



Town of South Kingstown
GASB 45 Actuarial Valuation
Fiscal Year Ending June 30, 2014

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October 3, 2014

Patricia Sunderland
Town of South Kingstown
180 High Street
Wakefield, RI 02879

This report summarizes the GASB actuarial valuation for the Town of South Kingstown 2013/14 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based.

The actuarial assumptions were selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All computations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest.

Should you have any questions please do not hesitate to contact us.



Randy Gomez, FSA, MAAA
Consulting Actuary



Evi Laksana, ASA, MAAA
Valuation Actuary

There have been changes to the substantive plan provisions since the last full valuation, which was for the fiscal year ending June 30, 2012.

1. Retirement eligibility requirements under the state pension plans have changed with the enactment of Article 7 in 2009 (for Rhode Island Employees Retirement System (RI ERS) members only) and the RIRSA in 2011. For many employees, this change has delayed the earliest date an employee could retire. Refer to Substantive Plan Provisions section for the complete retiree health benefits eligibility requirements. This change reduced the Town / School District liabilities.
2. Retiree health benefits for employees who retire due to line of duty disability for Town IBPO and EMS were non-contributory in the prior valuation. In this year's valuation, this benefit is subject to the same co-share as active employees.
3. Retiree contributions are tied to active employees co-share at the time of retirement for several Town's employee groups. Below is a comparison of the active employees' contribution requirements used in the prior and current valuation.

Employee Groups	Effective dates	Prior Valuation		Effective dates	Current Valuation	
		DOH < 7/1/2002	DOH ≥ 7/1/2002		DOH < 7/1/2002	DOH ≥ 7/1/2002
EMS	7/1/2011+	15.0%	20.0%	All years	20.0%	20.0%
IBPO	7/1/2012+	10.5%	14.0%	7/1/2013	17.5%	20.0%
				7/1/2014	19.0%	20.0%
				7/1/2015	20.0%	20.0%
Council 94	7/1/2011	12.5%	12.5%	7/1/2013	17.5%	17.5%
	7/1/2012+	15.0%	15.0%	7/1/2015	20.0%	20.0%

Note that all active employees who are currently receiving health insurance from the Town or School are subject to some form of co-sharing arrangement. GASB 45 actuarial valuation calculates liabilities for retiree health benefits and only co-sharing arrangement at retirement (which may be different from active employees' co-sharing arrangement) is used for valuation purposes. Refer to the substantive plan provisions section for complete description of the retiree contribution requirements.

Several actuarial assumptions have been updated since the last valuation:

1. Discount rate has been lowered from 8.0% to 7.5% to better reflect the expected long-term return on asset expected from the OPEB Trust. This change increased the plan sponsor's liabilities.
2. Salary scale used for amortization purposes has been lowered from 4.25% to 3.25% to better reflect the expected annual salary increase due to general inflation.
3. Mortality table has been updated from RI ERS and MERS June 30, 2010 actuarial valuation assumption to RP-2000 Combined Mortality fully generational using scale AA.
4. Retirement rates have been updated to be consistent with the most recent assumptions used in the RI ERS and MERS actuarial valuations as of June 30, 2012. This change increased the plan sponsor's liabilities.
5. Medical trend rates have been changed to reflect the actual premium increase from 2013/14 to 2014/15 followed by 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%. This change increased the plan sponsor's liabilities.
6. Percentage of active employees assumed to be elect spousal coverage at retirement has been lowered for most groups. Below is a comparison of current and prior spousal coverage election assumption. This change decreased the plan sponsor's liabilities slightly.

	Prior		Current			Prior		Current	
	Male	Female	Male	Female		Male	Female	Male	Female
School NEA Teachers/Admin	100%	75%	85%	85%	Town IBPO/EMS	100%	100%	85%	85%
School All Others	20%	20%	85%	85%	Town All Others	95%	95%	85%	85%

Summary of Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2013 compared to the prior fiscal years as shown in the Town’s Notes to Financial Statement.

	<i>As of July 1, 2012¹</i>		<i>As of July 1, 2013</i>	
Actuarial Accrued Liability	\$	19,260,000	\$	18,517,664
Actuarial Value of Assets	\$	1,650,000	\$	3,811,845
Unfunded Actuarial Accrued Liability	\$	17,610,000	\$	14,705,819
Funded Ratio		8.6%		20.6%

	<i>FY 2012/13</i>		<i>FY 2013/14</i>	
Annual Required Contribution	\$	1,878,000	\$	1,722,851
Annual OPEB Cost	\$	1,871,604	\$	1,713,640
Annual Employer Contribution	\$	2,896,704	\$	2,948,054

	<i>As of June 30, 2013</i>		<i>As of June 30, 2014</i>	
Net OPEB Obligation / (Asset)	\$	(1,422,928)	\$	(2,657,342)

	<i>As of July 1, 2013</i>	
Total Active Participants		756
Total Retiree Participants (including spouses)		184

The active participants’ number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

¹ No interim valuation was done for FY 2012/13 as the Town opted to repeat GASB results shown in the actuarial valuation report as of July 1, 2011 for the interim year financial disclosure. Results above are as shown in the Town’s GASB 45 actuarial valuation report as of July 1, 2011.

Below is a breakdown of total GASB 45 liabilities allocated to past, current, and future service as of July 1, 2013.

As of July 1, 2013	Town	School	Total
Present Value of Future Benefits	\$ 13,164,897	\$ 12,713,379	\$ 25,878,276
Active Employees	7,208,567	10,930,969	18,139,536
Retired Employees	5,956,330	1,782,410	7,738,740
Actuarial Accrued Liability	\$ 10,417,477	\$ 8,100,187	\$ 18,517,664
Active Employees	4,461,147	6,317,777	10,778,924
Retired Employees	5,956,330	1,782,410	7,738,740
Normal Cost	\$ 300,001	\$ 365,219	\$ 665,220
Future Normal Cost	\$ 2,447,419	\$ 4,247,973	\$ 6,695,392

Present Value of Future Benefits (PVFB) is the amount needed as of July 1, 2013 to fully fund the Town’s retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Actuarial Accrued Liability is the portion of PVFB considered to be accrued or earned as of July 1, 2013. This amount is a required disclosure in the Required Supplementary Information section.

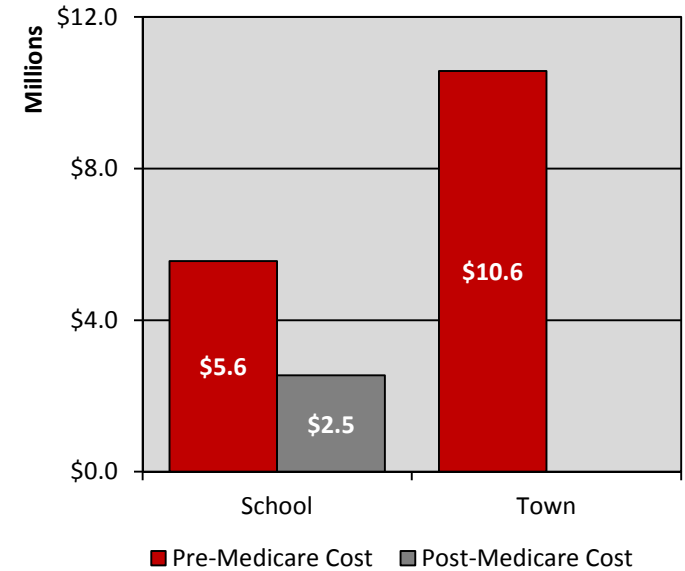
Normal Cost is the portion of the total liability amount that is attributed and accrued for current year’s active employee service by the actuarial cost method.

Future Normal Cost is the portion of the total liability amount that is attributed to the future employee by the actuarial cost method.

Below is a breakdown of total GASB 45 Actuarial Accrued Liability (AAL) allocated to pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor’s GASB subsidies.

