

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 Westerly Police Pension
Fund***

*June 30, 2016
GASB Nos. 67 & 68 Report*

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This report is prepared in accordance with our understanding of GASB Nos. 67 & 68 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 included in this report;
- the plan provisions;
- participant information furnished to us by the Plan Administrator;
- asset information furnished to us by the Plan Trustee.

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 may have made assumptions we believe are reasonable for the purpose of the measurement. 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.

The interest rate, other economic assumptions, and demographic assumptions have been selected by the plan sponsor with our recommendations. The assumptions used, in our opinion, are reasonable and represent a reasonable expectation of future experience under the plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

A summary of any assumptions not included in this report, the plan provisions and the participant information is included in the Actuarial Valuation Report for funding purposes.

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 or additional cost or contribution requirements based on the plan's funded status); and
- changes in plan provisions or applicable law.

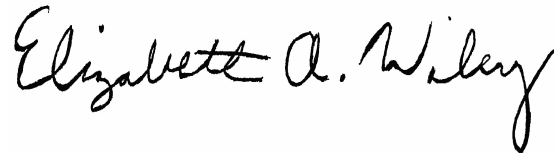
We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

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

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



Elizabeth A. Wiley, ASA



David D. Harris, ASA, EA, MAAA

10/31/2016

Net Pension Liability

The components of the net pension liability at June 30

	06/30/2016	06/30/2015
Total pension liability	\$ 44,419,188	\$ 43,094,832
Plan fiduciary net position	(29,259,450)	(29,062,295)
Net pension liability	\$ 15,159,738	\$ 14,032,537
Plan fiduciary net position as a percent of the total pension liability	65.87%	67.44%
Pension Expense for the Fiscal Year Ended June 30	\$ 2,107,300	\$ 1,680,852

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

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

Plan Membership

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

	2015	2014
Inactive plan members and beneficiaries currently receiving benefits	46	46
Inactive plan members entitled to but not yet receiving benefits	1	1
Active plan members	49	47
Total members	96	94

Town of Westerly Police Pension Fund
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2016
Statement of Fiduciary Net Position

Assets	06/30/2016	06/30/2015
Cash and deposits	\$ 842,900	\$ 404,810
Securities lending cash collateral	0	0
Total cash	\$ 842,900	\$ 404,810
Receivables:		
Contributions	\$ 0	\$ 0
Due from broker for investments sold	0	0
Investment income	0	0
Other	0	0
Total receivables	\$ 0	\$ 0
Investments:		
Equity	\$ 18,248,368	\$ 19,249,357
Fixed Income	10,168,182	9,408,128
Real Estate	0	0
Total investments	\$ 28,416,550	\$ 28,657,485
Total assets	\$ 29,259,450	\$ 29,062,295
Liabilities		
Payables:		
Investment management fees	\$ 0	\$ 0
Due to broker for investments purchased	0	0
Collateral payable for securities lending	0	0
Other	0	0
Total liabilities	\$ 0	\$ 0
Net position restricted for pensions	\$ 29,259,450	\$ 29,062,295

Town of Westerly Police Pension Fund
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2016
Statement of Changes in Fiduciary Net Position

	06/30/2016	06/30/2015
Additions		
Contributions:		
Employer	\$ 1,713,800	\$ 1,716,400
Member	382,932	384,672
Nonemployer contributing entity	0	0
Total contributions	\$ 2,096,732	\$ 2,101,072
Investment income:		
Net increase in fair value of investments	\$ 182,219	\$ 1,255,952
Interest and dividends	0	0
Less investment expense, other than from securities lending	(52,323)	0
Net income other than from securities lending	\$ 129,896	\$ 1,255,952
Securities lending income	0	0
Less securities lending expense	0	0
Net income from securities lending	\$ 0	\$ 0
Net investment income	\$ 129,896	\$ 1,255,952
Other	0	0
Total additions	\$ 2,226,628	\$ 3,357,024
Deductions		
Benefit payments, including refunds of member contributions	\$ 2,029,473	\$ 1,795,715
Administrative expense	0	0
Other	0	0
Total deductions	\$ 2,029,473	\$ 1,795,715
Net increase in net position	\$ 197,155	\$ 1,561,309
Net position restricted for pensions		
Beginning of year	29,062,295	27,500,986
End of year	\$ 29,259,450	\$ 29,062,295

Town of Westerly Police Pension Fund
 GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2016
 Schedule of Changes in Net Pension Liability and Related Ratios

