

The logo for nyhart, featuring the word "nyhart" in a white, lowercase, sans-serif font centered within a black rectangular box. This box is part of a larger graphic element consisting of a thick black vertical bar on the left and a thin red vertical bar to its right, both extending from the top to the bottom of the page.

nyhart

Town of Narragansett Pension Plan

July 1, 2016

Actuarial Valuation Report

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At the request of the plan sponsor, this report summarizes the Town of Narragansett Pension Plan as of July 1, 2016. The purpose of this report is to communicate the following results of the valuation:

- Funded Status; and
- Actuarially Determined Contribution as of July 1, 2016

This report has been prepared in accordance with the applicable Federal and State laws. Consequently, it may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

The results in this report were prepared using information provided to us by other parties. The census information has been provided to us by the Town. Asset information has been provided to us by the Town. We have reviewed the provided data for reasonableness when compared to prior information provided, but have not audited the data. Where relevant data may be missing, we have made assumptions we believe to be reasonable. We are not aware of any significant issues with and have relied on the data provided. Any errors in the data provided may result in a different result than those provided in this report. A summary of the data used in the valuation is included in this report.

The actuarial assumptions and methods were chosen by the Board. In our opinion, all actuarial assumptions and methods are individually reasonable and in combination represent our best estimate of anticipated experience of the plan. 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.

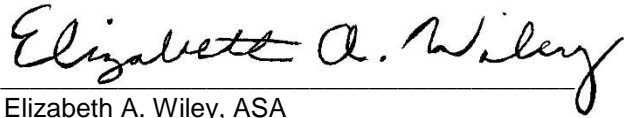
We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement. This report has been prepared in accordance with generally accepted actuarial principles and practice.

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

To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States and are available for any questions.

Nyhart



Elizabeth A. Wiley, ASA



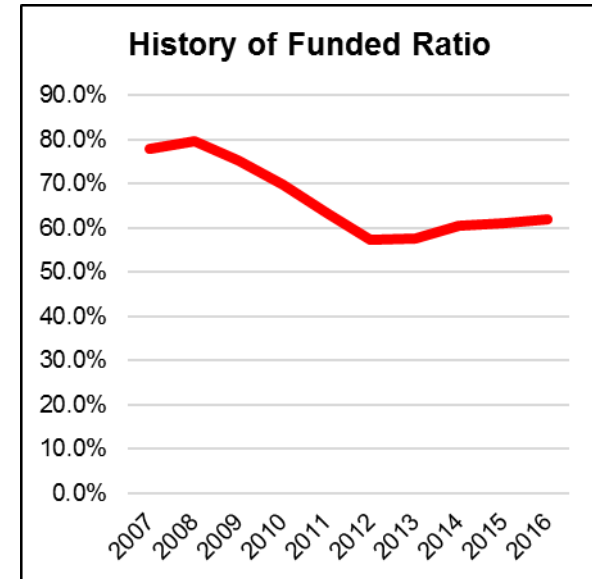
Carter M. Angell, FSA, EA, MAAA

December 30, 2016
Date

Summary Results

The actuarial valuation's primary purpose is to produce a scorecard measure displaying the funding progress of the plan toward the ultimate goal of paying benefits at retirement. The accrued liability is based on an entry age level percentage of pay method.

Valuation Date For Plan Year Ending	July 1, 2015 June 30, 2017	July 1, 2016 June 30, 2018
Funded Status Measures		
Entry Age Accrued Liability	\$121,691,129	\$128,970,688
Actuarial Value of Assets	74,427,566	79,965,053
Unfunded Accrued Liability	\$47,263,563	\$49,005,635
Funded Percentage (AVA)	61.2%	62.0%
Funded percentage (MVA)	60.9%	57.5%
Cost Measures		
Actuarially Determined Contribution	\$5,428,475	\$5,858,887
Actuarially Determined Contribution (as a percentage of projected payroll)	40.2%	41.4%
Asset Performance		
Market Value of Assets (MVA)	\$74,088,411	\$74,187,800
Actuarial Value of Assets (AVA)	\$74,427,566	\$79,965,053
Actuarial Value/Market Value	100.5%	107.8%
Participant Information		
Active Participants	255	253
Terminated Vested Participants	19	18
Retirees, Beneficiaries, and Disabled Participants	187	193
Total	461	464
Total Expected Payroll For Plan Year Ending	\$13,607,598	N/A
Projected Payroll For Plan Year Ending	\$13,503,670	\$14,151,902



Changes Since Prior Valuation and Key Notes

School employees hired on or after July 1, 2015 have a normal retirement age of age 65 with 10 years of service or 25 years of service regardless of age. In addition, school employees hired on or after July 1, 2015 shall receive a monthly retirement benefit of 2.00% of average final compensation multiplied by years of credited service, to a maximum benefit of 75% of the member's average final compensation.

