



# GASB 74/75 ACTUARIAL VALUATION

## Fiscal Year Ending June 30, 2020

# TOWN OF SOUTH KINGSTOWN

### CONTACT

**Matt Sherertz, ASA, MAAA**  
matt.sherertz@nyhart.com

### ADDRESS

**Nyhart**  
8415 Allison Pointe Blvd. Suite 300  
Indianapolis, IN 46250

### PHONE

General (317) 845-3500  
Toll-Free (800) 428-7106  
Fax (317) 845-3654

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**December 29, 2020**

**Zachary Saul  
Town of South Kingstown  
180 High Street  
Wakefield, RI 02789**

This report summarizes the GASB actuarial valuation for the Town of South Kingstown 2019/20 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 . 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (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 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, other economic assumptions, and 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 .



Suraj M. Datta, ASA, MAAA  
Consulting Actuary



Matt Sherertz, ASA, MAAA  
Valuation Actuary

# Executive Summary

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2020 compared to the prior fiscal year as shown in the Town's Notes to Financial Statement.

	As of June 30, 2019	As of June 30, 2020
<b>Total OPEB Liability</b>	\$ 20,194,661	\$ 18,131,098
<b>Actuarial Value of Assets</b>	\$ (16,886,005)	\$ (18,426,875)
<b>Net OPEB Liability</b>	\$ 3,308,656	\$ (295,777)
<b>Funded Ratio</b>	83.6%	101.6%

	FY 2018/19	FY 2019/20
<b>OPEB Expense</b>	\$ 950,593	\$ 527,189
<b>Annual Employer Contributions</b>	\$ 2,778,252	\$ 1,909,528
<b>Actuarially Determined Contribution</b>	\$ 1,857,859	\$ 1,392,198

	As of June 30, 2019	As of June 30, 2020
<b>Discount Rate</b>	6.75%	6.50%
<b>Expected Return on Assets</b>	6.75%	6.50%

	As of June 30, 2020
<b>Total Active Participants</b>	635
<b>Total Retiree Participants</b>	81

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.

# Executive Summary

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Summary of Results

Below is a breakdown of total GASB 75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability 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.

Present Value of Future Benefits	As of June 30, 2019	As of June 30, 2020
Active Employees	\$ 22,878,654	\$ 19,067,432
Retired Employees	5,203,950	6,003,126
<b>Total Present Value of Future Benefits</b>	<b>\$ 28,082,604</b>	<b>\$ 25,070,558</b>

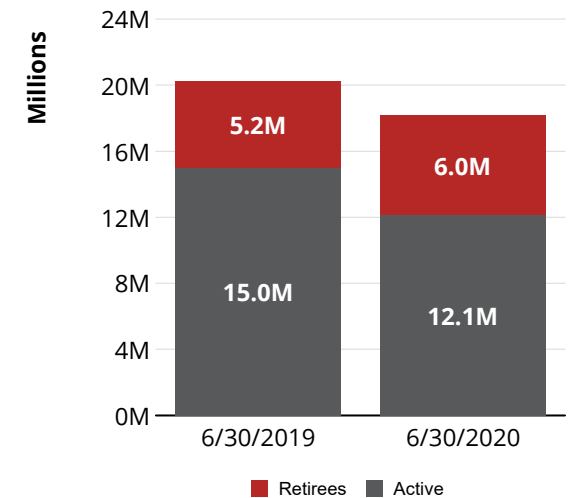
Total OPEB Liability	As of June 30, 2019	As of June 30, 2020
Active Pre-Medicare	\$ 11,381,230	\$ 9,195,559
Active Post-Medicare	3,609,481	2,932,413
Active Liability	\$ 14,990,711	\$ 12,127,972

Retiree Pre-Medicare	\$ 4,879,372	\$ 5,512,967
Retiree Post-Medicare	324,578	490,159
Retiree Liability	\$ 5,203,950	\$ 6,003,126

<b>Total OPEB Liability</b>	<b>\$ 20,194,661</b>	<b>\$ 18,131,098</b>
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	As of June 30, 2019	As of June 30, 2020
Discount Rate	6.75%	6.50%

### Changes In Total OPEB Liability



**Present Value of Future Benefits (PVFB)** is the amount needed as of June 30, 2020 and June 30, 2019, to fully fund the Town's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

**Total OPEB Liability** is the portion of PVFB considered to be accrued or earned as of June 30, 2020 and June 30, 2019. This amount is a required disclosure in the Required Supplementary Information section.

# GASB Disclosures

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17	FY 2015/16
<b>Total OPEB Liability</b>					
Total OPEB Liability - beginning of year	\$ 20,194,661	\$ 20,772,231	\$ 18,888,873	\$ 18,326,804	\$ 19,435,296
Service cost	734,058	719,293	719,381	719,382	820,802
Interest	1,368,716	1,411,561	1,283,580	1,199,145	1,416,126
Change of benefit terms	0	0	25,908	0	0
Changes in assumptions	120,308	0	2,214,123	0	788,258
Differences between expected and actual experience	(2,962,117)	(1,530,172)	(1,155,474)	(214,423)	(3,006,059)
Benefit payments	(1,324,528)	(1,178,252)	(1,204,160)	(1,142,035)	(1,127,619)
Net change in total OPEB liability	\$ (2,063,563)	\$ (577,570)	\$ 1,883,358	\$ 562,069	\$ (1,108,492)
Total OPEB Liability - end of year	\$ 18,131,098	\$ 20,194,661	\$ 20,772,231	\$ 18,888,873	\$ 18,326,804
<b>Plan Fiduciary Net Position</b>					
Plan fiduciary net position - beginning of year	\$ 16,886,005	\$ 14,199,896	\$ 11,901,293	\$ 10,196,288	\$ 9,714,523
Contributions - employer	1,909,528	2,778,252	2,704,160	1,742,035	1,727,619
Contributions - active employees	0	0	0	0	0
Net investment income	994,076	1,120,738	828,458	1,143,920	(62,732)
Benefit payments	(1,324,528)	(1,178,252)	(1,204,160)	(1,142,035)	(1,127,619)
Trust administrative expenses	(38,206)	(34,629)	(29,855)	(38,915)	(55,503)
Net change in plan fiduciary net position	\$ 1,540,870	\$ 2,686,109	\$ 2,298,603	\$ 1,705,005	\$ 481,765
Plan fiduciary net position - end of year	\$ 18,426,875	\$ 16,886,005	\$ 14,199,896	\$ 11,901,293	\$ 10,196,288
<b>Net OPEB Liability - end of year</b>	<b>\$ (295,777)</b>	<b>\$ 3,308,656</b>	<b>\$ 6,572,335</b>	<b>\$ 6,987,580</b>	<b>\$ 8,130,516</b>
Plan fiduciary net position as % of total OPEB liability	101.6%	83.6%	68.4%	63.0%	55.6%
Covered employee payroll	\$ 42,866,121	\$ 44,236,539	\$ 43,253,947	\$ 42,186,979	\$ 40,859,060
Net OPEB liability as % of covered payroll	-0.7%	7.5%	15.2%	16.6%	19.9%

