



CONSULTING GROUP



# A POSTRETIREMENT WELFARE BENEFIT GASB 45 ACTUARIAL VALUATION

*For:*

City of Woonsocket

*As of:*

**July 1, 2014**

*Prepared by:*  
USI Consulting Group



CONSULTING GROUP

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September 25, 2015

City of Woonsocket, RI  
169 Main Street  
Woonsocket, RI 02895

**RE: July 1, 2014 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 City of Woonsocket as of July 1, 2014. The numbers presented in this report reflect the adoption, by the City of Woonsocket, 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 year beginning July 1, 2014.

The results in this valuation are based on the July 1, 2013 census data (updated to reflect MOA retirees) and plan information updated through December, 2014. The assumptions have not changed since the last valuation. This valuation reflects changes in a number of plan provisions since the last valuation. The provisions are summarized in Section III of this report.

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 blue ink that reads "Robert W. Webb".

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

## **TABLE OF CONTENTS**

	<u>Page</u>
<b>I. Executive Summary</b>	<b>1</b>
<b>II. Census Information</b>	<b>8</b>
<b>III. Financial Statement Disclosure</b>	<b>11</b>
<b>IV. Actuarial Assumptions And Methodology</b>	<b>24</b>
<b>V. Representative Claim Costs</b>	<b>29</b>
<b>VI. Appendices</b>	<b>31</b>

## Section I

# Executive Summary

The section presents the results of the July 1, 2014 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 V show the development of the Annual Required Contribution (ARC). Items VI through IX show the calculation of the Annual OPEB Cost. Item XII 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, 2015. The June 30, 2015 actuarial accrued liability is 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, 2015

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$50,324,870
<i>Actuarial Accrued Liability (AAL)</i>	\$124,356,027
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$124,356,027
<i>Annual Required Contribution (30 year amortization)</i>	\$8,202,297
<i>Annual OPEB Cost</i>	\$7,824,919
<i>Expected Benefit Payments</i>	\$4,421,767

### 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, 2014</u>
<i>Funding Interest Rate*</i>	4.00%
<i>2014 Medical / Dental Trend Rates</i>	4.0% / 5.0%
<i>Ultimate Medical / Dental Trend Rate</i>	5.0% / 5.0%
<i>Year Ultimate Trend Rates Reached</i>	2018 / 2012
<i>Annual Payroll Increase</i>	2.50%

\* Reflects current funding policy (assumes no funding).

## **EXECUTIVE SUMMARY (cont.)**

### **Changes included in current valuation**

The assumptions have not changed since the last valuation. This valuation reflects changes in a number of plan provisions that were negotiated since the last valuation. The provisions are summarized in Section III of this report. The impact of the changes is shown in Appendix II.

### **Accounting for Postretirement Benefits**

Government Accounting Standard No. 45 (GAS 45) addresses the accounting and financial reporting requirements by Employers for Postemployment Benefits Other than Pensions (OPEB). Employers that are required to follow Government Accounting Standards are subject to this standard. The statement does not require that the benefits be pre-funded, however, it defines a financial framework for assessing the costs, design, and sustainability of OPEBs offered by employers.

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of Governmental Accounting Standards Board Statement No. 45. This report also provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans.

The Annual Required Contribution (ARC) and Annual OPEB Cost are developed in the Executive Summary Detail included in this section. Section III presents the disclosure information, including the development of the Net OPEB obligation based on expected contributions / benefits to be paid during the fiscal year.

### **Actuarial Certification**

The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2014. 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, 2013 census data and plan information updated through December, 2014 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.

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.

**EXECUTIVE SUMMARY (cont.)**

**Actuarial Certification (cont.)**

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.

A handwritten signature in blue ink that reads "Robert W. Webb". The signature is written in a cursive style.

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

**EXECUTIVE SUMMARY DETAIL**

**GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION  
AND ANNUAL OPEB COST FOR FYE 6/30/2015 BY EMPLOYEE GROUP**

	<u>Police</u>	<u>Fire</u>	<u>Pro-Tech</u>	<u>Municipal</u>	<u>Non-Union</u>	<u>Total</u>
<b>I. Present value of Future benefits</b>						
A. Retirees/Disableds	\$55,831,481	\$24,803,952	\$2,456,968	\$11,018,703	\$1,506,792	\$95,617,896
B. Active Employees	<u>\$21,840,680</u>	<u>\$24,882,367</u>	<u>\$1,152,903</u>	<u>\$4,949,859</u>	<u>\$689,765</u>	<u>\$53,515,574</u>
C. Total	\$77,672,161	\$49,686,319	\$3,609,871	\$15,968,562	\$2,196,557	\$149,133,470
<b>II. Actuarial Accrued Liability</b>						
A. Retirees/Disableds	\$55,831,481	\$24,803,952	\$2,456,968	\$11,018,703	\$1,506,792	\$95,617,896
B. Active Employees	<u>\$8,999,657</u>	<u>\$15,996,787</u>	<u>\$698,209</u>	<u>\$2,688,895</u>	<u>\$354,583</u>	<u>\$28,738,131</u>
C. Total	\$64,831,138	\$40,800,739	\$3,155,177	\$13,707,598	\$1,861,375	\$124,356,027
<b>III. Actuarial Assets</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>IV. Unfunded Actuarial Accrued Liability (UAAL)</b>	\$64,831,138	\$40,800,739	\$3,155,177	\$13,707,598	\$1,861,375	\$124,356,027
<b>V. Annual Required Contribution (ARC)</b>						
A. Normal Cost	\$852,833	\$914,082	\$47,289	\$221,353	\$29,532	\$2,065,089
B. Supplemental Cost	\$3,111,523	\$1,901,306	\$150,677	\$655,120	\$88,142	\$5,906,768
C. Compound Interest to Year End	<u>\$121,789</u>	<u>\$84,545</u>	<u>\$4,767</u>	<u>\$16,434</u>	<u>\$2,905</u>	<u>\$230,440</u>
D. Annual Required Contribution [A. + B. + C.]	\$4,086,145	\$2,899,933	\$202,733	\$892,907	\$120,579	\$8,202,297
<b>VI. Net OPEB Obligation</b>	\$26,920,381	\$17,246,641	\$1,116,075	\$4,429,422	\$612,351	\$50,324,870
<b>VII. Interest on net OPEB Obligation</b>	\$1,076,815	\$689,866	\$44,643	\$177,177	\$24,494	\$2,012,995
<b>VIII. Adjustment to ARC</b>	(\$1,278,687)	(\$819,196)	(\$53,012)	(\$210,392)	(\$29,086)	(\$2,390,373)
<b>IX. Annual OPEB Cost (Expense) [V.E. + VII. + VIII.]</b>	\$3,884,273	\$2,770,603	\$194,364	\$859,692	\$115,987	\$7,824,919
<b>X. Expected Benefit Payments</b>						
A. Retirees/Disableds	\$1,816,811	\$1,343,667	\$155,681	\$910,366	\$89,376	\$4,315,901
B. Active Employees	<u>\$22,462</u>	<u>\$59,850</u>	<u>\$1,923</u>	<u>\$20,890</u>	<u>\$741</u>	<u>\$105,866</u>
C. Total	\$1,839,273	\$1,403,517	\$157,604	\$931,256	\$90,117	\$4,421,767