School employees hired on or after July 1, 2015 are assumed to receive a COLA of 2.00% based on future inflation expectations with regard to social security benefits.

The mortality for municipal members has been updated from the RP-2014 Mortality Table with generational improvements from 2006 based on assumptions from the 2014 SSA Trustees' Report to the RP-2014 Mortality Table with generational improvements from 2006 based on assumptions from the 2015 SSA Trustees' Report.

The mortality for police and fire members has been updated from the RP-2014 Blue Collar Mortality Table with generational improvements from 2006 based on assumptions from the 2014 SSA Trustees' Report to the RP-2014 Blue Collar Mortality Table with generational improvements from 2006 based on assumptions from the 2015 SSA Trustees' Report.

The mortality for disabled participants has been updated from the RP-2014 Disabled Mortality Table with generational improvements from 2006 based on assumptions from the 2014 SSA Trustees' Report to the RP-2014 Disabled Mortality Table with generational improvements from 2006 based on assumptions from the 2015 SSA Trustees' Report.

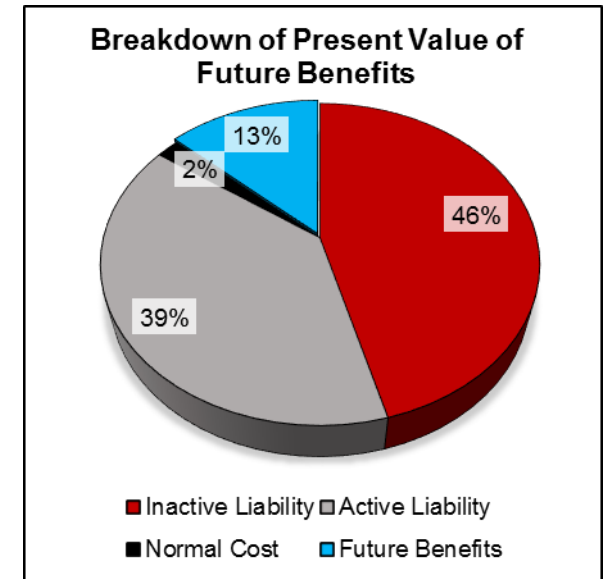
Present Value of Future Benefits

The Present Value of Future Benefits represents the future benefits payable to the existing participants.

July 1, 2016

Present Value of Future Benefits

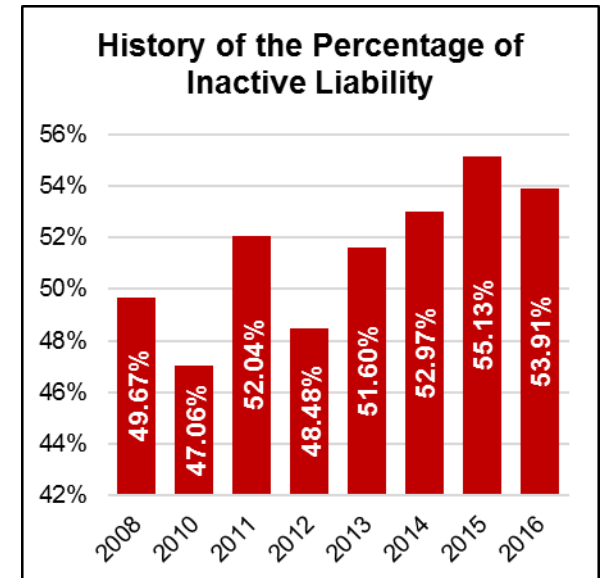
Active participants	
Retirement	\$79,310,034
Disability	2,114,005
Death	525,280
Termination	502,637
Refund of contributions	0
Total active	\$82,451,956
Inactive participants	
Retired participants	\$62,719,181
Beneficiaries	1,184,757
Disabled participants	3,635,178
Terminated vested participants	1,990,407
Total inactive	\$69,529,523
Total	\$151,981,479
 Present value of future payrolls	 \$82,309,661



Funding Liability

The Funding Liability measures the present value of benefits earned as of the valuation date, using a specified set of actuarial assumptions.