# GASB Disclosures

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Schedule of Employer Contributions

The Actuarially Determined Contributions (ADC) shown below are based on the Annual Required Contribution (ARC) calculated in prior GASB 45 actuarial valuations as shown in the Town's financial statements.

	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17	FY 2015/16
Actuarially Determined Contribution (ADC)	\$ 1,392,198	\$ 1,857,859	\$ 1,829,061	\$ 1,863,644	\$ 1,812,425
Contributions in relation to the ADC	1,909,528	2,778,252	2,704,160	1,742,035	1,727,619
Contribution deficiency/(excess)	\$ (517,330)	\$ (920,393)	\$ (875,099)	\$ 121,609	\$ 84,806
Covered employee payroll	\$ 42,866,121	\$ 44,236,539	\$ 43,253,947	\$ 42,186,979	\$ 40,859,060
Contribution as a % of covered payroll	4.5%	6.3%	6.3%	4.1%	4.2%
	FY 2014/15	FY 2013/14	FY 2012/13	FY 2011/12	FY 2010/11
Actuarially Determined Contribution (ADC)	\$ 1,665,055	\$ 1,722,851	\$ 1,878,000	\$ 1,878,000	\$ 1,922,000
Contributions in relation to the ADC	4,859,217	2,948,054	2,896,704	1,986,031	2,202,000
Contribution deficiency/(excess)	\$ (3,194,162)	\$ (1,225,203)	\$ (1,018,704)	\$ (108,031)	\$ (280,000)
Covered employee payroll	\$ 42,546,253	\$ 42,546,253	\$ 43,016,000	\$ 43,016,000	\$ 41,868,678
Contribution as a % of covered payroll	11.4%	6.9%	6.7%	4.6%	5.3%



# GASB Disclosures

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## OPEB Expense

OPEB Expense	FY 2019/20	FY 2018/19
Discount Rate		
Beginning of year	6.75%	6.75%
End of year	6.50%	6.75%
Service cost	\$ 734,058	\$ 719,293
Interest	1,368,716	1,411,561
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	(1,157,958)	(1,010,462)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	38,206	34,629
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (785,841)	\$ (489,629)
Changes in assumptions	242,983	230,952
Net difference between projected and actual earnings on OPEB plan investments	87,025	54,249
Total current period recognition	\$ (455,833)	\$ (204,428)
Total OPEB expense	\$ 527,189	\$ 950,593

# GASB Disclosures

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense :

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

The initial amortization period for the first two items noted above is based on expected future service lives while the difference between the projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2016	\$ (3,006,059)	13	\$ (231,235)	\$ (1,849,884)
June 30, 2017	\$ (214,423)	13	\$ (16,494)	\$ (148,447)
June 30, 2018	\$ (1,155,474)	13	\$ (88,883)	\$ (888,825)
June 30, 2019	\$ (1,530,172)	10	\$ (153,017)	\$ (1,224,138)
June 30, 2020	\$ (2,962,117)	10	\$ (296,212)	\$ (2,665,905)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2016	\$ 788,258	13	\$ 60,635	\$ 485,083
June 30, 2017	\$ 0	N/A	\$ 0	\$ 0
June 30, 2018	\$ 2,214,123	13	\$ 170,317	\$ 1,703,172
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ 120,308	10	\$ 12,031	\$ 108,277

# GASB Disclosures

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Deferred Outflows / (Inflows) of Resources (Continued)

Net Difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2016	\$ 793,885	5	\$ 158,777	\$ 0
June 30, 2017	\$ (437,043)	5	\$ (87,409)	\$ (87,407)
June 30, 2018	\$ 24,678	5	\$ 4,936	\$ 9,870
June 30, 2019	\$ (110,276)	5	\$ (22,055)	\$ (66,166)
June 30, 2020	\$ 163,882	5	\$ 32,776	\$ 131,106

As of fiscal year ending June 30, 2020	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 0	\$ (6,777,199)
Changes in assumptions	2,296,532	0
Net difference between projected and actual earnings in OPEB plan investments	140,976	(153,573)
<b>Total</b>	<b>\$ 2,437,508</b>	<b>\$ (6,930,772)</b>

## Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2020 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2021	\$ (614,608)
2022	\$ (527,203)
2023	\$ (532,138)
2024	\$ (510,080)
2025	\$ (542,858)
Thereafter	\$ (1,766,377)

# GASB Disclosures

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2020, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 6.50%.
- The 1% decrease in discount rate would be 5.50%.
- The 1% increase in discount rate would be 7.50%.

As of June 30, 2020	Net OPEB Liability
1% Decrease	\$ 897,710
Current Discount Rate	\$ (295,777)
1% Increase	\$ (1,403,236)

The following presents the Net OPEB Liability as of June 30, 2020, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.00%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.00%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 9.00%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2020	Net OPEB Liability
1% Decrease	\$ (1,702,016)
Current Trend Rates	\$ (295,777)
1% Increase	\$ 1,309,430

# GASB Disclosures

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Asset Information

Asset Breakdown	FY 2018/19	FY 2019/20
<b>Assets</b>		
Cash and cash equivalents	\$ 317,578	\$ 57,986
Securities lending cash collateral	0	0
Total cash	\$ 317,578	\$ 57,986
Receivables		
Contributions	\$ 600,000	\$ 585,000
Accrued interest	0	0
Total receivables	\$ 600,000	\$ 585,000
Investments		
Fixed income	\$ 6,217,182	\$ 6,802,215
Equities	9,751,245	10,870,162
Other	0	111,512
Total investments	\$ 15,968,427	\$ 17,783,889
Total Assets	\$ 16,886,005	\$ 18,426,875
<b>Liabilities</b>		
Payables		
Investment management fees	\$ 0	\$ 0
Securities lending expense	0	0
Total liabilities	\$ 0	\$ 0
<b>Net Position Restricted to OPEB</b>	<b>\$ 16,886,005</b>	<b>\$ 18,426,875</b>