**EXECUTIVE SUMMARY DETAIL**

**GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION**

**AND ANNUAL OPEB COST FOR FYE 6/30/2015 BY BENEFIT**

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
<b><i>I. Present value of Future benefits</i></b>				
A. Retirees/Disableds	\$85,873,390	\$4,695,315	\$5,049,191	\$95,617,896
B. Active Employees	<u>\$50,493,391</u>	<u>\$2,219,643</u>	<u>\$802,540</u>	<u>\$53,515,574</u>
C. Total	\$136,366,781	\$6,914,958	\$5,851,731	\$149,133,470
<b><i>II. Actuarial Accrued Liability</i></b>				
A. Retirees/Disableds	\$85,873,390	\$4,695,315	\$5,049,191	\$95,617,896
B. Active Employees	<u>\$27,384,529</u>	<u>\$905,121</u>	<u>\$448,481</u>	<u>\$28,738,131</u>
C. Total	\$113,257,919	\$5,600,436	\$5,497,672	\$124,356,027
<b><i>III. Actuarial Assets</i></b>	\$0	\$0	\$0	\$0
<b><i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i></b>	\$113,257,919	\$5,600,436	\$5,497,672	\$124,356,027
<b><i>V. Annual Required Contribution (ARC)</i></b>				
A. Normal Cost	\$1,943,779	\$85,687	\$35,623	\$2,065,089
B. Supplemental Cost	\$5,391,255	\$259,496	\$256,017	\$5,906,768
C. Compound Interest to Year End	<u>\$214,826</u>	<u>\$10,255</u>	<u>\$5,359</u>	<u>\$230,440</u>
D. Annual Required Contribution [A. + B. + C.]	\$7,549,860	\$355,438	\$296,999	\$8,202,297
<b><i>VI. Net OPEB Obligation</i></b>	\$48,489,107	\$1,373,058	\$462,705	\$50,324,870
<b><i>VII. Interest on net OPEB Obligation</i></b>	\$1,939,565	\$54,922	\$18,508	\$2,012,995
<b><i>VIII. Adjustment to ARC</i></b>	(\$2,303,176)	(\$65,219)	(\$21,978)	(\$2,390,373)
<b><i>IX. Annual OPEB Cost (Expense)</i></b> [V.E. + VII. + VIII.]	\$7,186,249	\$345,141	\$293,529	\$7,824,919
<b><i>X. Expected Benefit Payments</i></b>				
A. Retirees/Disableds	\$3,826,559	\$174,901	\$314,441	\$4,315,901
B. Active Employees	<u>\$102,291</u>	<u>\$2,696</u>	<u>\$879</u>	<u>\$105,866</u>
C. Total	\$3,928,850	\$177,597	\$315,320	\$4,421,767

**EXECUTIVE SUMMARY DETAIL**

**GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION  
 AND ANNUAL OPEB COST FOR FYE 6/30/2015 BY FUND**

	<u>General</u>	<u>User</u>	<u>Wastewater</u>	<u>Water</u>	<u>Total</u>
<b><i>I. Present value of Future benefits</i></b>					
A. Retirees/Disableds	\$90,930,116	\$358,328	\$389,017	\$3,940,435	\$95,617,896
B. Active Employees	<u>\$52,100,056</u>	<u>\$19,264</u>	<u>\$47,203</u>	<u>\$1,349,051</u>	<u>\$53,515,574</u>
C. Total	\$143,030,172	\$377,592	\$436,220	\$5,289,486	\$149,133,470
<b><i>II. Actuarial Accrued Liability</i></b>					
A. Retirees/Disableds	\$90,930,116	\$358,328	\$389,017	\$3,940,435	\$95,617,896
B. Active Employees	<u>\$27,878,019</u>	<u>\$16,628</u>	<u>\$36,969</u>	<u>\$806,515</u>	<u>\$28,738,131</u>
C. Total	\$118,808,135	\$374,956	\$425,986	\$4,746,950	\$124,356,027
<b><i>III. Actuarial Assets</i></b>	\$0	\$0	\$0	\$0	\$0
<b><i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i></b>	\$118,808,135	\$374,956	\$425,986	\$4,746,950	\$124,356,027
<b><i>V. Annual Required Contribution (ARC)</i></b>					
A. Normal Cost	\$2,009,890	\$1,524	\$1,273	\$52,402	\$2,065,089
B. Supplemental Cost	\$5,620,843	\$39,520	\$20,181	\$226,224	\$5,906,768
C. Compound Interest to Year End	<u>\$224,470</u>	<u>\$864</u>	<u>\$256</u>	<u>\$4,850</u>	<u>\$230,440</u>
D. Annual Required Contribution [A. + B. + C.]	\$7,855,203	\$41,908	\$21,710	\$283,476	\$8,202,297
<b><i>VI. Net OPEB Obligation</i></b>	\$48,963,442	(\$143,397)	\$1,724	\$1,503,101	\$50,324,870
<b><i>VII. Interest on net OPEB Obligation</i></b>	\$1,958,538	(\$5,736)	\$69	\$60,124	\$2,012,995
<b><i>VIII. Adjustment to ARC</i></b>	(\$2,325,706)	\$6,811	(\$82)	(\$71,396)	(\$2,390,373)
<b><i>IX. Annual OPEB Cost (Expense) [V.E. + VII. + VIII.]</i></b>	\$7,488,035	\$42,983	\$21,697	\$272,204	\$7,824,919
<b><i>X. Expected Benefit Payments</i></b>					
A. Retirees/Disableds	\$3,934,169	\$38,868	\$29,998	\$312,866	\$4,315,901
B. Active Employees	<u>\$103,911</u>	<u>\$0</u>	<u>\$87</u>	<u>\$1,868</u>	<u>\$105,866</u>
C. Total	\$4,038,080	\$38,868	\$30,085	\$314,734	\$4,421,767

