



nyhart

***Town of Narragansett and
Narragansett School System***

GASB 45 Actuarial Valuation

Fiscal Year Ending June 30, 2015

Prepared by:

Nyhart

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January 15, 2016

Laura Kenyon
25 Fifth Avenue
Narragansett, RI 02882

This report summarizes the GASB actuarial valuation for Town of Narragansett and Naragansett School System 2014/15 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 information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information and asset information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but 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. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate and other economic assumptions have been selected by the Plan Sponsor. Demographic assumptions have been 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 calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

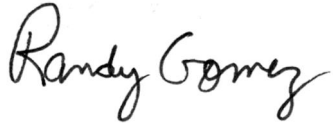
- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

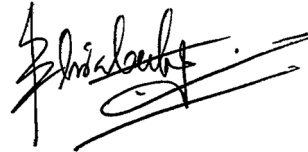
To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

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

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



Randy Gomez, FSA, MAAA
Consulting Actuary



Evi Laksana, ASA, MAAA
Valuation Actuary

Summary of Results

Presented below is the summary of GASB 45 results for both Town and School separately for the fiscal year ending June 30, 2015 compared to the prior fiscal year.

	<i>As of July 1, 2013</i>				<i>As of July 1, 2014</i>			
	<i>Town</i>		<i>School</i>		<i>Town</i>		<i>School</i>	
Actuarial Accrued Liability	\$	58,381,028	\$	3,079,624	\$	58,945,640	\$	3,422,659
Actuarial Value of Assets	\$	1,868,509	\$	0	\$	2,463,875	\$	0
Unfunded Actuarial Accrued Liability	\$	56,512,519	\$	3,079,624	\$	56,481,765	\$	3,422,659
Funded Ratio		3.2%		0.0%		4.2%		0.0%

	<i>FY 2013/14</i>				<i>FY 2014/15</i>			
	<i>Town</i>		<i>School</i>		<i>Town</i>		<i>School</i>	
Annual Required Contribution	\$	5,030,992	\$	379,211	\$	5,047,958	\$	392,924
Annual OPEB Cost	\$	4,729,147	\$	369,708	\$	4,709,739	\$	381,877
Annual Employer Contribution	\$	2,510,011	\$	275,520	\$	2,346,138	\$	307,430

	<i>As of June 30, 2014</i>				<i>As of June 30, 2015</i>			
	<i>Town</i>		<i>School</i>		<i>Town</i>		<i>School</i>	
Net OPEB Obligation	\$	20,633,784	\$	673,926	\$	22,997,385	\$	748,373

	<i>As of June 30, 2015</i>			
	<i>Town</i>		<i>School</i>	
Active Participants		165		240
Total Retiree Participants		118		45

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.

Below is a breakdown of total GASB 45 liabilities allocated to past, current, and future service as of July 1, 2014 compared to the prior year.

<i>As of July 1, 2014</i>		<i>Town</i>	<i>School</i>	<i>Total</i>
Present Value of Future Benefits	\$	74,771,584	\$ 5,770,604	\$ 80,542,188
Active Employees		33,394,151	4,917,144	38,311,295
Retired Employees		41,377,433	853,460	42,230,893
Actuarial Accrued Liability	\$	58,945,640	\$ 3,422,659	\$ 62,368,299
Active Employees		17,568,208	2,569,199	20,137,407
Retired Employees		41,377,432	853,460	42,230,892
Normal Cost	\$	1,512,398	\$ 174,930	\$ 1,687,328
Future Normal Cost	\$	14,313,546	\$ 2,173,015	\$ 16,486,561
<i>As of July 1, 2013</i>		<i>Town</i>	<i>School</i>	<i>Total</i>
Present Value of Future Benefits	\$	76,450,007	\$ 5,357,507	\$ 81,807,514
Active Employees		37,956,017	4,834,722	42,790,739
Retired Employees		38,493,990	522,785	39,016,775
Actuarial Accrued Liability	\$	58,381,028	\$ 3,079,624	\$ 61,460,652
Active Employees		19,887,038	2,556,839	22,443,877
Retired Employees		38,493,990	522,785	39,016,775
Normal Cost	\$	1,494,355	\$ 181,960	\$ 1,676,315
Future Normal Cost	\$	16,574,624	\$ 2,095,923	\$ 18,670,547

Present Value of Future Benefits is the amount needed as of July 1, 2014 and 2013 to fully fund the Town’s and School’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, 2014 and 2013. This amount is a required disclosure in the Required Supplementary Information section.

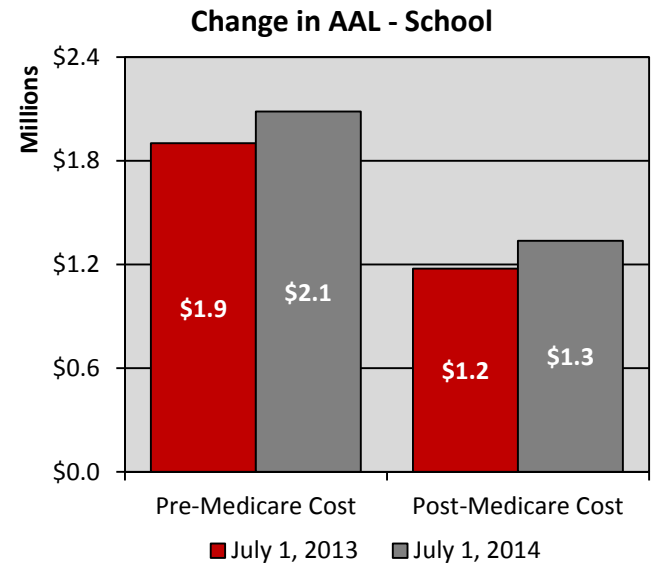
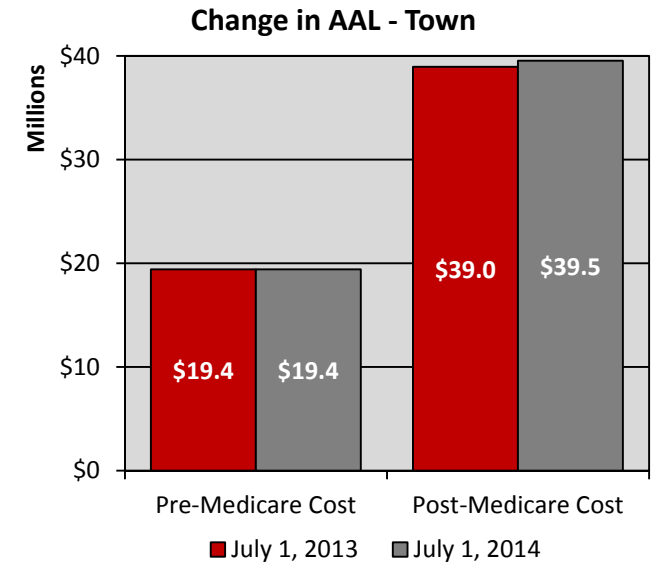
Normal Cost is the portion of the total liability amount that is attributed and accrued for current year’s active employee service by the actuarial cost method.