Actuarial Accrued Liability (AAL) As of July 1, 2013	<i>Town</i>	<i>School</i>	<i>Total</i>
Active Pre-Medicare	\$ 4,461,147	\$ 4,327,839	\$ 8,788,986
Active Post-Medicare	0	1,989,938	1,989,938
Total Active AAL	\$ 4,461,147	\$ 6,317,777	\$ 10,778,924
Retirees Pre-Medicare	\$ 5,956,330	\$ 1,229,645	\$ 7,185,975
Retirees Post-Medicare	0	552,765	552,765
Total Retirees AAL	\$ 5,956,330	\$ 1,782,410	\$ 7,738,740
Total AAL	\$ 10,417,477	\$ 8,100,187	\$ 18,517,664

Breakdown of 7/1/2013 AAL



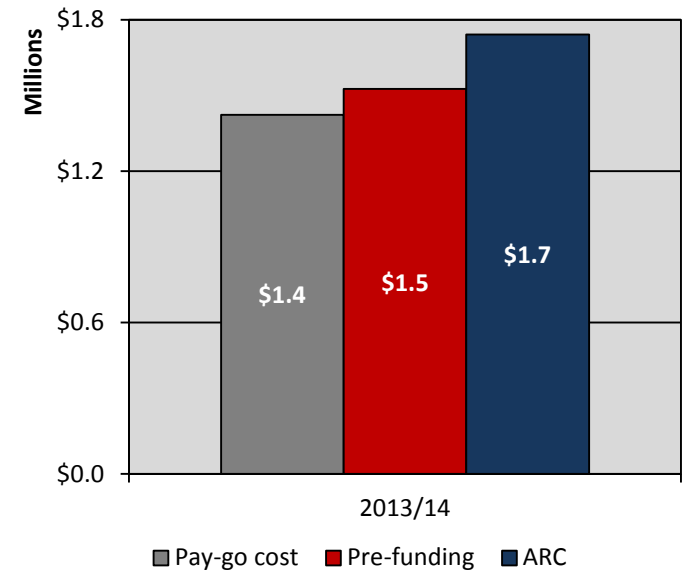
Development of Annual Required Contribution (ARC)

Discount Rate	8.0%	7.5%
Required Supplementary Information	FY 2012/13 ²	FY 2013/14
Actuarial Accrued Liability as of beginning of year	\$ 19,260,000	\$ 18,517,664
Actuarial Value of Assets as of beginning of year	(1,650,000)	(3,811,845)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 17,610,000	\$ 14,705,819
Funded Ratio	8.6%	20.6%
Covered payroll	\$ 43,016,000	\$ 42,546,253
UAAL as a % of covered payroll	40.9%	34.6%

Annual Required Contribution	FY 2012/13	FY 2013/14
Normal cost as of beginning of year	\$ 722,000	\$ 665,220
Amortization of the UAAL	1,017,000	937,432
Total normal cost and amortization payment	\$ 1,739,000	\$ 1,602,652
Interest to end of year	139,000	120,199
Total Annual Required Contribution (ARC)	\$ 1,878,000	\$ 1,722,851

Amortization period	25 years	24 years
Salary scale used for amortization purposes	4.25%	3.25%

Cash vs Accrual Accounting



Annual Required Contribution (ARC) is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method. The GASB 45 ARC is higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

² No interim valuation was done for FY 2012/13 as the Town opted to repeat GASB results shown in the actuarial valuation report as of July 1, 2011 for the interim year financial disclosure. Results above are as shown in the Town's GASB 45 actuarial valuation report as of July 1, 2011.

Development of Annual OPEB Cost and Net OPEB Obligation

Net OPEB Obligation	FY 2012/13	FY 2013/14
ARC as of end of year	\$ 1,878,000	\$ 1,722,851
Interest on Net OPEB Obligation (NOO) to end of year	(31,826)	(106,720)
NOO amortization adjustment to the ARC	25,430	97,509
Annual OPEB cost	\$ 1,871,604	\$ 1,713,640
Annual employer contribution for pay-go cost	(1,430,704)	(1,423,054)
Annual employer contribution for pre-funding	(1,466,000)	(1,525,000) ³
Change in NOO	\$ (1,025,100)	\$ (1,234,414)
NOO as of beginning of year	(397,828)	(1,422,928)
NOO as of end of year	\$ (1,422,928)	\$ (2,657,342)
Amortization period	25 years	24 years
Salary scale used for amortization purposes	4.25%	3.25%

Breakdown of Actual Pay-go Costs	FY 2012/13	FY 2013/14
Medical paid claims and administrative expenses	\$ 1,434,851	\$ 1,358,410
Dental paid claims and administrative expenses	66,019	62,236
Life insurance premiums paid		89,937
Retiree contributions	(70,166)	(87,529)
Total pay-go costs	\$ 1,430,704	\$ 1,423,054

Pay-as-you-go Cost is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

Net OPEB Obligation is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.

³ Includes \$525,000 accrued employer contributions allocated to FY 2013/14 fiscal year but deposited after the end of the fiscal year (in October 2014).

Summary of GASB 45 Financial Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2014 and prior fiscal years as shown in the Town’s Notes to Financial Statements.

Schedule of Funding Progress

<i>As of</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as % of Covered Payroll</i>
	<i>A</i>	<i>B</i>	<i>C = A - B</i>	<i>D = B / A</i>	<i>E</i>	<i>F = C / E</i>
July 1, 2013	\$ 18,517,664	\$ 3,811,845	\$ 14,705,819	20.6%	\$ 42,546,253	34.6%
July 1, 2012	\$ 19,260,000	\$ 1,650,000	\$ 17,610,000	8.6%	\$ 43,016,000	40.9%
July 1, 2011	\$ 19,260,000	\$ 1,650,000	\$ 17,610,000	8.6%	\$ 43,016,000	40.9%

Schedule of Employer Contributions

<i>FYE</i>	<i>Employer Contributions</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
	<i>A</i>	<i>B</i>	<i>C = A / B</i>
June 30, 2014	\$ 2,948,054	\$ 1,722,851	171.1%
June 30, 2013	\$ 2,896,704	\$ 1,878,000	154.2%
June 30, 2012	\$ 1,986,031	\$ 1,878,000	105.8%

Historical Annual OPEB Cost

<i>As of</i>	<i>Annual OPEB Cost</i>	<i>% of Annual OPEB Cost Contributed</i>	<i>Net OPEB Obligation / (Asset)</i>
June 30, 2014	\$ 1,713,640	172.0%	\$ (2,657,342)
June 30, 2013	\$ 1,871,604	154.8%	\$ (1,422,928)
June 30, 2012	\$ 1,872,284	106.1%	\$ (397,828)

Reconciliation of Actuarial Accrued Liability

Summary of Assets	Market Value as of July 1, 2013	Market Value as of July 1, 2014
Cash / money market	\$ 1,092,523	\$ 216,518
Fixed income	611,277	589,465
Equities	1,148,798	1,647,769
Mutual funds	959,247	2,860,584
Total market value of assets	\$ 3,811,845	\$ 5,314,336
Less: Accounts Payable, Accrued Liabilities	0	0
Net market value of assets	\$ 3,811,845	\$ 5,314,336

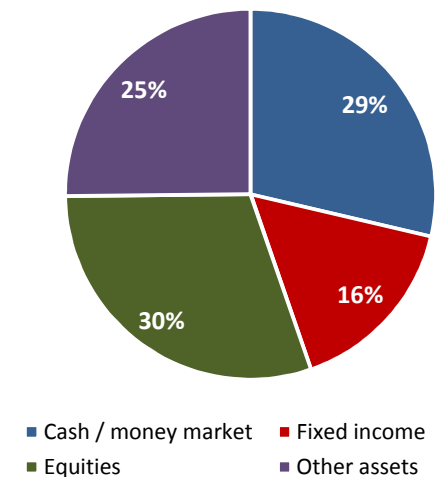
Reconciliation of Market Value of Assets	FY 2013/14
Market value of assets as of July 1	\$ 3,811,845

Revenues	
Member contributions	\$ 0
Employer contributions	1,000,000 ⁴
Interest / dividends less accrued income	121,004
Realized / unrealized gains	415,041
Total revenues	\$ 1,536,045

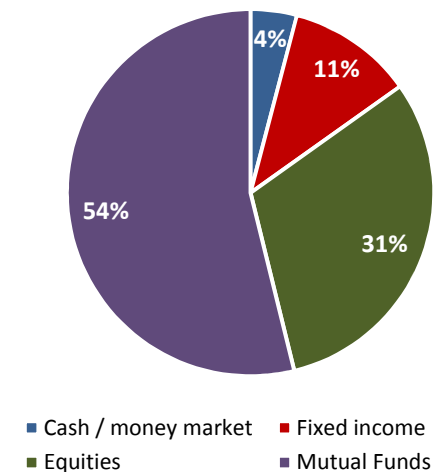
Expenditures	
Benefit payments ⁵	\$ 0
Investment expenses and professional fees	(33,554)
Total expenditures	\$ (33,554)

Market value of assets as of June 30	\$ 5,314,336
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Asset Breakdown as of 7/1/2013



Asset Breakdown as of 7/1/2014



⁴ Excludes \$525,000 accrued contributions allocated to FY 2013/14 but paid after the end of the fiscal year (in October 2014).

