



GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2021

TOWN OF NARRAGANSETT

CONTACT

Matt Sherertz, ASA, MAAA
matt.sherertz@nyhart.com

ADDRESS

Nyhart
8415 Allison Pointe Blvd. Suite 300
Indianapolis, IN 46250

PHONE

General (317) 845-3500
Toll-Free (800) 428-7106
Fax (317) 845-3654

Table of Contents

	Page
Certification	1
Executive Summary	3
GASB Disclosures	
Schedule of Changes in Net OPEB Liability and Related Ratios	5
Schedule of Employer Contributions	6
OPEB Expense	7
Deferred Outflows / (Inflows) of Resources	8
Sensitivity Results	10
Asset Information	11
Actuarially Determined Contributions	13
Projection of GASB Disclosures	14
Cash Flow Projections	15
Discussion of Discount Rates	16
Summary of Plan Participants	17
Substantive Plan Provisions	20
Actuarial Methods and Assumptions	27
Appendix	33
Comparison of Participant Demographic Information	34
Detailed Actuary's Notes	35
Glossary	36
Decrements Exhibit	37
Retirement Rates Exhibit	38
Definitions	39

October 15, 2021

**Christine Spagnoli
Town of Narragansett
25 Fifth Avenue
Narragansett, RI 02882**

This report summarizes the GASB actuarial valuation for the Town of Narragansett 2020/21 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). This report 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 information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

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.

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 that could materially affect the results contained herein.



Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.

A handwritten signature in black ink that reads 'Matt Sherertz'.

Matt Sherertz, ASA, MAAA
Actuary

A handwritten signature in black ink that reads 'Cody Kocher'.

Cody Kocher, ASA, MAAA
Actuary

Executive Summary

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2021 compared to the prior fiscal year as shown in the Town's Notes to Financial Statement.

	As of June 30, 2020	As of June 30, 2021
Total OPEB Liability	\$ 38,421,444	\$ 45,547,640
Actuarial Value of Assets	\$ (10,567,317)	\$ (13,523,530)
Net OPEB Liability	\$ 27,854,127	\$ 32,024,110
Funded Ratio	27.5%	29.7%

	FY 2019/20	FY 2020/21
OPEB Expense	\$ 1,468,670	\$ 2,161,584
Annual Employer Contributions	\$ 3,801,999	\$ 3,588,845
Actuarially Determined Contribution	\$ 3,129,247	\$ 2,980,314

	As of June 30, 2020	As of June 30, 2021
Discount Rate	7.20%	7.15%
Expected Return on Assets	7.20%	7.15%

	As of June 30, 2021
Total Active Participants	173
Total Retiree Participants	126

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

Executive Summary

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

Below is a breakdown of total GASB 75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability allocated to pre- and post- Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

Present Value of Future Benefits	As of June 30, 2020	As of June 30, 2021
Active Employees	\$ 15,310,465	\$ 20,520,751
Retired Employees	28,731,744	32,883,790
Total Present Value of Future Benefits	\$ 44,042,209	\$ 53,404,541

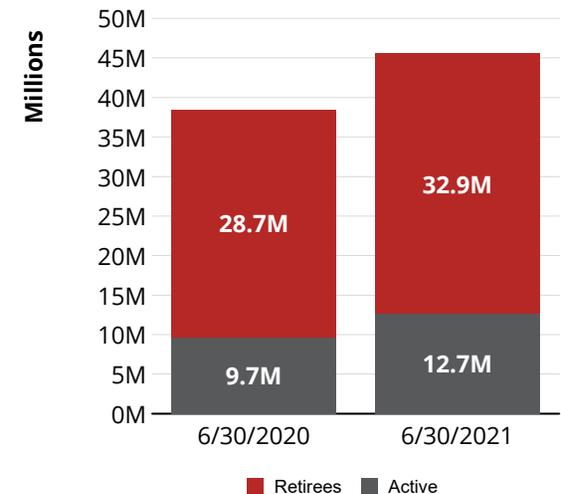
Total OPEB Liability	As of June 30, 2020	As of June 30, 2021
Active Pre-Medicare	\$ 7,110,199	\$ 9,348,030
Active Post-Medicare	2,579,501	3,315,820
Active Liability	\$ 9,689,700	\$ 12,663,850

