



CONSULTING GROUP



A DEFINED BENEFIT **ACTUARIAL VALUATION**

For:

**Warwick School Committee
Employee Retirement Plan**

As of:

July 1, 2015

Prepared by:
USI Consulting Group



CONSULTING GROUP

October 2, 2015

CONFIDENTIAL

Mr. Anthony Ferrucci
Warwick School Department
34 Warwick Lake Avenue
Warwick, RI 02889

Re: Warwick School Committee Employee Retirement Plan

Dear Tony:

We are pleased to present our revised actuarial valuation report for the plan year beginning July 1, 2015. A summary of the principal results of the report is provided for your convenience. Details supporting the cost calculations are also included, as well as other information designed to assist you and your accountant in preparing your reports.

The minimum contribution for the plan year ending June 30, 2016 is \$1,161,346. The alternate contribution to the plan is \$1,479,842.

I would be happy to answer any questions you may have regarding this report.

Sincerely,

USI Consulting Group

A handwritten signature in black ink that reads "Bill Beck".

Bill Beck, EA, MAAA
Assistant Vice President and Actuary

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

TABLE OF CONTENTS

Section I

Valuation Summaries

PRINCIPAL RESULTS OF THE VALUATION	1
EXECUTIVE SUMMARY	2
FINANCIAL STATEMENT AS OF 7/1/2015	4
VALUATION RESULTS AS OF 7/1/2015	5
CONTRIBUTION REQUIREMENTS FOR PLAN YEAR ENDING 6/30/2016	6
PARTICIPANT DATA AND RECONCILIATION OF PARTICIPANT STATUS	7
SUMMARY OF PLAN PROVISIONS	8
SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS	10

Section II

Accounting Information

ACCUMULATED PLAN BENEFITS	12
---------------------------	----

Section III

Employee Detail

Exhibit I --- EMPLOYEE CENSUS AS OF 7/1/2015	
Exhibit II --- TERMINATED VESTED EMPLOYEE BENEFITS AS OF 7/1/2015	
Exhibit III --- RETIRED EMPLOYEE BENEFITS AS OF 7/1/2015	

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

VALUATION AS OF 7/1/2015

PRINCIPAL RESULTS OF THE VALUATION

Below is a summary of the principal results of this year's valuation compared with the previous valuation. Amounts for each valuation period reflect the actuarial cost method, assumptions and plan benefits in effect at that time.

	<u>As of July 1, 2014</u>	<u>As of July 1, 2015</u>
<u>CONTRIBUTION LIMITATIONS</u>		
Minimum Suggested Contribution	\$1,092,024	\$1,161,346
Alternate Contribution	\$1,373,553	\$1,479,842
<u>SUPPORTING INFORMATION</u>		
Actuarial Value of Assets	\$37,896,741	\$40,685,142
Present Value of Vested Benefits	\$31,982,251	\$35,752,490
Present Value of Non-Vested Benefits	\$1,280,284	\$1,181,880
Present Value of Accumulated Benefits	\$33,262,535	\$36,934,370
Funding Ratio - Plan Assets as a Percentage of Present Value of Accumulated Benefits	113.9%	110.2%
Number of Lives Included in Valuation	469	481
Discount Rate	7.0%	7.0%

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

VALUATION AS OF 7/1/2015

EXECUTIVE SUMMARY

Purpose and Scope

The principal purposes of this actuarial valuation report are:

1. To present our calculations of the minimum and alternate contributions for the plan year beginning July 1, 2015, and
2. To review plan experience during the plan year ending June 30, 2014 and the funded status of the plan as of July 1, 2015.

The valuation is based upon employee data provided by Warwick School Committee and financial information provided by Aetna and USI. This data was not audited or otherwise verified by us other than for tests of reasonable consistency with prior year data.

Plan Provisions

This valuation is based on plan provisions effective as of July 1, 2015 which were unchanged from the previous plan year.

Actuarial Methods and Assumptions

The actuarial cost method is the same as last year. The mortality assumption was updated from 2014 IRS Static Mortality to 2015 IRS Static Mortality. The retirement assumption and the disability rates are the same as last year. The salary scale also remains at 3.00%.

Plan Experience

The actuarial value of assets increased from \$37,896,741 to \$40,685,142. The gross rate of investment return was 3.86%, which is lower than the 7.00% interest assumption, resulting in an investment loss of about \$1,162,000. The average salary for continuing active employees increased by 2.05%, which is lower than the expected annual increase of 3.00%. There was a liability loss of about \$343,000 due to data changes. The overall actuarial loss was \$1,505,000. The net result of the plan's losses is that the minimum contribution increased from \$1,092,024 to \$1,161,346. This is about 6% higher than last year.