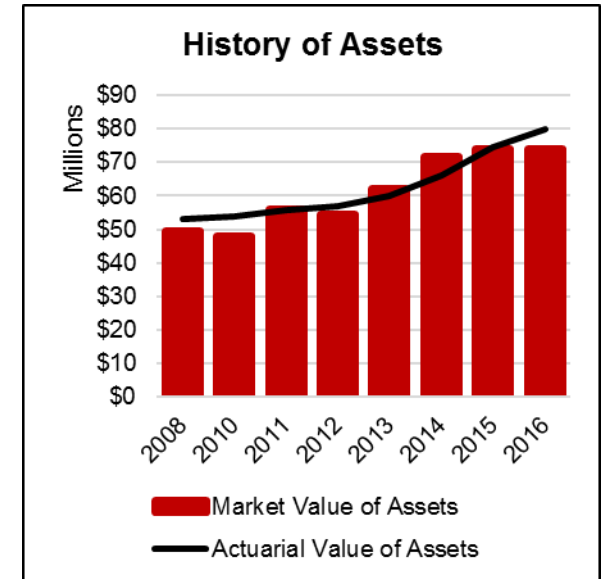
	July 1, 2016
Entry Age Normal Liabilities	
Active participants	
Retirement	\$58,481,542
Disability	697,655
Death	119,202
Termination	142,766
Refund of contributions	0
Total Active	\$59,441,165
Inactive participants	
Retired participants	\$62,719,181
Beneficiaries	1,184,757
Disabled participants	3,635,178
Terminated vested participants	1,990,407
Total Inactive	\$69,529,523
Total	\$128,970,688
 Total Normal Cost	 \$2,971,240



Asset Information

The amount of assets backing the pension promise is the most significant driver of volatility and future costs within a pension plan. The investment performance of the assets directly offsets the ultimate cost.

	July 1, 2016
Market Value Reconciliation	
Market value of assets, beginning of prior year	\$74,088,411
Contributions	
Employer contributions	5,190,005
Member contributions	1,427,810
Non-employer contributing entity	0
Total	6,617,815
Investment income	(1,671,890)
Benefit payments	(4,846,536)
Market value of asset, beginning of current year	\$74,187,800
Return on Market Value	(2.2)%
 Actuarial value of assets	
Value at beginning of current year	\$79,965,053



Asset Information (continued) – 20% Phase in

Plan Assets are used to develop funded percentages and contribution requirements.

	July 1, 2016
1. Expected market value of assets	
(a) Market value of assets, beginning of prior year	\$74,088,411
(b) Contributions	6,617,815
(c) Benefit payments	(4,846,536)
(d) Expected return	5,397,024
(e) Expected market value of assets, beginning of current year	\$81,256,714
2. Market value of assets, beginning of current year	\$74,187,800
3. Actual return on market value	\$(1,671,890)
4. Amount subject to phase in [(3)-(1d)]	\$(7,068,914)
5. Phase in of asset gain/(loss)	
(a) Current year (80% x \$(7,068,914))	\$(5,655,131)
(b) First prior year (60% x \$(5,010,641))	(3,006,385)
(c) Second prior year (40% x \$5,438,668)	2,175,467
(d) Third prior year (20% x \$3,543,982)	708,796
(e) Total phase-in	\$(5,777,253)
6. Preliminary actuarial value of assets, beginning of current year [(2)-(5e)]	\$79,965,053
7. 80% Market value of assets	\$59,350,240
8. 120% Market value of assets	\$89,025,360
9. Adjusted actuarial value of assets	\$79,965,053
10. Final actuarial value of assets (9)	\$79,965,053
11. Return on actuarial value of assets	5.0%

Reconciliation of Gain/Loss

July 1, 2016

Liability (gain)/loss

Actuarial liability, beginning of prior year	\$121,691,129
Normal cost	2,932,008
Benefit payments	(4,846,536)
Expected Interest	8,801,423
Change in actuarial assumptions	(63,034)
Change in plan provisions	<u>(2,827)</u>
Expected actuarial liability, beginning of current year	\$128,512,163
Actual actuarial liability	\$128,970,688
Liability (gain)/loss	\$458,525

Asset (gain)/loss

Actuarial value of assets, beginning of prior year	\$74,427,566
Contributions	6,617,815
Benefit payments	(4,846,536)
Expected investment return	<u>5,421,443</u>
Expected actuarial value of assets, beginning of current year	\$81,620,288
Actual actuarial value of assets, beginning of current year	\$79,965,053
Asset (gain)/loss	\$1,655,235