Retiree Pre-Medicare	\$ 6,775,956	\$ 7,733,853
Retiree Post-Medicare	21,955,788	25,149,937
Retiree Liability	\$ 28,731,744	\$ 32,883,790

Total OPEB Liability	\$ 38,421,444	\$ 45,547,640
-----------------------------	----------------------	----------------------

	As of June 30, 2020	As of June 30, 2021
Discount Rate	7.20%	7.15%

Changes In Total OPEB Liability



Present Value of Future Benefits (PVFB) is the amount needed as of June 30, 2021 and June 30, 2020, to fully fund the Town's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Total OPEB Liability is the portion of PVFB considered to be accrued or earned as of June 30, 2021 and June 30, 2020. This amount is a required disclosure in the Required Supplementary Information section.

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
Total OPEB Liability					
Total OPEB Liability - beginning of year	\$ 38,421,444	\$ 39,017,484	\$ 40,274,185	\$ 43,680,916	\$ 45,880,053
Service cost	542,253	537,366	629,930	679,914	1,189,644
Interest	2,718,747	2,761,917	2,783,426	2,852,809	3,005,083
Change of benefit terms	0	0	0	0	(6,256,712)
Changes in assumptions	5,032,190	0	(1,238,106)	(1,943,284)	1,293,986
Differences between expected and actual experience	1,282,206	(1,463,284)	(1,110,915)	(2,686,363)	658,887
Benefit payments	(2,449,200)	(2,432,039)	(2,321,036)	(2,309,807)	(2,090,025)
Net change in total OPEB liability	\$ 7,126,196	\$ (596,040)	\$ (1,256,701)	\$ (3,406,731)	\$ (2,199,137)
Total OPEB Liability - end of year	\$ 45,547,640	\$ 38,421,444	\$ 39,017,484	\$ 40,274,185	\$ 43,680,916
Plan Fiduciary Net Position					
Plan fiduciary net position - beginning of year	\$ 10,567,317	\$ 8,982,643	\$ 6,894,878	\$ 5,338,068	\$ 3,939,320
Contributions - employer	3,588,845	3,801,999	4,115,135	3,547,796	3,176,785
Contributions - active employees	0	0	0	0	0
Net investment income	1,823,168	231,747	299,866	327,071	338,238
Benefit payments	(2,449,200)	(2,432,039)	(2,321,036)	(2,309,807)	(2,090,025)
Trust administrative expenses	(6,600)	(17,033)	(6,200)	(8,250)	(26,250)
Net change in plan fiduciary net position	\$ 2,956,213	\$ 1,584,674	\$ 2,087,765	\$ 1,556,810	\$ 1,398,748
Plan fiduciary net position - end of year	\$ 13,523,530	\$ 10,567,317	\$ 8,982,643	\$ 6,894,878	\$ 5,338,068
Net OPEB Liability - end of year	\$ 32,024,110	\$ 27,854,127	\$ 30,034,841	\$ 33,379,307	\$ 38,342,848
Plan fiduciary net position as % of total OPEB liability	29.7%	27.5%	23.0%	17.1%	12.2%
Covered employee payroll	\$ 11,247,367	\$ 11,941,182	\$ 12,599,633	\$ 10,637,623	\$ 10,228,484
Net OPEB liability as % of covered payroll	284.7%	233.3%	238.4%	313.8%	374.9%

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Schedule of Employer Contributions

The Actuarially Determined Contributions (ADC) shown below are based on the Annual Required Contribution (ARC) calculated in prior GASB 45 actuarial valuations as shown in the Town's financial statements.

	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
Actuarially Determined Contribution (ADC)	\$ 2,980,314	\$ 3,129,247	\$ 3,372,903	\$ 3,567,929	\$ 3,517,887
Contributions in relation to the ADC	3,588,845	3,801,999	4,115,135	3,547,796	3,176,785
Contribution deficiency/(excess)	\$ (608,531)	\$ (672,752)	\$ (742,232)	\$ 20,133	\$ 341,102
Covered employee payroll	\$ 11,247,367	\$ 11,941,182	\$ 12,599,633	\$ 10,637,623	\$ 10,228,484
Contribution as a % of covered payroll	31.9%	31.8%	32.7%	33.4%	31.1%