Plan Contributions

The minimum contribution for the 2015 plan year is \$1,161,346. The alternate contribution is \$1,479,842.

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

VALUATION AS OF 7/1/2015

EXECUTIVE SUMMARY
(Continued)

Pension Benefit Obligation

The Projected Benefit Obligation is \$41,081,263 which is \$396,121 higher than the plan assets of \$40,685,142. The assumptions are the same as the Valuation Assumptions.

Funded Status

Over the past five years the plan assets as a percentage of accrued liability has increased from 77% to 86% on July 1, 2015. The unfunded liability of the plan as a percentage of payroll has decreased from 65% to 55% over the past five years.

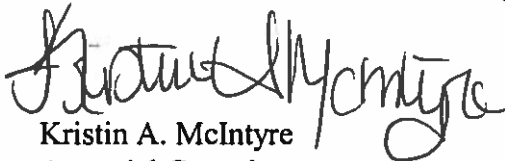
This report has been prepared in accordance with generally accepted actuarial standards and procedures, and conforms to the Guidelines for Professional Conduct of the American Academy of Actuaries. It is based on the employee and financial data submitted to USI Consulting Group by the plan sponsor and the retirement plan provisions as outlined herein.

I, Bill Beck, EA, am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

USI CONSULTING GROUP



Bill Beck, EA, MAAA
Assistant Vice President and Actuary



Kristin A. McIntyre
Actuarial Consultant

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

FINANCIAL STATEMENT AS OF 7/1/2015

	<u>7/1/2014</u>	<u>7/1/2015</u>
Cash (and money market funds)	10.40	4.33
Receivables	0.00	1,443,647.72
Investments		
Government Securities	0.00	0.00
Corporate (debt and equity instruments)	0.00	0.00
Pooled Funds/Mutual Funds	25,909,792.37	27,488,069.65
Gartmore Stable Fund	6,809,699.71	6,853,791.57
Other	3.32	6.63
Total Investments	<u>32,719,495.40</u>	<u>34,341,867.85</u>
Buildings & Other Property used in Plan Operation	0.00	0.00
Insurance Contracts	5,097,849.11	4,782,200.92
Other Assets	<u>79,385.80</u>	<u>117,421.23</u>
Total Assets	37,896,740.71	40,685,142.05
 LIABILITIES AND NET ASSETS		
Payables	0.00	0.00
Acquisition Indebtedness	0.00	0.00
Other Liabilities	<u>0.00</u>	<u>0.00</u>
Total Liabilities	0.00	0.00
Net Assets	37,896,740.71	40,685,142.05
 STATEMENT OF RECEIPTS AND DISBURSEMENTS		
Net Assets at Beginning of Year		37,896,740.71
Contributions Received or Receivable		
Employers	1,752,678.72	
Employees	766,137.34	
Others	0.00	
Noncash Contributions	<u>0.00</u>	2,518,816.06
Interest and Dividends		1,527,994.23
Market Adjustment		1,947.72
Net Unrealized Gain (Loss)		<u>(42,420.03)</u>
Total Income		4,006,337.98
Distribution of Benefits		
Directly to Participants or Beneficiaries	1,122,880.62	
Annuity Purchase	0.00	1,122,880.62
Administrative Expenses		95,056.02
Total Expenses		1,217,936.64
Net Income (loss)		2,788,401.34
Net Assets at End of Year		40,685,142.05

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

VALUATION RESULTS AS OF 7/1/2015

A. Present Value of Future Benefits

The value of all projected retirement, death, and vested termination benefits expected to be paid to current plan participants, discounted to the valuation date with interest, mortality and withdrawal rates.

	<u>Participants</u>	<u>Total</u>
Active	350	44,973,799
Terminated/Inactive/Disabled	28	1,204,666
Retired	103	9,086,890
Total	481	55,265,355

B. Accrued Liability

The portion of the present value of future benefits attributable to prior service.

Active		35,547,981
Terminated/Inactive/Disabled		1,204,666
Retired		9,086,890
Total		45,839,537

C. Valuation Assets 40,685,142

D. Unfunded Accrued Liability [(B) - (C)] 5,154,395

E. Normal Cost

1. Total Normal Cost		1,182,332
2. Expected Employee Contributions		729,273
3. Normal Cost Expense Load		244,111
4. Employer Normal Cost [(1) - (2) + (3)]		697,170

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

CONTRIBUTION CALCULATION FOR PLAN YEAR ENDING 6/30/2016

MINIMUM SUGGESTED CONTRIBUTION

(1) Normal Cost.....	697,170
(2) 30 Year Amortization of Unfunded Liability	388,200
(3) Interest Adjustment	75,976
(3) Minimum Suggested Contribution	1,161,346