Future Normal Cost is the portion of the total liability amount that is attributed to the future employee service by the current year’s valuation 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, 2014			
		Town	School	Total
Active Pre-Medicare	\$	9,053,943	\$ 1,566,294	\$ 10,620,237
Active Post-Medicare		8,514,265	1,002,905	9,517,170
Total Active AAL	\$	17,568,208	\$ 2,569,199	\$ 20,137,407
Retirees Pre-Medicare	\$	10,359,416	\$ 519,772	\$ 10,879,188
Retirees Post-Medicare		31,018,016	333,688	31,351,704
Total Retirees AAL	\$	41,377,432	\$ 853,460	\$ 42,230,892
Total AAL	\$	58,945,640	\$ 3,422,659	\$ 62,368,299

Actuarial Accrued Liability (AAL)	As of July 1, 2013			
		Town	School	Total
Active Pre-Medicare	\$	10,243,046	\$ 1,578,462	\$ 11,821,508
Active Post-Medicare		9,643,992	978,377	10,622,369
Total Active AAL	\$	19,887,038	\$ 2,556,839	\$ 22,443,877
Retirees Pre-Medicare	\$	9,167,555	\$ 324,011	\$ 9,491,566
Retirees Post-Medicare		29,326,435	198,774	29,525,209
Total Retirees AAL	\$	38,493,990	\$ 522,785	\$ 39,016,775
Total AAL	\$	58,381,028	\$ 3,079,624	\$ 61,460,652

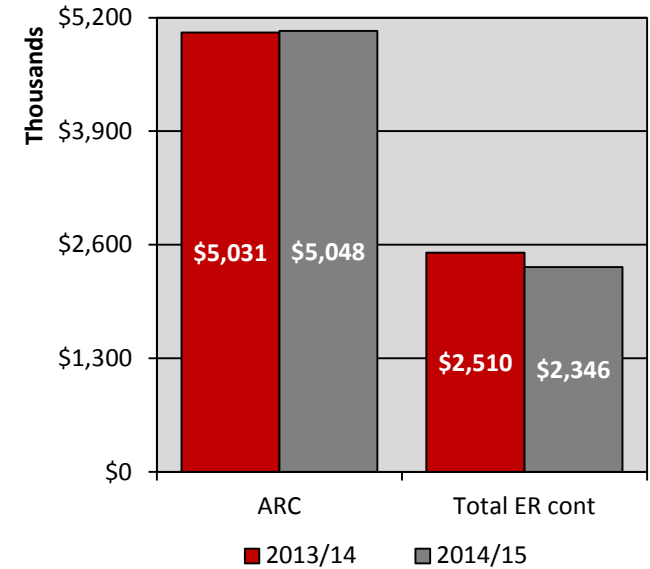


Development of Annual Required Contribution (ARC) Town of Narragansett

Required Supplementary Information		FY 2013/14		FY 2014/15
Actuarial Accrued Liability as of beginning of year	\$	58,381,028	\$	58,945,640
Actuarial Value of Assets as of beginning of year		(1,868,509)		(2,463,875)
Unfunded Actuarial Accrued Liability (UAAL)	\$	56,512,519	\$	56,481,765
Funded Ratio		3.2%		4.2%
Covered payroll ¹	\$	9,377,308	\$	9,522,699
UAAL as a % of covered payroll		602.7%		593.1%

Annual Required Contribution		FY 2013/14		FY 2014/15
Normal cost as of beginning of year	\$	1,494,355	\$	1,512,398
Amortization of the UAAL		3,319,991		3,318,184
Total normal cost and amortization payment	\$	4,814,346	\$	4,830,582
Interest to end of year		216,646		217,376
Total Annual Required Contribution (ARC)	\$	5,030,992	\$	5,047,958

Cash vs Accrual Accounting - Town



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

**Development of Annual OPEB Cost and Net OPEB Obligation
Town of Narragansett**

Net OPEB Obligation		FY 2013/14		FY 2014/15
ARC as of end of year	\$	5,030,992	\$	5,047,958
Interest on Net OPEB Obligation (NOO) to end of year		828,659		928,520
NOO amortization adjustment to the ARC		(1,130,504)		(1,266,739)
Annual OPEB cost	\$	4,729,147	\$	4,709,739
Annual employer contribution for pay-go cost		(2,310,011) ²		(1,936,138) ³
Annual employer contribution for pre-funding		(200,000)		(410,000)
Change in NOO	\$	2,219,136	\$	2,363,601
NOO as of beginning of year		18,414,648		20,633,784
NOO as of end of year	\$	20,633,784	\$	22,997,385

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.

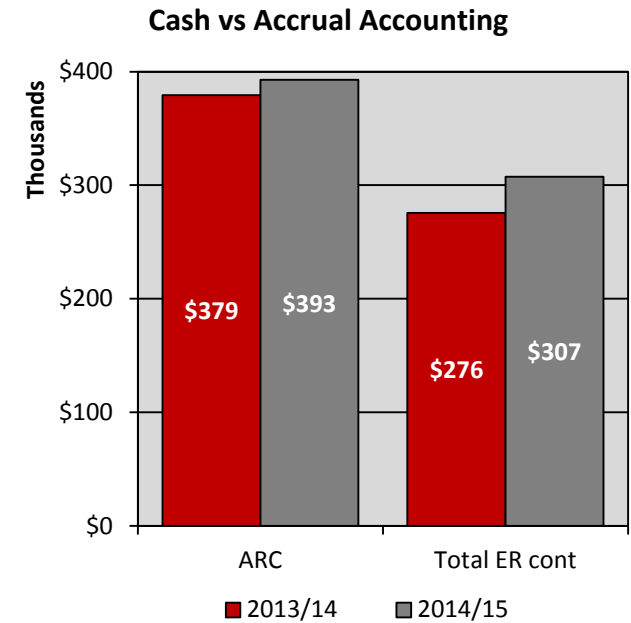
² FY 2013/14 pay-go contribution is the sum of: (a) \$1,871,858 Town's retiree health benefits expenses plus (b) \$438,153 implicit portion of pay-go costs.

³ FY 2014/15 pay-go contribution is the sum of: (a) \$1,738,143 Town's contribution for pay-go costs plus (b) \$197,995 implicit portion of pay-go costs.

Development of Annual Required Contribution (ARC) Narragansett School System

Required Supplementary Information		FY 2013/14		FY 2014/15
Actuarial Accrued Liability as of beginning of year	\$	3,079,624	\$	3,422,659
Actuarial Value of Assets as of beginning of year		0		0
Unfunded Actuarial Accrued Liability (UAAL)	\$	3,079,624	\$	3,422,659
Funded Ratio		0.0%		0.0%
Covered payroll ⁴	\$	16,032,959	\$	N/A
UAAL as a % of covered payroll		19.2%		N/A

Annual Required Contribution		FY 2013/14		FY 2014/15
Normal cost as of beginning of year	\$	181,960	\$	174,930
Amortization of the UAAL		180,921		201,074
Total normal cost and amortization payment	\$	362,881	\$	376,004
Interest to end of year		16,330		16,920
Total Annual Required Contribution (ARC)	\$	379,211	\$	392,924



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.

⁴ FY 2013/14 covered payroll is based on FY 2012/13 covered payroll increased by the payroll growth assumption (3.0%).

Development of Annual OPEB Cost and Net OPEB Obligation Narragansett School System

Annual employer contribution for pay-go costs are estimated for FY 2013/14 and FY 2014/15.

Net OPEB Obligation		FY 2013/14		FY 2014/15
ARC as of end of year	\$	379,211	\$	392,924
Interest on Net OPEB Obligation (NOO) to end of year		26,088		30,327
NOO amortization adjustment to the ARC		(35,591)		(41,374)
Annual OPEB cost	\$	369,708	\$	381,877
Annual employer contribution for pay-go cost		(275,520)		(307,430)
Annual employer contribution for pre-funding		0		0
Change in NOO	\$	94,188	\$	74,447
NOO as of beginning of year		579,738		673,926
NOO as of end of year	\$	673,926	\$	748,373

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, 2015 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, 2014						
Town	\$ 58,945,640	\$ 2,463,875	\$ 56,481,765	4.2%	\$ 9,522,699	593.1%
School	\$ 3,422,659	\$ 0	\$ 3,422,659	0.0%	\$ N/A	N/A
July 1, 2013						
Town	\$ 58,381,028	\$ 1,868,509	\$ 56,512,519	3.2%	\$ 9,377,308	602.7%
School	\$ 3,079,624	\$ 0	\$ 3,079,624	0.0%	\$ 16,032,959	19.2%
July 1, 2012						
Town	\$ 58,932,348	\$ 1,171,831	\$ 57,760,517	2.0%	\$ 9,104,183	634.4%
School	\$ 3,974,657	\$ 0	\$ 3,974,657	0.0%	\$ 15,565,980	25.5%

Summary of GASB 45 Financial Results (continued)

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, 2015					
Town	\$	2,346,138	\$	5,047,958	46.5%
School	\$	307,430	\$	392,924	78.2%
June 30, 2014					
Town	\$	2,510,011	\$	5,030,992	49.9%
School	\$	275,520	\$	379,211	72.7%
June 30, 2013					
Town	\$	2,516,858	\$	5,117,673	49.2%
School	\$	301,939	\$	488,877	61.8%

Historical Annual OPEB Cost

<i>As of</i>	<i>Annual OPEB Cost</i>		<i>% of Annual OPEB Cost Contributed</i>		<i>Net OPEB Obligation</i>
June 30, 2015					
Town	\$	4,709,739	49.8%	\$	22,997,385
School	\$	381,877	80.5%	\$	748,373
June 30, 2014					
Town	\$	4,729,147	53.1%	\$	20,633,784
School	\$	369,708	74.5%	\$	673,926
June 30, 2013					
Town	\$	4,854,140	51.8%	\$	18,414,648
School	\$	482,331	62.6%	\$	579,738

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

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.