## Section II

# Census Information

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

**CENSUS INFORMATION – A.**

**EMPLOYEE COUNTS**

*As of July 1, 2013*

	<u>Actives</u>	<u>Inactives*</u>	<u>Total</u>
Male	274	339	613
Female	64	136	200
Total	338	475	813

**COUNTS BY AGE AND ELIGIBILITY STATUS**

**ACTIVE EMPLOYEES :**

<u>Age</u>	<u>Currently Eligible to Retire</u>	<u>Not Currently Eligible to Retire</u>	<u>Total</u>
29 and under	0	44	44
30 - 34	0	43	43
35 - 39	0	30	30
40 - 44	11	52	63
45 - 49	24	39	63
50 - 54	13	29	42
55 - 59	6	25	31
60 - 64	9	11	20
65 and over	2	0	2
Total	65	273	338

**CURRENT INACTIVES:**

<u>Age</u>	<u>Inactive*</u>	<u>Spouse</u>	<u>Total</u>
39 and under	4	8	12
40 - 44	11	11	22
45 - 49	33	26	59
50 - 54	38	27	65
55 - 59	48	32	80
60 - 64	69	46	115
65 - 69	66	44	110
70 - 74	69	24	93
75 - 79	54	16	70
80 - 84	28	10	38
85 - 89	43	8	51
90 and over	12	4	16
Total	475	256	731

\* Includes Retirees, Disabled and Survivors

**CENSUS INFORMATION – B.**

**AVERAGE AGE AND SERVICE**

As of July 1, 2013

ACTIVE EMPLOYEES:

A. Average Age at Hire

Males	30.0
Females	36.5
Total	31.2

B. Average Service

Males	12.3
Females	11.9
Total	12.3

C. Average Current Age

Males	42.3
Females	48.4
Total	43.5

CURRENT INACTIVES

D. Average Current Age

Males	65.3
Females	72.6
Total	67.4

## **Section III**

# **Financial Statement Disclosure**

**This section provides the required information and notes to the Financial Statements  
For the fiscal years ending June 30, 2015.**

**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. GASB 45 DISCLOSURE FINANCIALS – ALL FUNDS**

<b>A. Annual OPEB Cost and Net OPEB Obligation</b>	<u>7/1/2014 - 6/30/2015</u>
1. Annual Required Contribution (ARC)	\$8,202,297
2. Interest on net OPEB Obligation	\$2,012,995
3. Adjustment to ARC	<u>(\$2,390,373)</u>
4. Annual OPEB Cost (Expense)	\$7,824,919
5. Contribution made (assumed middle of year) *	<u>(\$4,421,767)</u>
6. Increase in net OPEB Obligation	\$3,403,152
7. Net OPEB Obligation - beginning of year	<u>\$50,324,870</u>
8. Net OPEB Obligation - end of year	\$53,728,022

\* 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 the fiscal year ending 2015 is as follows:

<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>
6/30/2015	\$7,824,919	56.5%	\$53,728,022	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>
7/1/2012	\$0	\$157,305,211	\$157,305,211	0.0%	\$11,161,483	1409.4%
7/1/2013	\$0	\$101,512,769	\$101,512,769	0.0%	\$11,440,520	887.3%
7/1/2014	\$0	\$124,356,027	\$124,356,027	0.0%	N/A	N/A
6/30/2015	\$0	\$126,967,759	\$126,967,759	0.0%	N/A	N/A

**C. Methods and Assumptions**

- Interest Rate	4.00%
- 2014 Medical / Dental Trend Rates	7.0% / 5.0%
- Ultimate Medical / Dental Trend Rate	5.0% / 5.0%
- Year Ultimate Trend Rates Reached	2018 / 2012
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2015	22.91
- Annual Payroll Increase	2.50%

**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**2. GASB 45 DISCLOSURE FINANCIALS – GENERAL FUND**

<b>A. Annual OPEB Cost and Net OPEB Obligation</b>	<b>7/1/2014 - 6/30/2015</b>
1. Annual Required Contribution (ARC)	\$7,855,203
2. Interest on net OPEB Obligation	\$1,958,538
3. Adjustment to ARC	<u>(\$2,325,706)</u>
4. Annual OPEB Cost (Expense)	\$7,488,035
5. Contribution made (assumed middle of year) *	<u>(\$4,038,080)</u>
6. Increase in net OPEB Obligation	\$3,449,955
7. Net OPEB Obligation - beginning of year	<u>\$48,963,442</u>
8. Net OPEB Obligation - end of year	\$52,413,397

\* 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 the fiscal year ending 2015 is as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>	<b>Covered Payroll</b>	<b>OPEB Cost % of Pay</b>
6/30/2015	\$7,488,035	53.9%	\$52,413,397	N/A	N/A

**B. Funded Status and Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)</b>
7/1/2012	\$0	\$150,107,572	\$150,107,572	0.0%	\$12,765,373	1175.9%
7/1/2013	\$0	\$95,973,786	\$95,973,786	0.0%	N/A	N/A
7/1/2014	\$0	\$118,808,135	\$118,808,135	0.0%	N/A	N/A
6/30/2015	\$0	\$121,531,905	\$121,531,905	0.0%	N/A	N/A

**C. Methods and Assumptions**

- Interest Rate	4.00%
- 2014 Medical / Dental Trend Rates	7.0% / 5.0%
- Ultimate Medical / Dental Trend Rate	5.0% / 5.0%
- Year Ultimate Trend Rates Reached	2018 / 2012
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2015	23.03
- Annual Payroll Increase	2.50%



**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**3. GASB 45 DISCLOSURE FINANCIALS – USER FUND**

<b>A. Annual OPEB Cost and Net OPEB Obligation</b>	<b>7/1/2014 - 6/30/2015</b>
1. Annual Required Contribution (ARC)	\$41,908
2. Interest on net OPEB Obligation	(\$5,736)
3. Adjustment to ARC	<u>\$6,811</u>
4. Annual OPEB Cost (Expense)	\$42,983
5. Contribution made (assumed middle of year) *	<u>(\$38,868)</u>
6. Increase in net OPEB Obligation	\$4,115
7. Net OPEB Obligation - beginning of year	<u>(\$143,397)</u>
8. Net OPEB Obligation - end of year	(\$139,282)