	<u>06/30/2016</u>	<u>06/30/2015</u>
Total pension liability		
Service cost	\$ 917,082	\$ 851,843
Interest	3,224,788	3,036,062
Changes of benefit terms	0	0
Differences between expected and actual experience	47,387	(499,006)
Changes of assumptions	(835,428)	991,037
Benefit payments, including refunds of member contributions	(2,029,473)	(1,795,715)
Net change in total pension liability	<u>1,324,356</u>	<u>2,584,221</u>
Total pension liability - beginning	43,094,832	40,510,611
Total pension liability - ending (a)	\$ 44,419,188	\$ 43,094,832
Plan fiduciary net position		
Contributions - employer	\$ 1,713,800	\$ 1,716,400
Contributions - member	382,932	384,672
Contributions - nonemployer contributing member	0	0
Net investment income	129,896	1,255,952
Benefit payments, including refunds of member contributions	(2,029,473)	(1,795,715)
Administrative expenses	0	0
Other	0	0
Net change in plan fiduciary net position	<u>\$ 197,155</u>	<u>\$ 1,561,309</u>
Plan fiduciary net position - beginning	29,062,295	27,500,986
Plan fiduciary net position - ending (b)	\$ 29,259,450	\$ 29,062,295
Net pension liability - ending (a) - (b)	\$ 15,159,738	\$ 14,032,537
Plan fiduciary net position as a percentage of the total pension liability	65.87%	67.44%
Covered-employee payroll	\$ 4,077,370	\$ 3,802,837
Net pension liability as percentage of covered-employee payroll	371.80%	369.00%

Fiscal year ending	<u>06/30/2016</u>	<u>06/30/2015</u>
Service cost	\$ 917,082	\$ 851,843
Interest on total pension liability	3,224,788	3,036,062
Projected earnings on pension plan investments	(2,182,194)	(2,073,817)
Changes of benefit terms	0	0
Employee contributions	(382,932)	(384,672)
Pension plan administrative expense	0	0
Other changes	0	0
Current period recognition of deferred outflows/(inflows) of resources		
Differences between Expected & Actual Experience in measurement of the Total Pension Liability	\$ (81,210)	\$ (89,108)
Changes of assumptions	37,733	176,971
Differences between Projected & Actual Earnings on Pension Plan Investments	574,033	163,573
Total	<u>\$ 2,107,300</u>	<u>\$ 1,680,852</u>

Town of Westerly Police Pension Fund
GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2016
Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Differences between expected and actuarial experience in measurement of the total pension liability for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2016 Balance
June 30, 2016	\$ 47,387	6.0	\$ 7,898	\$ 39,489
June 30, 2015	\$ (499,006)	5.6	\$ (89,108)	\$ (320,790)
			<u>\$ (81,210)</u>	<u>\$ (281,301)</u>
Changes in assumptions for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2016 Balance
June 30, 2016	\$ (835,428)	6.0	\$ (139,238)	\$ (696,190)
June 30, 2015	\$ 991,037	5.6	\$ 176,971	\$ 637,095
			<u>\$ 37,733</u>	<u>\$ (59,095)</u>
Differences between projected and actual earnings on pension plan investments for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2016 Balance
June 30, 2016	\$ 2,052,298	5.0	\$ 410,460	\$ 1,641,838
June 30, 2015	\$ 817,865	5.0	\$ 163,573	\$ 490,719
			<u>\$ 574,033</u>	<u>\$ 2,132,557</u>

Town of Westerly Police Pension Fund
 GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2016
 Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 39,489	\$ (320,790)
Changes of Assumptions	\$ 637,095	\$ (696,190)
Net difference between projected and actual earnings on pension plan investments	\$ 2,132,557	\$ 0
	\$ 2,809,141	\$ (1,016,980)

The balances as of June 30, 2016 of the deferred outflows/(inflows) of resources will be recognized in pension expense for the fiscal year ending June 30.

2017	\$ 530,556
2018	\$ 530,556
2019	\$ 530,556
2020	\$ 331,834
2021	\$(131,341)
Thereafter	\$ 0

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return 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, 2016 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Equity	62.0%	5.00%
Fixed Income	34.0%	2.18%
Real Estate	3.0%	5.00%
Cash	1.0%	0.50%
Total	100.0%	

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

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	\$ 17,977,492	\$ 15,159,738	\$ 12,510,068

Town of Westerly Police Pension Fund
 GASB Nos. 67 & 68 Report as of Fiscal Year Ending June 30, 2016
 Schedule of Contributions

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 1,713,800	\$ 1,716,400	\$ 1,816,000	\$ 1,272,700	\$ 1,225,170
Contributions in relation to the actuarially determined contribution	1,713,800	1,716,400	1,816,000	1,586,044	1,225,170
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ (313,344)	\$ 0
Covered-employee payroll	\$ 4,077,370	\$ 3,802,837	\$ 3,497,794	\$ 3,039,511	\$ 2,847,036
Contributions as a percentage of covered-employee payroll	42.03%	45.13%	51.92%	52.18%	43.03%
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 1,161,510	\$ 1,164,310	\$ 954,660	\$ 1,651,100	\$ 1,502,900
Contributions in relation to the actuarially determined contribution	1,275,000	1,275,000	1,098,750	1,300,000	1,300,000
Contribution deficiency (excess)	\$ (113,490)	\$ (110,690)	\$ (144,090)	\$ 351,100	\$ 202,900
Covered-employee payroll	\$ 2,838,895	\$ 2,854,292	\$ 2,624,354	\$ 2,624,354	\$ 2,624,354
Contributions as a percentage of covered-employee payroll	44.91%	44.67%	41.87%	49.54%	49.54%

