>	9.00%
<i>Ultimate Medical Trend Rate</i>	5.00%
<i>Year Ultimate Trend Rates Reached</i>	2016
<i>Annual Payroll Increase</i>	2.50%

* Reflects current funding policy (assumes no funding).

EXECUTIVE SUMMARY (cont.)

Changes included in current valuation

The trend rates were reset to 9.0% in 2012 grading down 1.0% per annum to an ultimate trend rate of 5.0% in 2016. The plan's favorable health care cost experience over the past two years resulted in a gain, and was partially offset by the assumption changes. More detail is provided in Appendix II.

Accounting for Postretirement Benefits

This report provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans. The unfunded actuarial accrued liability and the ARC are developed in the Executive Summary Detail included in this section. For this Fiscal Year / Valuation Report, Section III presents the disclosure information based on estimated contributions made.

Actuarial Certification

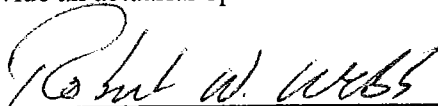
The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2012. The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the July 1, 2012 census data and plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information. Actuarial adjustments were made to the data to produce appropriate results for the valuation.


All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 45 (GAS 45). In our opinion, the actuarial assumptions are reasonable, taking in account the experience of the plan and reasonable expectations and, individually represent our best estimate of the anticipated experience under the plan.

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report.

I certify that I am a member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 45.



Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary



Adeniyi Olaiya, ASA, MAAA
Associate Vice President and Actuary

Section II

Census Information

This section details statistics related to the participants in the postretirement benefit plan.

CENSUS INFORMATION – A.

EMPLOYEE COUNTS

		<i>As of July 1, 2012</i>			<i>As of September 1, 2011</i>		
		<i>Actives</i>	<i>Retirees</i>	<i>Total</i>	<i>Actives</i>	<i>Retirees</i>	<i>Total</i>
Clerks	Male	0	0	0	0	0	0
	Female	<u>8</u>	<u>1</u>	<u>9</u>	<u>9</u>	<u>1</u>	<u>10</u>
	Total	8	1	9	9	1	10
Police	Male	12	5	17	12	5	17
	Female	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>
	Total	13	5	18	13	5	18
Town Non-Contract	Male	14	1	15	16	2	18
	Female	<u>4</u>	<u>0</u>	<u>4</u>	<u>5</u>	<u>0</u>	<u>5</u>
	Total	18	1	19	21	2	23
Educational Support	Male	4	1	5	3	0	3
	Female	<u>48</u>	<u>10</u>	<u>58</u>	<u>20</u>	<u>4</u>	<u>24</u>
	Total	52	11	63	23	4	27
Teachers	Male	2	0	2	4	3	7
	Female	<u>19</u>	<u>1</u>	<u>20</u>	<u>48</u>	<u>10</u>	<u>58</u>
	Total	21	1	22	52	13	65
Total	Male	32	7	39	35	10	45
	Female	<u>80</u>	<u>12</u>	<u>92</u>	<u>83</u>	<u>15</u>	<u>98</u>
	Total	112	19	131	118	25	143

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES :

<i>Age</i>	<i>Currently Eligible to Retire</i>	<i>Not Currently Eligible to Retire</i>	<i>Total</i>
29 and under	0	4	4
30 - 34	0	9	9
35 - 39	0	7	7
40 - 44	1	14	15
45 - 49	2	14	16
50 - 54	2	30	32
55 - 59	1	16	17
60 - 64	6	6	12
65 and over	0	0	0
Total	12	100	112

CENSUS INFORMATION – B.

COUNTS BY AGE AND ELIGIBILITY STATUS

<i>Age</i>	<i>Retirees</i>	<i>Spouse</i>	<i>Total</i>
54 and under	3	0	3
55 - 59	4	0	4
60 - 64	12	0	12
65 - 69	0	0	0
70 - 74	0	0	0
75 - 79	0	0	0
80 and over	0	0	0
Total	19	0	19

AVERAGE AGE AND SERVICE

As of July 1, 2012 As of September 1, 2011

ACTIVE EMPLOYEES:

A. Average Age at Hire

Males	30.7	31.4
Females	34.7	35.3
Total	33.5	34.1

B. Average Service

Males	13.4	13.4
Females	15.5	14.5
Total	14.9	14.2

C. Average Current Age

Males	44.1	44.8
Females	50.2	49.8
Total	48.4	48.3

CURRENT RETIREES

D. Average Current Age

Males	55.9	57.6
Females	62.0	61.7
Total	59.7	60.0

Section III

Financial Statement Disclosure

This section provides the required information and notes to the Financial Statements for the fiscal year ending June 30, 2013 and June 30, 2014.