\* 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 the fiscal year ending 2015 is as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>	<b>Covered Payroll</b>	<b>OPEB Cost % of Pay</b>
6/30/2015	\$42,983	90.4%	(\$139,282)	N/A	N/A

**B. Funded Status and Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)</b>
7/1/2012	\$0	\$490,747	\$490,747	0.0%	N/A	N/A
7/1/2013	\$0	\$400,931	\$400,931	0.0%	N/A	N/A
7/1/2014	\$0	\$374,956	\$374,956	0.0%	N/A	N/A
6/30/2015	\$0	\$351,894	\$351,894	0.0%	N/A	N/A

**C. Methods and Assumptions**

- Interest Rate	4.00%
- 2014 Medical / Dental Trend Rates	7.0% / 5.0%
- Ultimate Medical / Dental Trend Rate	5.0% / 5.0%
- Year Ultimate Trend Rates Reached	2018 / 2012
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2015	8.13
- Annual Payroll Increase	2.50%

**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**4. GASB 45 DISCLOSURE FINANCIALS – WASTEWATER FUND**

<b>A. Annual OPEB Cost and Net OPEB Obligation</b>	<b>7/1/2014 - 6/30/2015</b>
1. Annual Required Contribution (ARC)	\$21,710
2. Interest on net OPEB Obligation	\$69
3. Adjustment to ARC	(\$82)
4. Annual OPEB Cost (Expense)	\$21,697
5. Contribution made (assumed middle of year) *	<u>(\$30,085)</u>
6. Increase in net OPEB Obligation	(\$8,388)
7. Net OPEB Obligation - beginning of year	<u>\$1,724</u>
8. Net OPEB Obligation - end of year	(\$6,664)

\* 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 the fiscal year ending 2015 is as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>	<b>Covered Payroll</b>	<b>OPEB Cost % of Pay</b>
6/30/2015	\$21,697	138.7%	(\$6,664)	N/A	N/A

**B. Funded Status and Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)</b>
7/1/2012	\$0	\$523,727	\$523,727	0.0%	\$57,044	918.1%
7/1/2013	\$0	\$433,198	\$433,198	0.0%	N/A	N/A
7/1/2014	\$0	\$425,986	\$425,986	0.0%	N/A	N/A
6/30/2015	\$0	\$413,663	\$413,663	0.0%	N/A	N/A

**C. Methods and Assumptions**

- Interest Rate	4.00%
- 2014 Medical / Dental Trend Rates	7.0% / 5.0%
- Ultimate Medical / Dental Trend Rate	5.0% / 5.0%
- Year Ultimate Trend Rates Reached	2018 / 2012
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2015	22.99
- Annual Payroll Increase	2.50%

**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**5. GASB 45 DISCLOSURE FINANCIALS – WATER FUND**

<b>A. Annual OPEB Cost and Net OPEB Obligation</b>	<b>7/1/2014 - 6/30/2015</b>
1. Annual Required Contribution (ARC)	\$283,476
2. Interest on net OPEB Obligation	\$60,124
3. Adjustment to ARC	<u>(\$71,396)</u>
4. Annual OPEB Cost (Expense)	\$272,204
5. Contribution made (assumed middle of year) *	<u>(\$314,734)</u>
6. Increase in net OPEB Obligation	(\$42,530)
7. Net OPEB Obligation - beginning of year	<u>\$1,503,101</u>
8. Net OPEB Obligation - end of year	\$1,460,571

\* 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 the fiscal year ending 2015 is as follows:

<b>Fiscal Year Ending</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>	<b>Covered Payroll</b>	<b>OPEB Cost % of Pay</b>
6/30/2015	\$272,204	115.6%	\$1,460,571	N/A	N/A

**B. Funded Status and Funding Progress**

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll (AAL) ((b - a) / c)</b>
7/1/2012	\$0	\$6,183,165	\$6,183,165	0.0%	\$899,808	687.2%
7/1/2013	\$0	\$4,704,854	\$4,704,854	0.0%	N/A	N/A
7/1/2014	\$0	\$4,746,950	\$4,746,950	0.0%	N/A	N/A
6/30/2015	\$0	\$4,670,297	\$4,670,297	0.0%	N/A	N/A

**C. Methods and Assumptions**

- Interest Rate	4.00%
- 2014 Medical / Dental Trend Rates	7.0% / 5.0%
- Ultimate Medical / Dental Trend Rate	5.0% / 5.0%
- Year Ultimate Trend Rates Reached	2018 / 2012
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2015	22.81
- Annual Payroll Increase	2.50%

**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

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:

**6. A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN (reflects plan provisions in effect on 12/31/2014):**

**A. PRO-TECH (C94 Local 3851) CBA 7/1/2012 - 6/30/2017**

Retire after 7/1/2013

Eligibility: Retirement after 25 years of continuous service and eligible for normal retirement under ERSRI or eligible to receive Social Security Retirement income

Coverage: Pre-65: Individual to a maximum of 6 years of coverage or until age 65, whichever occurs sooner.

Post 65: Individual Medicare Supplemental Plan

Cost Sharing: Hired on or before 6/30/12: 20% of working rate

Hired on or after 7/1/12: 50% of working rate

Retired as of 7/1/2013

Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan

Post 65: Retiree and Spouse – Medicare Supplemental Plan

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 +	0%	0%

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 +	0%	0%

Post 65: City pays 100% of Medicare Supplemental Plan.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**6. A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN  
 (reflects plan provisions in effect on 12/31/2014) (cont.):**

**B. NON-UNION CITY EMPLOYEES**

Retire after 7/1/2013

Eligibility: Retire on or after July 1, 2013 with at least 25 years of service to the City of Woonsocket

Coverage: Pre-65: Individual. If retiree has 25 years of continuous service to the City as of July 1, 2013, and is eligible for normal retirement under ERSRI, family coverage may be elected

Post 65: Individual Medicare Supplemental Plan

Cost Sharing: Hired before 7/1/13: 20% of working rate  
Hired on or after 7/1/13: 50% of working rate

