

The logo for nyhart, featuring the word "nyhart" in a white, lowercase, sans-serif font centered within a black rectangular box. To the left of this box is a thick black vertical bar, and to its right is a thin red vertical bar.

nyhart

***Town of Narragansett - Chapter 1666
Police Pension Plan***

*June 30, 2014
GASB No. 67 Report*

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This report is prepared in accordance with our understanding of GASB No. 67 for the purpose of disclosing pension plans in financial statements. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report.

The information presented in this report is based on the actuarial assumptions and plan provisions noted in this report. In our opinion, the assumptions used are individually reasonable, and, in combination, represent a reasonable expectation of future experience under the plan. All calculations have been made in accordance with generally accepted actuarial principles and practice. The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as plan experience differing from that anticipated by assumptions, changes in assumptions, changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

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 which could materially affect the results contained herein.

Neither Nyhart nor any of its employees have any relationships with the plan or plan sponsor which could impair or appear to impair the objectivity of this report.

Nyhart



Carter M. Angell, FSA, EA



Tayt V. Odom, FSA, EA

12/4/2014

Net Pension Liability

The components of the net pension liability at June 30

	2014
Total pension liability	\$ 2,512,334
Plan fiduciary net position	(848,473)
Net pension liability	\$ 1,663,861
Plan fiduciary net position as a percent of the total pension liability	33.77%

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

Inflation	3.00%
Salary increases, including inflation	0.00%
Investment rate of return, including inflation, and net of investment expense	7.50%

Plan Membership

The total pension liability was determined based on the plan membership as of July 1

	2013
Inactive plan members and beneficiaries currently receiving benefits	18
Inactive plan members entitled to but not yet receiving benefits	0
Active plan members	0
Total members	18

Assets	<u>June 30, 2014</u>
Cash and deposits	\$ 0
Securities lending cash collateral	0
Total cash	<u>\$ 0</u>
Receivables:	
Contributions	\$ 0
Due from broker for investments sold	0
Investment income	0
Other	848,473
Total receivables	<u>\$ 848,473</u>
Investments:	
Total investments	<u>\$ 0</u>
Total assets	<u>\$ 848,473</u>
Liabilities	
Payables:	
Investment management fees	\$ 0
Due to broker for investments purchased	0
Collateral payable for securities lending	0
Other	0
Total liabilities	<u>\$ 0</u>
Net position restricted for pensions	<u>\$ 848,473</u>

	June 30, 2014
Additions	
Contributions:	
Employer	\$ 124,954
Member	0
Nonemployer contributing entity	0
Total contributions	\$ 124,954
Investment income:	
Net increase in fair value of investments	\$ 0
Interest and dividends	0
Less investment expense, other than from securities lending	0
Net income other than from securities lending	\$ 0
Securities lending income	0
Less securities lending expense	0
Net income from securities lending	\$ 0
Net investment income	\$ 0
Other	1,004,304
Total additions	\$ 1,129,258
Deductions	
Benefit payments, including refunds of member contributions	\$ 231,586
Administrative expense	0
Other	0
Total deductions	\$ 231,586
Net increase in net position	\$ 897,672
Net position restricted for pensions	
Beginning of year	(49,199)
End of year	\$ 848,473

The money weighted rate of return was 0.00% assuming mid-year timing for inflows/outflows.
 Note GASB requires at least monthly timing for the money-weighted rate of return.

	<u>2014</u>
Total pension liability	
Service cost	\$ 0
Interest	183,358
Changes of benefit terms	0
Differences between expected and actual experience	0
Changes of assumptions	0
Benefit payments, including refunds of member contributions	<u>(231,586)</u>
Net change in total pension liability	(48,228)
Total pension liability - beginning	<u>2,560,562</u>
Total pension liability - ending (a)	\$ 2,512,334
Plan fiduciary net position	
Contributions - employer	\$ 124,954
Contributions - member	0
Contributions - nonemployer contributing member	0
Net investment income	0
Benefit payments, including refunds of member contributions	(231,586)
Administrative expenses	0
Other	<u>1,004,304</u>
Net change in plan fiduciary net position	\$ 897,672
Plan fiduciary net position - beginning	<u>(49,199)</u>
Plan fiduciary net position - ending (b)	\$ 848,473
Net pension liability - ending (a) - (b)	\$ 1,663,861
Plan fiduciary net position as a percentage of the total pension liability	33.77%
Covered-employee payroll	Not Applicable
Net pension liability as percentage of covered-employee payroll	Not Applicable

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Cash	0.0%	<i>0.0%</i>
Total	0.0%	

Long-term expected rate of return is 7.50%.

Discount rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net pension liability	\$ 1,839,473	\$ 1,663,861	\$ 1,499,722



	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Actuarially determined contribution	\$ 129,257	\$ 124,954	\$ 131,117	\$ 125,293	\$ 77,093
Contributions in relation to the actuarially determined contribution	124,954	102,200	102,200	130,000	120,000
Contribution deficiency (excess)	\$ 4,303	\$ 22,754	\$ 28,917	\$ (4,707)	\$ (42,907)
Covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Contributions as a percentage of covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Actuarially determined contribution	\$ 77,093	\$ 80,656	\$ 80,656	\$ 71,561	\$ 77,509
Contributions in relation to the actuarially determined contribution	0	215,717	0	70,000	50,000
Contribution deficiency (excess)	\$ 77,093	\$ (135,061)	\$ 80,656	\$ 1,561	\$ 27,509
Covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Contributions as a percentage of covered-employee payroll	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

The total pension liability as of June 30, 2014 was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Method
Asset Valuation Method	Fair market value of assets on the measurement date
Interest Rates	
Discount Rate	7.50%
Expected Long Term Rate of Return	7.50%
Municipal Bond Rate	N/A
Inflation	3.00%
Annual Pay Increases	N/A
Measurement Date	June 30, 2014, based on a valuation date of July 1, 2013
Cost of Living Increases	3.00% for eligible retirees, 0.00% otherwise
Mortality Rates	
Healthy	Males: 115% of RP2000 Mortality for Males with White Collar Adjustments, projected with scale AA to 2013 Females: 95% of RP2000 Mortality for Females with White Collar Adjustments, projected with scale AA to 2013
Disabled	PBGC Mortality 2012 Under Section 4044 - Disabled - 60% of Values
Retirement Rates	N/A
All other assumptions	As described in the assumptions section of the actuarially determined contribution

Actuarial Cost Method	Entry Age Method
Asset Valuation Method	Fair market value of assets on the measurement date
Amortization Method	Open amortization over the average remaining expected lifetime of current retirees
Interest Rate	7.50% net of investment expenses
Inflation	3.00%
Annual Pay Increases	N/A
Cost of Living Increases	3.00% for eligible retirees, 0.00% otherwise
Mortality Rates	
Healthy	Males: 115% of RP2000 Mortality for Males with White Collar Adjustments, projected with scale AA to 2013 Females: 95% of RP2000 Mortality for Females with White Collar Adjustments, projected with scale AA to 2013
Disabled	PBGC Mortality 2012 Under Section 4044 - Disabled - 60% of Values
Retirement Rates	N/A
Disability Rates	N/A

Withdrawal Rates	N/A
Marital Status and Ages	N/A
Expense and/or Contingency Loading	N/A

The plan provisions used for measuring liabilities in this report match those shown in the July 1, 2013 funding valuation report.