⁵ Retirees pay-go costs are being paid from operating budget instead of the OPEB Trust.

The Actuarial Accrued Liability (AAL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the AAL and whether they increase or decrease the liability.

Expected Events

- Increases in AAL due to additional benefit accruals as employees continue to earn service each year
- Increases in AAL due to interest as the employees and retirees age
- Decreases in AAL due to benefit payments

Unexpected Events

- Increases in AAL when actual premium rates increase more than expected. A liability decrease occurs when premium rates increase less than expected.
- Increases in AAL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in AAL depending on whether benefit provisions are improved or reduced.

	<i>FY 2013/14⁶</i>
Actuarial Accrued Liability as of beginning of year	\$ 18,517,664
Normal cost as of beginning of year	665,220
Expected benefit payments during the year	(1,674,839)
Interest adjustment to end of year	1,377,045
Expected Actuarial Accrued Liability as of end of year	\$ 18,885,090
Actuarial (gain) / loss due to experience	0
Actuarial (gain) / loss due to provisions / assumptions changes	0
Actual Actuarial Accrued Liability as of end of year	\$ 18,885,090

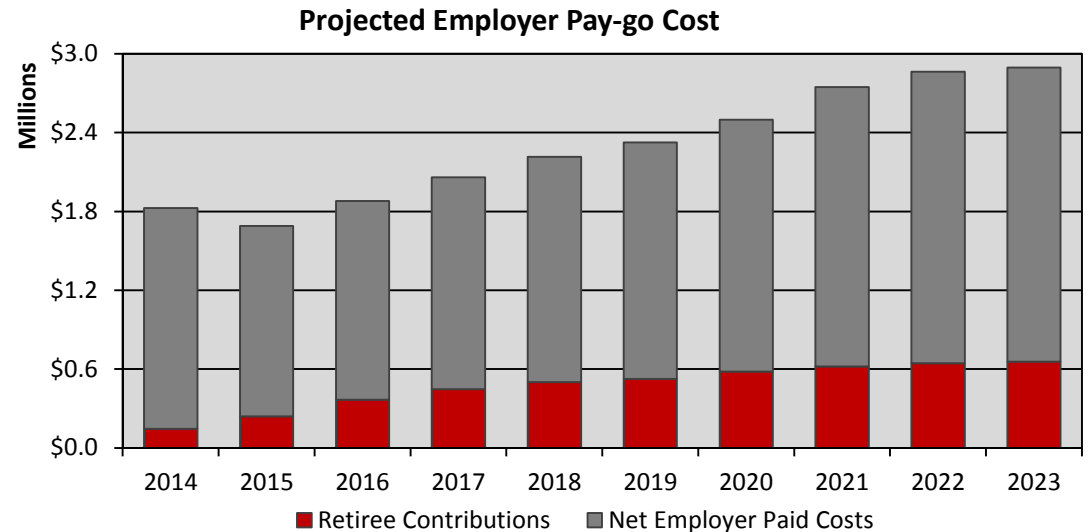
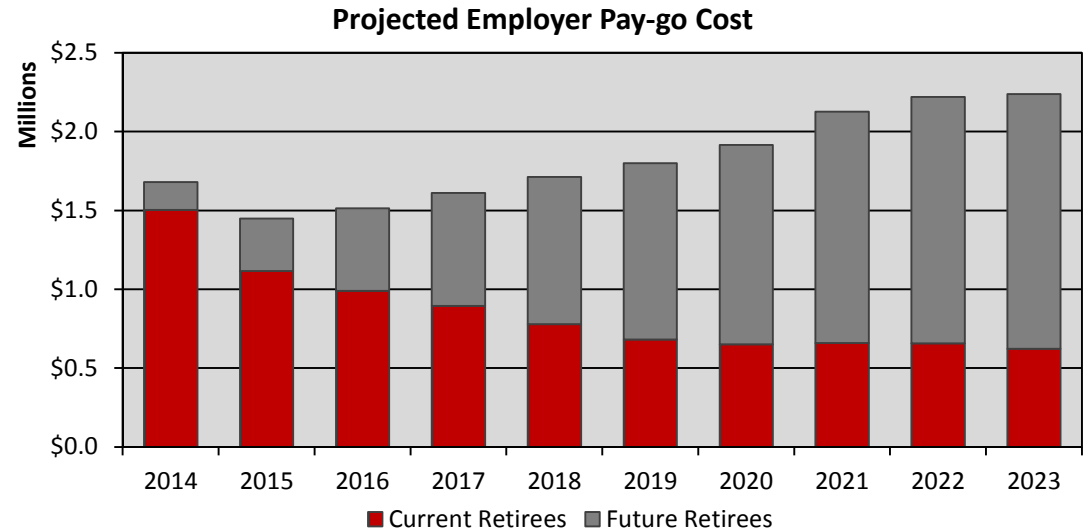
Reconciliation of AAL shows what the actuary expects the actuarial accrued liability to be at the beginning of the following fiscal year based on current assumptions and plan provisions. The expected end of year AAL will change as actual plan experience varies from assumptions. Generally, the AAL is expected to have a net increase each year.

⁶ Actuarial Accrued Liability (AAL) as of the end of the year was actuarially projected from beginning of year AAL on a “no gain/loss” basis. The actual year-end AAL may be different depending on actual plan experience.

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next ten years. Results are shown separately for current /future retirees and gross claim costs/retiree contributions. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees ⁷	Total
2014	\$ 1,503,459	\$ 171,380	\$ 1,674,839
2015	\$ 1,116,504	\$ 323,656	\$ 1,440,160
2016	\$ 990,457	\$ 508,665	\$ 1,499,122
2017	\$ 894,502	\$ 698,788	\$ 1,593,290
2018	\$ 779,906	\$ 913,913	\$ 1,693,819
2019	\$ 682,520	\$ 1,104,470	\$ 1,786,990
2020	\$ 650,587	\$ 1,250,877	\$ 1,901,464
2021	\$ 659,170	\$ 1,450,647	\$ 2,109,817
2022	\$ 657,955	\$ 1,544,387	\$ 2,202,342
2023	\$ 623,471	\$ 1,590,434	\$ 2,213,905

FYE	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs
2014	\$ 1,795,250	\$ 120,411	\$ 1,674,839
2015	\$ 1,629,025	\$ 188,865	\$ 1,440,160
2016	\$ 1,780,767	\$ 281,645	\$ 1,499,122
2017	\$ 1,929,331	\$ 336,041	\$ 1,593,290
2018	\$ 2,066,312	\$ 372,493	\$ 1,693,819
2019	\$ 2,193,669	\$ 406,679	\$ 1,786,990
2020	\$ 2,346,225	\$ 444,761	\$ 1,901,464
2021	\$ 2,591,822	\$ 482,005	\$ 2,109,817
2022	\$ 2,687,793	\$ 485,451	\$ 2,202,342
2023	\$ 2,703,866	\$ 489,961	\$ 2,213,905



⁷ Projections for future retirees do not take into account future new hires.

Below is the breakdown of employer contribution cash flow projections by Town and School.