# GASB Disclosures

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Asset Information (Continued)

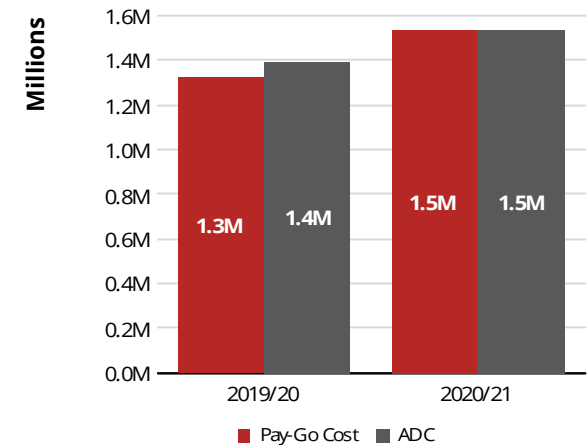
Asset Reconciliation	FY 2018/19	FY 2019/20
<b>Additions</b>		
Contributions Received		
Employer	\$ 2,778,252	\$ 1,909,528
Active employees	0	0
Total contributions	\$ 2,778,252	\$ 1,909,528
Investment Income		
Net increase in fair value of investments	\$ 718,856	\$ 571,620
Interest and dividends	401,882	422,456
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
Net investment income	\$ 1,120,738	\$ 994,076
Total additions	\$ 3,898,990	\$ 2,903,604
<b>Deductions</b>		
Benefit payments	\$ 1,178,252	\$ 1,324,528
Administrative expenses	34,629	38,206
Other	0	0
Total deductions	\$ 1,212,881	\$ 1,362,734
Net increase in net position	\$ 2,686,109	\$ 1,540,870
Net position restricted to OPEB		
Beginning of year	\$ 14,199,896	\$ 16,886,005
End of year	\$ 16,886,005	\$ 18,426,875

# Actuarially Determined Contributions

Town of South Kingstown GASB 74/75 Valuation For Fiscal Year Ending June 30, 2020

	FY 2019/20		FY 2020/21	
Discount rate (Funding)		6.75%		6.50%
Payroll growth factor used for amortization		N/A		N/A
Actuarial cost method		Entry Age Normal Level % of Salary		Entry Age Normal Level % of Salary
Amortization type		Level Dollar		Level Dollar
Amortization period (years)		7		6
Actuarial Accrued Liability (AAL) - beginning of year	\$	20,194,661	\$	18,131,098
Actuarial Value of Assets (AVA) - beginning of year		(16,886,005)		(18,426,875)
Unfunded AAL - beginning of year	\$	3,308,656	\$	(295,777)
Normal Cost	\$	734,058	\$	624,785
Amortization of Unfunded AAL		570,109		(295,777)
Total normal cost plus amortization	\$	1,304,167	\$	329,008
Interest to end of year		88,031		21,386
Actuarially Determined Contribution - Preliminary	\$	1,392,198	\$	350,394
Expected Benefit Payments		1,324,528		1,534,185
<b>Actuarially Determined Contribution - Final</b>	<b>\$</b>	<b>1,392,198</b>	<b>\$</b>	<b>1,534,185</b>

## Cash Vs Accrual Accounting



**Actuarially Determined Contribution (ADC)** is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

\* FY 2019/20 ADC has been updated for actual benefit payments paid. The FY 2018/19 report showed an ADC based on estimated benefit payments. Final ADC is set to be the greater of the preliminary ADC and expected benefit payments.

# Projection of GASB Disclosures

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The Total OPEB Liability (TOL) 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 total OPEB liability and whether they increase or decrease the liability.

### Expected Events

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

### Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs when the reverse happens.
- Increases in TOL 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 TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOL)	FY 2019/20	FY 2020/21
TOL as of beginning of year	\$ 20,194,661	\$ 18,131,098
Normal cost as of beginning of year	734,058	624,785
Exp. benefit payments during the year	(1,324,528)	(1,534,185)
Interest adjustment to end of year	1,368,716	1,170,056
Exp. TOL as of end of year	\$ 20,972,907	\$ 18,391,754
Actuarial Loss / (Gain)	(2,841,809)	TBD
<b>Actual TOL as of end of year</b>	<b>\$ 18,131,098</b>	<b>\$ TBD</b>

Discount rate as of beginning of year	6.75%	6.50%
Discount rate as of end of year	6.50%	TBD

Projection of Actuarial Value of Assets (AVA)	FY 2019/20	FY 2020/21
AVA as of beginning of year	\$ 16,886,005	\$ 18,426,875
Exp. employer contributions during the year	1,909,528	2,119,185
Exp. benefit payments during the year	(1,324,528)	(1,534,185)
Expected investment income	1,157,958	1,214,986
Exp. Trust administrative expenses	(38,206)	(46,067)
Exp. AVA as of end of year	\$ 18,590,757	\$ 20,180,794
Differences between expected and actual experience	(163,882)	TBD
<b>AVA as of end of year</b>	<b>\$ 18,426,875</b>	<b>\$ TBD</b>

Expected asset return as of beginning of year	6.75%	6.50%
Expected asset return as of end of year	6.50%	TBD