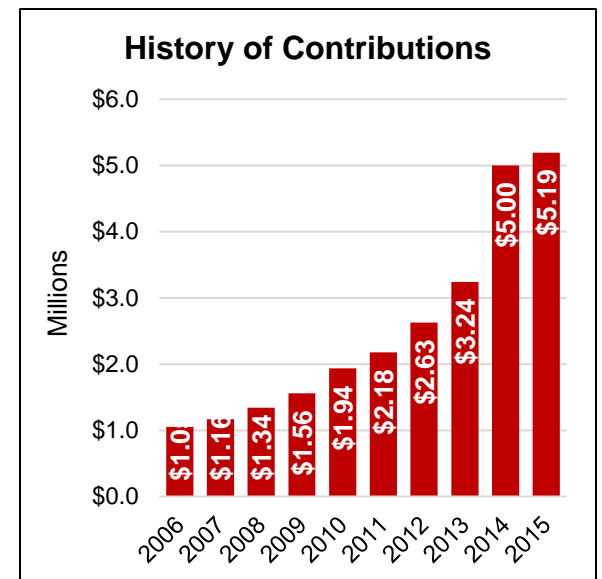
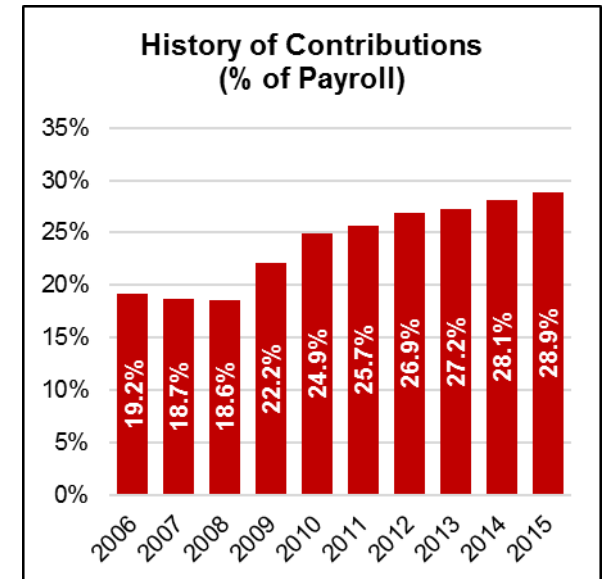
Total (gain)/loss

\$2,113,760

Development of Actuarially Determined Contribution

The actuarially determined contribution is the annual amount necessary to fund the plan according to funding policies and/or applicable laws.

Valuation Date For Plan Year Ending	July 1, 2016 June 30, 2018
Funded Position	
1. Entry age accrued liability	\$128,970,688
2. Actuarial value of assets	\$79,965,053
3. Unfunded actuarial accrued liability (UAAL)	\$49,005,635
Employer Contributions	
1. Normal Cost	
(a) Total normal cost	\$2,971,240
(b) Expected participant contributions	1,038,552
(c) Net normal cost	\$1,932,688
2. Amortization of UAAL	3,460,677
3. Applicable interest	388,322
4. Calculated contribution at valuation date	\$5,781,687
5. Total payroll	\$13,607,598
6. Calculated contribution as a percentage of total payroll (4) / (5)	42.5%
7. Projected payroll	\$14,151,902
8. Preliminary actuarially determined contribution (6) x (7)	\$6,014,558
9. Adjustment due to phasing in effect of assumption change	155,671
10. Actuarially determined contribution (8) + (9)	\$5,858,887



Demographic Information

The foundation of a reliable actuarial report is the participant information provided by the plan sponsor. Monitoring trends in demographic information is crucial for long-term pension planning.

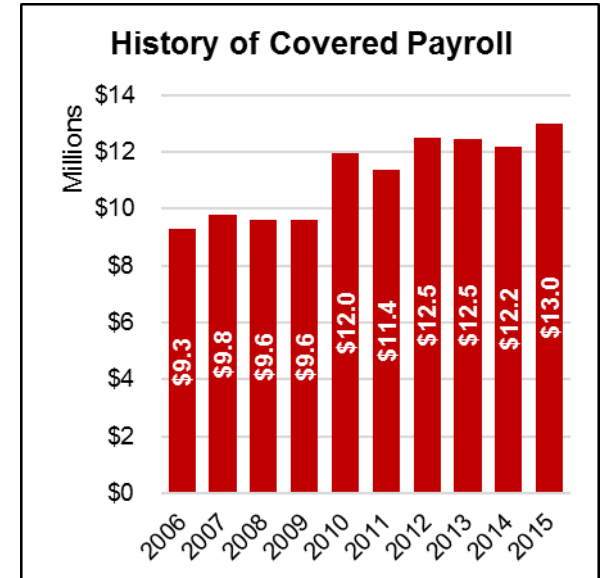
July 1, 2016

Participant Counts

Active Participants	253
Retired Participants	167
Beneficiaries	13
Disabled Participants	13
Terminated Vested Participants	18
Total Participants	464