**EXECUTIVE SUMMARY DETAIL
 GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST
 JULY 1, 2012 BY EMPLOYEE GROUP**

	<u>Clerks</u>	<u>Police</u>	<u>Town Non- Contract</u>	<u>School Certified</u>	<u>School Non- Certified</u>	<u>Total</u>
I. Present value of Future benefits						
A. Retirees/Disableds	\$19,152	\$584,605	\$30,858	\$324,980	\$19,473	\$979,068
B. Active Employees	\$45,156	\$941,230	\$162,553	\$1,094,993	\$294,193	\$2,538,125
C. Total	\$64,308	\$1,525,835	\$193,411	\$1,419,973	\$313,666	\$3,517,193
II. Actuarial Accrued Liability						
A. Retirees/Disableds	\$19,152	\$584,605	\$30,858	\$324,980	\$19,473	\$979,068
B. Active Employees	\$25,841	\$357,922	\$62,833	\$548,406	\$130,908	\$1,125,910
C. Total	\$44,993	\$942,527	\$93,691	\$873,386	\$150,381	\$2,104,978
III. Actuarial Assets	\$0	\$0	\$0	\$0	\$0	\$0
IV. Unfunded Actuarial Accrued Liability (UAAL)	\$44,993	\$942,527	\$93,691	\$873,386	\$150,381	\$2,104,978
V. Annual Required Contribution (ARC)						
A. Normal Cost	\$1,966	\$34,529	\$5,075	\$36,407	\$11,221	\$89,198
B. Supplemental Cost	\$2,145	\$44,463	\$4,545	\$41,926	\$7,401	\$100,480
C. Compound Interest to Year End	(\$25)	\$2,362	\$186	\$1,075	\$552	\$4,150
D. Annual Required Contribution	\$4,086	\$81,354	\$9,806	\$79,408	\$19,174	\$193,828
[A. + B. + C.]	A	A	A	A	B	
VI. Net OPEB Obligation	(\$5,422)	\$196,197	\$4,580	(\$65,836)	(\$9,080)	\$120,459
VII. Interest on net OPEB Obligation	(\$217)	\$7,848	\$183	(\$2,633)	(\$363)	\$4,818
VIII. Adjustment to ARC	\$269	(\$9,740)	(\$227)	\$3,268	\$451	(\$5,979)
IX. Annual OPEB Cost (Expense)	\$4,138	\$79,462	\$9,762	\$80,043	\$19,262	\$192,667
[V.D. + VII. + VIII.]						
X. Expected Benefit Payments						
A. Retirees/Disableds	\$9,466	\$39,012	\$9,919	\$96,202	\$9,628	\$164,227
B. Active Employees	\$0	\$866	\$0	\$6,727	\$0	\$7,593
C. Total	\$9,466	\$39,878	\$9,919	\$102,929	\$9,628	\$171,820

October 13
 Town of Gloucester
 School B = 193,828.00

USI Consulting Group

**EXECUTIVE SUMMARY DETAIL
 GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION AND ANNUAL OPEB COST
 JULY 1, 2013 BY EMPLOYEE GROUP**