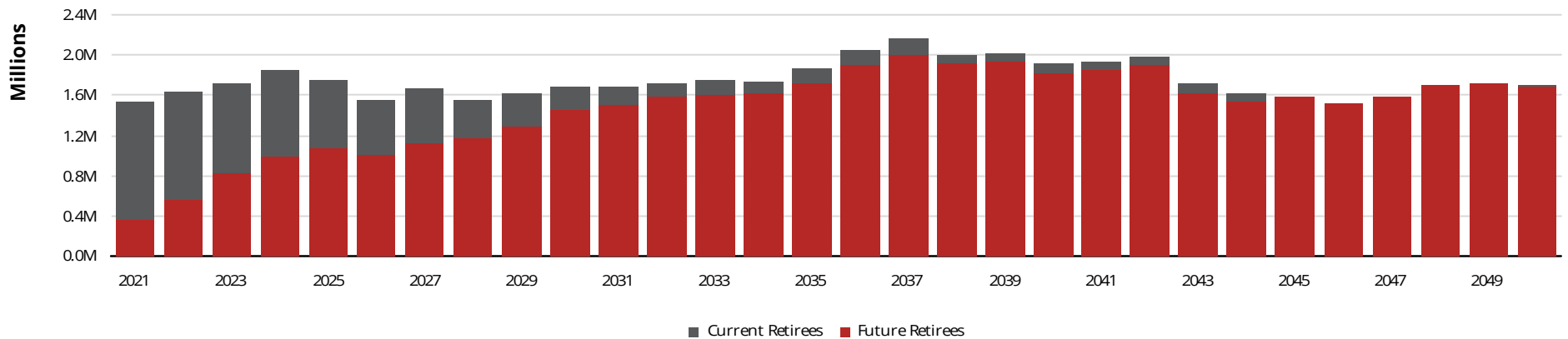
# Cash Flow Projections

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current/future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total
2021	\$ 1,173,104	\$ 361,081	\$ 1,534,185	2031	\$ 187,556	\$ 1,505,380	\$ 1,692,936	2041	\$ 78,897	\$ 1,860,307	\$ 1,939,204
2022	\$ 1,064,330	\$ 570,979	\$ 1,635,309	2032	\$ 127,105	\$ 1,589,931	\$ 1,717,036	2042	\$ 81,800	\$ 1,902,779	\$ 1,984,579
2023	\$ 894,740	\$ 823,245	\$ 1,717,985	2033	\$ 144,541	\$ 1,611,094	\$ 1,755,635	2043	\$ 84,740	\$ 1,630,322	\$ 1,715,062
2024	\$ 869,342	\$ 986,372	\$ 1,855,714	2034	\$ 120,780	\$ 1,620,446	\$ 1,741,226	2044	\$ 87,712	\$ 1,534,244	\$ 1,621,956
2025	\$ 668,727	\$ 1,079,093	\$ 1,747,820	2035	\$ 134,581	\$ 1,727,826	\$ 1,862,407	2045	\$ 3,293	\$ 1,581,649	\$ 1,584,942
2026	\$ 547,517	\$ 1,011,379	\$ 1,558,896	2036	\$ 151,519	\$ 1,902,308	\$ 2,053,827	2046	\$ 3,473	\$ 1,523,259	\$ 1,526,732
2027	\$ 547,861	\$ 1,123,092	\$ 1,670,953	2037	\$ 157,078	\$ 2,004,506	\$ 2,161,584	2047	\$ 3,626	\$ 1,587,665	\$ 1,591,291
2028	\$ 376,749	\$ 1,180,584	\$ 1,557,333	2038	\$ 87,430	\$ 1,916,358	\$ 2,003,788	2048	\$ 3,741	\$ 1,699,029	\$ 1,702,770
2029	\$ 332,491	\$ 1,295,884	\$ 1,628,375	2039	\$ 90,809	\$ 1,929,236	\$ 2,020,045	2049	\$ 3,809	\$ 1,717,462	\$ 1,721,271
2030	\$ 237,023	\$ 1,454,914	\$ 1,691,937	2040	\$ 104,795	\$ 1,817,831	\$ 1,922,626	2050	\$ 3,821	\$ 1,695,642	\$ 1,699,463

### Projected Employer Pay-go Cost



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

# Discussion of Discount Rates

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used.

For the current valuation:

1. The long-term expected rate of return on OPEB plan investment is assumed to be 6.50%. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.10%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2020 are summarized in the following table.
2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Asset Class	Target Allocation	L/T Expected Real ROR
U.S. Equity	37.10%	5.10%
Non-U.S. Equity	15.90%	7.40%
U.S. Aggregate Bonds	12.00%	1.20%
Intermediate-Term Credit	7.20%	1.90%
Short-Term Credit	4.80%	1.70%
Intermediate-Term TIPS	15.00%	0.70%
REITs	8.00%	4.00%
Total	100.00%	4.40%

Yield as of	July 1, 2019	June 30, 2020
Bond Buyer Go 20-Bond Municipal Bond Index	3.51%	2.21%
S&P Municipal Bond 20-Year High Grade Rate Index	2.79%	2.66%
Fidelity 20-Year Go Municipal Bond Index	3.13%	2.45%
Bond Index Range	2.79% - 3.51%	2.21% - 2.66%

3. The final equivalent single discount rate used for this year's valuation is 6.50%. This is based on the expectation that the Town/School will pay for the pay-go cost from the Trust and they will continue making contributions into the Trust in perpetuity until significant changes occur to the retiree health benefit provisions that will necessitate a different funding strategy.

# Summary of Plan Participants

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Active Employees

Actives with coverage - TOWN	Single	Non-Single	Total	Avg. Age	Avg. Svc	Salary
Council 94	15	25	40	48.2	15.2	\$ 1,944,284
EMT	6	9	15	39.6	6.5	\$ 816,618
IBPO	13	34	47	40.1	12.1	\$ 3,304,993
NEA	10	28	38	51.6	15.0	\$ 2,013,033
Non-Union	6	29	35	53.9	17.0	\$ 2,643,813
<b>Total TOWN actives with coverage</b>	<b>50</b>	<b>125</b>	<b>175</b>	<b>47.2</b>	<b>13.9</b>	<b>\$ 10,722,741</b>

Actives with coverage - SCHOOL	Single	Non-Single	Total	Avg. Age	Avg. Svc	Salary
Administrators / Non-Union	4	19	23	47.3	7.0	\$ 2,268,059
Council 94	11	12	23	48.5	13.9	\$ 961,973
Clerks and Aides	16	53	69	56.6	15.8	\$ 2,051,498
NEA	31	209	240	48.3	16.7	\$ 20,334,248
<b>Total SCHOOL actives with coverage</b>	<b>62</b>	<b>293</b>	<b>355</b>	<b>49.9</b>	<b>15.7</b>	<b>\$ 25,615,778</b>

Actives without coverage	Total	Avg. Age	Avg. Svc	Salary
TOWN	30	47.4	8.4	\$ 1,901,024
SCHOOL	75	49.8	11.0	\$ 4,626,578

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

# Summary of Plan Participants

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Active Age-Service Distribution - TOWN

