



Foster-Glocester Regional School District

Interim GASB 45 Actuarial Valuation

Fiscal Year Ending June 30, 2014

Prepared by:
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This report summarizes the interim GASB actuarial valuation for Foster-Glocester Regional School District's 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.



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Consulting Actuary



Evi Laksana, ASA, MAAA
Valuation Actuary

Summary of Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2014 projected from the prior fiscal year valuation.

| | <i>As of July 1, 2012</i> | | <i>As of July 1, 2013</i> | |
|---|---------------------------|-----------|---------------------------|-----------|
| Actuarial Accrued Liability | \$ | 2,065,042 | \$ | 1,928,036 |
| Actuarial Value of Assets | \$ | 0 | \$ | 0 |
| Unfunded Actuarial Accrued Liability | \$ | 2,065,042 | \$ | 1,928,036 |
| Funded Ratio | | 0.0% | | 0.0% |

| | <i>FY 2012/13</i> | | <i>FY 2013/14</i> | |
|-------------------------------------|-------------------|---------|-------------------|---------|
| Annual Required Contribution | \$ | 230,973 | \$ | 239,395 |
| Annual OPEB Cost | \$ | 226,172 | \$ | 233,883 |
| Annual Employer Contribution | \$ | 219,628 | \$ | 239,395 |

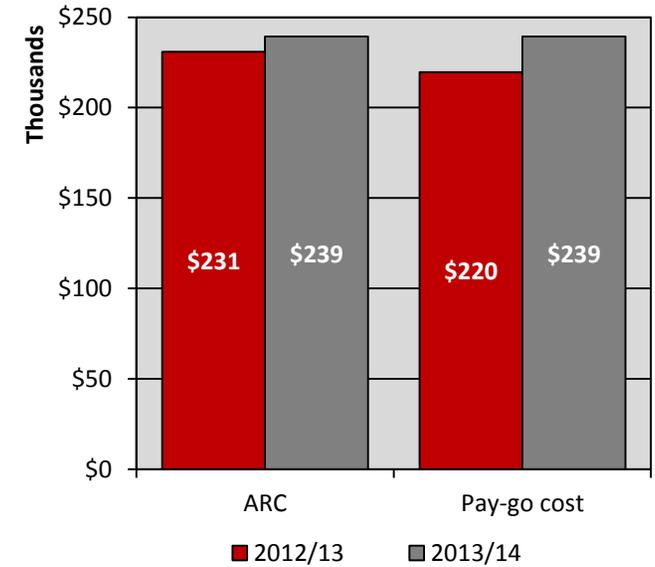
| | <i>As of June, 2013</i> | | <i>As of June 30, 2014</i> | |
|----------------------------|-------------------------|---------|----------------------------|---------|
| Net OPEB Obligation | \$ | 120,302 | \$ | 114,790 |

Development of Annual Required Contribution (ARC)

| Required Supplementary Information | FY 2012/13 | FY 2013/14 |
|---|---------------------|---------------------|
| Actuarial Accrued Liability as of beginning of year | \$ 2,065,042 | \$ 1,928,036 |
| Actuarial Value of Assets as of beginning of year | 0 | 0 |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 2,065,042 | \$ 1,928,036 |
| Covered payroll ¹ | \$ 9,148,272 | \$ 9,422,720 |
| UAAL as a % of covered payroll | 22.6% | 20.5% |

| Annual Required Contribution | FY 2012/13 | FY 2013/14 |
|--|-------------------|-------------------|
| Normal cost as of beginning of year | \$ 58,874 | \$ 59,774 |
| Amortization of the UAAL | 163,215 | 159,100 |
| Total normal cost and amortization payment | \$ 222,089 | \$ 218,874 |
| Interest to end of year | 8,884 | 8,755 |
| Total Annual Required Contribution (ARC) | \$ 230,973 | \$ 227,629 |
| Final ARC² | \$ 230,973 | \$ 239,395 |

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.

¹ 2013/14 covered payroll is based on 2012/13 covered payroll increased by the payroll growth assumption (3.0%).

² Since the total Annual Required Contribution (ARC) is less than the expected pay-go cost, a minimum ARC equal to the expected pay-go cost has been imposed for the 2013/14 fiscal year.

Development of Annual OPEB Cost and Net OPEB Obligation

Annual employer contributions for pay-go cost are estimated figures for FY 2012/13 and FY 2013/14.

| Net OPEB Obligation | | | FY 2012/13 | FY 2013/14 | |
|--|-----------|--|----------------|------------|----------------|
| ARC as of end of year | \$ | | 230,973 | \$ | 239,395 |
| Interest on Net OPEB Obligation (NOO) to end of year | | | 4,550 | | 4,812 |
| NOO amortization adjustment to the ARC | | | (9,351) | | (10,324) |
| Annual OPEB cost | \$ | | 226,172 | \$ | 233,883 |
| Annual employer contribution for pay-go cost | | | (219,628) | | (239,395) |
| Annual employer contribution for pre-funding | | | 0 | | 0 |
| Change in NOO | \$ | | 6,544 | \$ | (5,512) |
| NOO as of beginning of year | | | 113,758 | | 120,302 |
| NOO as of end of year | \$ | | 120,302 | \$ | 114,790 |

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.