	FY 2015/16	FY 2014/15	FY 2013/14	FY 2012/13	FY 2011/12
Actuarially Determined Contribution (ADC)	\$ 4,620,054	\$ 5,047,958	\$ 5,030,992	\$ 5,117,673	\$ 5,960,237
Contributions in relation to the ADC	2,911,234	2,346,138	2,510,011	2,516,858	3,069,142
Contribution deficiency/(excess)	\$ 1,708,820	\$ 2,701,820	\$ 2,520,981	\$ 2,600,815	\$ 2,891,095
Covered employee payroll	\$ 9,808,380	\$ 9,522,699	\$ 9,377,308	\$ 9,104,183	\$ 8,839,013
Contribution as a % of covered payroll	29.7%	24.6%	26.8%	27.6%	34.7%

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

OPEB Expense

OPEB Expense	FY 2020/21	FY 2019/20
Discount Rate		
Beginning of year	7.20%	7.20%
End of year	7.15%	7.20%
Service cost	\$ 542,253	\$ 537,366
Interest	2,718,747	2,761,917
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	(800,928)	(694,609)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	6,600	17,033
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (679,821)	\$ (893,522)
Changes in assumptions	418,084	(420,614)
Net difference between projected and actual earnings on OPEB plan investments	(43,351)	161,099
Total current period recognition	\$ (305,088)	\$ (1,153,037)
Total OPEB expense	\$ 2,161,584	\$ 1,468,670

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

The initial amortization period for the first two items noted above is based on expected future service lives while the difference between the projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ 658,887	6	\$ 109,815	\$ 109,812
June 30, 2018	\$ (2,686,363)	5	\$ (537,273)	\$ (537,271)
June 30, 2019	\$ (1,110,915)	5	\$ (222,183)	\$ (444,366)
June 30, 2020	\$ (1,463,284)	6	\$ (243,881)	\$ (975,522)
June 30, 2021	\$ 1,282,206	6	\$ 213,701	\$ 1,068,505

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ 1,293,986	6	\$ 215,664	\$ 215,666
June 30, 2018	\$ (1,943,284)	5	\$ (388,657)	\$ (388,656)
June 30, 2019	\$ (1,238,106)	5	\$ (247,621)	\$ (495,243)
June 30, 2020	\$ 0	N/A	\$ 0	\$ 0
June 30, 2021	\$ 5,032,190	6	\$ 838,698	\$ 4,193,492

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources (Continued)

Net Difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ (17,092)	5	\$ (3,420)	\$ 0
June 30, 2018	\$ 99,913	5	\$ 19,983	\$ 19,981
June 30, 2019	\$ 259,811	5	\$ 51,962	\$ 103,925
June 30, 2020	\$ 462,862	5	\$ 92,572	\$ 277,718
June 30, 2021	\$ (1,022,240)	5	\$ (204,448)	\$ (817,792)

As of fiscal year ending June 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 1,178,317	\$ (1,957,159)
Changes in assumptions	4,409,158	(883,899)
Net difference between projected and actual earnings in OPEB plan investments	0	(416,168)
Total	\$ 5,587,475	\$ (3,257,226)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2021 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2022	\$ (301,668)
2023	\$ 278,800
2024	\$ 696,644
2025	\$ 604,072
2026	\$ 1,052,401
Thereafter	\$ 0

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2021, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 7.15%.
- The 1% decrease in discount rate would be 6.15%.
- The 1% increase in discount rate would be 8.15%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 37,441,069
Current Discount Rate	\$ 32,024,110
1% Increase	\$ 27,523,056

The following presents the Net OPEB Liability as of June 30, 2021, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.00%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.00%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 9.00%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 27,697,261
Current Trend Rates	\$ 32,024,110
1% Increase	\$ 37,217,070

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Asset Information

Asset Breakdown		FY 2019/20		FY 2020/21
Assets				
Cash and cash equivalents	\$	4,447,462	\$	2,961,523
Securities lending cash collateral		0		0
Total cash	\$	4,447,462	\$	2,961,523
Receivables				
Prepaid Expenses	\$	0	\$	0
Accrued interest		0		0
Total receivables	\$	0	\$	0
Investments				
Fixed income	\$	2,613,455	\$	3,663,385
Equities ¹		3,646,855		7,013,208
Total investments	\$	6,260,310	\$	10,676,593
Total assets	\$	10,707,772	\$	13,638,116
Liabilities				
Payables				
Accounts Payable and Accrued Expenses	\$	140,455	\$	114,586
Securities lending expense		0		0
Total liabilities	\$	140,455	\$	114,586
Net position restricted to OPEB	\$	10,567,317	\$	13,523,530

¹ Equities balance for FY 2020/21 is the sum of: (a) \$5,476,994 in common stock plus (b) \$1,536,214 in mutual and exchange traded funds.