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	3	4										<b>7</b>
25 to 29	2	11										<b>13</b>
30 to 34	3	14	6	1								<b>24</b>
35 to 39		7	7	6	1							<b>21</b>
40 to 44	2	4	1	2	8	4						<b>21</b>
45 to 49	2	6	1	11	6	4	1					<b>31</b>
50 to 54	1	6	2	3	3	3	1	2				<b>21</b>
55 to 59	1	6	2	2	5	8	3	3	1			<b>31</b>
60 to 64			2	1	4	4	4	3	2	1		<b>21</b>
65 to 69			1		1	1	5	2				<b>10</b>
70 & up		1			1		2			1		<b>5</b>
<b>Total</b>	<b>14</b>	<b>59</b>	<b>22</b>	<b>26</b>	<b>29</b>	<b>24</b>	<b>16</b>	<b>10</b>	<b>3</b>	<b>2</b>		<b>205</b>

# Summary of Plan Participants

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Active Age-Service Distribution - SCHOOL

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	2	1										<b>3</b>
25 to 29	4	7	3									<b>14</b>
30 to 34	5	8	8	3								<b>24</b>
35 to 39	4	13	9	10								<b>36</b>
40 to 44	2	7	8	10	19	4						<b>50</b>
45 to 49	4	10	6	9	21	20	7	1				<b>78</b>
50 to 54	3	12	9	10	17	17	16	4				<b>88</b>
55 to 59	1	6	3	7	23	11	3	13				<b>67</b>
60 to 64	1	3	5	5	17	8	10	3	1			<b>53</b>
65 to 69	1	1		1	4	5	1		1			<b>14</b>
70 & up					2	1						<b>3</b>
<b>Total</b>	<b>27</b>	<b>68</b>	<b>51</b>	<b>55</b>	<b>103</b>	<b>66</b>	<b>37</b>	<b>21</b>	<b>2</b>			<b>430</b>

# Summary of Plan Participants

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Retirees

Retirees with coverage - TOWN	Single	Non-Single	Total	Avg. Age
Council 94		8	8	60.7
IBPO	4	16	20	56.2
NEA	2		2	63.7
Non-Union	1	1	2	63.9
<b>Total TOWN retirees with coverage</b>	<b>7</b>	<b>25</b>	<b>32</b>	<b>58.3</b>

Retirees with coverage - SCHOOL	Single	Non-Single	Total	Avg. Age
Administrators / Non-Union		3	3	62.4
Council 94				N/A
Clerks and Aides	3		3	64.7
NEA	6	37	43	65.9
<b>Total SCHOOL retirees with coverage</b>	<b>9</b>	<b>40</b>	<b>49</b>	<b>65.6</b>

## Retiree Age Distribution

Age	TOWN	SCHOOL
< 45	2	
45 to 49	1	
50 to 54	3	
55 to 59	11	4
60 to 64	15	16
65 to 69		28
70 to 74		1
75 to 79		
80 to 84		
85 to 89		
90 & up		
<b>Total</b>	<b>32</b>	<b>49</b>

# Substantive Plan Provisions

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Eligibility

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

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

### RI ERS Eligibility Requirements

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

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

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

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

# Substantive Plan Provisions

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## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### RI ERS Eligibility Requirements (Continued) Article 7 Eligibility Date

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

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

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

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

### RIRSA Eligibility Date

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

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

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

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

Effective on July 1, 2015, employees are now 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.



# Substantive Plan Provisions

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## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### MERS Eligibility Requirements

#### General Employees

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

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

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

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

# Substantive Plan Provisions

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## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### **MERS Eligibility Requirements** (Continued) Police/EMT (Emergency Medical Technician)

Employees eligible to retire as of 7/1/2012 are not impacted by the new eligibility requirements described below. Prior to 7/1/2012, employees were eligible to retire at the earlier of: (i) age 55 with 10 years of service credit or (ii) 25 years of service (no age requirement). Employees who are at least age 50 with 20 years of service are eligible to retire with reduced pension benefit. For municipality that adopts the 20-year retirement provisions for police officers and/or EMTs, members are eligible to retire at any age with 20 or more years of service.

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

- a) Members who are at least age 45 with 10 years of service as of 7/1/2012 and are eligible to retire prior to age 52 under the old eligibility requirements may retire at age 52.
- b) All other members are eligible to retire at age 50 with 25 years of service or at any age if they have 27 years of contributing service. For members with at least five years of service but less than 25, they are eligible to retire at their Social Security normal retirement age.

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

Effective on July 1, 2015, police officers and EMTs are eligible to retire with full benefit upon attainment of age 50 with 25 years of service or any age with 27 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.

### **Disability Retirement Benefit**

#### Town EMT/IBPO

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

#### Town Council 94

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

# Substantive Plan Provisions

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## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Active Contribution Requirements

Active employees contribution requirements are as shown below:

- 20% for School NEA/Admin Management, Town IBPO, Town Council 94, Town NEA, Town Non-Union and Admin
- 5% for Town NEA employees with annual salary less than \$30,000
- 5% of HDHP + HSA funding for EMT
- 15% for School Clerks and Aides
- 16% for School Custodians

### Spouse Coverage

#### Town EMT/IBPO

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

#### School NEA (Teachers)/Admin Management

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

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

# Substantive Plan Provisions

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Explicit Subsidy / Retiree Contributions

#### Town EMT

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

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

#### Town IBPO

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

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

There is no coverage after Medicare eligibility. If the retiree has a younger spouse, there is no benefit for the spouse once the retiree attains Medicare eligibility. If the retiree has an older spouse, there is no benefit for the spouse when the spouse attains Medicare eligibility.

#### Town Council 94

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

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

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

# Substantive Plan Provisions

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Explicit Subsidy / Retiree Contributions (Continued)

#### Town NEA/Non-Union

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

Service at Retirement	Annual Subsidy		Subsidy Duration	
	DOH < 7/1/2006	DOH ≥ 7/1/2006	DOH < 7/1/2006	DOH ≥ 7/1/2006
30	\$ 6,000	\$ 4,500	4 years	3 years
25	\$ 5,000	\$ 3,000	3 years	3 years
20	\$ 3,000	\$ 2,000	3 years	3 years

#### School NEA (Teachers)/Admin Management

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

Employees retiring on/after July 1, 2018 are eligible for the same benefits as above, however if the retiree becomes Medicare eligible within the benefit period, the retiree must come off the School plan. They will then be reimbursed for Part B payments and one supplemental "gap" insurance plan with prescription drug coverage provided by the School (Medicare 65 Plan). Covered spouses/dependents that are not Medicare eligible may stay on the School's plan for the covered benefit period.