ALTERNATE CONTRIBUTION

(1) Normal Cost.....	697,170
(2) 10 Year Amortization of Unfunded Liability	685,860
(3) Interest Adjustment	96,812
(4) Alternate Contribution (1) + (2) + (3)	1,479,842

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

PARTICIPANT DATA AS OF 7/1/2015

Active employees under normal retirement age	
Number	293
Total annual compensation	11,976,021
Average accrued benefit	885.65
Average projected benefit	2,664.61
Average attained age	51.97
Average prior service	14.48
Other active and inactive employees	
Number	66
Average accrued benefit	945.83
Average attained age	64.06
Deferred vested and disabled employees	
Number	19
Average accrued benefit	760.95
Average attained age	55.56
Retired employees, beneficiaries and contingent annuitants	
Number	103
Average accrued benefit	880.19
Average attained age	79.79

RECONCILIATION OF PARTICIPANT STATUS

	<u>Active</u>	<u>Inactive</u>	<u>Deferred Vested</u>	<u>Disabled</u>	<u>Retired</u>	<u>Total</u>
Prior Valuation	357	10	11	1	90	469
Inactive	0	0	0	0	0	0
Terminated - not vested	0	0	0	0	0	0
Terminated - vested	(6)	0	6	0	0	0
Cashed Out	0	0	0	0	0	0
Deceased	0	0	0	0	(2)	(2)
Disabled	(1)	0	0	1	0	0
Retired	(14)	(1)	0	0	15	0
New Entrants	14	0	0	0	0	14
Rehired	0	0	0	0	0	0
Annuity Purchased	0	0	0	0	0	0
Other	0	0	0	0	0	0
Current Valuation	350	9	17	2	103	481

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

SUMMARY OF PLAN PROVISIONS

<u>Effective Date</u>	6/15/1965
<u>Plan Year Beginning</u>	7/1/2015
<u>Eligibility</u>	
Requirements	Minimum age: 0 Minimum months of service: 3
Eligible Class	An elected School Committee Member or a member covered by the collective bargaining statement.
Entry Dates	1 st day of the month coinciding with or next following the date the requirements are met.
<u>Employee Contributions</u>	5% of earnings during the plan year.
<u>Normal Retirement Date</u>	First day of the month coinciding with or next following attainment of age 62 or, if later, the 10 th anniversary of plan entry, or 32 years of service with 10 years of plan participation.
<u>Normal Retirement Benefit</u>	
Benefit Formula	1.67% of the member's Average Monthly Earnings multiplied by years of participation, plus 0.33% times average monthly earnings times years of participation greater than 20. The yearly amount of annuity for a School Committee Member who becomes a retired member is \$1,000 plus 4.8% times the salary amount for each Plan Year in which one made mandatory Employee contributions.
Average Monthly Earnings	Monthly average of total compensation for the 3 consecutive years of highest compensation of the last 10 years.
Maximum Annual Benefit	\$215,000 as adjusted per IRC sec. 415 for retirement age other than Social Security retirement age and annuity form.
Normal Form of Benefit	Life Annuity
Accrued Benefit	Normal Retirement Benefit based on earnings and Participation to date.

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

SUMMARY OF PLAN PROVISIONS (cont.)

<u>Early Retirement Benefit</u>	Minimum age: 52 Minimum service: 10 Years Benefit Amount: Accrued Benefit, reduced by 7% for each year by which early retirement precedes normal retirement.
<u>Pre-Retirement Death Benefit</u>	Member contributions with interest plus a \$5,000 lump sum benefit.
<u>Disability Benefit</u>	Determined in the same manner as the normal retirement benefit.
<u>Vested Termination Benefit</u>	Upon termination after 10 years of service, 100% of the accrued benefit, deferred to normal retirement date. A school committee member is 100% vested after 6 years of plan participation.

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

ACTUARIAL COST METHOD

Entry age normal cost. Under this method, the minimum contribution is equal to normal cost with interest to the end of the year plus interest on the unfunded accrued liability. The alternate contribution is equal to the normal cost with interest to the end of the plan year, plus a 10-year amortization of the unfunded accrued liability.

The normal cost is the sum of the individual normal costs, determined as the level percentage of compensation which would have been necessary to fund the employee's projected retirement, death and withdrawal benefits, from entry age (the age at which he would have entered the plan had it been in effect on his employment date), to his retirement age. Thus, the dollar normal cost is expected to increase with the salary projection assumption.

