

May 7, 2015

Ms. Cynthia DeJesus  
Finance Director  
City of Central Falls  
580 Broad Street  
Central Falls, RI 02863

Re: Central Falls Pension Plan Experience Study

Dear Ms. DeJesus:

As requested, Sherman Actuarial Services, LLC has performed an investment return experience study for the Central Falls New Pension Plan as of June 30, 2014. Based on the impact on the plan of the relatively recent bankruptcy of the city and the small number of people participating in the plan, it does not make practical or economic sense to do a full experience study of the plan. The results of such a study would have virtually no value to the city, state or your auditor.

The assets have been and are currently held by the John Hancock Life Insurance Company and invested in their General Account. This account is invested in fixed income assets. The historical returns on these investments are shown in the following table:

<b>FYE</b>	
<b>2014</b>	4.18%
<b>2013</b>	6.61%
<b>2012</b>	6.74%
<b>2011</b>	5.11%
<b>2010</b>	6.22%
<b>2009</b>	5.19%

The geometric average return for these 6 years is 5.67%. This is significantly less than the assumed rate of return for the past 6 actuarial valuations of 7.75%. We know that your intent is to change the current asset allocation such that a majority of the invested assets are in equity or “equity like” investments. If you are successful in that endeavor, then continuing with 7.75% is reasonable. However, if you are unable to re-allocate the assets, we recommend modifying the assumed return to 5.75%.

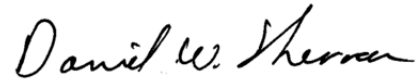
The report was prepared under the supervision of Daniel Sherman, an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries, who takes responsibility for the overall appropriateness of the analysis, assumptions and results. Daniel Sherman is deemed to

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meet the General Qualification Standard and the basic education and experience requirement in the pension area. Daniel Sherman has met the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein..

Please let me know if you have any questions.

Best Regards,

A handwritten signature in black ink that reads "Daniel W. Sherman". The signature is written in a cursive, flowing style.

Daniel W. Sherman, ASA, MAAA, EA  
CEO