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

Retiree health benefits are eligible for the following specified duration:

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

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

### Life Insurance

#### School NEA (Teachers)

Employees who retire under the state pension plan with 10 years of service are eligible to continue life insurance coverage of \$30,000 paid by the School for a period of five years. After five years the retiree can elect to continue coverage at their expense, paying the rate in effect at their retirement date.

# Substantive Plan Provisions

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Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Life Insurance (cont.)

### School Admin Management

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

- Retirees pay the non-banded rate plus any yearly premium increase on the first \$30,000 of coverage.
- Coverage amount beyond the first \$30,000 are paid fully by the retiree at the current banded rates.  
The retiree also has the option of reducing the coverage to \$30,000.

# Substantive Plan Provisions

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Medical Benefits

Same benefit options are available to retirees as active employees. Both Town of South Kingstown and South Kingstown School Department health plans are fully-insured through Rhode Island Interlocal Risk Management Trust. Depending on its size, the entity's experience is blended with the community pool (the community used is all of the municipal accounts in Rhode Island, not just the collaborative pool that they are a part of). There is no asset used to suppress premium rates increases. Premium rates are calculated to fund the expected costs (including claims and administrative costs).

The monthly premiums effective on July 1, 2020 are as shown below.

Employer	Division / Plan	Employee Groups	Single	Family
Town	1002575-0006 Classic <sup>1</sup>	Council 94	N/A	\$ 2,425.22
Town	1002575-0006 HM \$50 ER	Council 94	\$ 741.29	\$ 1,755.00
Town	1002575-0006 HM \$75 ER	Council 94	\$ 723.10	\$ 1,711.93
Town	1002575-0006 HM \$75 ER OV \$15	Council 94	\$ 733.35	\$ 1,736.22
Town	1002575-0005 Classic <sup>1</sup>	IBPO	\$ 1,022.07	\$ 2,432.83
Town	1002575-0005 HM \$25 ER	IBPO	\$ 752.44	\$ 1,782.13
Town	1002575-0005 HM \$50 ER	IBPO	\$ 747.17	\$ 1,769.65
Town	1002575-0005 HM \$100 ER	IBPO	\$ 741.14	\$ 1,755.39
Town	1002575-0003 HM <sup>2</sup>	IBPO	\$ 737.27	\$ 1,737.22
Town	1002575-0002 HM	NEA	\$ 737.13	\$ 1,744.95
Town	1002575-0001 HM	Non-Union / C94	\$ 733.35	\$ 1,736.22
Town	1002575-0004/9 HDHP HSA <sup>2</sup>	EMT	\$ 615.97	\$ 1,443.17
Town	1002575-0007/8 HM <sup>2</sup>	EMT	\$ 750.36	\$ 1,758.05
School	161-0002 Classic	NEA / Admin	\$ 747.08	\$ 1,770.68
School	161-0002 HM	NEA / Admin	\$ 719.62	\$ 1,702.82
School	161-0003 Classic	Clerks and Aides	\$ 745.64	\$ 1,769.51
School	161-0003 HM	Clerks and Aides	\$ 719.62	\$ 1,702.82
School	161-0001 HM	Council 94	\$ 718.86	\$ 1,700.93
School	Medicare 65	NEA	\$ 196.79	N/A

<sup>1</sup> Only available to a closed group of retirees currently enrolled in these plans.

<sup>2</sup> Excluding WRI.

# Substantive Plan Provisions

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

## Medical Benefits (cont.)

The monthly premiums effective on July 1, 2020 for dental plans are shown below:

Employer	Division / Plan	Employee Groups	Single	Family
Town	Dental	EMS	\$ 26.53	\$ 72.93
Town	Dental	Non-Union, NEA, Council 94	\$ 28.20	\$ 76.91
Town	Dental	IBPO	\$ 28.20	\$ 85.84
School	Dental	Custodians	\$ 26.57	\$ 80.91
School	Dental	All Other Groups	\$ 26.57	\$ 85.66



# Actuarial Methods and Assumptions

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## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

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

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2018. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update discount rate, health care trend rates, mortality table, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2022.

<b>Measurement Date</b>	For fiscal year ending June 30, 2020, June 30, 2020 measurement date was used.
<b>Actuarial Valuation Date</b>	June 30, 2020 with no adjustments to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019 are based on an actuarial valuation date of July 1, 2018 projected to July 1, 2019 on a "no loss / no gain" basis.
<b>Discount Rate</b>	6.50% as of June 30, 2020 and 6.75% as of July 1, 2019 for accounting disclosure purposes 6.50% as of June 30, 2020 and 6.75% as of July 1, 2019 for funding disclosure purposes (in calculating the Actuarially Determined Contribution) Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.
<b>Inflation Rate</b>	2.10% per year
<b>Cost Method</b>	Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where: <ul style="list-style-type: none"><li>• Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and</li><li>• Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.</li></ul>
<b>Employer Funding Policy</b>	The Town pays at or near the full ADC annually from a combination of pay-go cost and additional pre-funding contributions.
<b>Census Data</b>	Census information was provided by the Town and it was provided in October 2020. We have reviewed it for reasonableness and no material modifications were made to the census data.
<b>Asset Method</b>	Market value of assets

# Actuarial Methods and Assumptions

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Payroll Growth

Payroll growth is based on the assumptions used in the RI ERS and MERS actuarial valuations as of June 30, 2019. Sample payroll growth rates that include wage inflation and merit / productivity increases are as shown below:

YOS	IBPO / EMT	All Others Town	Teachers
0	14.00%	7.25%	13.00%
5	7.00%	5.50%	8.00%
10	4.00%	3.75%	7.00%
15	4.00%	3.50%	3.00%
20	4.00%	3.25%	3.00%

### Experience Study

Best actuarial practices call for a periodic assumption review and Nyhart recommends the Town to complete an actuarial assumption review (also referred to as an experience study). The actuarial assumptions have not been updated since at least the 2014 valuation.

### Health Care Coverage Election Rate

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

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

Inactive employees with current coverage: 100%

Inactive employees with no coverage: 0%

### Spousal Coverage

Spousal coverage for current retirees is based on actual data.