FYE	TOTAL			TOWN			SCHOOL		
	Current Retirees	Future Retirees ⁸	Total	Current Retirees	Future Retirees	Total	Current Retirees	Future Retirees	Total
2014	\$ 1,503,459	\$ 171,380	\$ 1,674,839	\$ 671,040	\$ 79,692	\$ 750,732	\$ 832,419	\$ 91,688	\$ 924,107
2015	\$ 1,116,504	\$ 323,656	\$ 1,440,160	\$ 632,127	\$ 156,164	\$ 788,291	\$ 484,377	\$ 167,492	\$ 651,869
2016	\$ 990,457	\$ 508,665	\$ 1,499,122	\$ 652,825	\$ 232,942	\$ 885,767	\$ 337,632	\$ 275,723	\$ 613,355
2017	\$ 894,502	\$ 698,788	\$ 1,593,290	\$ 674,421	\$ 285,292	\$ 959,713	\$ 220,081	\$ 413,496	\$ 633,577
2018	\$ 779,906	\$ 913,913	\$ 1,693,819	\$ 677,035	\$ 326,069	\$ 1,003,104	\$ 102,871	\$ 587,844	\$ 690,715
2019	\$ 682,520	\$ 1,104,470	\$ 1,786,990	\$ 681,486	\$ 402,022	\$ 1,083,508	\$ 1,034	\$ 702,448	\$ 703,482
2020	\$ 650,587	\$ 1,250,877	\$ 1,901,464	\$ 649,462	\$ 445,134	\$ 1,094,596	\$ 1,125	\$ 805,743	\$ 806,868
2021	\$ 659,170	\$ 1,450,647	\$ 2,109,817	\$ 657,947	\$ 521,500	\$ 1,179,447	\$ 1,223	\$ 929,147	\$ 930,370
2022	\$ 657,955	\$ 1,544,387	\$ 2,202,342	\$ 656,648	\$ 574,911	\$ 1,231,559	\$ 1,307	\$ 969,476	\$ 970,783
2023	\$ 623,471	\$ 1,590,434	\$ 2,213,905	\$ 622,063	\$ 618,464	\$ 1,240,527	\$ 1,408	\$ 971,970	\$ 973,378

FYE	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs
2014	\$ 1,795,250	\$ 120,411	\$ 1,674,839	\$ 818,834	\$ 68,102	\$ 750,732	\$ 976,416	\$ 52,309	\$ 924,107
2015	\$ 1,629,025	\$ 188,865	\$ 1,440,160	\$ 903,600	\$ 115,309	\$ 788,291	\$ 725,425	\$ 73,556	\$ 651,869
2016	\$ 1,780,767	\$ 281,645	\$ 1,499,122	\$ 1,060,400	\$ 174,633	\$ 885,767	\$ 720,367	\$ 107,012	\$ 613,355
2017	\$ 1,929,331	\$ 336,041	\$ 1,593,290	\$ 1,150,962	\$ 191,249	\$ 959,713	\$ 778,369	\$ 144,792	\$ 633,577
2018	\$ 2,066,312	\$ 372,493	\$ 1,693,819	\$ 1,200,918	\$ 197,814	\$ 1,003,104	\$ 865,394	\$ 174,679	\$ 690,715
2019	\$ 2,193,669	\$ 406,679	\$ 1,786,990	\$ 1,285,346	\$ 201,838	\$ 1,083,508	\$ 908,323	\$ 204,841	\$ 703,482
2020	\$ 2,346,225	\$ 444,761	\$ 1,901,464	\$ 1,314,864	\$ 220,268	\$ 1,094,596	\$ 1,031,361	\$ 224,493	\$ 806,868
2021	\$ 2,591,822	\$ 482,005	\$ 2,109,817	\$ 1,418,494	\$ 239,047	\$ 1,179,447	\$ 1,173,328	\$ 242,958	\$ 930,370
2022	\$ 2,687,793	\$ 485,451	\$ 2,202,342	\$ 1,466,268	\$ 234,709	\$ 1,231,559	\$ 1,221,525	\$ 250,742	\$ 970,783
2023	\$ 2,703,866	\$ 489,961	\$ 2,213,905	\$ 1,474,355	\$ 233,828	\$ 1,240,527	\$ 1,229,511	\$ 256,133	\$ 973,378

⁸ Projections for future retirees do not take into account future new hires.

Eligibility

Employees are eligible for retiree health benefits once they meet retirement eligibility requirements of Rhode Island Employees Retirement System (RI ERS) or Rhode Island Municipal Employees Retirement System (RI MERS). The applicable retirement systems by employee groups are noted below.

Employer	Employee Groups	Retirement System
School	NEA (Teachers)	ERS
School	Administrators	ERS
School	Clerks/Aides	MERS
School	Council 94	MERS
Town	All	MERS

RI ERS Eligibility Requirements

RI ERS eligibility requirements is the earlier of each employee’s (a) Article 7 or (b) RIRSA eligibility dates which vary by Schedules summarized below:

Schedules	Vested with 10 years of contributing service credit as of 7/1/2005	Eligible to retire as of 9/30/2009
A	Y	Y*
B	N	Y**
AB	Y	N
B1	N	N
B2	Employees that became a member of RI ERS after 9/30/2009	

* Schedule A members were eligible to retire as of 9/30/2009 if they had (i) 28 years of service as of 9/30/2009 or (ii) had 10 years of contributing service and were age 60 as of 9/30/2009.

** Schedule B members were eligible to retire as of 9/30/2009 if they had 10 years of contributing service and were age 65 as of 9/30/2009.

RI ERS Eligibility Requirements (Continued)Article 7 Eligibility Date

There are no changes to Schedule A and Schedule B members retirement eligibility dates. These employees may retire at any time once they met the prior RI ERS eligibility rules. The prior RI ERS eligibility rules are:

- Schedule A – earlier of (i) 28 years of service or (ii) age 60 with 10 years of contributing service.
- Schedule B – earlier of (i) age 65 with 10 years of contributing service or (ii) age 59 with 29 years of contributing service.

Minimum retirement age under Article 7 for Schedule AB and B1 members is 62 with “proportional downward adjustment” toward an earlier retirement age based on years of service as of 9/30/2009 (referred to as “frozen service credit”).

Schedule B2 members minimum retirement age under Article 7 is age 62 without “proportional downward adjustment” toward an earlier retirement age.

RIRSA Eligibility Date

Employees with less than five years of contributing service credit on 6/30/2012 may retire at the Social Security normal retirement age (not higher than 67).

For employees with at least five years of contributing service credit on 6/30/2012, minimum retirement age is 62 with “proportional downward adjustment” toward an earlier retirement date based on years of service prior to 7/1/2012, but not earlier than 59.

Employees with at least 10 years of contributing service credit on 6/30/2012 may retire at their Article 7 eligibility date if they continue to work and contribute until that date. If they are within five years of reaching RIRSA retirement eligibility date and have at least 20 years of service, they may retire at any time.

Public school teachers may retire with a reduced pension if they have 20 years of service credit and are within five years of their RIRSA retirement date.

MERS Eligibility RequirementsGeneral Employees

Employees eligible to retire as of 7/1/2012 are not impacted by the new eligibility requirements described below. Prior to 7/1/2012, employees were eligible to retire at the earlier of: (i) age 58 with 10 years of service credit or (ii) 30 years of service (no age requirement).

For employees who are not eligible to retire as of 7/1/2012:

- a) Members with less than five years of contributing service credit on 6/30/2012 may retire at their Social Security normal retirement age.
- b) Members with at least five years of contributing service credit on 6/30/2012 may retire at an individually determined age, which is the result of interpolating the member's prior Retirement Date (described in previous paragraph) and the retirement age applicable to members hired after 6/30/2012 (described in item (a) above).
- c) Members with at least ten years of contributing service credit on 6/30/2012 may retire at their prior Retirement Date (described in previous paragraph) if they continue to work and contribute until that date.

All members who are within five years of reaching their retirement eligibility date (described in the paragraphs above) may retire at any time if they have at least 20 years of service.

Police/Fire

Employees eligible to retire as of 7/1/2012 are not impacted by the new eligibility requirements described below. Prior to 7/1/2012, employees were eligible to retire at the earlier of: (i) age 55 with 10 years of service credit or (ii) 25 years of service (no age requirement). Employees who have 20 years of service are eligible to retire with reduced pension benefit.

For employees who are not eligible to retire as of 7/1/2012:

- a) Members who are at least age 45 with 10 years of service as of 7/1/2012 and are eligible to retire prior to age 52 under the old eligibility requirements may retire at age 52.
- b) All other members are eligible to retire at age 55 with 25 years of service. For members with at least five years of service but less than 25, they are eligible to retire at their Social Security normal retirement age.

All members who are within five years of reaching their retirement eligibility date (described in the paragraphs above) may retire at any time if they have at least 20 years of service.