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Asset Information (Continued)

Asset Reconciliation	FY 2019/20	FY 2020/21
Additions		
Contributions received		
Employer ²	\$ 3,801,999	\$ 3,588,845
Employee	0	0
Total contributions	\$ 3,801,999	\$ 3,588,845
Investment income		
Net increase in fair value of investments	\$ 84,222	\$ 1,679,858
Interests and dividends	165,341	174,000
Investment expense	(17,816)	(30,690)
Net investment income	\$ 231,747	\$ 1,823,168
Total additions	\$ 4,033,746	\$ 5,412,013
Deductions		
Benefit payments ³	\$ 2,432,039	\$ 2,449,200
Administrative expenses	17,033	6,600
Other	0	0
Total deductions	\$ (2,449,072)	\$ (2,455,800)
Net increase in net position	\$ 1,584,674	\$ 2,956,213
Net position restricted to OPEB		
Beginning of year	\$ 8,982,643	\$ 10,567,317
End of year	\$ 10,567,317	\$ 13,523,530

² Town's employer contribution for FY 2020/21 includes: (a) \$3,146,614 Town's explicit employer contribution plus (b) \$442,231 implicit employer contribution

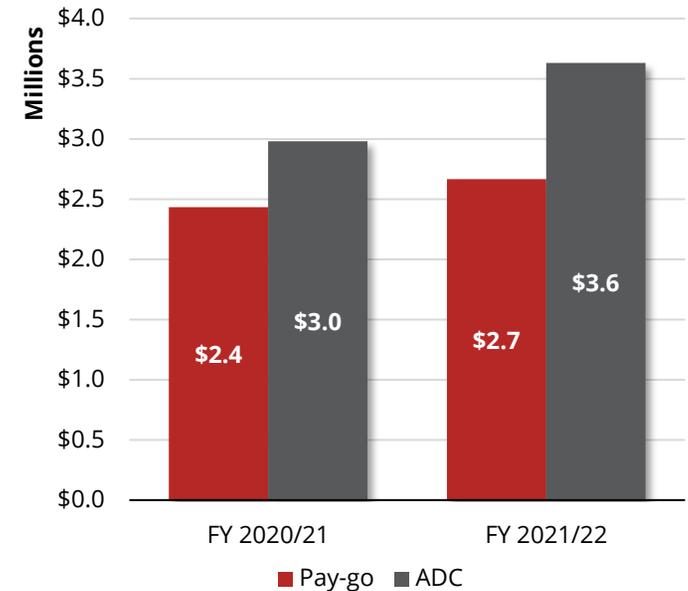
³ Town's benefit payments for FY 2020/21 includes: (a) \$2,006,969 Town's explicit benefit payments plus (b) \$442,231 implicit benefit payments.

Actuarially Determined Contributions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

	FY 2020/21	FY 2021/22
Discount rate (Funding)	7.20%	7.15%
Payroll growth factor used for amortization	N/A	N/A
Actuarial cost method	Entry Age Normal Level % of Salary	Entry Age Normal Level % of Salary
Amortization type	Level Dollar	Level Dollar
Amortization period	26	25
Actuarial accrued liability (AAL) – beginning of year	\$ 38,421,444	\$ 45,547,640
Actuarial value of assets – beginning of year	(10,567,317)	(13,523,530)
Unfunded AAL – beginning of year	\$ 27,854,127	\$ 32,024,110
Normal Cost	\$ 542,253	\$ 788,997
Amortization of UAAL	2,237,891	2,599,385
Total normal cost plus amortization	\$ 2,780,144	\$ 3,388,382
Interest to the end of year	200,170	242,269
Actuarially Determined Contribution – Preliminary	\$ 2,980,314	\$ 3,630,651
Expected benefit payments	2,449,200	2,667,192
Actuarially Determined Contribution – Final	\$ 2,980,314	\$ 3,630,651

Cash vs Accrual Accounting



Actuarially Determined Contribution (ADC) is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

Projection of GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The Total OPEB Liability (TOL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the total OPEB liability and whether they increase or decrease the liability.