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.

	FY 2013/14		FY 2014/15	
	Town	School	Town	School
Actuarial Accrued Liability as of beginning of year ⁵	\$ 58,381,028	\$ 3,079,624	\$ 58,945,640	\$ 3,422,659
Normal cost as of beginning of year	1,494,355	181,960	1,512,398	174,930
Expected benefit payments during the year	(1,921,578)	(275,520)	(1,718,592)	(307,430)
Interest adjustment to end of year	2,651,632	140,640	2,682,369	155,050
Expected Actuarial Accrued Liability as of end of year	\$ 60,605,437	\$ 3,126,704	\$ 61,421,815	\$ 3,445,209
Actuarial (gain) / loss due to experience	(3,220,507)	109,031	0	0
Actuarial (gain) / loss due to provisions / assumptions changes	1,560,710	186,924	0	0
Actual Actuarial Accrued Liability as of end of year	\$ 58,945,640	\$ 3,422,659	\$ 61,421,815	\$ 3,445,209

⁵ Actuarial Accrued Liability (AAL) as of beginning of year was actuarially rolled-back from end of year AAL on a “no gain/loss” basis.

Summary of Assets	Market Value as of June 30, 2014	Market Value as of June 30, 2015
Cash / money market	\$ N/A	\$ 70,493
Fixed income	N/A	862,126
Equities	N/A	1,644,242
Other assets	N/A	0
Total market value of assets	\$ 1,352,281	\$ 2,576,861

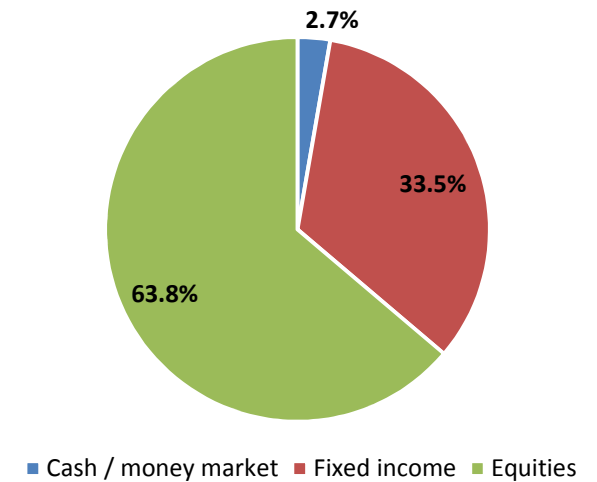
Reconciliation of Market Value of Assets	FY 2013/14	FY 2014/15
Market value of Trust assets as of July 1	\$ 1,196,503	\$ 1,352,281

Revenues		
Employer contributions for pre-funding	\$ 0	\$ 1,111,594 ⁶
Employer contributions for pay-go cost		1,784,850
Investment income	158,478	122,970
Total	\$ 158,478	\$ 3,019,414

Expenditures		
Benefit payments	\$ 0	\$ (1,782,350) ⁷
Investment expenses and professional fees	(2,700)	(12,484)
Total	\$ (2,700)	\$ (1,794,834)

Market value of Trust assets as of June 30	\$ 1,352,281	\$ 2,576,861
Adjustment for employer contributions receivable	\$ 1,111,594	\$ 363,293 ⁸
Actuarial value of assets as of June 30	\$ 2,463,875	\$ 2,940,154

Asset Allocation as of 6/30/2015



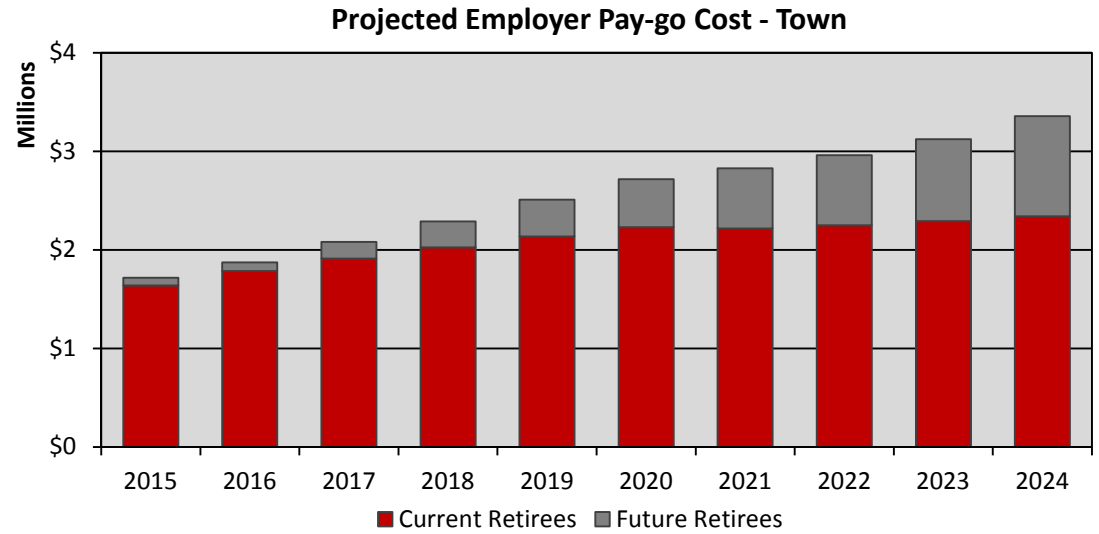
⁶ Contribution receivable for prior fiscal years that was deposited in the Trust in December 2014.

⁷ Based on expected pay-go cost of \$1,886,900 less retiree contributions of \$104,550.

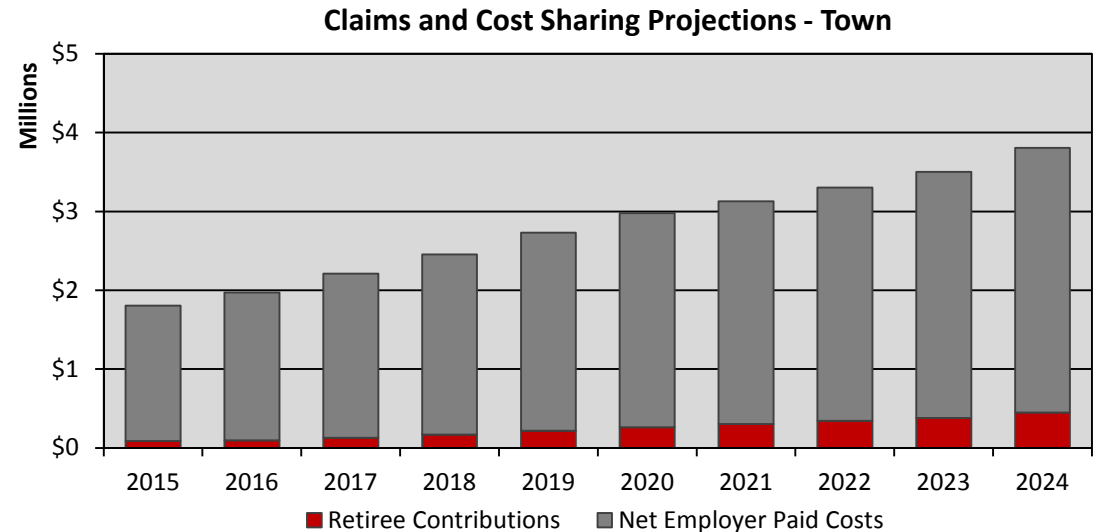
⁸ Based on contribution receivable of \$379,721 less accounts payable of \$16,428.