Disability Retirement Benefit

Town EMS/IBPO

Employees who became disabled in the line of duty are eligible for paid medical and dental benefits until Medicare eligibility, subject to the same co-share as active employees.

Town Council 94

Employees who retired due to disability after July 1, 2005 are eligible for paid medical benefits for a 60-month period from the date of retirement or until Medicare eligibility, whichever comes first, and subject to the same co-share as active employees.

Active Contribution Requirements

Active employees contribution requirements are as shown below:

- 20% for EMS
- According to the table below for NEA Teachers. For GASB valuation purposes, we have assumed that all teachers will be in steps 9 to 10 at retirement.

Steps	Contribution %	Steps	Contribution %
1 – 3	15%	7 – 8	18%
4 – 6	17%	9 – 10	20%

- According to the table below for IBPO and Council 94

Effective dates	Town IBPO		Town Council 94
	DOH < 7/1/2002	DOH ≥ 7/1/2002	All
7/1/2013	17.5%	20.0%	17.5%
7/1/2014	19.0%	20.0%	17.5%
7/1/2015	20.0%	20.0%	20.0%

Spouse CoverageTown EMS/IBPO

Surviving spouse of employees killed in the line of duty are eligible for paid medical and dental coverage for five years (for EMS) and ten years (for IBPO) from the date of death, subject to the same co-share as active employees. The Town may revoke this benefit if the surviving spouse remarries or has access to alternative medical insurance.

School NEA (Teachers)/Admin Management

Surviving spouse of retirees who die in the first five years of retirement when the members are receiving subsidized retiree health benefits (medical and dental) are eligible to continue coverage for the balance of the five years. School's explicit subsidy will continue to the surviving spouse.

For all other employee groups, surviving spouses of retirees and active employees are eligible for COBRA coverage only.

Life InsuranceSchool NEA (Teachers)

Employees 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 five years. After five years the retiree can elect to continue coverage at their expense, paying the rate in effect at their retirement date.

School Admin Management

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

- Retirees pay the non-banded rate plus any yearly premium increase on the first \$30,000 of coverage.
- Coverage amount 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.

Explicit Subsidy / Retiree Contributions

Town EMS/Non-Union/Admin

Employees are eligible for a fixed annual dollar subsidy based on the following table at retirement for 3 years. COBRA runs concurrently with the Town’s three-year subsidy and at the end of the third year, retirees do not have the option to continue coverage in the Town’s health plans.

<u>Service at Retirement</u>	<u>Annual Subsidy</u>
30	\$ 4,000
25	\$ 2,666
20	\$ 1,333

Town IBPO

Employees retiring on/after July 1, 2013 are required to contribute the same co-share of the medical premium as active employees at retirement.

Existing retirees have varying contribution requirements based on the bargaining unit provisions effective at the time of retirement.

There is no coverage after Medicare eligibility.

Town Council 94

Employees hired prior to July 1, 2005 contribute the same co-share of the medical premium as active employees at retirement.

Employees hired on/after July 1, 2005 are eligible for a fixed annual dollar subsidy based on the following table at retirement for 3 years. COBRA runs concurrently with the Town’s three-year subsidy and at the end of the third year, retirees do not have the option to continue coverage in the Town’s health plans.

<u>Service at Retirement</u>	<u>Annual Subsidy</u>
30	\$ 4,000
25	\$ 2,666
20	\$ 1,333

**Explicit Subsidy / Retiree Contributions
(Continued)**

Town NEA

Employees are eligible for a fixed annual dollar subsidy based on the following table at retirement for 3 years. COBRA runs concurrently with the Town’s three-year subsidy and at the end of the third year, retirees do not have the option to continue coverage in the Town’s health plans.

Service at Retirement	Annual Subsidy	
	DOH < 7/1/2006	DOH ≥ 7/1/2006
30	\$ 5,000	\$ 4,000
25	\$ 4,000	\$ 2,666
20	\$ 2,000	\$ 1,333

School NEA (Teachers)/Admin Management

Employees retiring on/after September 1, 2008 are eligible for paid medical and dental benefits for five years or until age 70, whichever is earlier, subject to the same co-share as active employees at retirement. This co-share will remain the same for the duration of this retiree health benefit. At the end of the subsidized period, retirees are eligible for COBRA coverage for 18 months.

No retiree contributions are required for employees who retired prior to September 1, 2008.

School Clerks and Aides/Council 94/Admin Technical or Clerical

Retiree health benefits are eligible for the following specified duration:

- Clerks and Aides – 7 years
- Council 94 and Admin Technical or Clerical – 5 years

There is no explicit subsidy available to these retirees and they must pay the full cost of coverage.

Medical Benefit

Same benefit options are available to retirees as active employees. Town of South Kingstown is a member of the WB Community Health (“Community”). Each participating plan sponsor is treated as a self-insured health plan (i.e. their assets are not pooled together).

The monthly premiums effective on July 1, 2013 and 2014 charged by WB Community Health Plan are as shown below.

Employer	Division / Plan	Employee Groups	Eff. 7/1/2013		Eff. 7/1/2014	
			Single	Family	Single	Family
Town	2506-0006 Classic*	Council 94	N/A	\$ 1,876.75	N/A	\$ 1,876.75
Town	2506-0006 HM	Council 94	\$ 567.50	\$ 1,343.56	\$ 567.50	\$ 1,343.56
Town	2506-0005 Classic*	IBPO	\$ 790.93	\$ 1,882.63	\$ 790.93	\$ 1,882.63
Town	2506-0005 HM	IBPO	\$ 577.87	\$ 1,368.69	\$ 577.87	\$ 1,368.69
Town	2506-0003 HM	IBPO	\$ 663.37	\$ 1,437.18	\$ 663.37	\$ 1,437.18
Town	2506-0002 HM	NEA	\$ 570.43	\$ 1,350.32	\$ 570.43	\$ 1,350.32
Town	2506-0001 HM	Non-Union	\$ 567.50	\$ 1,343.56	\$ 567.50	\$ 1,343.56
Town	2506-0004 HM	EMS	\$ 735.98	\$ 1,519.70	\$ 732.30	\$ 1,512.10
School	161-0002 Classic	NEA / Admin	\$ 565.42	\$ 1,340.11	\$ 565.42	\$ 1,340.11
School	161-0002 HM	NEA / Admin	\$ 544.63	\$ 1,288.75	\$ 544.63	\$ 1,288.75
School	161-0003 Classic	Clerks and Aides	\$ 564.32	\$ 1,339.23	\$ 564.32	\$ 1,339.23
School	161-0003 HM	Clerks and Aides	\$ 544.63	\$ 1,288.75	\$ 544.63	\$ 1,288.75
School	161-0001 HM	Council 94	\$ 544.06	\$ 1,287.32	\$ 544.06	\$ 1,287.32

* Only available to a closed group of retirees currently enrolled in these plans.

Monthly dental premiums are as shown below.

Employer	Employee Groups	Eff. 7/1/2013		Eff. 7/1/2014	
		Single	Family	Single	Family
Town	All	\$ 25.00	\$ 75.30	\$ 26.25	\$ 79.07
School	All	\$ 29.65	\$ 90.29	\$ 29.65	\$ 90.29

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and Town experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2012. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update health care trend rates and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2016.

Measurement Date	July 1, 2013
Discount Rate	7.50%
Payroll Growth	3.25% per year (for amortization purposes only)
Inflation Rate	3.00% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Asset Method	Market value of assets
Amortization	Level % of pay over thirty years beginning in FY 2009 based on a closed group. The remaining amortization period as of fiscal year ending June 30, 2014 is 24 years.
Census Data	Census information was provided by the Town as of July 2013. We have reviewed it for reasonableness and no material modifications were made to the census data.
Employer Funding Policy	The Town pays the full Annual OPEB Cost annually from a combination of pay-go cost and additional pre-funding contribution.
Mortality	RP-2000 Combined Mortality Table fully generational using Scale AA

Disability

Annual disability rates applicable to IBPO and EMS employees are based on the assumption used in the RI MERS actuarial valuation as of June 30, 2012. Annual sample rates are as shown below.