The actuarial accrued liability is the accumulation, based on the actuarial assumptions, of all assumed prior normal costs. Thus, it represents the amount of reserves which would be held by the plan had it always been in effect for the present group of participants and had plan experience followed that predicted by the actuarial assumptions. The unfunded accrued liability is the excess, if any, of the accrued liability over the plan assets.

Actuarial gains and losses arise from differences between plan experience and that predicted by the actuarial assumptions.

The minimum contribution is affected by interest on the net actuarial gain or loss (assets and liabilities). The minimum contribution is also affected by the change in normal cost attributable to liability gains or losses.

The alternate contribution is affected by a 10-year amortization of the net actuarial gain or loss (assets and liabilities). The alternate contribution is also affected by the change in normal cost attributable to liability gains or losses.

ACTUARIAL ASSUMPTIONS

Post-Retirement

Male Mortality – 2015 IRS Static Mortality for Males

Female Mortality – 2015 IRS Static Mortality for Females

Investment Return – 7.0% per annum

Pre-Retirement

Male Mortality – 2015 IRS Static Mortality for Males

Female Mortality – 2015 IRS Static Mortality for Females

Investment Return – 7.0% per annum

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

SUMMARY OF ACTUARIAL METHODS AND ASSUMPTIONS

ACTUARIAL ASSUMPTIONS (Continued)

Salary projection – 3.00% per annum

Retirement Rates –	<u>Age</u>	<u>Rate</u>
	62	15%
	63	15%
	64	15%
	65	100%

Expense loading – Normal Cost increased by estimated expenses of .6% of Valuation Assets

Withdrawal rates – See rates illustrated in table below

Disability rates – See rates illustrated in table below

Interest rate for accumulating employee contributions – 3% per annum

Age	Pre-retirement Decrement Rates					
	Mortality		Withdrawal		Disability	
	Male	Female	Male	Female	Male	Female
25	0.028%	0.014%	4.740%	8.640%	0.030%	0.030%
30	0.038%	0.020%	3.540%	6.990%	0.030%	0.030%
35	0.067%	0.034%	2.661%	5.561%	0.045%	0.045%
40	0.085%	0.045%	1.867%	4.117%	0.092%	0.092%
45	0.102%	0.069%	1.094%	2.744%	0.153%	0.153%
50	0.124%	0.100%	0.258%	1.308%	0.246%	0.246%
55	0.170%	0.199%	0.000%	0.000%	0.402%	0.402%
60	0.301%	0.338%	0.000%	0.000%	0.601%	0.601%

The actuarial assumptions were selected by Warwick Public Schools subsequent to an actuarial experience study dated July 6, 2012.

ASSET VALUATION

Current book value of plan assets as reported by the Aetna and market value of assets reported by USI Securities, Inc., plus accrued contributions.

**WARWICK SCHOOL COMMITTEE
EMPLOYEE RETIREMENT PLAN**

FAS 35 ACCOUNTING INFORMATION

The following information has been prepared to assist in meeting the requirements of Statement of Financial Accounting Standards No. 35. The information presented is calculated in accordance with our understanding of the Statement. The actuarial assumptions are set forth in the Summary of Actuarial Methods and Assumptions section of this report.

<u>Actuarial Present Value of Accumulated Plan Benefits</u>	<u>7/1/2014</u>	<u>7/1/2015</u>
Vested Benefits		
Participants Currently Receiving Payments	6,555,424	9,086,890
Other Participants		
Active Employees	24,803,869	25,460,934
Deceased and Disabled Employees	65,166	248,964
Deferred Vested Terminated Employees	<u>557,792</u>	<u>955,702</u>
Total Vested Benefits	31,982,251	35,752,490
Nonvested Benefits	<u>1,280,284</u>	<u>1,181,880</u>
Total Actuarial Present Value of Accumulated Plan Benefits	33,262,535	36,934,370
Assets Available for Benefits	<u>\$ 37,896,741</u>	<u>\$ 40,685,142</u>
Assets as a Percentage of Present Value of		
Vested Benefits	118.5%	113.8%
Accumulated Benefits	113.9%	110.2%
Discount Rate:	7.0%	7.0%

Statement of Changes in Accumulated Plan Benefits

Actuarial Present Value of Accumulated Plan Benefits as of 7/1/2014	33,262,535
Increase (Decrease) Attributable to:	
Benefits Paid	(1,122,881)
Interest Due to Change in the Discount Period	2,289,741
Plan Amendment	0
Change in Assumptions	55,684
Additional Benefits Earned, Including Experience Gains and Losses	<u>2,449,291</u>
Actuarial Present Value of Accumulated Plan Benefits as of 7/1/2015	36,934,370
Projected Benefit Obligation	41,081,263