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.

Town of Narragansett			
FYE	Current Retirees	Future Retirees ⁹	Total
2015	\$ 1,638,382	\$ 80,210	\$ 1,718,592
2016	\$ 1,785,837	\$ 87,429	\$ 1,873,266
2017	\$ 1,913,353	\$ 167,927	\$ 2,081,280
2018	\$ 2,025,580	\$ 262,046	\$ 2,287,626
2019	\$ 2,136,258	\$ 373,644	\$ 2,509,902
2020	\$ 2,229,719	\$ 487,133	\$ 2,716,852
2021	\$ 2,218,707	\$ 608,833	\$ 2,827,540
2022	\$ 2,249,341	\$ 710,616	\$ 2,959,957
2023	\$ 2,292,699	\$ 829,649	\$ 3,122,348
2024	\$ 2,341,691	\$ 1,014,708	\$ 3,356,399



FYE	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs
2015	\$ 1,807,607	\$ 89,015	\$ 1,718,592
2016	\$ 1,970,292	\$ 97,026	\$ 1,873,266
2017	\$ 2,212,286	\$ 131,006	\$ 2,081,280
2018	\$ 2,456,854	\$ 169,228	\$ 2,287,626
2019	\$ 2,729,345	\$ 219,443	\$ 2,509,902
2020	\$ 2,979,277	\$ 262,425	\$ 2,716,852
2021	\$ 3,129,647	\$ 302,107	\$ 2,827,540
2022	\$ 3,304,006	\$ 344,049	\$ 2,959,957
2023	\$ 3,503,556	\$ 381,208	\$ 3,122,348
2024	\$ 3,806,855	\$ 450,456	\$ 3,356,399

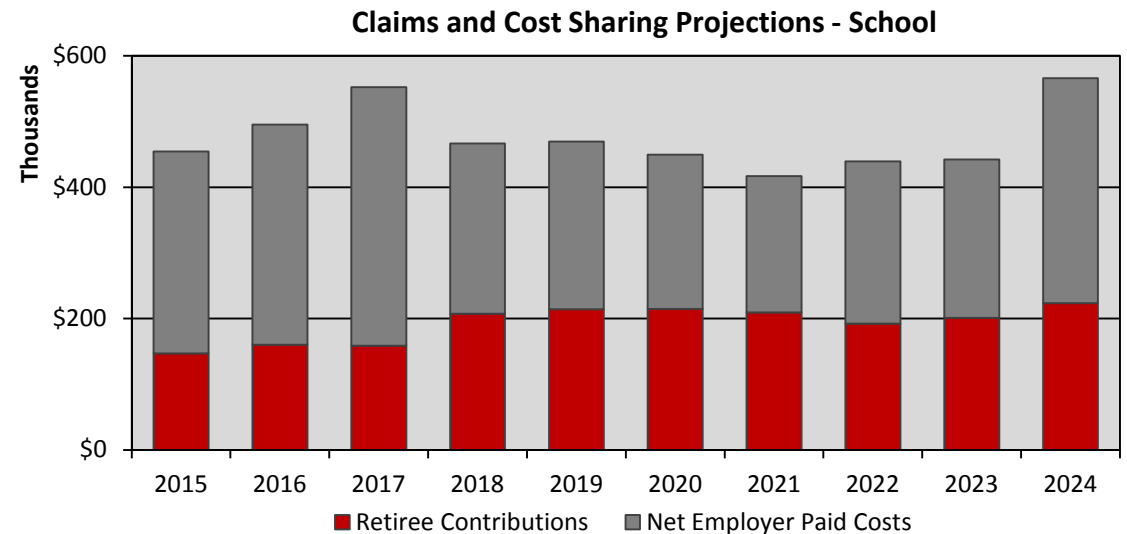
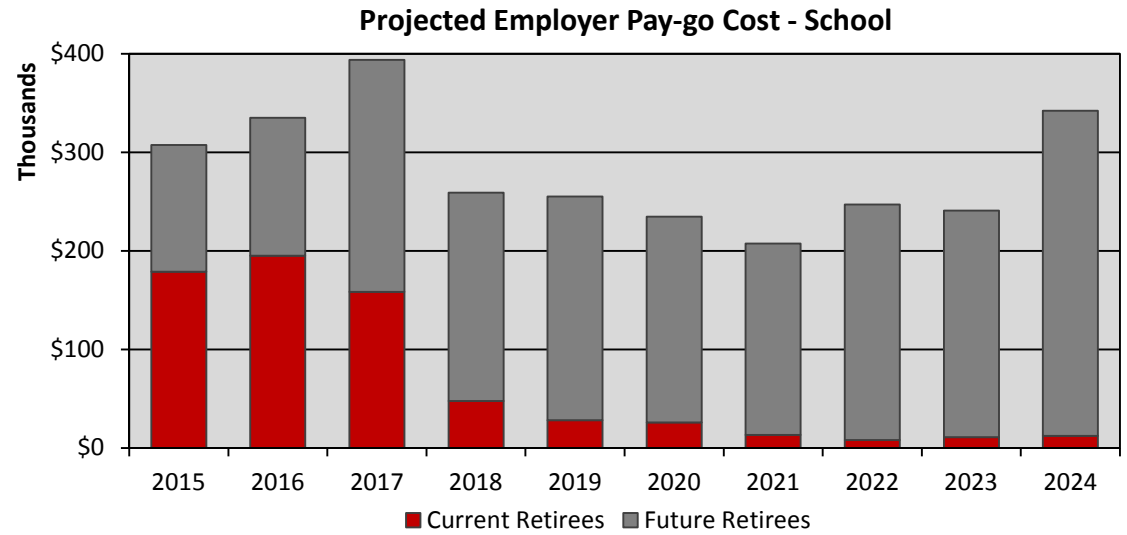


⁹ Projections for future retirees do not take into account future new hires.

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.

Narragansett School System				
FYE	Current Retirees	Future Retirees¹⁰	Total	
2015	\$ 178,953	\$ 128,477	\$ 307,430	
2016	\$ 195,059	\$ 140,040	\$ 335,099	
2017	\$ 158,562	\$ 235,164	\$ 393,726	
2018	\$ 47,688	\$ 211,385	\$ 259,073	
2019	\$ 28,208	\$ 226,917	\$ 255,125	
2020	\$ 25,927	\$ 208,844	\$ 234,771	
2021	\$ 13,387	\$ 193,950	\$ 207,337	
2022	\$ 8,178	\$ 238,925	\$ 247,103	
2023	\$ 10,905	\$ 230,115	\$ 241,020	
2024	\$ 12,150	\$ 330,168	\$ 342,318	

FYE	Estimated Claims Costs	Retiree Contributions	Net Employer-Paid Costs	
2015	\$ 454,358	\$ 146,928	\$ 307,430	
2016	\$ 495,250	\$ 160,151	\$ 335,099	
2017	\$ 552,230	\$ 158,504	\$ 393,726	
2018	\$ 466,453	\$ 207,380	\$ 259,073	
2019	\$ 469,316	\$ 214,191	\$ 255,125	
2020	\$ 449,555	\$ 214,784	\$ 234,771	
2021	\$ 416,883	\$ 209,546	\$ 207,337	
2022	\$ 439,314	\$ 192,211	\$ 247,103	
2023	\$ 442,080	\$ 201,060	\$ 241,020	
2024	\$ 565,936	\$ 223,618	\$ 342,318	



¹⁰ Projections for future retirees do not take into account future new hires.