Age	Ordinary	Accidental
25	0.043%	0.170%
30	0.055%	0.220%
35	0.073%	0.290%
40	0.110%	0.440%
45	0.180%	0.720%
50	0.303%	1.210%
55	0.303%	1.210%
60	0.303%	1.210%
65	0.303%	1.210%

Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on the RI ERS and MERS June 30, 2012 actuarial valuation assumptions. Sample annual turnover rates are shown below:

YOS	School Employees		Town General Employees		Town IBPO / EMS
	Male	Female	Male	Female	Unisex
0	17.0%	8.9%	17.5%	18.0%	10.0%
5	2.9%	4.6%	5.5%	5.8%	3.5%
10	1.2%	2.3%	2.6%	2.6%	1.9%
15	1.2%	1.2%	2.0%	1.6%	0.9%
20	0.9%	0.6%	1.8%	1.1%	0.0%

Retirement Rate

Annual rates of retirement by group are based on the RI ERS and MERS June 30, 2012 actuarial valuation assumptions.

School Teachers/Administrators

For members who reach 28 years of service before age 60, service-based rates are used. For members who reach age 60 before 28 years of service, age-based rates are used. This assumption is consistent with the retirement assumption used in the Employees' Retirement System actuarial valuation for fiscal year ending June 30, 2012.

Because of the enactment of Article 7 in 2009 and the RIRSA in 2011, the retirement assumption was modified for members whose retirement ages were delayed. Members who would have been assumed to retire under the rules in effect before the enactment of the provision changes are assumed to retire when first eligible for an unreduced benefit. This demand is recognized by adding a 10% probability for every year the member has been deferred.

Male				Female			
All ages		< 28 YOS		All ages		< 28 YOS	
YOS	Rate	Age	Rate	YOS	Rate	Age	Rate
28	17.5%	60	10.0%	28	20.0%	60	15.0%
29	13.0%	61	5.0%	29	15.0%	61	10.0%
30	13.0%	62	17.5%	30	15.0%	62	20.0%
31	13.0%	63	15.0%	31	15.0%	63	15.0%
32	13.0%	64	15.0%	32	15.0%	64	15.0%
33	17.5%	65	20.0%	33	15.0%	65	20.0%
34	17.5%	66	17.5%	34	15.0%	66	25.0%
35	40.0%	67	17.5%	35	40.0%	67	20.0%
36	35.0%	68	17.5%	36	30.0%	68	20.0%
37	35.0%	69	17.5%	37	30.0%	69	20.0%
38	35.0%	70	17.5%	38	30.0%	70	20.0%
39	35.0%	71	17.5%	39	30.0%	71	20.0%
40	100.0%	72	17.5%	40	100.0%	72	20.0%
		73	17.5%			73	20.0%
		74	17.5%			74	20.0%
		75	100.0%			75	100.0%

Retirement Rate – Continued

School non-Teachers/Administrators
Town non-IBPO/EMS

For members who reach 30 years of service before age 58, service-based rates are used. For other members, age-based rates are used instead.

Because of the enactment of RIRSA in 2011, the retirement assumption was modified for members not eligible to retire by July 1, 2012. Members who would have been assumed to retire at an earlier age under the rules in effect before the enactment of the provision changes are assumed to retire when first eligible for an unreduced benefit. This demand is recognized by adding a 10% probability for every year the member has been deferred.

<u>YOS</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
30	30%	30%	58	12%	12%
31	30%	25%	59 – 61	10%	10%
32 – 34	25%	10%	62	30%	20%
35	25%	15%	63 – 64	20%	15%
36	25%	20%	65	20%	20%
37	25%	25%	66 – 68	25%	25%
38	35%	25%	69	30%	25%
39	50%	25%	70 – 74	30%	20%
40	100%	100%	75+	100%	100%

Town IBPO/EMS

Annual rates of retirement are as shown in the table below. All members are assumed to retire upon reaching age 65 with 10 years of service.

<u>YOS</u>	<u>Rates</u>
20	12%
21 – 23	10%
24	12%
25	14%
26	16%
27	18%
28 – 29	20%
30	35%

Health Care Trend Rates

FYE	Medical	FYE	Medical
2014	0.0%*	2020	7.0%
2015	9.0%	2021	6.5%
2016	8.5%	2022	6.0%
2017	8.0%	2023	5.5%
2018	7.5%	2024+	5.0%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

* Based on actual premium increase from 2013/14 to 2014/15.

Annual dental trend is assumed to be 4.0% in the future except for the first year where the actual dental premium increase is 5.0% for the Town and 0.0% for the School.

Retiree Contributions

Retiree contributions are assumed to increase according to health care trend rates.

Per Capita Costs

Annual per capita costs were calculated based on the weighted average July 1, 2013 premiums separately for the Town and School, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs by employee group are as shown below:

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Age	School		Town HM		Town Classic*	
	Male	Female	Male	Female	Male	Female
<55	\$ 7,260	\$ 7,480	\$ 7,100	\$ 8,300	\$ 9,600	\$ 11,300
55 – 59	\$ 8,580	\$ 8,360	\$ 9,500	\$ 9,300	\$ 12,900	\$ 12,600
60 – 64	\$ 11,000	\$ 9,900	\$ 12,200	\$ 10,900	\$ 16,600	\$ 14,900

* Only applicable to a closed group of Town retirees currently enrolled in this plan.

Health Care Coverage Election Rate

Active employees (regardless of current health care coverage election):

- 100% for NEA (Teachers) and School Administrators
- 20% for School Clerks/Aides
- 5% for School Council 94
- 100% for all Town employees

Inactive employees with current coverage: 100%

Inactive employees with no coverage: 0%

Spousal Coverage

Spousal coverage for current retirees is based on actual data.

85% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below are examples of the monthly explicit subsidies for:

- IBPO employee who retires on/after July 1, 2015 enrolled in 2506-0005 HM plan.
- Teacher (Step 9) who retires on/after July 1, 2013 enrolled in 161-0002 HM plan.

	Town – IBPO			School – Teacher		
	Premium Rate	Retiree Contribution	Explicit Subsidy	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B = 20% x A	C = A – B	A	B = 20% x A	C = A – B
Retiree	\$ 577.87	\$ 115.57	\$ 462.30	\$ 544.63	\$ 108.93	\$ 435.70
Spouse	\$ 790.82	\$ 158.16	\$ 632.66	\$ 744.12	\$ 148.82	\$ 595.30

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for:

- Male retired IBPO employee age 60 with spouse of the same age enrolled in the HM plan.
- Male retired Teachers age 60 with spouse of the same age.

All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.

	Town – IBPO			School – Teacher		
	Per Capita Cost	Premium Rate	Implicit Subsidy	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A – B	A	B	C = A – B
Retiree	\$ 1,016.67	\$ 577.87	\$ 438.80	\$ 916.67	\$ 544.63	\$ 372.04
Spouse	\$ 908.33	\$ 790.82	\$ 117.51	\$ 825.00	\$ 744.12	\$ 80.88

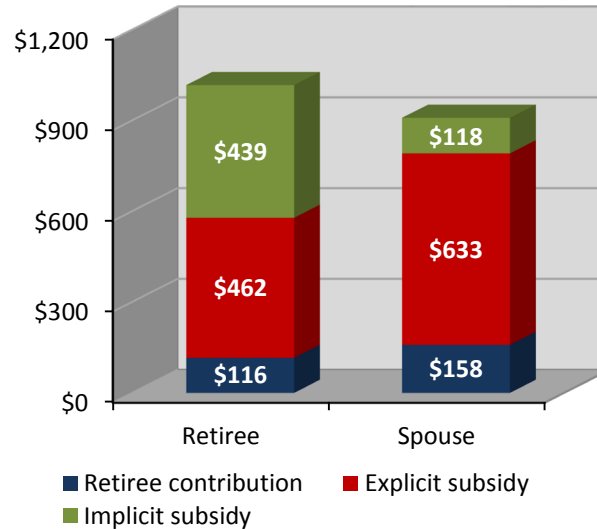
GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for:

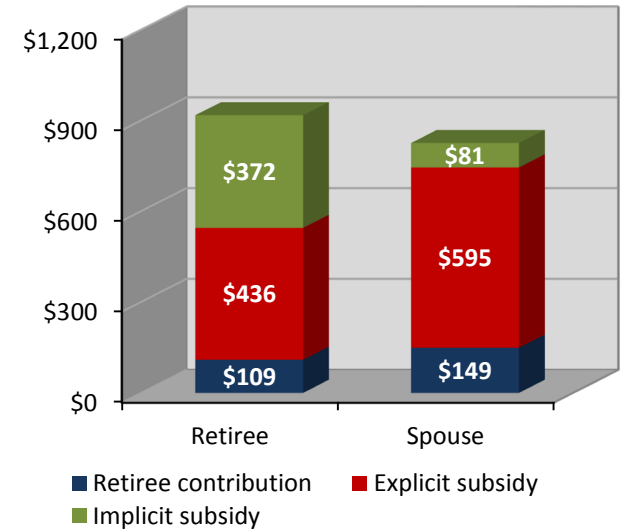
- Male IBPO employee who retires on/after July 1, 2015 at age 60 with spouse of the same age enrolled in 2506-0005 HM plan.
- Male Teacher who retires on/after July 1, 2013 at age 60 with spouse of the same age enrolled in 161-0002 HM plan.