Active Participant Demographics

Average Age	47.8
Average Service	11.5
Average Compensation	\$53,785
Total Payroll	\$13,607,598



Demographic Information (continued)

July 1, 2016

Retiree Statistics

Average Age	66.5
Average Monthly Benefit	\$2,204

Beneficiary Statistics

Average Age	75.8
Average Monthly Benefit	\$824

Disabled Participants Statistics

Average Age	65.1
Average Monthly Benefit	\$2,065

Terminated Vested Participants Statistics

Average Age	53.9
Average Monthly Benefit	\$1,431

Terminated Participants Due a Return of Employee Contributions Statistics

Average Age	50.1
Total Employee Contributions Payable	\$85,400

Participant Reconciliation

	Active	Terminated Vested	Disabled	Retired	Survivor	Totals
Prior Year	255	19	13	163	11	461
Active						0
To Terminated Vested	(8)	8	0	0	0	0
To Retired	(4)	0	0	4	0	0
To Lump Sum Cash-Out	(4)	0	0	0	0	(4)
Terminated Vested						0
To Active	1	(1)	0	0	0	0
To Retired	0	(2)	0	2	0	0
To Lump Sum Cash-Out	0	(7)	0	0	0	(7)
Retired						0
To Death	0	0	0	(3)	0	(3)
Additions	13	1	0	1	2	17
Departures	0	0	0	0	0	0
Current Year	253	18	13	167	13	464

Active Participant Schedule

Active participant information grouped based on age and service.

Age Group	Years of Service										Total	Average Pay
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up		
Under 25	1	5	0	0	0	0	0	0	0	0	6	\$51,291
25 to 29	2	11	7	0	0	0	0	0	0	0	20	\$52,308
30 to 34	1	9	11	3	0	0	0	0	0	0	24	\$59,920
35 to 39	2	3	4	12	0	0	0	0	0	0	21	\$55,071
40 to 44	0	7	3	4	11	4	0	0	0	0	29	\$62,190
45 to 49	2	4	4	6	8	6	5	0	0	0	35	\$58,507
50 to 54	1	6	8	8	6	1	7	0	0	0	37	\$52,350
55 to 59	0	12	5	6	5	6	3	1	0	0	38	\$47,579
60 to 64	0	2	7	9	4	3	4	0	0	0	29	\$39,397
65 to 69	0	1	7	0	0	0	2	0	0	0	10	\$21,808
70 & up	0	0	1	0	0	0	3	0	0	0	4	\$32,364
Total	9	60	57	48	34	20	24	1	0	0	253	\$51,521

Name of plan

Town of Narragansett Pension Plan

Effective date

The plan was originally effective as of July 1, 1984.

Participation

All permanent, regular and probationary status employees who work for at least five months of a year and for at least twenty hours per week who elect to contribute to the Plan at the prescribed rates are eligible to participate in the Plan.

School Department employees who have been, are, or will be eligible for membership in the State Teacher's Retirement System shall be excluded from this Plan.

The Plan shall exclude any Police Officer covered under the 1666 Plan who has refused to join the Plan.

Normal retirement benefit

For all employees hired prior to July 1, 2011: A benefit equal to 2.5% of Final Average Compensation multiplied by years of credited service (subject to a maximum benefit of 75% of Final Average Compensation).

For Council 94 and Local 1033 employees hired on or after July 1, 2011: A benefit equal to 2.0% of Final Average Compensation multiplied by years of credited service up to 20 and 2.5% of Final Average Compensation multiplied by years of service in excess of 20, limited to 14 (subject to a maximum benefit of 75% of Final Average Compensation).

For Council 94 and Local 1033 employees hired on or after July 1, 2014: A benefit equal to 2.0% of Final Average Compensation multiplied by years of credited service (subject to a maximum benefit of 75% of Final Average Compensation).

For School employees hired on or after July 1, 2015: A benefit equal to 2.0% of Final Average Compensation multiplied by years of credited service (subject to a maximum benefit of 75% of Final Average Compensation).

For Police and Fire Union members hired on or after July 1, 2013: A benefit equal to 2.0% of Final Average Compensation multiplied by years of credited service.