	<u>Clerks</u>	<u>Police</u>	<u>Town Non- Contract</u>	<u>School Certified</u>	<u>School Non- Certified</u>	<u>Total</u>
I. Present value of Future benefits						
A. Retirees/Disableds	\$10,265	\$601,185	\$21,977	\$266,483	\$10,432	\$910,342
B. Active Employees	\$48,206	\$1,102,083	\$169,055	\$1,105,324	\$305,929	\$2,730,627
C. Total	\$58,471	\$1,703,268	\$191,032	\$1,371,807	\$316,391	\$3,640,969
II. Actuarial Accrued Liability						
A. Retirees/Disableds	\$10,265	\$601,185	\$21,977	\$266,483	\$10,432	\$910,342
B. Active Employees	\$28,919	\$374,285	\$70,624	\$574,734	\$147,815	\$1,196,377
C. Total	\$39,184	\$975,470	\$92,601	\$841,217	\$158,247	\$2,106,719
III. Actuarial Assets	\$0	\$0	\$0	\$0	\$0	\$0
IV. Unfunded Actuarial Accrued Liability (UAAL)	\$39,184	\$975,470	\$92,601	\$841,217	\$158,247	\$2,106,719
V. Annual Required Contribution (ARC)						
A. Normal Cost	\$2,015	\$35,392	\$5,202	\$37,317	\$11,502	\$91,428
B. Supplemental Cost	\$1,979	\$47,269	\$4,654	\$42,015	\$7,976	\$103,893
C. Compound Interest to Year End	(\$89)	\$2,389	\$176	\$1,040	\$549	\$4,065
D. Annual Required Contribution	\$3,905	\$85,050	\$10,032	\$80,372	\$20,027	\$199,386
[A. + B. + C.]						
VI. Net OPEB Obligation	(\$10,750)	\$235,781	\$4,423	(\$88,722)	\$554	\$141,286
VII. Interest on net OPEB Obligation	(\$430)	\$9,431	\$177	(\$3,549)	\$22	\$5,651
VIII. Adjustment to ARC	\$551	(\$12,093)	(\$227)	\$4,550	(\$28)	(\$7,247)
IX. Annual OPEB Cost (Expense)	\$4,026	\$82,388	\$9,982	\$81,373	\$20,021	\$197,790
[V.D. + VII. + VIII.]						
X. Expected Benefit Payments						
A. Retirees/Disableds	\$10,468	\$43,837	\$10,936	\$97,206	\$10,639	\$173,086
B. Active Employees	\$1,986	\$2,041	\$0	\$9,469	\$862	\$14,358
C. Total	\$12,454	\$45,878	\$10,936	\$106,675	\$11,501	\$187,444

FINANCIAL STATEMENT DISCLOSURE

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

1.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND LIFE INSURANCE PLANS:

a. Plan Types:

Clerks:

Medical: HealthMate

Police:

Medical: HealthMate

Dental: Rhode Island Delta Dental

Town Non-Contract:

Medical: HealthMate

Teachers:

Medical: Blue Cross/Blue Shield Classic or HealthMate

Educational Support:

Medical: Blue Cross/ Blue Shield or HealthMate

Dental: Rhode Island Delta Dental

b. Eligibility:

Clerks: 10 years of service and age 62. Benefits cease at age 65 or when retiree is Medicare eligible, whichever occurs first.
Employees hired after 12/15/2011 are ineligible.

Police: Members hired before 1/1/2001 must have at least 20 years of service. Members that are hired on or after 1/1/2001 must have at least 25 years of service. Benefits cease at age 65 or when the retiree is Medicare eligible, whichever occurs first. If the spouse becomes eligible for Medicare or reaches age 65 before the retiree, the retiree shall continue to be eligible for coverage.

Town Non-Contract: 10 years of service and age 62. Benefits cease at age 65 or when retiree is Medicare eligible, whichever occurs first.
Employees hired after 7/1/2009 are ineligible.

Teachers: If vested prior to 7/2/2005, 28 years of service or at age 60 with 10 years of contributing service. If vested after 7/1/2005, age 59 with 29 years of service or age 62 with 10 years of service.
Retire prior to 7/1/2012: Benefits cease at age 65 or when retiree is Medicare eligible, whichever occurs first.
Retire on or after 7/1/2012: Benefits cease after 6 years or until retiree is Medicare eligible, whichever occurs first.
Employees hired after 7/1/2010 are ineligible.

Educational Support: 10 years of service and age 60. Benefits cease at age 65 or when retiree is Medicare eligible, whichever occurs first.
Employees hired after 1/1/2009 are ineligible.

FINANCIAL STATEMENT DISCLOSURE (cont.)

c. *Benefit/Cost Sharing:* **Clerks:** The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare.

Police: The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare.