	Town – IBPO		School – Teacher	
	Retiree	Spouse	Retiree	Spouse
Retiree contribution	\$ 115.57	\$ 158.16	\$ 108.93	\$ 148.82
Explicit subsidy	\$ 462.30	\$ 632.66	\$ 435.70	\$ 595.30
Implicit subsidy	\$ 438.80	\$ 117.51	\$ 372.04	\$ 80.88
Total monthly cost	\$ 1,016.67	\$ 908.33	\$ 916.67	\$ 825.00

GASB Subsidy Breakdown - TOWN



GASB Subsidy Breakdown - SCHOOL



Active Employees

<i>Actives with coverage – TOWN</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
Council 94	10	29	39	44.5	14.8	\$ 1,595,085
EMS	4	9	13	37.9	9.9	\$ 592,303
IBPO	12	34	46	38.5	10.8	\$ 2,700,930
NEA	9	35	44	54.3	15.7	\$ 1,753,974
Non-Union	5	31	36	53.0	16.4	\$ 2,276,937
Total TOWN actives with coverage	40	138	178	46.6	13.9	\$ 8,919,229

<i>Actives with coverage – SCHOOL</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
Administrators / Non-Union	3	22	25	48.6	9.0	\$ 2,326,125
Council 94	12	18	30	51.6	13.8	\$ 1,101,250
Clerks and Aides	18	87	105	55.6	15.0	\$ 2,582,722
NEA	42	240	282	46.8	14.0	\$ 20,633,319
Total SCHOOL actives with coverage	75	367	442	49.3	13.9	\$ 26,643,416

<i>Actives without coverage</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
TOWN	25	47.2	11.6	\$ 1,279,208
SCHOOL	111	48.3	10.0	\$ 5,704,400

Active employees who currently have no coverage are assumed to elect coverage at retirement. They have been included in the GASB valuation.

Retirees

<i>Retirees with coverage – TOWN</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>
Council 94		12	12	58.5
IBPO	4	21	25	57.0
NEA	1		1	59.5
Total TOWN retirees with coverage	5	33	38	57.5

<i>Retirees with coverage – SCHOOL</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>
Administrators / Non-Union		3	3	62.3
Council 94	1		1	54.8
Clerks and Aides		1	1	63.6
NEA	13	55	68	62.7
Total SCHOOL retirees with coverage	14	59	73	62.6

Additionally there are three retired IBPO who are receiving buyback benefits from the Town. They have been included in the GASB valuation.

Active Age-Service Distribution

Town

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	3	3									6
25 to 29	3	8	2								13
30 to 34	2	3	12	1							18
35 to 39		3	7	10	6						26
40 to 44	1		12	7	5						25
45 to 49	1	2	2	9	6	5	2				27
50 to 54		3		7	8	7	3	3			31
55 to 59	1	1	2	5	10	3	6	2			30
60 to 64			3	5	4	3	3		3		21
65 to 69				1	1	1					3
70 & up				1		1		1			3
Total	11	23	40	46	40	20	14	6	3	0	203

Active Age-Service Distribution

School

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25											0
25 to 29	8	13									21
30 to 34		15	13	5							33
35 to 39	3	8	14	26							51
40 to 44	3	8	20	30	24	5					90
45 to 49	1	7	19	28	12	11	1				79
50 to 54	7	6	13	22	9	22	11	1			91
55 to 59	1	6	12	41	21	15	7				103
60 to 64		3	9	11	17	12	9	4			65
65 to 69			1	4	3	6	3	1			18
70 & up			1	1							2
Total	23	66	102	168	86	71	31	6	0	0	553

APPENDIX

GASB Results by Fund

Below is the summary of the GASB results for fiscal year ending June 30, 2014 based on the Projected Unit Credit cost method with a discount rate of 7.5%.

<i>Fund</i>	<i>Actuarial Accrued Liability (AAL) As of July 1, 2013</i>	<i>Actuarial Value of Assets (AVA)⁹ As of July 1, 2013</i>	<i>Unfunded AAL As of July 1, 2013</i>	<i>Funded Ratio</i>	<i>Annual Required Contribution (ARC) For 2013/14</i>	<i>Net OPEB Obligation (NOO)¹⁰ As of June 30, 2014</i>
101 – General	\$ 9,289,971	\$ 1,912,332	\$ 7,377,639	20.6%	\$ 802,283	\$ (741,988)
210 – Water	\$ 42,387	\$ 8,725	\$ 33,662	20.6%	\$ 4,517	\$ (789)
215 – Wastewater	\$ 1,017,272	\$ 209,405	\$ 807,867	20.6%	\$ 74,692	\$ (79,270)
225 – Transfer Station	\$ 4,309	\$ 887	\$ 3,422	20.6%	\$ 427	\$ (204)
310 – PDOB	\$ 7,421	\$ 1,528	\$ 5,893	20.6%	\$ 840	\$ 17
340 – Guild	\$ 31,972	\$ 6,581	\$ 25,391	20.6%	\$ 3,710	\$ 163
345 – Elderly Service	\$ 24,145	\$ 4,970	\$ 19,175	20.6%	\$ 2,956	\$ (380)
School	\$ 8,100,187	\$ 1,667,417	\$ 6,432,770	20.6%	\$ 833,426	\$ (1,834,891)
Total	\$ 18,517,664	\$ 3,811,845	\$ 14,705,819	20.6%	\$ 1,722,851	\$ (2,657,342)

⁹ Actuarial Value of Assets have been distributed among the different Funds based on each Fund's proportion of Actuarial Accrued Liability (AAL) to the total so that each Fund has the same funded ratio.

¹⁰ Net OPEB Obligation balance as of July 1, 2013 has been pro-rated among the different Funds based on each Fund's proportion of AAL to the total. For NOO development purposes, the Town's actual pay-go cost has been allocated to the different Funds based on each Fund's proportion of expected benefit payments to the total while the Town's actual pre-funding contribution has been allocated to the different Funds based on each Fund's proportion of AAL to the total.

GASB Results by Union

Below is the summary of the GASB results for fiscal year ending June 30, 2014 based on the Projected Unit Credit cost method with a discount rate of 7.5%.

<i>Union</i>	<i>Actuarial Accrued Liability (AAL) As of July 1, 2013</i>	<i>Actuarial Value of Assets (AVA)¹¹ As of July 1, 2013</i>	<i>Unfunded AAL As of July 1, 2013</i>	<i>Funded Ratio</i>	<i>Annual Required Contribution (ARC) For 2013/14</i>	<i>Net OPEB Obligation (NOO)¹² As of June 30, 2014</i>
School Admin/Non-Union	\$ 568,061	\$ 116,935	\$ 451,126	20.6%	\$ 63,549	\$ (116,774)
School Council 94	\$ 13,466	\$ 2,772	\$ 10,694	20.6%	\$ 1,088	\$ (3,982)
School Clerk & Aides	\$ 96,220	\$ 19,807	\$ 76,413	20.6%	\$ 10,998	\$ (16,349)
School NEA	\$ 7,422,440	\$ 1,527,903	\$ 5,894,537	20.6%	\$ 757,791	\$ (1,697,786)
Town Council 94	\$ 3,391,335	\$ 698,103	\$ 2,693,232	20.6%	\$ 265,272	\$ (295,791)
Town EMS	\$ 354,089	\$ 72,889	\$ 281,200	20.6%	\$ 59,089	\$ 18,325
Town IBPO	\$ 6,026,078	\$ 1,240,463	\$ 4,785,615	20.6%	\$ 500,050	\$ (507,439)
Town NEA	\$ 349,015	\$ 71,844	\$ 277,171	20.6%	\$ 35,074	\$ (24,004)
Town Non-Union	\$ 296,960	\$ 61,129	\$ 235,831	20.6%	\$ 29,940	\$ (13,5420)
Total	\$ 18,517,664	\$ 3,811,845	\$ 14,705,819	20.6%	\$ 1,722,851	\$ (2,657,342)

¹¹ Actuarial Value of Assets have been distributed among the different Unions based on each Union's proportion of Actuarial Accrued Liability (AAL) to the total so that each Union has the same funded ratio.