Retired as of 7/1/2013

Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan

Post 65: Retiree and Spouse – Medicare Supplemental Plan

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 +	0%	0%

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 +	0%	0%

Post 65: City pays 100% of Medicare Supplemental Plan.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**6. A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN  
 (reflects plan provisions in effect on 12/31/2014) (cont.):**

**C. MUNICIPAL EMPLOYEES (C94 Local 670) CBA 7/1/2012 - 6/30/2017**

Retire after 7/1/2013

- Eligibility: Retirement after 25 years of continuous service and eligible for normal retirement under RSRI or eligible to receive Social Security Retirement income
- Coverage: Pre-65: Individual to a maximum of 6 years of coverage or until age 65, whichever occurs sooner.  
Post 65: Individual Medicare Supplemental Plan
- Cost Sharing: Hired on or before 6/30/12: 20% of working rate  
Hired on or after 7/1/12: 50% of working rate

Retired as of 7/1/2013

- Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan  
Post 65: Retiree and Spouse – Medicare Supplemental Plan

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 +	0%	0%

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 +	0%	0%

Post 65: City pays 100% of Medicare Supplemental Plan.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**6. A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN  
 (reflects plan provisions in effect on 12/31/2014) (cont.):**

**D. POLICE (IBPO Local 404) Memorandum of Agreement**

Retire after 7/1/2013

**Eligibility:** Hired prior to 7/01/14: Normal retirement under the ERSRI with at least 25 years of continuous service to the City (unless “grandfathered” pursuant to State pension reform of 2012 so as to be eligible for normal retirement under the ERSRI after 20 years of continuous service to the City).

Hired on or after 7/01/14: Eligible for and takes normal retirement under the ERSRI at age 55 or later and with at least 25 years of continuous service to the City.

**Coverage:** Pre 65:

Hired before 7/1/14: may elect at retirement one or two Individual Plans, or Family plan. Retirees who do not opt for Family Plan at the time of retirement, and retirees who opt out of Family Plan during retirement, shall not be permitted to opt into Family Plan, thereafter.

Hired on or after 7/1/14: One individual Plan and may purchase an additional Individual Plan at 100%

Maximum of 10 years of non-Medicare coverage

Post 65:

Hired before 7/1/14: may elect Medicare Supplement Plan for retiree and spouse, with continued spouse/dependent coverage until Medicare eligibility/age 26.

Hired on or after 7/1/14: One individual Medicare Supplement Plan

**Cost Sharing:**

Pre 65: Hired before 7/1/14 :

- 20% for Individual Plans
- 25% for dependent coverage

Hired on or after 7/1/14: 50% co-share

Pre 65: Hired before 7/1/14 :

- 20% for Individual Plans
- 25% for dependent coverage

Hired on or after 7/1/14: 20% co-share

Retired as of 7/1/2013

**Coverage:** Pre 65: Individual or Family - Uniform Plan or High Deductible Plan

Post 65: Retiree and Spouse – Medicare Supplemental Plan

**MOA Early retirees:**

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
	7/1/17 +	0%      0%

**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**6. A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN (reflects plan provisions in effect on 12/31/2014) (cont.):**

**E. POLICE (IBPO Local 404) Memorandum of Agreement (cont.)**

Non-MOA Early retirees:

<u>Cost sharing:</u>	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 +	0%	0%

Post 65: City pays 100% of Medicare Supplemental Plan. The City pays 100% of Rx benefits and reimburses the Medicare Part B premium effective 7/1/2014 for MOA Medicare retirees and effective 7/1/2015 for Non MOA III retirees.

The City pays Part B surcharges for retirees who enrolled in Medicare Part B by 7/1/2013.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

Survivor: Members with at least one year of service receive individual or family coverage for their survivors, until spouse remarries or dependents reach age 19 (not attending college) or age 23 (attending college).

**F. FIRE (IAFF Local 732) Memorandum of Agreement**

Retire after 7/1/2013

Eligibility: Hired prior to 7/01/14: Normal retirement under the ERSRI with at least 25 years of continuous service to the City (unless “grandfathered” pursuant to State pension reform of 2012 so as to be eligible for normal retirement under the ERSRI after 20 years of continuous service to the City).

Hired on or after 7/01/14: Eligible for and takes normal retirement under the ERSRI at age 55 or later and with at least 25 years of continuous service to the City.

Coverage: Pre 65:

Hired before 7/1/14: may elect at retirement one or two Individual Plans, or Family plan. Retirees who do not opt for Family Plan at the time of retirement, and retirees who opt out of Family Plan during retirement, shall not be permitted to opt into Family Plan, thereafter.

Hired on or after 7/1/14: One individual Plan and may purchase an additional Individual Plan at 100%

Maximum of 10 years of non-Medicare coverage

Post 65:

Hired before 7/1/14: may elect Medicare Supplement Plan for retiree and spouse, with continued spouse/dependent coverage until Medicare eligibility/age 26.

Hired on or after 7/1/14: One individual Medicare Supplement Plan



**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**6. A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN  
 (reflects plan provisions in effect on 12/31/2014) (cont.):**

**F. FIRE (IAFF Local 732) Memorandum of Agreement (cont.)**

Cost Sharing:

- Pre 65: Hired before 7/1/14 :
  - 20% for Individual Plans
  - 25% for dependent coverage
- Hired on or after 7/1/14: 50% co-share
- Pre 65: Hired before 7/1/14 :
  - 20% for Individual Plans
  - 25% for dependent coverage
- Hired on or after 7/1/14: 20% co-share

Active contributions: Active firefighters contribute 1.5% of pay toward the cost of retirement benefits. The contribution is scheduled to decrease to 1.0% of pay in Fiscal Years after 6/30/2018.

Retired as of 7/1/2013

Coverage: Pre 65: Individual or Family - Uniform Plan or High Deductible Plan  
Post 65: Retiree and Spouse – Medicare Supplemental Plan

MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	\$998.95 / \$2,488.3	\$435.99 / \$1,102.68
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 +	0%	0%

Non-MOA Early retirees:

	<u>Uniform Plan</u>	<u>High Deductible Plan</u>
<u>Cost sharing:</u>	<u>Individual/Family</u>	<u>Individual/Family</u>
7/1/14 – 6/30/15	20%	10.0%
7/1/15 – 6/30/16	\$665.96 / \$1,658.87	\$290.66 / \$735.12
7/1/16 – 6/30/17	\$332.98 / \$829.43	\$145.33 / \$367.56
7/1/17 +	0%	0%

Post 65: City pays 100% of Medicare Supplemental Plan.