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

# Actuarial Methods and Assumptions

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Mortality

Healthy School NEA (Teachers) Participants: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2019  
 Healthy IBPO/EMT Participants: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019  
 All Other Healthy Participants: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019  
 Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019  
 Disabled IBPO/EMT Participants: SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2019  
 All Other Disabled Participants: SOA Pub-2010 Non-Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2019

### Disability

Annual disability rates applicable to IBPO and EMT employees are based on the assumption used in the RI MERS actuarial valuation as of June 30, 2019. Sample annual rates are as shown below.

Age	Male	Female
25	0.059%	0.028%
30	0.072%	0.034%
35	0.098%	0.046%
40	0.143%	0.066%
45	0.234%	0.108%
50	0.397%	0.184%

### Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on the RI ERS and MERS June 30, 2019 actuarial valuation assumptions. Sample annual turnover rates are shown below:

YOS	School	Town General	Town IBPO / EMT
1	15.00%	17.50%	10.00%
5	4.82%	7.29%	2.65%
10	2.09%	3.14%	1.43%
15	1.32%	1.83%	0.77%
20	0.96%	1.57%	0.00%

# Actuarial Methods and Assumptions

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Retirement Rate

Annual rates of retirement by group are based on the RI ERS and MERS June 30, 2019 actuarial valuation assumptions.

School Teachers/Administrators

At 35 years of service, the assumed rate is 100%. Sample rates for service less than 35 are shown below:

Age	< 24 years of service	25 years of service	26 - 29 years of service	29 - 34 years of service
55 - 57	0.0%	0.0%	0.0%	25.0%
58 - 64	25.0%	40.0%	25.0%	25.0%
65	40.0%	40.0%	40.0%	40.0%
66	25.0%	40.0%	25.0%	25.0%
67	35.0%	35.0%	35.0%	35.0%
68+	100.0%	100.0%	100.0%	100.0%

Town non-IBPO/EMT

A flat 20% per year retirement probability for members eligible for unreduced retirement. A 35% retirement probability at first eligibility will be applied if the member has reached age 65 (50% with at least 25 years of service, except for age 58 which is 35%). Rates are 100% at age 66 and at any age with 35 years of service.

Town IBPO/EMT

According to the table below. All members are assumed to retire upon reaching age 65 with at least ten years of service.

YOS	Rates
20	12%
21 - 23	10%
24	12%
25	14%
26	16%
27	18%
28 - 29	20%
30	35%

# Actuarial Methods and Assumptions

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Health Care Trend Rates

FYE	Medical/Rx	FYE	Medical/Rx
2021	8.0%	2026	5.5%
2022	7.5%	2027	5.0%
2023	7.0%	2028+	4.5%
2024	6.5%		
2025	6.0%		

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

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

Annual dental trend is assumed to be 4.5% in the future.

Annual Medicare Part B trend is assumed to be 3.00% in 2020, increasing annually by 0.25% to an ultimate rate of 4.50%.

### Retiree Contributions

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

### Per Capita Costs

Annual per capita costs were calculated based on the weighted average July 1, 2020 premiums separately for the Town and School, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs by employee group are as shown below:

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

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

Age	School		Town HM		Town Classic		Town HDHP	
	Male	Female	Male	Female	Male	Female	Male	Female
<55	\$ 7,900	\$ 8,900	\$ 8,800	\$ 10,000	\$ 12,200	\$ 13,800	\$ 7,400	\$ 8,300
55 – 59	\$ 10,600	\$ 10,300	\$ 11,900	\$ 11,500	\$ 16,500	\$ 16,000	\$ 9,900	\$ 9,600
60 – 64	\$ 14,400	\$ 12,600	\$ 16,100	\$ 14,200	\$ 22,400	\$ 19,700	\$ 13,500	\$ 11,900

For School NEA and Admin Management retirees who retired prior to July 1, 2018, the annual per capita cost at ages 65 and older is \$6,900. For School NEA and Admin Management participants who retire on or after July 1, 2018, the annual per capita cost at ages 65 and older is \$2,361. For all other School participants, the annual per capita cost at ages 65 and older is \$6,900. For School NEA and Admin Management participants who retire on or after July 1, 2018, there is the additional cost for Medicare Part B premium subsidy in the amount of \$1,735 annually. The Part B costs are assumed to increase with Part B trend rates.

The annual dental per capita cost for retirees eligible for a dental benefit is \$319 and it is assumed to increase with dental trend rates.

# Actuarial Methods and Assumptions

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for Town IBPO hired after July 1, 2015 and Teacher hired after July 1, 2016:

	Town – IBPO (2506-0005 HM \$100 Plan)			School – Teacher (161-0002 HM Plan)		
	Premium Rate	Retiree Contribution	Explicit Subsidy	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B = 20% x A	C = A – B	A	B = 20% x A	C = A – B
Retiree	\$ 741.14	\$ 148.23	\$ 592.91	\$ 719.62	\$ 143.92	\$ 575.70
Spouse	\$ 1,014.25	\$ 202.85	\$ 811.40	\$ 983.20	\$ 196.64	\$ 786.56

### Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for male Town IBPO age 60 hired after July 1, 2015 and male Teacher age 60 hired after July 1, 2016:

	Town – IBPO (2506-0005 HM \$100 Plan)			School – Teacher (161-0002 HM Plan)		
	Per Capita Cost	Premium Rate	Implicit Subsidy	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A – B	A	B	C = A – B
Retiree	\$ 1,341.67	\$ 741.14	\$ 600.53	\$ 1,200.00	\$ 719.62	\$ 480.38
Spouse	\$ 1,183.33	\$ 1,014.25	\$ 169.08	\$ 1,050.00	\$ 983.20	\$ 66.80

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 75 monthly total cost for male Town IBPO age 60 hired after July 1, 2015 and male Teacher age 60 hired after July 1, 2016:

	Town – IBPO (2506-0005 HM \$100 Plan)		School – Teacher (161-0002 HM Plan)	
	Retiree	Spouse	Retiree	Spouse
Retiree contribution	\$ 148.23	202.85	\$ 143.92	\$ 196.64
Explicit subsidy	\$ 592.91	811.40	\$ 575.70	\$ 786.56
Implicit subsidy	\$ 600.53	169.08	\$ 480.38	\$ 66.80
Total monthly cost	\$ 1,341.67	1,183.33	\$ 1,200.00	\$ 1,050.00

# APPENDIX

The background features a complex geometric design. It consists of several overlapping, semi-transparent shapes. A large, solid red shape is prominent in the lower right quadrant. To its left, there are various shades of gray and white shapes, some of which are defined by dashed lines, suggesting a layered or architectural structure. The overall composition is clean and modern.