Eligibility and Benefit**Municipal Employees**

Employees who have attained age 58 with 10 years of service or 20 years of service (whichever is earlier) are eligible for lifetime medical, dental, and life insurance benefits.

For Local 1033 employees hired on/after July 1, 2014, retiree health benefits eligibility requirement is at the earlier of (i) age 58 with 10 years of service or (ii) 25 years of service and the Town no longer provides medical and dental coverage once the retiree is eligible for Medicare.

For Council 94 employees hired on/after July 1, 2014, retiree health benefits eligibility requirement is at the earlier of (i) age 65 with 10 years of service or (ii) 25 years of service and the Town no longer provides medical and dental coverage once the retiree is eligible for Medicare.

Effective July 1, 2004, retirees under the age of 65 will be enrolled in Blue Cross Healthmate Coast to Coast plan. Effective January 1, 2015 all Council 94 and Local 1033 employees are required to enroll in Healthmate 250 plan.

Effective July 1, 2001, retirees age 65 and over will be enrolled in Blue Cross Plan 65.

Current and future retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed 50% of the Town's medical and dental cost depending on their coverage level (individual or family) payable at the end of each contract year.

Fire

Firefighters who have 20 years of service are eligible for lifetime medical, dental, and life insurance benefits if they were hired prior to July 1, 2013. Those hired on/after July 1, 2013 must have 25 years of service to be eligible for lifetime medical, dental, and life insurance benefits.

Effective July 1, 2001, retirees under the age of 65 will be enrolled in Blue Cross Healthmate Coast to Coast plan and coverage will switch to Blue Cross Plan 65 once they reach age 65. Employees retiring on/after January 1, 2011 will no longer receive subsidized Medicare Supplement plan coverage.

Upon reaching age 65, the Town will reimburse the Medicare Part B premium cost to the retirees and spouses.

Current and future retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed 50% of the Town's medical and dental cost depending on their coverage level (individual or family) payable quarterly.

Eligibility and Benefit (continued)

Police

Police officers who have attained age 58 with 10 years of service or 20 years of service (whichever is earlier) are eligible for lifetime medical, dental, and life insurance benefits if they were hired prior to July 1, 2013. Officers hired on/after July 1, 2013 must have 25 years of service to be eligible for medical and dental coverage until Medicare eligibility and lifetime life insurance benefits.

Employees hired prior to July 1, 2013 and retiring prior to July 1, 2013 will be enrolled in Blue Cross Healthmate Coast to Coast plan and coverage will switch to Blue Cross Plan 65 once they reach age 65 at retirement.

Employees hired prior to July 1, 2013 and retiring on/after July 1, 2013 will be enrolled in Blue Cross Healthmate Coast to Coast plan prior to Medicare eligibility and the Town will provide Medicare Part B and D coverage once they are eligible for Medicare. These retirees are not allowed to enroll in Blue Cross Plan 65 when they reach age 65 in retirement.

Employees hired on/after July 1, 2013 will be enrolled in Blue Cross Healthmate Coast to Coast 250 plan prior to Medicare eligibility and they will not have coverage through the Town upon Medicare eligibility.

Upon reaching age 65, the Town will reimburse the Medicare Part B premium cost to the retirees and spouses for all current and future retirees (only for employees hired prior to July 1, 2013).

Current and future retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed 60% of the Town's group health insurance cost depending on their coverage level (individual or family) payable quarterly. Employees hired on/after July 1, 2013 will receive this benefit until Medicare eligibility only.

Spouse Benefit	Spouse coverage continues upon death of the retiree. No spouse benefit is available if the employee dies prior to health care benefits eligibility.
Life Insurance	Town employees meeting the eligibility requirements are eligible for a \$50,000 retiree life insurance benefit. Several current retirees have \$25,000 life insurance benefit as indicated by the Town.
Dental	Town employees meeting the eligibility requirements are eligible for lifetime dental benefits, except as noted in the Eligibility and Benefit section.
Retiree Cost Sharing	
Municipal Employees	Employees retiring prior to January 1, 2010 receive free individual health coverage. If a retiring employee has a spouse then the Town shall provide an individual plan for the spouse. Coverage is also free for dental and life insurance.
Council 94	<p>Council 94 Municipal employees who retire on/after January 1, 2010 but prior to January 1, 2012 contribute 2% of their monthly pension towards healthcare cost (including dental and life insurance). Those who retire on/after the below listed dates contribute a percentage of premiums towards healthcare cost (including dental).</p> <ul style="list-style-type: none"> • Date of retirement on/after January 1, 2012: 10% • Date of retirement on/after July 1, 2012: 12% • Date of retirement on/after July 1, 2013: 15% <p>Employees choosing family coverage shall be responsible for the additional family plan premium cost. Employees who retire on/after July 1, 2011 will no longer receive a Medicare Part B subsidy.</p>
Local 1033	<p>Local 1033 employees who retire on/after January 1, 2010 but before January 1, 2012 contribute 2% of their monthly pension towards healthcare cost (including dental and life insurance). Those who retire on/after the below listed dates contribute a percentage of premiums towards healthcare cost (including dental).</p> <ul style="list-style-type: none"> • Hired prior to July 1, 1996: <ul style="list-style-type: none"> ○ Retired between July 1, 2014 and June 30, 2015: 5% ○ Retired between July 1, 2015 and June 30, 2016: 10% ○ Retired on/after July 1, 2016: 15% • Hired on/after July 1, 1996 retiring on/after July 1, 2014: 20%
Non-Union	Non-Union employees who retire on/after January 1, 2010 contribute 2% of their monthly pension towards healthcare cost (including dental). Employees who retired prior to January 1, 2010 receive free coverage (medical, dental, and life insurance).

Retiree Cost Sharing (continued)

Fire	<p>Employees who retired prior to July 1, 1987 shall receive \$1,000 annually towards their medical plans. There are no retirees belonging in this category.</p>
	<p>Employees who retired on/after July 1, 1987 receive free coverage for health, dental, and life insurance (for retirees and spouses).</p>
	<p>Employees who retired on/after January 1, 2011 are required to contribute 20% of premium towards the cost of their healthcare (for retirees and spouses). These employees will no longer have a subsidized Medicare Supplement coverage.</p>
Police	<p>Employees who retire prior to January 1, 2010 receive free coverage upon retirement (health, dental, and life insurance) for retirees and spouses.</p>
	<p>Employees who retire on/after January 1, 2010 but before January 1, 2011 contribute 2% of their monthly pension towards healthcare cost (including dental and life insurance) regardless of coverage level elected at retirement.</p>
	<p>Employees who retire on/after January 1, 2011 but before July 1, 2013 contribute 5% of their monthly pension towards healthcare cost regardless of coverage level elected at retirement.</p>
	<p>Employees who retire on/after July 1, 2013 contribute 15% of premiums for medical and dental benefits. Employees choosing family coverage shall be responsible for the additional family plan premium cost. Life insurance coverage remains non-contributory for retirees.</p>
	<p>Deputy police chief contribution requirement follows non-union employees.</p>
Pension Benefit	<p>The basic pension benefit is 2.5% of the highest average compensation for the last 3 years multiplied by credited service, limited to 30 years.</p>

Medical Benefits

Same benefits are available to retirees as active employees. Effective on July 1, 2015, Town of Narragansett is a member of Rhode Island Trust Pool and all health plans are considered fully-insured and partially experience-rated for GASB valuation purposes.

Pre-Medicare

Healthmate Coast to Coast and Healthmate Coast to Coast 250 are available to all retired employees under age 65. Police officers hired on/after July 1, 2013 must enroll in Healthmate Coast to Coast 250 while active employed and at retirement. All Council 94 and Local 1033 employees are required to enroll in Healthmate Coast to Coast 250 while actively employed and at retirement effective on January 1, 2015.

United Health Plan is available to Local 1033 future retirees hired prior to July 1, 2001 upon retirement.