The City pays Part B surcharges for retirees on SSDI as of April 1, 2013 who enrolled in Medicare Part B by 7/1/2013.

Survivor : Members who died in the line of duty (within 2 years of injury) receive individual or family coverage for their survivors, until spouse remarries or dies, and upon death of surviving spouse until dependents reach age 21

**FINANCIAL STATEMENT DISCLOSURE (Cont.)**

**6. A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN  
(reflects plan provisions in effect on 12/31/2014) (cont.):**

**H. Dental:** City employees to age 65; and Police for life

**I. Life:** Police and City employees may continue their life insurance coverage at their own expense in retirement. Coverage reduces by one half at age 65.

**J. Monthly Premiums:** *7/1/2013 – 6/30/2014*

<b>Medical</b>	Individual	Family
Firefighters (active)	534.10	1,330.33
Other City	537.19	1,338.04
Plan 65	155.23	

Uniform Plan (Option 1) *7/1/2014 – 6/30/2015* Individual \$544.97; Family \$1,382.39

High Deductible Plan (Option 2) *7/1/2014 – 6/30/2015* Individual \$484.43; Family \$1,225.20

**Dental** Individual: Average \$33.00  
Family Average \$106.00

**Life Insurance:** Effective 7/1/2013: \$.47 per thousand

## 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 4.00% was used.
2. **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>Medical Rates</u>
2014	7.0%
2015	6.5%
2016	6.0%
2017	5.5%
2018+	5.0%

For the following demographic (mortality, retirement, disability, and other termination of employment) assumptions we utilized rates used in the actuarial valuation of the Employees' Retirement System of Rhode Island.

3. **Mortality:**
  - Post-retirement mortality rates:
    - a. Male employees: 115% of the RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
    - b. Female employees: 95% of the RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
    - c. Disabled males – 60% of the PBGC Table Va for disabled males eligible for Social Security disability benefits.
    - d. Disabled females – 60% of the PBGC Table VIa for disabled females eligible for Social Security disability benefits.
  - Pre-retirement mortality (combined ordinary and duty):
    - a. Male employees: 75% of RP-2000 Combined Healthy for Males with White Collar adjustments.
    - b. Female employees: 75% of RP-2000 Combined Healthy for Females with White Collar adjustments

4. **Disability Rates:** Sample rates are shown below:

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Police/Fire Rate</u>
25	.086%	.035%	.213%
30	.105%	.042%	.275%
35	.143%	.057%	.363%
40	.209%	.084%	.550%
45	.342%	.137%	.900%
50	.580%	.232%	1.513%
55	.960%	.384%	1.513%
60	1.340%	.536%	1.513%
61+	0.00%	0.00%	1.513%

**ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)**

5. **Termination Rates:**

Based on service:

<u>Service</u>	<u>City</u>		<u>Police/Fire</u>
	<u>Male</u>	<u>Female</u>	<u>Rate</u>
0	17.50%	18.00%	10.00%
1	10.87%	11.43%	5.28%
5	5.52%	5.84%	3.54%
10	2.60%	2.55%	1.91%
15	2.01%	1.59%	0.90%
20	1.75%	1.12%	0.00%
24	0.44%	0.00%	0.00%

6. **Retirement Rates:**

**City 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%	30.0%
31	30.0%	25.0%
32-34	25.0%	10.0%
35	25.0%	15.0%
36	25.0%	20.0%
37	25.0%	25.0%
38	35.0%	25.0%
39	50.0%	25.0%
40+	100.0%	100.0%

Age 58 and older

<u>Age</u>	<u>Male</u>	<u>Female</u>
58	12.0%	12.0%
59-61	10.0%	10.0%
62	30.0%	20.0%
63-64	20.0%	15.0%
65	20.0%	20.0%
66-68	25.0%	25.0%
69	30.0%	25.0%
70-74	30.0%	20.0%
75	100.0%	100.0%

**ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)**

6. **Retirement Rates (cont.):** **Police and Firefighters:** Unisex rates based on service are used. Sample rates are shown below:

<u>Service</u>	<u>Rate</u>
20	12.0%
21	10.0%
22-23	10.0%
24	12.0%
25	14.0%
26	16.0%
27	18.0%
28	20.0%
29	20.0%
30+	35.0%

7. **Participation Rate:** It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree medical and dental plans upon retirement; that 70% of the current active City employees and 60% of the current active Police would enroll in the retiree life insurance plan upon retirement; and that 95% of the current active City employees and 40% of the current active Police would enroll in the retiree life insurance plan upon disability.
8. **Percent Married:** It was assumed that 75% of the active employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.
9. **Actuarial Value of Assets:** N/A
10. **Per Capita Claims Cost:** Premiums were age-graded on the current participants in the Medical plan. Further details of the annual per capita claims cost is featured in Section V of the report.
11. **Administrative expenses:** Included in premiums used.
12. **Participant Salary Increases:** 2.50% per annum.
13. **Payroll Growth Rate:** 2.50% annually

**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 is determined as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability is amortized on a closed basis with each new base amortized over 30 years. The amortization amounts are combined and are amortized over an equivalent single amortization period not to exceed the maximum acceptable period.

**ADDITIONAL COMMENTS**

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

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## Section V

# Representative Claim Costs

Based on combined actual claims and premium experience, age-related representative per capita claims costs were developed. This section shows the development of these costs.



**REPRESENTATIVE 2013 PER CAPITA MEDICAL CLAIM COSTS**

**II. DEVELOPMENT OF PER CAPITA RETIREE CLAIM COSTS**

\$4,950,743	Employer Primary Premium Based Claims
<u>\$752,555</u>	Medicare Primary Premium Based Claims
\$5,703,298	Total Premium Based Claims
\$7,745	Retiree (Pre-65) Average Per Capita Claim
<u>\$752,555</u>	Retiree (Post-65) Average Per Capita Claim