¹² Net OPEB Obligation (NOO) balance as of July 1, 2013 has been pro-rated among the different Unions based on each Union's proportion of AAL to the total. For NOO development purposes, the actual pay-go costs have been allocated to the different Unions based on each Union's proportion of expected benefit payments to the total while the actual pre-funding contribution has been allocated to the different Unions based on each Union's proportion of AAL to the total.

Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	<i>As of July 1, 2011</i>			<i>As of July 1, 2013</i>		
	<i>Town</i>	<i>School</i>	<i>Total</i>	<i>Town</i>	<i>School</i>	<i>Total</i>
Active Participants	199	570	769	203	553	756
Retired Participants						
Members	37	132	169	38	73	111
Spouses	32	57	89	33	59	73
Averages for Active						
Age	46.5	48.0	47.6	46.7	49.1	48.5
Service	N/A	N/A	N/A	13.6	13.1	13.2
Averages for Inactive						
Age	56.8	68.7	66.1	57.5	62.6	60.9

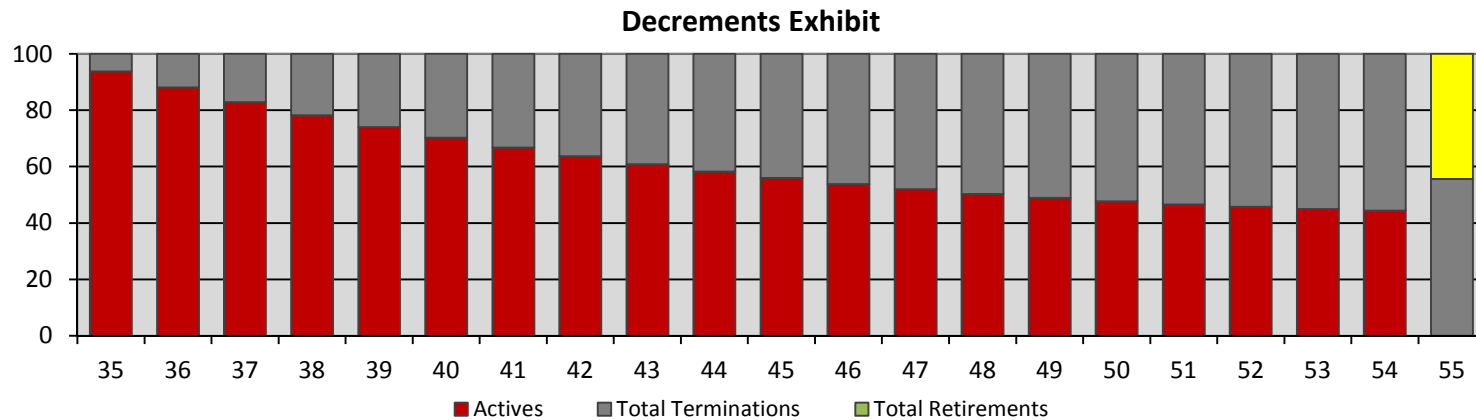
Glossary

Decrements Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.430 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year*	# of Retirements per Year*	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year*	# of Retirements per Year*	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430

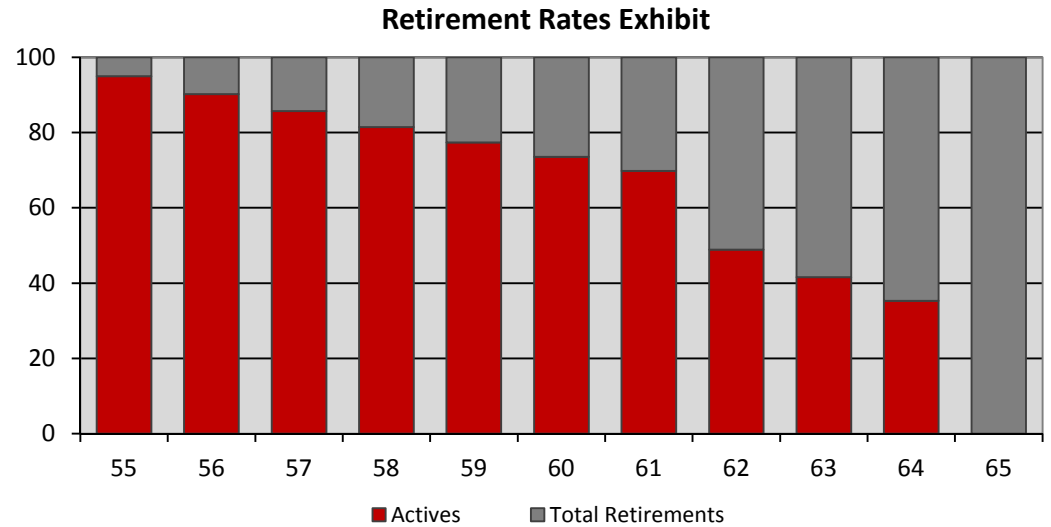


* The above rates are illustrative rates and are not used in our GASB calculations.

Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.

Illustration of GASB Calculations

The purpose of the illustration is to familiarize non-actuaries with the GASB 45 actuarial calculation process.

I. Facts

1. The employer provides subsidized retiree health coverage worth \$100,000 to employees retiring at age 55 with 25 years of service. The employer funds for retiree health coverage on a pay-as-you-go basis.
2. Employee X is age 50 and has worked 20 years with the employer.
3. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.
4. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% probability of continuing to work to age 55.

II. Calculation of Present Value of Future Benefits

Present Value of Future Benefits represents the cost to finance benefits payable in the future to current and future retirees and beneficiaries, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

	Value	Description
A.	\$100,000	Projected benefit at retirement
B.	80.2%	Interest discount for five years = $(1 / 1.045)^5$
C.	98.0%	Probability of living to retirement age
D.	95.0%	Probability of continuing to work to retirement age
E.	\$74,666	Present value of projected retirement benefit measured at employee's current age = A x B x C x D

Illustration of GASB Calculations (continued)

III. Calculation of Actuarial Accrued Liability

Actuarial Accrued Liability represents the portion of the Present Value of Future Benefits which has been accrued recognizing the employee's past service with the employer. The Actuarial Accrued Liability is a required disclosure in the Required Supplementary Information section of the employer's financial statement.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	20	Current years of service with employer
C.	25	Projected years of service with employer at retirement
D.	\$59,733	Actuarial accrued liability measured at employee's current age = $A \times B / C$

IV. Calculation of Normal Cost

Normal Cost represents the portion of the Present Value of Future Benefits allocated to the current year.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	25	Projected years of service with employer at retirement
C.	\$2,987	Normal cost measured at employee's current age = A / B

V. Calculation of Annual Required Contribution

Annual Required Contribution is the total expense for the current year to be shown in the employer's income statement.

	Value	Description
A.	\$2,987	Normal Cost for the current year
B.	\$3,509	30-year amortization (level dollar method) of Unfunded Actuarial Accrued Liability using a 4.5% interest rate discount factor
C.	\$292	Interest adjustment = $4.5\% \times (A + B)$
D.	\$6,788	Annual Required Contribution = $A + B + C$

Definitions

GASB 45 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Accrued Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.
2. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
3. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of future benefits and expenses 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.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Annual OPEB Cost** – An accrual-basis measure of the periodic cost of an employer’s participation in a defined benefit OPEB plan.
6. **Annual Required Contribution (ARC)** – The employer’s periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
7. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
8. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.
9. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Definitions (continued)

10. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
11. **Net OPEB Obligation** – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer’s contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Normal Cost** – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
13. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
14. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
15. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, 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.
16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.