Classic Blue Cross and Managed Care plans are available to a closed group of current retirees.

Post-Medicare

All retirees except for several grandfathered retirees must convert to Blue Cross Plan 65 once they reach age 65. This plan is fully-insured and partially experience-rated.

Medical Premium Rates

The monthly premiums by plan effective July 1, 2015 are as shown below.

Plan	Single	2-person
Classic Blue	\$ 718.28	\$ 1,436.56
Healthmate Coast to Coast	\$ 656.80	\$ 1,313.60
Healthmate 250	\$ 597.70	\$ 1,195.40
United Health Plan	\$ 954.82	\$ 1,909.64
Blue Cross Plan 65	\$ 418.10	\$ 836.20

Dental Benefits

Dental plan is fully-insured and experience-rated and the monthly premium rates effective on July 1, 2015 are as shown below.

Plan	EE Only	2-person
Dental	\$ 36.01	\$ 72.02

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 no changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2013. For this year's valuation, we have updated the mortality table, health care trend rates, and 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, 2017.

Measurement Date	June 30, 2015 with results actuarially rolled-back to July 1, 2014 on a "no gain/loss" basis
Discount Rate	4.5% partially funded
Payroll Growth	N/A
Inflation Rate	3.0% per year
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level dollar over thirty years based on an open group
Census Data	Census information was provided by the Town in October 2015. We have reviewed it for reasonableness and no material modifications were made to the census data.
Health Care Coverage Election Rate	Active employees with current coverage: 100% Active employees with no coverage: 0% Inactive employees with current coverage: 100% Inactive employees with no coverage: 0%
Spousal Coverage	Spousal coverage for current retirees is based on actual data. 75% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.
Employer Funding Policy	The Town makes annual pre-funding contributions above pay-go costs at the Town's discretion.

Mortality RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015; the RPH-2015 table is developed from RPH-2014 table with 8 years of mortality improvement based on MP-2014 scale removed, projected to 2014 using MP-2015 scale.

Disability None

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 standard actuarial termination table adjusted for the Town’s historical termination experience. Sample annual turnover rates are shown below:

Age	Municipal	Police/Fire
25	5.3%	4.9%
30	5.1%	3.7%
35	4.7%	2.3%
40	4.2%	1.1%
45	3.5%	0.3%
50	2.5%	0.0%
55	0.9%	0.0%

Retirement Rate Annual rates of retirement are as shown below.

Fire		All Others		
Age	Rates	Age	<20 YOS	<20 YOS
45 – 61	25%	50 – 57	0%	25%
62	50%	58	25%	25%
63 – 64	25%	59 – 61	15%	25%
65+	100%	62	30%	30%
		63 – 64	15%	25%
		65+	100%	100%

Per Capita Costs

Annual per capita costs were calculated based on 2015/16 premium rates by plan for retirees, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs prior to age 65 are as shown below:

Age	Healthmate C2C	Healthmate 250	United	Classic
50 – 54	\$ 8,700	\$ 7,900	\$ 12,700	\$ 9,500
55 – 59	\$ 10,600	\$ 9,700	\$ 15,400	\$ 11,600
60 – 64	\$ 13,100	\$ 11,900	\$ 19,000	\$ 14,300

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.

Annual per capita costs on/after age 65 are as shown below:

Age	Eligible for Medicare			Not Eligible for Medicare	
	Plan 65	Healthmate C2C*	Classic / United*	Healthmate C2C	Classic / United
65 – 69	\$ 4,200	\$ 4,400	\$ 4,800	\$ 7,800	\$ 8,200
70 – 74	\$ 5,000	\$ 5,200	\$ 5,700	\$ 9,200	\$ 9,700
75+	\$ 5,800	\$ 6,000	\$ 6,600	\$ 10,600	\$ 11,200

* Only applicable to current retirees over the age of 65 who are allowed to remain in these plans (i.e. they are not required to enroll in Blue Cross Plan 65 although they are over the age of 65).

Annual dental per capita cost is \$432 and is assumed to increase with dental trend rates.

Annual Medicare Part B reimbursement cost is \$1,462 and is assumed to increase with Part B trend rates.

Health Care Trend Rates

FYE	Medical	Dental	Part B
2016	9.00%	4.50%	3.25%
2017	8.00%	4.00%	3.50%
2018	7.00%	3.50%	3.75%
2019	6.50%	3.00%	4.00%
2020	6.00%	3.00%	4.25%
2021	5.50%	3.00%	4.25%
2022+	5.00%	3.00%	4.25%

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

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

Retiree Contributions

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

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a future police retiree who is enrolled in the Healthmate Coast to Coast 250 plan.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A – B
Retiree	\$ 597.70	\$ 89.66	\$ 508.04
Spouse	\$ 597.70	\$ 597.70	\$ 0.00

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 a retiree age 60 with spouse of the same age enrolled in the Healthmate Coast to Coast 250 plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A – B
Retiree	\$ 991.67	\$ 597.70	\$ 393.97
Spouse	\$ 991.67	\$ 597.70	\$ 393.97

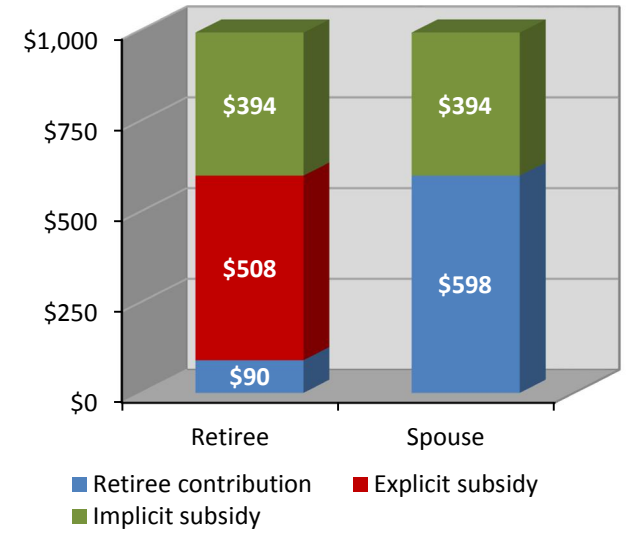
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a future police retiree age 60 with spouse of the same age enrolled in the Healthmate Coast to Coast 250 plan.

	Retiree		Spouse	
Retiree contribution	\$	89.66	\$	597.70
Explicit subsidy	\$	508.04	\$	0.00
Implicit subsidy	\$	393.97	\$	393.97
Total monthly cost	\$	991.67	\$	991.67

GASB Subsidy Breakdown - Town



Eligibility

Certified Teachers

Certified teachers and Administrators who have ten years of service with the School System will, upon retirement, receive post-retirement health care benefits until Medicare eligibility. For GASB valuation purposes, we have assumed that Certified teachers and Administrators will retire once they meet retirement eligibility requirements under Rhode Island State Employee Retirement System (RI ERS).

Support Professionals and
Other School Employees

Support professionals who have ten years of service with the School System will, upon retirement, receive post-retirement health care benefits until Medicare eligibility. For GASB valuation purposes, we have assumed that Support professionals will retire once they meet the retirement eligibility requirements under Rhode Island Municipal Employees' Retirement System (RI 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.

Effective on July 1, 2015, employees are also eligible to retire upon attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with at least 33 years of service. These are additional eligibility requirements, which means that if employees are eligible to retire under the current eligibility requirements, they may do so.

RI MERS Eligibility Requirements

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.

Effective on 7/1/2015, employees are also eligible to retire upon attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with at least 33 years of service. These are additional eligibility requirements, which means that if employees are eligible to retire under the current eligibility requirements, they may do so.

Spouse Benefit

If the employee has a spouse covered at retirement, the spouse can stay in the group health.

No spouse benefit is available if the employee dies prior to health care benefit eligibility.

Retiree Cost Sharing

Retirees are responsible for 100% of the premium cost plus a 2% administrative fee once any accrued sick pay balance which is converted to pay for health and dental care have been exhausted.