**ALL ACTIVE PARTICIPANTS EMPLOYER PRIMARY**

<u>Age Bracket</u>	<u>Number of Males</u>	<u>Number of Females</u>	<u>Male Aging Factor</u>	<u>Female Aging Factor</u>	<u>Aged (M) Average Claims</u>	<u>Aged (F) Average Claims</u>	<u>Age Related Claims</u>
24 & under	22	11	0.549	1.312	\$2,536	\$6,061	\$46,085
25 - 29	27	27	0.591	1.312	\$2,730	\$6,061	\$140,398
30 - 34	32	42	0.712	1.312	\$3,289	\$6,061	\$320,001
35 - 39	37	28	0.850	1.312	\$3,927	\$6,061	\$297,862
40 - 44	42	54	1.000	1.312	\$4,620	\$6,061	\$534,370
45 - 49	47	54	1.193	1.456	\$5,512	\$6,727	\$620,515
50 - 54	52	37	1.441	1.599	\$6,657	\$7,387	\$467,948
55 - 59	57	23	1.753	1.740	\$8,099	\$8,039	\$395,285
60 - 64	62	18	2.102	1.968	\$9,711	\$9,092	\$274,817
65 - 69	67	<u>3</u>	2.316	2.168	\$10,700	\$10,016	<u>\$72,165</u>
Employer Primary Sub.	297	241					\$3,169,447

**ALL RETIREE PARTICIPANTS EMPLOYER PRIMARY**

<u>Age Bracket</u>	<u>Number of Males</u>	<u>Number of Females</u>	<u>Male Aging Factor</u>	<u>Female Aging Factor</u>	<u>Aged (M) Average Claims</u>	<u>Aged (F) Average Claims</u>	<u>Age Related Claims</u>
44 & under	42	11	1.000	1.312	\$4,620	\$6,061	\$93,251
45 - 49	47	33	1.193	1.456	\$5,512	\$6,727	\$195,339
50 - 54	52	33	1.441	1.599	\$6,657	\$7,387	\$271,408
55 - 59	57	41	1.753	1.740	\$8,099	\$8,039	\$452,638
60 - 64	62	52	2.102	1.968	\$9,711	\$9,092	\$768,661
65 - 69	67	0	2.316	2.168	\$10,700	\$10,016	\$0
70 - 74	72	0	2.557	2.396	\$11,813	\$11,070	\$0
75 - 79	77	0	2.769	2.593	\$12,793	\$11,980	\$0
80 - 84	82	0	2.910	2.724	\$13,444	\$12,585	\$0
85 - 89	87	0	3.059	2.864	\$14,133	\$13,232	\$0
90 & Over	92	<u>0</u>	3.215	3.010	\$14,853	\$13,906	<u>\$0</u>
Employer Primary Sub.	170	60					\$1,781,296

**ALL RETIREE PARTICIPANTS MEDICARE PRIMARY**

<u>Age Bracket</u>	<u>Number of Males</u>	<u>Number of Females</u>	<u>Male Aging Factor</u>	<u>Female Aging Factor</u>	<u>Aged (M) Average Claims</u>	<u>Aged (F) Average Claims</u>	<u>Age Related Claims</u>
65 - 69	67	56	2.316	2.168	\$1,691	\$1,583	\$211,819
70 - 74	72	50	2.557	2.396	\$1,867	\$1,749	\$170,311
75 - 79	77	38	2.769	2.593	\$2,022	\$1,893	\$141,187
80 - 84	82	14	2.910	2.724	\$2,125	\$1,989	\$81,452
85 - 89	87	20	3.059	2.864	\$2,233	\$2,091	\$111,578
90 & Over	92	<u>7</u>	3.215	3.010	\$2,347	\$2,198	<u>\$36,209</u>
Medicare Primary Sub.	185	219					\$752,555
Retiree Subtotal	<u>355</u>	<u>279</u>					<u>\$2,533,851</u>
Grand Total	<u>652</u>	<u>520</u>					<u>\$5,703,298</u>

**Section VI**  
**Appendices**

**APPENDIX - I.**

**ACTIVE EMPLOYEE BY AGE AND SERVICE**

**AS OF JULY 1, 2013**

<u>Age</u>	<u>Service</u>									<u>Total</u>
	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40+</u>	
0 - 19	0	0	0	0	0	0	0	0	0	0
20 - 24	14	0	0	0	0	0	0	0	0	14
25 - 29	25	5	0	0	0	0	0	0	0	30
30 - 34	15	24	4	0	0	0	0	0	0	43
35 - 39	6	7	13	4	0	0	0	0	0	30
40 - 44	6	12	13	16	15	1	0	0	0	63
45 - 49	8	8	7	8	24	8	0	0	0	63
50 - 54	7	4	4	7	9	10	1	0	0	42
55 - 59	5	5	9	5	4	2	0	1	0	31
60 - 64	3	7	4	1	3	1	0	1	0	20
65 - 69	0	0	1	0	0	0	0	0	0	1
70 - 74	0	0	0	0	0	0	0	1	0	1
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
<b>Total</b>	<b>89</b>	<b>72</b>	<b>55</b>	<b>41</b>	<b>55</b>	<b>22</b>	<b>1</b>	<b>3</b>	<b>0</b>	<b>338</b>

**APPENDIX – II.**

**RECONCILIATION OF ACTUARIAL ACCRUED LIABILITY**

a. 7/1/2013 Actuarial Accrued Liability	\$101,512,769
b. 2013 Normal Cost	\$2,044,668
c. Interest Rate	4.00%
d. Interest on (a. + b.)	\$4,142,297
e. 2013 Expected Benefit Payments	(\$4,015,437)
f. Interest on f.	<u>(\$80,309)</u>
g. 7/1/2014 Expected Actuarial Accrued Liability (a. + b. + d. + e. + f.)	\$101,512,769
h. Change in Actuarial Accrued Liability due to	
i. Demographic and plan cost changes	\$0
ii. Change in Actuarial Assumptions	\$0
iii. Plan Change	<u>\$20,752,039</u>
iv. Total	\$20,752,039
i. 7/1/2014 Actuarial Accrued Liability (g. + h. iv.)	\$124,356,027

**APPENDIX - III.**

**DEVELOPMENT OF AMORTIZATION PAYMENT**

**A. Prior Bases**

1. Amortization Base Balance as of 7/1/2013	\$101,512,769
2. 2013 Amortization Payment	(\$4,711,926)
3. Interest	0.00%
4. Interest on (1) + (2)	<u>\$3,872,034</u>
5. Amortization Base Balance as of 7/1/2014 (1) + (2) + (4)	\$100,672,877
6. Remaining Amortization Period	27
7. Valuation Interest rate	0.00%
8. Assumed payroll growth	0.00%
9. 2014 Adjusted Amortization Amount	\$4,615,647