Normal retirement date

Municipal Employees	A member may retire upon the later of attainment of age 58 or the completion of 10 years of credited service, but, in any case, he can retire immediately after completing 20 years of credited service For Local 1033 members hired on or after 7/1/2014: A member may retire after completing 25 years of service For Council 94 members hired on or after 7/1/2014: A member may retire upon the later of attainment of age 65 or the completion of 10 years of credited service, but, in any case, he can retire immediately after completing 25 years of credited service For School employees hired on or after 7/1/2015: A member may retire upon the later of attainment of age 65 or the completion of 10 years of credited service, or at any age after the completion of 25 years of credited service.
Firefighters	For Firefighters hired prior to July 1, 2011: A Firefighter may retire upon completion of 20 years of credited service

Normal retirement date (continued)

For Firefighters hired on or after July 1, 2011, except Blanchette and Hultzman: A Firefighter may retire 23 years from their date of hire with a minimum 20 years of credited service

For Firefighters hired on or after July 1, 2013: A Firefighter may retire upon completion of 25 years of credited service

Police Officers
(including Chapter 1666)

For Police Union members hired before July 1, 2013: A Police Union member may retire upon the earlier of attainment of age 58 or the completion of 20 years of credited service

For Police Union members hired on or after July 1, 2013: A Police Union member may retire upon the completion of 25 years of credited service

Average monthly salary

Average annual basic compensation during the highest three consecutive years of service.

Early retirement

A member who has attained age 55 with 10 years of credited service, or has attained age 50 with 20 years of credited service may elect to retire and receive a monthly benefit equal to the actuarial equivalent of the accrued benefit determined as of the normal retirement date.

Disability retirement

Non-Occupational Causes

Municipal Employees After the completion of seven years of credited service but prior to attainment of age 58, a disabled member is entitled to the greater of (a) 2.5% of Final Average Compensation multiplied by years of credited service (subject to a minimum of 25% and maximum of 50%) or (b) 1 2/3% of Final Average Compensation multiplied by years of credited service (subject to a minimum of 25%)

Firefighters and Police Officers After the completion of seven years of credited service but prior to attainment of age 58 (age 55 for firefighters), a benefit equal to 2.5% of Final Average Compensation multiplied by years of credited service (subject to a minimum of 25% and a maximum of 50%)

Occupational Causes A benefit equal to 66 2/3% of the annualized rate of compensation determined as of the date of disability, reduced by the monthly value of any payments provided for the member under any worker's compensation law.

Preretirement death benefit

Municipal Employees

Non-Occupational Causes Upon the death of a member his beneficiary shall be entitled to the greater of (a) a refund of employee contributions with interest plus a lump sum benefit equal to \$400 times years of credited service (subject to a minimum of \$2,000 and a maximum of \$8,000) or (b) for a member with 10 or more years of credited service, a refund of employee contributions with interest, plus a monthly benefit equal to 50% of the member's accrued benefit.

Preretirement death benefit (continued)

Occupational Causes	Upon the death of a member, his beneficiary shall receive a refund of employee contributions with interest, plus a benefit equal to 50% of compensation.
Firefighters and Police Officers	Upon the death of a Firefighter or Police Officer who has completed 10 years of credited service, the beneficiary may elect either a refund of employee contributions with interest or a benefit equal to 50% of the accrued benefit. Special rules apply for death after meeting the eligibility for retirement.

Termination Benefit

For vested participants: Accrued benefit payable at normal retirement date
For non-vested participants: A return of employee contributions with interest payable as a lump sum

Vesting

For non-Firefighters: 100% vested after 10 years of Credited Service
For Firefighters: 100% vested after 20 years of Credited Service (25 years of Credited Service for Firefighters hired on or after 7/1/2013)

Compensation

Annual base compensation excluding longevity, incentive and holiday pay. School employees shall have longevity pay included in compensation.

Credited service

Contributing employees will receive credit for all service rendered to the Town from date of membership subject to certain special provisions.

Cost of Living Adjustments

Municipal Employees	Who retire on or after July 1, 2002 shall receive annual 3% compounded COLAs beginning on the July 1 of the year that the employee turns 58 years old. Council 94 employees hired on or after 7/1/2014 shall receive annual 3% simple COLAs beginning on the July 1 of the year that the employee turns 58 years old. School employees hired on or after 7/1/2015 shall receive a compounded COLA on each July 1 st based on the COLA given to Social Security recipients, if any.
Firefighters	Who retire on or after July 1, 2002 and before July 1, 2015 shall receive annually a 3% compounded COLA beginning on the July 1 of the year that the firefighter turns 52 years old. Who retire on or after July 1, 2015 shall receive annually a 3% simple COLA beginning on the July 1 of the year that the firefighter turns 52 years old, subject to the suspension below. The COLA has been suspended for 8 years for active members as of July 1, 2013.