Sick Leave Conversion Benefit

Certified Teachers

Teachers with a minimum of 10 years of teaching experience in the Narragansett School System upon retirement can convert accumulated sick pay up to 48 months of a single health and dental plan or up to 24 months of a family health and dental plan. Once accumulated sick pay is exhausted, they can continue to participate in health and dental plans at their own cost until Medicare eligibility.

Teachers may elect to defer commencement of healthcare coverage for a period of no more than 5 years during which they shall pay the difference between the established cash value of the reimbursement and the cost of the elected health care plan.

For GASB valuation purposes it is assumed:

1. All employees convert the maximum allowable accumulated sick pay for health and dental coverage.
2. Healthcare coverage begins immediately.
3. Accumulated sick leave dollar value will be exhausted in 2 years for retiree with family coverage and 4 years for retiree with single coverage.

Support Professionals

Upon separation, support professionals may receive a total of sixty-five percent (65%) of his/her accumulated sick leave dollar value for the specific purpose of purchasing health care.

For GASB valuation purposes it is assumed:

1. All employees convert the maximum allowable accumulated sick pay for health and dental coverage.
2. Healthcare coverage begins immediately.
3. Accumulated sick leave dollar value will be exhausted in 1 year for retiree with family coverage and 3 years for retiree with single coverage.

Other School Employees

Upon separation, all other school employees may apply the reimbursement of unused sick time and vacation towards the purchase of health and dental benefits. Individuals may delay the implementation of this benefit for up to 5 years after severance.

For GASB valuation purposes it is assumed:

1. All employees convert the maximum allowable accumulated sick pay for health and dental coverage.
2. Healthcare coverage begins immediately.
3. Accumulated sick leave dollar value will be exhausted in 2 years for retiree with family coverage and 4 years for retiree with single coverage.

Medical Benefits

Same benefits are available to retirees as active employees. Narragansett School System is a member of WB Community Health. There are other cities and education associations that are members of the Community but each plan sponsor is treated as a self-insured health plan (i.e. their assets are not pooled together).

Pre-Medicare

Classic Blue and Healthmate Coast to Coast plans are available to all retired employees under age 65.

Post-Medicare

All retirees except for Administrators must convert to Blue Cross Plan 65 once they reach age 65. This plan is a community-based rider and all members of the WB Community Health pay the same rate for the same plan.

Medical Premium Rates

The monthly premiums by plan effective July 1, 2015 are as shown below.

Plan	EE Only	Family
Classic Blue	\$ 503.04	\$ 1,502.50
Healthmate Coast to Coast	\$ 497.28	\$ 1,429.94
Blue Cross Plan 65	\$ 496.44	N/A

Dental Benefits

Dental plan is fully-insured and experience-rated and the monthly premium rates effective on July 1, 2015 are as shown below.

Plan	EE Only	Family
Dental	\$ 37.34	\$ 110.52

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

There are no significant changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2013. For this year's valuation, we have updated the mortality table, health care trend rates, and 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, 2017.

Measurement Date	June 30, 2015 with results actuarially rolled-back to July 1, 2014 on a "no gain/loss" basis
Discount Rate	4.5% unfunded
Inflation Rate	3.0%
Census Data	Census data was provided by the School in September 2015. We have reviewed it for reasonableness and no material modifications were made to the census data.
Cost Method	Projected Unit Credit with linear proration to decrement
Amortization	Level dollar over thirty years based on an open group
Health Care Coverage Election Rate	Active employees with current coverage: 100% (reduces to 50% once the accumulated sick pay balance is exhausted) Active employees with no coverage: 0%
	Inactive employees with current coverage: 100% (reduces to 50% once the accumulated sick pay balance is exhausted) Inactive employees with no coverage: 0%
Self-pay Inactive	Inactive employees with current coverage: 100% Inactive employees with no coverage: 0%
Spousal Coverage	Spousal coverage for active employees and current retirees is based on actual data. Husbands are assumed to be three years older than wives.
Employer Funding Policy	Pay-as-you-go cash basis

Mortality RPH-2015 Total Dataset Mortality Table fully generational using scale MP-2015; the RPH-2015 table is developed from RPH-2014 table with 8 years of mortality improvement based on MP-2014 scale removed, projected to 2014 using MP-2015 scale.

Disability None

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 standard actuarial termination tables adjusted for the School System’s historical termination experience. Sample annual turnover rates are shown below:

Age	Support	All Others
25	10.6%	4.9%
30	10.1%	3.7%
35	9.4%	2.3%
40	8.4%	1.1%
45	7.1%	0.3%
50	5.0%	0.0%
55	1.9%	0.0%

Retirement Rate Annual rates of retirement are as shown below.

Certified Teachers and Other School Employees			Support Professionals	
Age	<20 YOS	20+ YOS	Age	Rates
50 – 57	0%	25%	58	15%
58	25%	25%	59 – 61	5%
59 – 61	15%	25%	62	25%
62	30%	30%	63 – 64	15%
63 – 64	15%	25%	65+	100%
65+	100%	100%		

Health Care Trend Rates

FYE	Medical	Dental
2016	9.0%	4.5%
2017	8.0%	4.0%
2018	7.0%	3.5%
2019	6.5%	3.0%
2020	6.0%	3.0%
2021	5.5%	3.0%
2022+	5.0%	3.0%

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

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

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 2015/16 Healthmate Coast to Coast premium rates for retirees under 65 and Blue Cross Plan 65 for retirees over the age of 65, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs are as shown below:

Age	Unisex
50 – 54	\$ 6,000
55 – 59	\$ 6,900
60 – 64	\$ 8,600
65 – 69	\$ 5,500
70 – 74	\$ 6,500
75+	\$ 7,500

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.

All retirees are assumed to elect Healthmate Coast to Coast plan upon retirement.

Annual dental per capita cost is \$448 and is assumed to increase with dental trend rates.

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a retired Teacher enrolled in Healthmate Coast to Coast plan with sick leave conversion benefit.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 497.28	\$ 0.00	\$ 497.28
Spouse	\$ 932.66	\$ 0.00	\$ 932.66

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 a retired Teacher age 60 with spouse of the same age enrolled in Healthmate Coast to Coast plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 716.67	\$ 497.28	\$ 219.39
Spouse	\$ 716.67	\$ 716.67*	\$ 0.00

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

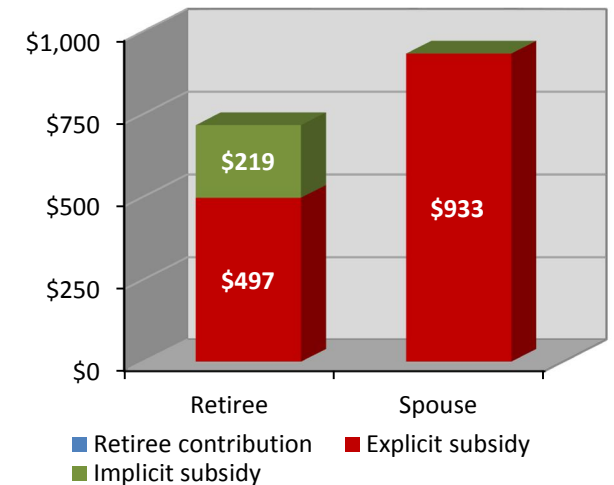
* Limited to per capita cost

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a retired Teacher age 60 with spouse of the same age enrolled in Healthmate Coast to Coast plan.