Town Non-Contract: The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare.

Teachers:

- a) Individuals who retired before 7/1/2006 do not contribute.
- b) Individuals who retired after 6/30/2006, but on or before 6/30/2010, pay \$600 annually for single coverage.
- c) Individuals who retired after 6/30/2010, but on or before 6/30/2011, pay 20% of the cost of a single plan up to a maximum of \$1,296 for each year of coverage
- d) Individuals who retire after 6/30/2011, but on or before 6/30/2012, pay 20% of the cost of a single plan up to a maximum of \$1,400 for each year of coverage
- e) Individuals who retire on or after 7/1/2012 pay the same co-payment of medical insurance premiums as then current employees for each year of coverage up to a maximum of six years.

Educational Support: Retired as of 1/1/2009: The Town pays 100% of the premium cost of the individual health care coverage until eligible for Medicare. Retired after 1/1/2009: the employee contributes the same amount as they were contributing during their final year of service until Medicare eligible.

d. *Spouse Benefit:* No.

e. *Surviving Spouse Benefit:* No.

f. *Annual Premiums:*

Medical:

Clerks: \$7,372.32

Police: \$7,489.44

Town Non-Contract: \$7,372.32

Teachers:

Classic \$7,793.04

HealthMate \$6,480.60

Educational Support:

Classic \$7,793.04

HealthMate \$6,480.60

Dental:

Police: \$417.72

Educational Support: \$445.80

FINANCIAL STATEMENT DISCLOSURE (cont.)

2.) GASB 45 DISCLOSURE REQUIREMENTS

	<u>7/1/2012 - 6/30/2013</u>	<u>7/1/2013 - 6/30/2014</u>
A. Annual OPEB Cost and Net OPEB Obligation		
1. Annual Required Contribution (ARC)	\$193,828	\$199,386
2. Interest on net OPEB Obligation	\$4,818	\$5,651
3. Adjustment to ARC	<u>(\$5,979)</u>	<u>(\$7,247)</u>
4. Annual OPEB Cost (Expense)	\$192,667	\$197,790
5. Contribution made (assumed middle of year) *	<u>(\$171,820)</u>	<u>(\$187,444)</u>
6. Increase in net OPEB Obligation	\$20,847	\$10,346
7. Net OPEB Obligation - beginning of year	<u>\$120,439</u>	<u>\$141,286</u>
8. Net OPEB Obligation - end of year	\$141,286	\$151,632

* Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2013 / 2014

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>	<u>Covered Payroll</u>	<u>OPEB Cost % of Pay</u>
6/30/2013	\$192,667	89.2%	\$141,286	N/A	N/A
6/30/2014	\$197,790	94.8%	\$151,632	N/A	N/A

B. Funded Status and Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)</u>
7/1/2008	\$ -	\$2,199,146	\$2,199,146	0.0%	N/A	N/A
7/1/2010	\$ -	\$2,307,873	\$2,307,873	0.0%	N/A	N/A
7/1/2012	\$ -	\$2,104,978	\$2,104,978	0.0%	N/A	N/A

C. Methods and Assumptions

- Interest Rate	4.00%
- 2012 Medical Trend Rates	9.00%
- Ultimate Medical Trend Rate	5.00%
- Year Ultimate Trend Rates Reached	2016
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2013	22.81
- Annual Payroll Increase	2.50%

Section IV

Actuarial Assumptions And Methodology

The following pages detail the assumptions used in the calculations.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY

1. **Funding Interest Rate:** An interest rate of 4.0% was used.
2. **Mortality:** Post-retirement mortality rates: Sex distinct rates from the 1994 Group Annuity Mortality Table with male rates set forward 1 year.
Pre-retirement mortality rates: 65% of the pre-retirement mortality rates.
3. **Retirement Rates:** **Non-Police employees:** Separate male and female rates. Sample rates are shown below:

30 or more years of service prior to age 58:

<u>Service</u>	<u>Male</u>	<u>Female</u>
30	30.0%	20.0%
31	25.0%	15.0%
32-34	15.0%	7.5%
35	25.0%	15.0%
36-37	25.0%	20.0%
38-39	25.0%	15.0%
40+	100.0%	100.0%

Age 58 and older:

<u>Age</u>	<u>Male</u>	<u>Female</u>
58	15.0%	15.0%
59-61	10.0%	10.0%
62	30.0%	20.0%
63-64	25.0%	15.0%
65	25.0%	20.0%
66-69	30.0%	20.0%
70-74	20.0%	20.0%
75	100.0%	100.0%

Police and Firefighters: Unisex rates based on service are used. Sample rates are shown below:

<u>Service</u>	<u>Rate</u>
20	15.0%
21	10.0%
22-23	5.0%
24	10.0%
25-26	12.0%
27	14.0%
28	16.0%
29	18.0%
30-39	35.0%
40+	100.0%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

4. **Disability Rates:** None assumed.

5. **Termination Rates:** Base on service:

<u>Service</u>	<u>City</u>		<u>Police/Fire Rate</u>
	<u>Male</u>	<u>Female</u>	
0	17.50%	18.00%	10.00%
1	9.59%	10.69%	5.28%
5	5.41%	5.58%	3.54%
10	3.50%	3.18%	1.91%
15	3.19%	2.97%	0.90%
20	2.27%	2.50%	0.00%

6. **Health Care Trend Rates:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Rates</u>
2012	9.0%
2013	8.0%
2014	7.0%
2015	6.0%
2016+	5.0%

7. **Participant Salary Increases:** Annual rates vary based on service:

<u>Service</u>	<u>Non-Police</u>	<u>Police</u>
0	8.50%	14.75%
1	8.00%	13.25%
2	7.50%	9.75%
3	7.25%	6.75%
4	7.00%	6.50%
5	6.75%	6.75%
6	6.00%	5.25%
7	5.50%	5.00%
8	5.25%	5.00%
9	5.00%	5.00%
10+	4.50%	4.75%

8. **Payroll Growth Rate:** 2.50% annually

9. **Participation Rate:** It is assumed that 100% of the active employees currently participating, will enroll in the retiree medical plan upon retirement.

10. **Percent Married:** N/A

11. **Actuarial Value of Assets:** N/A

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

12. **Per Capita Claims Cost:** Per Capita Claim Costs were developed by applying morbidity aging factors to the average premium rates reflecting the demographic characteristics of the insured group. Below are the annual per capita claim costs used:

Town Non-Police			Town Police		
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
45	5,247	6,588	45	5,331	6,692
46	5,436	6,729	46	5,523	6,836
47	5,630	6,871	47	5,719	6,980
48	5,833	6,998	48	5,925	7,109
49	6,064	7,130	49	6,160	7,244
50	6,300	7,267	50	6,400	7,383
51	6,545	7,404	51	6,649	7,522
52	6,800	7,546	52	6,908	7,666
53	7,069	7,673	53	7,181	7,795
54	7,352	7,805	54	7,469	7,929
55	7,649	7,937	55	7,771	8,063
56	7,956	8,074	56	8,083	8,202
57	8,272	8,211	57	8,404	8,341
58	8,579	8,414	58	8,715	8,548
59	8,895	8,626	59	9,037	8,763
60	9,226	8,843	60	9,372	8,984
61	9,565	9,060	61	9,717	9,204
62	9,919	9,287	62	10,077	9,434
63	10,108	9,466	63	10,269	9,617
64	10,302	9,646	64	10,465	9,799

School			Classic School		
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
45	4,613	5,791	45	5,547	6,964
46	4,779	5,915	46	5,746	7,113
47	4,949	6,040	47	5,951	7,263
48	5,127	6,152	48	6,166	7,398
49	5,330	6,268	49	6,410	7,537
50	5,538	6,388	50	6,659	7,682
51	5,754	6,509	51	6,919	7,827
52	5,978	6,633	52	7,188	7,976
53	6,214	6,745	53	7,472	8,111
54	6,463	6,861	54	7,772	8,251
55	6,724	6,977	55	8,086	8,390
56	6,994	7,098	56	8,410	8,535
57	7,272	7,218	57	8,744	8,680
58	7,541	7,396	58	9,069	8,894
59	7,819	7,583	59	9,403	9,119
60	8,110	7,774	60	9,752	9,348
61	8,408	7,965	61	10,111	9,577
62	8,719	8,164	62	10,485	9,817
63	8,885	8,321	63	10,685	10,006
64	9,055	8,479	64	10,889	10,196

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

ACTUARIAL COST METHOD

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability may be determined in level dollar amounts or as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability may be amortized as one amount, or components of the total may be separately amortized. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

ADDITIONAL COMMENTS

The values in this GASB 45 valuation represent a closed group and do not reflect new entrants after the census collection date.