The total pension liability as of June 30, 2016 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%
Measurement Date	June 30, 2016
Participant Data	Collected as of July 1, 2015, rolled forward and adjusted for material events to the measurement date.
Cost of Living Increases	Valued explicitly
Mortality Rates	
Healthy	RP 2014 Mortality Table with generational improvements from 2006 using scale MP-2015
Disabled	RP 2014 Disabled Mortality Table with generational improvements from 2006 using scale MP-2015
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 adjusted for a five year phase-in of gains and losses of plan assets at 20% per year																																		
Amortization Method	Closed 30-year level dollar amortization of the Unfunded Actuarial Accrued Liability																																		
Interest Rate	7.50% net of investment expenses																																		
Inflation	3.00%																																		
Annual Pay Increases	<table border="0" style="margin-left: 40px;"> <thead> <tr> <th style="text-align: left;">Service</th> <th style="text-align: left;">Rate</th> </tr> </thead> <tbody> <tr><td>0</td><td>15.00%</td></tr> <tr><td>1</td><td>14.00%</td></tr> <tr><td>2</td><td>12.00%</td></tr> <tr><td>3</td><td>11.00%</td></tr> <tr><td>4</td><td>10.00%</td></tr> <tr><td>5</td><td>9.00%</td></tr> <tr><td>6</td><td>8.00%</td></tr> <tr><td>7</td><td>7.00%</td></tr> <tr><td>8</td><td>6.00%</td></tr> <tr><td>9</td><td>5.50%</td></tr> <tr><td>10</td><td>5.25%</td></tr> <tr><td>11-12</td><td>5.00%</td></tr> <tr><td>13</td><td>4.75%</td></tr> <tr><td>14</td><td>4.50%</td></tr> <tr><td>15</td><td>4.25%</td></tr> <tr><td>16+</td><td>4.00%</td></tr> </tbody> </table>	Service	Rate	0	15.00%	1	14.00%	2	12.00%	3	11.00%	4	10.00%	5	9.00%	6	8.00%	7	7.00%	8	6.00%	9	5.50%	10	5.25%	11-12	5.00%	13	4.75%	14	4.50%	15	4.25%	16+	4.00%
Service	Rate																																		
0	15.00%																																		
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Disability Rates

33% of the 1985 Pension Disability Table Class 4 rates for males and females

Withdrawal Rates

Service	Rate
0	7.00%
1	5.50%
2	5.00%
3	4.50%
4	4.00%
5	3.50%
6	3.00%
7	2.50%
8	2.25%
9	2.00%
10	1.75%
11	1.50%
12	1.25%
13	1.00%
14	0.75%
15	0.50%
16+	0.00%

Retirement Rates

For those hired on or before July 1, 2010:

Service	Rate
20-22	30.00%
23	20.00%
24-27	30.00%
28	100.00%

For those hired after July 1, 2010:

Service	Rate
25-27	30.00%
28	20.00%
29	30.00%
30	40.00%
31	100.00%

Marital Status and Ages	70% of males and 60% of females assumed married with wives 3 years younger than husbands
Payment Form	67.5% Joint & Survivor annuity for married; Single Life annuity otherwise
Expense and/or Contingency Loading	Estimated annual administrative fees
Experience Study	The most recent experience study covered experience over the period July 1, 2011 through June 30, 2014

Participation

All regular police officers are eligible to participate.

Normal retirement benefit

A pension for life computed as 50% of annual pay for 20 years of service plus 2% times annual pay for each year of service over 20 years (maximum service equals 25).

For those hired after July 1, 2010, a pension for life computed as 50% of annual pay for 25 years of service plus 2% times annual pay for each year of service over 25 years (maximum service equals 30).

Normal retirement date

Effective July 1, 1987, a policeman may retire upon completion of 20 years of service.

Effective July 1, 2010, a policeman hired after July 1, 2010 may retire upon completion of 25 years of service.

Effective July 1, 2013, a policeman hired after July 1, 2013 may retire upon completion of 25 years of service and attainment of age 52.

Annual pay

Base salary for the 12 months immediately preceding retirement

Credited service

Period of employment as police officer of Town

Normal form of payment

67.5% Joint & Survivor annuity

Vesting

100% vested after 10 years of service. Participants with less than 10 years of service receive a return of employee contributions with interest.

Non Occupational Disability retirement

10% of final Annual Pay for participants with less than 10 years of service, 18% for 10 to 15 years of service, and 27% for 15 to 20 years of service

Occupational Disability retirement

50% of final Annual Pay

Preretirement death benefit

Return of member's contributions with interest.

Postretirement death benefit

Continuation of 67.5% of deceased retired member's pension to spouse until death or remarriage. If no eligible spouse, benefit payable to dependent children under age 18

Death in line of duty benefit

Heirs shall receive benefits the member would have been entitled to as though they had been members of the bargaining unit for 20 years

Cost-of-living adjustment

Retired prior to June 30, 1990	2.5% Simple, retroactive to July 1, 1993
Retired on or after June 30, 1990	2.5% Simple, effective July 1, 1994
Retired on or after July 1, 1998	3.0% Simple
Hired after July 1, 2010	3.0% Simple after earlier of 5 years of payment or attainment of age 52

Member Contributions

11.0% of pay