Summary of GASB 45 Financial Results

Presented below is the summary of GASB 45 results for the fiscal year ending June 30, 2014 compared to prior fiscal years as shown in the School District's Notes to Financial Statement.

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 | \$ 1,928,036 | \$ - | \$ 1,928,036 | 0.0% | \$ 9,422,720 | 20.5% |
| July 1, 2012 | \$ 2,065,042 | \$ - | \$ 2,065,042 | 0.0% | \$ 9,148,272 | 22.6% |
| July 1, 2011 | \$ 3,015,744 | \$ - | \$ 3,015,744 | 0.0% | \$ 10,138,819 | 29.7% |

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 | \$ 239,395 | \$ 239,395 | 100.0% |
| June 30, 2013 | \$ 219,628 | \$ 230,973 | 95.1% |
| June 30, 2012 | \$ 381,188 | \$ 381,188 | 100.0% |

Historical Annual OPEB Cost

| <i>As of</i> | <i>Annual OPEB Cost</i> | <i>% of Annual OPEB Cost Contributed</i> | <i>Net OPEB Obligation</i> |
|---------------|-------------------------|--|----------------------------|
| June 30, 2014 | \$ 233,883 | 102.4% | \$ 114,790 |
| June 30, 2013 | \$ 226,172 | 97.1% | \$ 120,302 |
| June 30, 2012 | \$ 376,176 | 101.3% | \$ 113,758 |

Summary of Key Actuarial Assumptions

For a more complete summary of assumptions, refer to the GASB 45 Financial Report for fiscal year ending June 30, 2013.

| | |
|--------------------------------|--|
| Discount Rate | 4.0% |
| Inflation Rate | 3.0% per year |
| Payroll Growth | 3.0% per year |
| Cost Method | Projected Unit Credit with linear proration to decrement |
| Amortization | Level dollar based on a closed group; the amortization period as of June 30, 2014 is 16 years. |
| Health Care Trend Rates | Annual trend rates by benefit are as shown below: |

| FYE | Medical | Dental |
|------------|----------------|---------------|
| 2014 | 8.5% | 3.0% |
| 2015 | 8.0% | 3.0% |
| 2016 | 7.5% | 3.0% |
| 2017 | 7.0% | 3.0% |
| 2018 | 6.5% | 3.0% |
| 2019 | 6.0% | 3.0% |
| 2020 | 5.5% | 3.0% |
| 2021+ | 5.0% | 3.0% |

Actuary's Notes

Adjustments have been made to the Actuarial Accrued Liability, normal cost, and expected benefit payments for actual premium increases from 2013/14 to 2014/15, which caused a decrease in the School District's liabilities.

Premium rates

Comparison of monthly premium rates are as shown below.

| Medical/Rx | Eff. 7/1/2013 | | Eff. 7/1/2014 | |
|------------------------|----------------------|----------------------|----------------------|---------------|
| | Single | Family | Single | Family |
| Classic | \$ 624.42 | \$ 1,581.72 | \$ 659.39 | \$ 1,670.30 |
| Healthmate | \$ 524.17 | \$ 1,313.71 | \$ 553.52 | \$ 1,387.28 |
| Dental | Eff. 7/1/2013 | Eff. 7/1/2014 | | |
| Single | \$ 30.76 | \$ 30.76 | | |
| Family - Certified | \$ 82.75 | \$ 82.75 | | |
| Family – Non-Certified | \$ 81.40 | \$ 81.40 | | |

GASB Results by Group

Below is the summary of the GASB results for fiscal year ending June 30, 2014 based on the Projected Unit Credit cost method.

| <i>Allocation Codes</i> | <i>Actuarial Accrued Liability (AAL) As of July 1, 2013</i> | <i>Annual Required Contribution (ARC) For 2013/14</i> | <i>Net OPEB Obligation (NOO) As of June 30, 2014</i> |
|-------------------------|---|---|--|
| Administrators | \$ 27,043 | \$ 4,315 | \$ 58,375 |
| Certified Teachers | \$ 866,201 | \$ 122,612 | \$ 816,330 |
| Non-Certified Employees | \$ 319,930 | \$ 47,947 | \$ 236,228 |
| Retirees | \$ 714,862 | \$ 64,521 | \$ (996,143) |
| Total | \$ 1,928,036 | \$ 239,395 | \$ 114,790 |