Cost of Living Adjustments (continued)

Police Officers Who retire on or after July 1, 2002, if employed before July 1, 2013, shall receive annual 3% compounded COLAs beginning on the earlier of July 1 or the year that the employee turns 52 years old of July 1 of the year that is the fifth anniversary of the police officer's retirement, subject to the suspension below.

Employees hired on or after July 1, 2013 shall receive a 3% simple COLA at retirement and when eligible

The COLA has been suspended for 8 years for active members as of July 1, 2013

Optional forms of payment

In lieu of the normal form of benefit, any member who is married at the time of retirement may elect a pension that provides, upon the member's death, for 67.5% of the pension to continue to the dependent spouse or dependent children.

Participant contributions

As of July 1, 2016

Municipal Employees	10% of salary; for Council 94 and Local 1033 employees, 11% of salary
Firefighters	11% of salary, holiday, incentive & longevity
Police Officers	11% of base salary, holiday, incentive & longevity
Laborers & Clerical	10% of base salary & longevity
Mid-managers	10% of base salary & longevity
Non Union	10% of base salary
School	10% of base salary & longevity

Contributions cease once a participant has reached 30 years of service

Except where otherwise indicated, the following assumptions were selected by the plan sponsor with the concurrence of the actuary. Prescribed assumptions are based on the requirements of the relevant law, the Internal Revenue Code, and applicable regulation. The actuary was not able to evaluate the prescribed assumptions for reasonableness for the purpose of the measurement.

Valuation Date

July 1, 2016

Participant and Asset Information Collected as of

July 1, 2016

Cost Method (CO)

Individual Entry Age Cost Method % of pay

Amortization Method (CO)

20 year closed level percent of pay amortization of Unfunded Actuarial Accrued Liability. For this purpose, pay is assumed to grow at 4.00% annually

Asset Valuation Method

The actuarial value of assets is equal to the fair market value of assets on the valuation date adjusted for a 5-year phase in of gains and losses on fair market value of assets.

Interest Rates (CO)

7.20% net of investment expenses. The interest rate changed effective 7/1/2015 from 7.50% to 7.2%. This interest rate change is phased in to the actuarially determined contribution over 3 years.

Annual Pay Increases (FE)

Local 1033 Members	Salary increases of \$3,000 with an additional 2.00% as of July 1, 2016, then increases at the rates shown below for All Other Employees
	Note that salary increases first apply the dollar increase to the base salary, then apply the percentage increase to both the original base salary and the flat dollar increase
Council 94 Members	Salary increases by 2.50% as of July 1, 2016, then increases at the rates shown below for All Other Employees

Annual Pay Increases (continued) (FE)

All Other Employees	Age	Percent
	20-29	6.00%
	30-34	5.50%
	35-39	5.00%
	40-44	4.50%
	45+	4.00%

Expense and/or Contingency Loading (FE)

None

Mortality Rates (FE)

Healthy Lives

Municipal Employees RP-2014 Mortality Table with Social Security Generational Improvements from 2006 based on 2015 Trustees' Report

Firefighters and Police RP-2014 Blue Collar Mortality Table with Social Security Generational Improvements from 2006 based on 2015 Trustees' Report

Disabled Lives

Municipal Employees RP-2014 Disabled Mortality Table with Social Security Generational Improvements from 2006 based on 2015 Trustees' Report

Firefighters and Police RP-2014 Disabled Mortality Table with Social Security Generational Improvements from 2006 based on 2015 Trustees' Report

Retirement Rates (FE)

Municipal Employees 100% retirement at the earlier of the completion of 20 years of service or attainment of age 58 with at least 10 years of service

Firefighters and Police 100% retirement at the earlier of the completion of 20 years of service or attainment of age 58.

Disability Rates (FE)

50% of the rates in accordance with the 1985 Pension Disability Table

<u>Age</u>	<u>Percent</u>
25	0.05%
35	0.11%
45	0.25%
55	0.75%

Withdrawal Rates (FE)

Municipal Employees	Rates in accordance with the T2 Table of <i>The Pension Actuary's Handbook</i> .	
	Age	Percent
	25	5.29%
	35	4.70%
	45	1.77%
	55	0.00%
Firefighters and Police	None	

Marital Status and Ages (FE)

85% of Participants assumed to be married with wives assumed to be 4 years younger than husbands.