# Appendix

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### 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.

	As of July 1, 2018			As of July 1, 2020		
	Town	School	Total	Town	School	Total
Active Participants	207	456	663	205	430	635
Retired Participants	31	50	81	32	49	81
Averages for Active						
Age	47.3	49.6	48.9	47.2	49.9	49.0
Service	12.9	15.0	14.3	13.1	14.9	14.3
Averages for Inactive						
Age	56.6	66.1	62.5	58.3	65.6	62.7



# Appendix

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## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

### Detailed Actuary's Notes

There have been no substantive plan changes since the last valuation, which was for the fiscal year ending June 30, 2019.

The following assumptions have been updated:

1. Mortality table has been updated from RPH-2017 Total Dataset Mortality Table fully generational using scale MP-2017 to the following, which caused an increase to the Town's liabilities:
  - Healthy School NEA (Teachers) Participants: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - Healthy IBPO/EMT Participants: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - All Other Healthy Participants: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - Disabled IBPO/EMT Participants: SOA Pub-2010 Public Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2019
  - All Other Disabled Participants: SOA Pub-2010 Non-Safety Disabled Headcount Weighted Mortality Table fully generational using Scale MP-2019
2. Health care trend rates have been reset to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. This change caused a decrease in liabilities.
3. Annual Medicare Part B trend is assumed to be 3.00% in 2020, increasing annually by 0.25% to an ultimate rate of 4.50%.
4. The discount rate for accounting and funding disclosure purposes changed from 6.75% as of July 1, 2019 to 6.50% as of June 30, 2020. This assumption is based on the long-term expected rate of return on OPEB plan investments. Making this change resulted in an increase in the Town's liabilities.

# GLOSSARY

The background features a complex geometric design. The top half is a solid dark gray. Below this, there are several overlapping triangles and polygons in various shades of gray and white, creating a layered, architectural effect. A prominent bright red triangle is located in the bottom right corner, overlapping the other shapes.

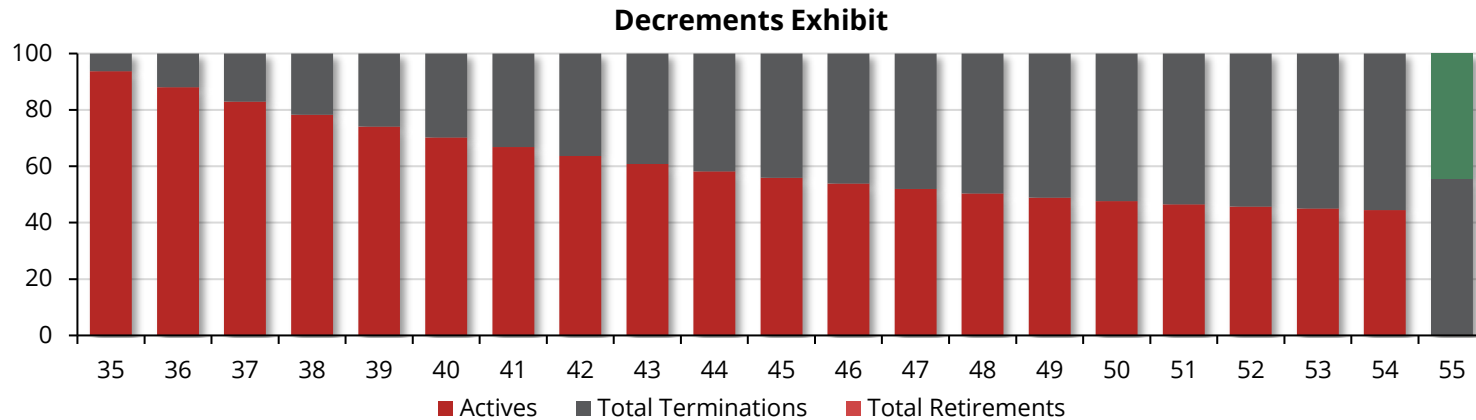
# Glossary – Decrements Exhibit

## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

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 44.43 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 <sup>3</sup>	# 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



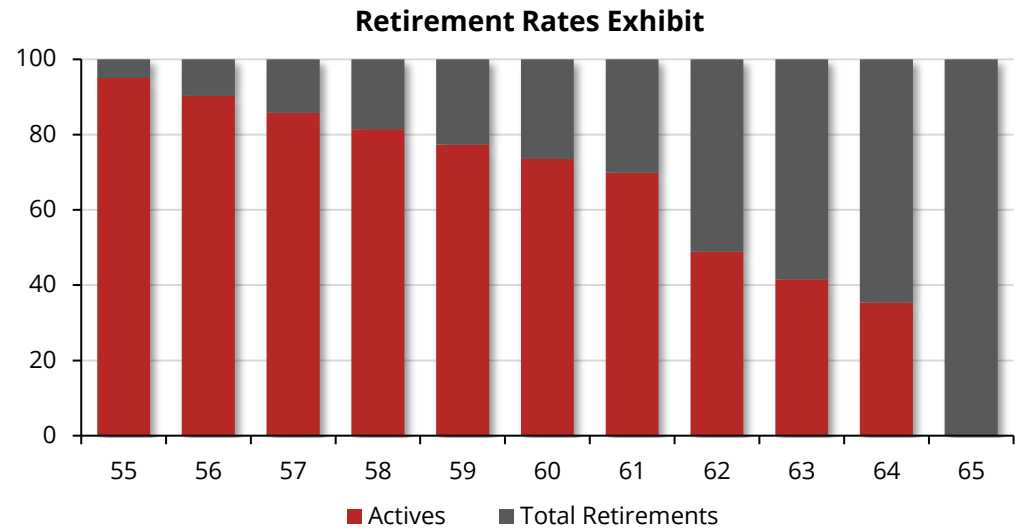
<sup>3</sup> The above rates are illustrative rates and are not used in our GASB calculations.

# Glossary – Retirement Rates Exhibit

Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

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.

# Glossary – Definitions

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## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

GASB 75 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 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.
2. **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 Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
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. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
  - a. Differences between expected and actual experience of the OPEB plan
  - b. Changes in assumptions
  - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **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.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.

# Glossary – Definitions

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## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

8. **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.
9. **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.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **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.
13. **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.
14. **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.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

# Glossary – Definitions

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## Town of South Kingstown GASB 74/75 Valuation for Fiscal Year Ending June 30, 2020

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. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).