**B. New Amortization Base**

1. Experience (Gain)/Loss	\$0
2. Assumption Changes	\$0
3. Plan Change	\$20,752,039
4. Loss due to Funding timing	<u>\$2,931,111</u>
5. Total (1) + (2) + (3) + (4)	\$23,683,150
6. Remaining Amortization Period	30
7. Valuation Interest rate	0.00%
8. Assumed payroll growth	0.00%
9. Amortization Amount	\$966,891

**C. Combined Bases**

1. Amortization Base Balance as of 7/1/2014 (A.5. + B.5.)	\$124,356,027
2. 2014 Preliminary Total Amortization Amount (A.9. + B.9.)	\$5,582,538
3. 2014 Minimum Total Amortization Amount (30 year)	\$5,076,972
4. 2014 Total Amortization Amount (greater of 2. and 3.)	\$5,582,538

**APPENDIX – IV**  
**PROJECTED BENEFIT PAYMENTS**

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2014	\$ 4,446,840	\$ 4,446,840	2048	\$ 7,739,694	\$ 248,566,453	2082	\$ 740,928	\$ 367,727,371
2015	\$ 4,860,157	\$ 9,306,997	2049	\$ 7,466,250	\$ 256,032,703	2083	\$ 639,998	\$ 368,367,369
2016	\$ 5,256,741	\$ 14,563,738	2050	\$ 7,101,379	\$ 263,134,082	2084	\$ 548,448	\$ 368,915,817
2017	\$ 5,548,378	\$ 20,112,116	2051	\$ 6,829,836	\$ 269,963,918	2085	\$ 466,149	\$ 369,381,966
2018	\$ 5,717,396	\$ 25,829,512	2052	\$ 6,628,371	\$ 276,592,289	2086	\$ 392,785	\$ 369,774,751
2019	\$ 5,788,169	\$ 31,617,681	2053	\$ 6,273,617	\$ 282,865,906	2087	\$ 327,997	\$ 370,102,748
2020	\$ 5,930,193	\$ 37,547,874	2054	\$ 5,926,906	\$ 288,792,812	2088	\$ 271,377	\$ 370,374,125
2021	\$ 6,098,186	\$ 43,646,060	2055	\$ 5,585,247	\$ 294,378,059	2089	\$ 222,350	\$ 370,596,475
2022	\$ 6,289,849	\$ 49,935,909	2056	\$ 5,243,706	\$ 299,621,765	2090	\$ 180,290	\$ 370,776,765
2023	\$ 6,481,972	\$ 56,417,881	2057	\$ 4,913,225	\$ 304,534,990	2091	\$ 144,799	\$ 370,921,564
2024	\$ 6,731,955	\$ 63,149,836	2058	\$ 4,588,164	\$ 309,123,154	2092	\$ 115,188	\$ 371,036,752
2025	\$ 6,893,534	\$ 70,043,370	2059	\$ 4,396,988	\$ 313,520,142	2093	\$ 90,668	\$ 371,127,420
2026	\$ 7,169,642	\$ 77,213,012	2060	\$ 4,203,228	\$ 317,723,370	2094	\$ 70,541	\$ 371,197,961
2027	\$ 7,346,639	\$ 84,559,651	2061	\$ 4,022,593	\$ 321,745,963	2095	\$ 54,157	\$ 371,252,118
2028	\$ 7,266,520	\$ 91,826,171	2062	\$ 3,842,567	\$ 325,588,530	2096	\$ 40,985	\$ 371,293,103
2029	\$ 7,554,020	\$ 99,380,191	2063	\$ 3,663,702	\$ 329,252,232	2097	\$ 30,523	\$ 371,323,626
2030	\$ 7,508,056	\$ 106,888,247	2064	\$ 3,486,925	\$ 332,739,157	2098	\$ 22,350	\$ 371,345,976
2031	\$ 7,531,912	\$ 114,420,159	2065	\$ 3,312,298	\$ 336,051,455	2099	\$ 16,083	\$ 371,362,059
2032	\$ 7,561,013	\$ 121,981,172	2066	\$ 3,139,130	\$ 339,190,585	2100	\$ 11,358	\$ 371,373,417
2033	\$ 7,547,593	\$ 129,528,765	2067	\$ 2,967,994	\$ 342,158,579	2101	\$ 7,896	\$ 371,381,313
2034	\$ 7,516,814	\$ 137,045,579	2068	\$ 2,798,863	\$ 344,957,442	2102	\$ 5,424	\$ 371,386,737
2035	\$ 7,384,839	\$ 144,430,418	2069	\$ 2,631,296	\$ 347,588,738	2103	\$ 3,678	\$ 371,390,415
2036	\$ 7,518,677	\$ 151,949,095	2070	\$ 2,465,270	\$ 350,054,008	2104	\$ 2,447	\$ 371,392,862
2037	\$ 7,571,842	\$ 159,520,937	2071	\$ 2,300,657	\$ 352,354,665	2105	\$ 1,596	\$ 371,394,458
2038	\$ 7,673,957	\$ 167,194,894	2072	\$ 2,138,178	\$ 354,492,843	2106	\$ 1,026	\$ 371,395,484
2039	\$ 7,844,148	\$ 175,039,042	2073	\$ 1,977,809	\$ 356,470,652	2107	\$ 654	\$ 371,396,138
2040	\$ 8,010,666	\$ 183,049,708	2074	\$ 1,820,124	\$ 358,290,776	2108	\$ 416	\$ 371,396,554
2041	\$ 8,153,849	\$ 191,203,557	2075	\$ 1,665,898	\$ 359,956,674	2109	\$ 254	\$ 371,396,808
2042	\$ 8,311,306	\$ 199,514,863	2076	\$ 1,515,313	\$ 361,471,987	2110	\$ 153	\$ 371,396,961
2043	\$ 8,392,954	\$ 207,907,817	2077	\$ 1,369,446	\$ 362,841,433	2111	\$ 88	\$ 371,397,049
2044	\$ 8,418,445	\$ 216,326,262	2078	\$ 1,229,233	\$ 364,070,666	2112	\$ 43	\$ 371,397,092
2045	\$ 8,334,096	\$ 224,660,358	2079	\$ 1,095,560	\$ 365,166,226	2113	\$ 16	\$ 371,397,108
2046	\$ 8,137,559	\$ 232,797,917	2080	\$ 969,325	\$ 366,135,551	2114	\$ -	\$ 371,397,108

**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.