Section V
Appendices

APPENDIX - I.

ACTIVE EMPLOYEE BY AGE AND SERVICE

AS OF JULY 1, 2012

Age	Service									Total
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 - 34	35 - 39	40+	
0 - 19	0	0	0	0	0	0	0	0	0	0
20 - 24	1	0	0	0	0	0	0	0	0	1
25 - 29	2	1	0	0	0	0	0	0	0	3
30 - 34	2	6	1	0	0	0	0	0	0	9
35 - 39	2	4	1	0	0	0	0	0	0	7
40 - 44	2	4	4	1	4	0	0	0	0	15
45 - 49	0	1	5	4	5	1	0	0	0	16
50 - 54	2	6	7	4	8	5	0	0	0	32
55 - 59	1	0	4	7	3	2	0	0	0	17
60 - 64	1	1	0	2	5	1	1	1	0	12
65 - 69	0	0	0	0	0	0	0	0	0	0
70 - 74	0	0	0	0	0	0	0	0	0	0
75 - 79	0	0	0	0	0	0	0	0	0	0
80 - 84	0	0	0	0	0	0	0	0	0	0
85 and Over	0	0	0	0	0	0	0	0	0	0
Total	13	23	22	18	25	9	1	1	0	112

APPENDIX – II.

RECONCILIATION OF ACTUARIAL ACCRUED LIABILITY

a.	7/1/2010 Actuarial Accrued Liability	\$2,307,873
b.	2010 Normal Cost	\$88,664
c.	Interest Rate	4.00%
d.	Interest on (b. + c.)	\$95,862
e.	2010 Expected Benefit Payments	(\$174,182)
f.	Interest on e.	(\$3,483)
g.	7/1/2011 Expected Actuarial Accrued Liability (a. + b. + d. + e. + f.)	\$2,314,734
h.	2011 Normal Cost	\$90,882
i.	Interest Rate	4.00%
j.	Interest on (g. + h.)	\$96,225
k.	2011 Expected Benefit Payments	(\$198,727)
l.	Interest on l.	(\$3,974)
m.	7/1/2012 Expected Actuarial Accrued Liability (g. + h. + j. + k. + l.)	\$2,299,140
n.	Change in Actuarial Accrued Liability due to	
	i. Demographic and plan cost changes	(\$263,596)
	ii. Change in Actuarial Assumptions	\$69,434
	iii. Plan Change	\$0
	iv. Total	(\$194,162)
o.	7/1/2012 Actuarial Accrued Liability (m. + n. iv.)	\$2,104,978

APPENDIX - III.

DEVELOPMENT OF AMORTIZATION PAYMENT

A. <u>Prior Bases</u>	
1. Amortization Base Balance as of 7/1/2010	\$2,307,873
2. 2010 Amortization Payment	(\$99,361)
3. Interest	4.00%
4. Interest on (1) + (2)	<u>\$88,341</u>
5. Amortization Base Balance as of 7/1/2011 (1) + (2) + (4)	\$2,296,853
6. 2011 Amortization Payment	(\$102,574)
7. Interest	4.00%
8. Interest on (5) + (6)	<u>\$87,771</u>
9. Amortization Base Balance as of 7/1/2012 (5) + (6) + (8)	\$2,282,050
6. Remaining Amortization Period	25.10
7. Valuation Interest rate	4.00%
8. Assumed payroll growth	2.50%
9. 2012 Adjusted Amortization Amount	\$107,709
B. <u>New Amortization Base</u>	
1. Experience (Gain)/Loss	(\$263,596)
2. Assumption Changes	\$69,434
3. Plan Change	\$0
5. Loss due to Funding timing	<u>\$17,090</u>
6. Total (1) + (2) + (3) + (4)	(\$177,072)
7. Remaining Amortization Period	30
8. Valuation Interest rate	4.00%
9. Assumed payroll growth	2.50%
10. Amortization Amount	(\$7,229)
C. <u>Combined Bases</u>	
1. Amortization Base Balance as of 7/1/2012 (A.5. + B.5.)	\$2,104,978
2. 2012 Preliminary Total Amortization Amount (A.9. + B.9.)	\$100,480
3. 2012 Minimum Total Amortization Amount (30 year)	\$85,938
4. 2012 Total Amortization Amount (greater of 2. and 3.)	\$100,480