	Retiree	Spouse
Retiree contribution	\$ 0.00	\$ 0.00
Explicit subsidy	\$ 497.28	\$ 932.66
Implicit subsidy	\$ 219.39	\$ 0.00
Total monthly cost	\$ 716.67	\$ 932.66

GASB Subsidy Breakdown - School



Town of Narragansett

<i>Actives with coverage</i>	<i>Single</i>	<i>Non-Single¹¹</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Total Salary¹²</i>
Healthmate 250	19	42	61	47.2	9.5	\$ 3,046,815
Healthmate	27	34	61	39.1	11.9	\$ 3,871,209
United Health Plan	1	4	5	52.0	22.8	\$ 392,441
Total actives with coverage	47	80	127	43.5	11.2	\$ 7,310,465

<i>Actives without coverage¹³</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Total Salary*</i>
Buyback	37	45.2	9.0	\$ 2,179,739
No coverage	1	57.0	9.8	\$ 32,495
Total actives without coverage	38	45.5	9.0	\$ 2,212,234

<i>Retirees with coverage</i>	<i>Single</i>	<i>Non-Single¹¹</i>	<i>Total</i>	<i>Avg. Age</i>
Classic	9	5	14	77.5
Healthmate	23	42	65	62.5
United Health Plan	12	2	14	63.9
Plan 65	11	14	25	71.8
Total retirees with coverage	55	63	118	66.4

Additionally, there are 20 retirees on buyback and 4 retirees who currently have no health coverage but they may be eligible for dental and/or life insurance benefits. They have been included in the GASB valuation.

¹¹ Non-single enrollment includes participants who elected two individual plans and family coverage.

¹² Total salary information shown above is for FY 2015/16.

¹³ Active employees on buyback are assumed to receive the buyback benefit at retirement. Active employees who currently have no coverage are assumed not to elect coverage at retirement but they may be eligible for life insurance benefits. All actives without coverage have been included in the GASB valuation.

Narragansett School System

<i>Actives with coverage</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Total Salary</i>
Classic BC		3	3	61.1	24.4	\$ N/A
Healthmate	37	148	185	49.5	13.4	\$ N/A
Total actives with coverage	37	151	188	49.7	13.6	\$ N/A

<i>Actives without coverage¹⁴</i>		<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Total Salary</i>
Total actives without coverage		52	49.6	10.4	\$ N/A

<i>Retirees with coverage</i>	<i>Single</i>	<i>Family</i>	<i>Total</i>	<i>Avg. Age</i>
Classic BC	5	2	7	61.3
Healthmate	27	7	34	63.3
Plan 65 ¹⁵	4		4	72.1
Total retirees with coverage	36	9	45	63.8

¹⁴ Active employees who currently have no coverage are assumed not to elect coverage at retirement. They have been excluded from the GASB valuation.

¹⁵ No GASB liabilities are generated for retirees enrolled in Plan 65 as they pay the full cost of coverage.

Active Age-Service Distribution

Town of Narragansett

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		6									6
25 to 29	2	14	3								19
30 to 34	1	5	9	1							16
35 to 39	2		5	9	1						17
40 to 44	2	5	2	6	8	2					25
45 to 49	1	2	3	6	7	6	4				29
50 to 54	1	2	5	2	1	7	1	1			20
55 to 59	3	6	4	1	2	3	1			1	21
60 to 64		1	3	5							9
65 to 69		1					1				2
70 & up							1				1
Total	12	42	34	30	19	18	8	1	0	1	165

Active Age-Service Distribution (continued)

Narragansett School System

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	1										1
25 to 29	2	4	3								9
30 to 34		9	14								23
35 to 39		2	6	5							13
40 to 44	1	4	3	9	6						23
45 to 49		9	7	14	8	5	1				44
50 to 54		3	13	9	12	2	5				44
55 to 59	1	2	8	6	11		9	4			41
60 to 64	1		5	7	7	2	6		2		30
65 to 69		1	3	2	1	1	1				9
70 & up		2	1								3
Total	6	36	63	52	45	10	22	4	2	0	240

APPENDIX

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, 2012¹⁶</i>		<i>As of June 30, 2015</i>	
	<i>Town</i>	<i>School</i>	<i>Town</i>	<i>School</i>
Active Participants	164	257	165	240
Retired Participants	114	55	118	45
Averages for Active				
Age	43.5	49.1	44.0	49.7
Service	11.0	12.2	10.7	12.9
Averages for Inactive				
Age	65.6	62.8	66.4	63.8

¹⁶ GASB valuation for fiscal year 2012/13 is based on the census data collected as of October 2012 for the Town and September 2012 for the School.

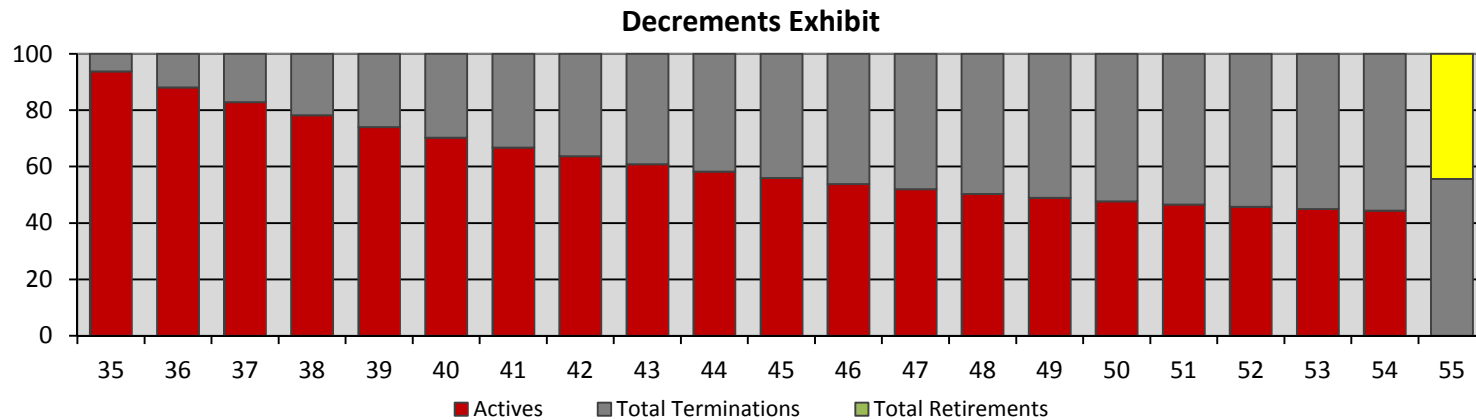
Glossary

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

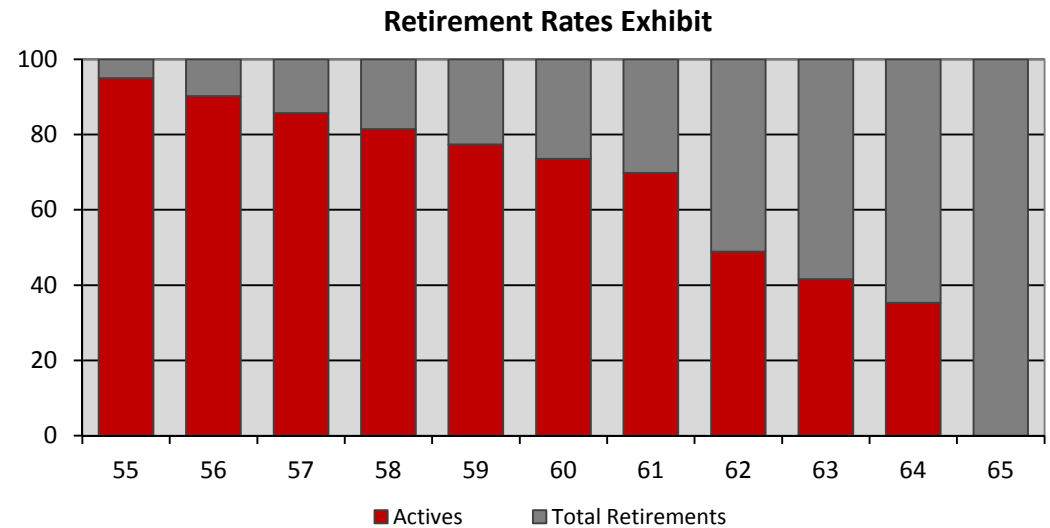


* The above rates are illustrative rates and are not used in our GASB calculations.

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 = $A \times B \times C \times D$

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.