Cost of Living Adjustment (CO)

For Council 94:	3% increase is assumed once the participant is eligible with a simple COLA occurring once the benefit reaches \$35,000
For Local 1033:	3% increase is assumed once the participant is eligible. For employees retiring after January 1, 2012, a 3% increase with a simple COLA occurring once the benefit reaches \$45,000
For Police and Fire:	the COLA is suspended for active members as of July 1, 2013 for 8 years
For Fire members expected to retire before July 1, 2015:	the COLA is 3% compounded when eligible and subject to the suspension noted above
For Fire members expected to retire on or after July 1, 2015:	the COLA is 3% simple when eligible and subject to the suspension noted above
For Police members hired on or after July 1, 2013:	a 3% simple COLA when eligible
For School employees hired on or after July 1, 2015:	2% increase is assumed once the participant is eligible
For all other employees:	3% compound COLA is assumed once eligible

Other procedures

Benefits projected to assumed retirement age for active participants have been limited so as not to exceed maximum benefit limits imposed by Code Section 415(b) and/or maximum compensation limits of Code Section 401(a)(17).

FE indicates an assumption representing an estimate of future experience

MD indicates an assumption representing observations of estimates inherent in market data

CO indicates an assumption representing a combination of an estimate of future experience and observations of market data

The actuarial report also shows the necessary items required for plan reporting and any state requirements.

- ✓ Schedule of Amortizations
- ✓ Phase-In of Interest Rate Assumption Change
- ✓ Actuarially Determined Contribution by Division

Schedule of Amortizations

July 1, 2016

<u>Date Established</u>	Remaining Period <u>Years</u>	Outstanding <u>Balance</u>	Annual <u>Payment</u>
7/1/2014	18	43,973,205	\$3,122,002
7/1/2015	19	3,247,027	221,421
7/1/2016	20	<u>\$1,785,403</u>	<u>117,254</u>
	Total	\$49,005,635	\$3,460,677

Phase-In of Interest Rate Assumption Change

The Actuarially Determined Contribution has been adjusted for valuation purposes to smooth the effects of the assumption changes made effective on valuation date 7/1/2015. Determination of the Actuarial Recommended Funding Contribution is shown below.

(1) Actuarial recommended funding contribution (prior to assumption change)	\$5,547,546
(2) Actuarial recommended funding contribution (after assumption change)	6,014,558
(3) Increase due to interest rate change (2) – (1)	467,012
(4) Adjustment to actuarial recommended funding contribution (3) x 1 / 3	155,671
(5) Actuarial recommended funding contribution (2) – (4)	\$5,858,887

Actuarially Determined Contribution by Division

	Town	Police	Fire	Beach	Water	Wastewater	Library	School	Total
(1) Total Normal Cost	763,132	905,921	452,362	5,463	68,197	117,450	7,575	651,140	2,971,240
(2) Expected Employee Contributions	<u>294,361</u>	<u>302,739</u>	<u>169,671</u>	<u>2,537</u>	<u>24,584</u>	<u>39,083</u>	<u>3,292</u>	<u>202,285</u>	<u>1,038,552</u>
(3) Employer Normal Cost = (1) – (2)	468,771	603,182	282,691	2,926	43,613	78,367	4,283	448,855	1,932,688
(4) Net Amortization Payment	<u>856,342</u>	<u>839,511</u>	<u>765,348</u>	<u>6,927</u>	<u>83,590</u>	<u>133,374</u>	<u>70,626</u>	<u>704,959</u>	<u>3,460,677</u>
(5) Interest at Valuation rate on (3) + (4)	<u>95,408</u>	<u>103,874</u>	<u>75,459</u>	<u>709</u>	<u>9,159</u>	<u>15,245</u>	<u>5,393</u>	<u>83,075</u>	<u>388,322</u>
(6) Calculated contribution at valuation date (3) + (4) + (5)	1,420,521	1,546,567	1,123,498	10,562	136,362	226,986	80,302	1,236,889	5,781,687
(7) Valuation Payroll	3,823,413	2,936,860	2,523,027	50,437	355,956	593,259	213,262	3,111,384	13,607,598
(8) Calculated contribution at valuation date as a percentage of valuation payroll (6) ÷ (7)	37.2%	52.7%	44.5%	20.9%	38.3%	38.3%	37.7%	39.8%	42.5%
(9) Projected Payroll	3,976,351	3,054,334	2,623,948	52,454	370,194	616,990	221,792	3,235,839	14,151,902
(10) Preliminary actuarially determined contribution (8) x (9), with adjustments due to rounding	1,478,510	1,609,101	1,167,199	10,954	141,719	236,199	83,577	1,287,299	6,014,558
(11) Adjustment due to phasing in effect of assumption changes	38,520	37,764	34,428	312	3,760	5,999	3,177	31,711	155,671
(12) Actuarially determined contribution (10) - (11)	1,439,990	1,571,337	1,132,771	10,642	137,959	230,200	80,400	1,255,588	5,858,887