**APPENDIX - IV.
PROJECTED BENEFIT PAYMENTS**

Year	Amount	Accumulated	Year	Amount	Accumulated	Year	Amount	Accumulated
2012	\$ 171,820	\$ 171,820	2027	\$ 215,244	\$ 3,184,902	2042	\$ 151,789	\$ 5,456,462
2013	\$ 187,444	\$ 359,264	2028	\$ 246,795	\$ 3,431,697	2043	\$ 212,474	\$ 5,668,936
2014	\$ 152,143	\$ 511,407	2029	\$ 158,750	\$ 3,590,447	2044	\$ 159,602	\$ 5,828,538
2015	\$ 152,894	\$ 664,301	2030	\$ 178,349	\$ 3,768,796	2045	\$ 172,412	\$ 6,000,950
2016	\$ 154,136	\$ 818,437	2031	\$ 181,404	\$ 3,950,200	2046	\$ 138,700	\$ 6,139,650
2017	\$ 166,252	\$ 984,689	2032	\$ 182,931	\$ 4,133,131	2047	\$ 81,964	\$ 6,221,614
2018	\$ 154,299	\$ 1,138,988	2033	\$ 149,626	\$ 4,282,757	2048	\$ 99,825	\$ 6,321,439
2019	\$ 158,977	\$ 1,297,965	2034	\$ 131,109	\$ 4,413,866	2049	\$ 89,156	\$ 6,410,595
2020	\$ 174,341	\$ 1,472,306	2035	\$ 145,379	\$ 4,559,245	2050	\$ 35,854	\$ 6,446,449
2021	\$ 208,239	\$ 1,680,545	2036	\$ 145,697	\$ 4,704,942	2051	\$ 39,335	\$ 6,485,784
2022	\$ 259,836	\$ 1,940,381	2037	\$ 118,201	\$ 4,823,143	2052	\$ 42,703	\$ 6,528,487
2023	\$ 262,396	\$ 2,202,777	2038	\$ 118,467	\$ 4,941,610	2053	-	\$ 6,528,487
2024	\$ 267,889	\$ 2,470,666	2039	\$ 114,044	\$ 5,055,654	2054	-	\$ 6,528,487
2025	\$ 264,575	\$ 2,735,241	2040	\$ 118,677	\$ 5,174,331	2055	-	\$ 6,528,487
2026	\$ 234,417	\$ 2,969,658	2041	\$ 130,342	\$ 5,304,673	2056	-	\$ 6,528,487

APPENDIX – V.
GLOSSARY

Actuarial Accrued Liability. The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Normal Costs.

Actuarial Cost Method. A procedure for determining the Actuarial Present Value of Total Projected Benefits and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarially Equivalent. Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Present Value of Total Projected Benefits. The present value, as of the valuation date, of the cost of future benefits to be paid to employees, retirees, and covered dependents, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Annual OPEB Cost. The accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB Plan.

Annual Required Contributions of the Employer (ARC). The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters defined in GAS 45.

Investment Return Assumption (Discount Rate). The rate used to adjust a series of future benefit payments to reflect the time value of money.

Healthcare Cost Trend Rate. The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services and technological developments.

Net OPEB Obligation. The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan.

Normal Cost. The portion of the Actuarial Present Value of plan benefits which is allocated to a valuation year by the Actuarial Cost Method.

OPEB. Postemployment benefits other than pension benefits.

Pay-As-You-Go. The amount of the benefits paid out to plan participants during the year.

Per Capita Claims Cost. The current average annual cost of providing postretirement health care benefits per individual.

Supplemental Cost. The amount of the Annual Required Contribution attributable to the amortization of the unfunded Actuarial Accrued Liability.