Expected Events

- Increases in TOL due to additional benefit accruals as employees continue to earn service each year
- Increases in TOL due to interest as the employees and retirees age
- Decreases in TOL due to benefit payments

Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs if the reverse happens.
- Increases in TOL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOL)	FY 2020/21	FY 2021/22
TOL as of beginning of year	\$ 38,421,444	\$ 45,547,640
Normal cost as of beginning of year	542,253	788,997
Exp. benefit payments during the year	(2,449,200)	(2,667,192)
Interest adjustment to end of year	2,718,747	3,219,364
Exp. TOL as of end of year	\$ 39,233,244	\$ 46,888,809
Actuarial Loss/(Gain)	6,314,396	TBD
Actual TOL as of end of year	\$ 45,547,640	\$ TBD

Discount rate as of beginning of year	7.20%	7.15%
Discount rate as of end of year	7.15%	TBD

Projection of Actuarial Value of Assets (AVA)	FY 2020/21	FY 2021/22
AVA as of beginning of year	\$ 10,567,317	\$ 13,523,530
Exp. employer contributions during the year	3,588,845	3,000,000
Exp. benefit payments during the year	(2,449,200)	(2,667,192)
Exp. investment income	800,928	978,056
Exp. Trust administrative expenses	(6,600)	(16,204)
Exp. AVA as of end of year	\$ 12,501,290	\$ 14,818,190
Differences between expected and actual experience	1,022,240	TBD
AVA as of end of year	\$ 13,523,530	\$ TBD
Expected asset return as of beginning of year	7.20%	7.15%
Expected asset return as of end of year	7.15%	TBD

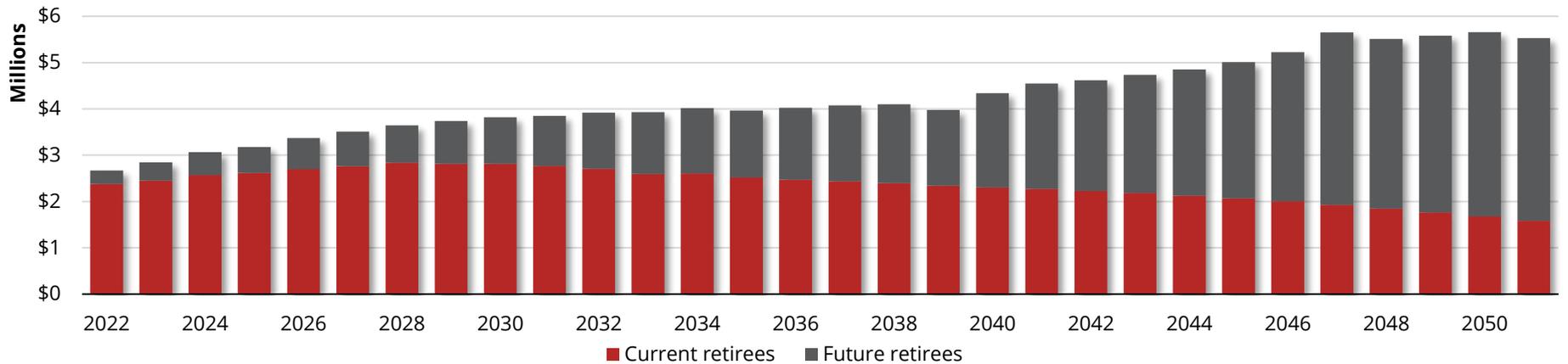
Cash Flow Projections

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current / future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees ⁴	Total	FYE	Current Retirees	Future Retirees ⁴	Total	FYE	Current Retirees	Future Retirees ⁴	Total
2022	\$ 2,380,275	\$ 286,917	\$ 2,667,192	2032	\$ 2,709,569	\$ 1,208,314	\$ 3,917,883	2042	\$ 2,228,507	\$ 2,392,441	\$ 4,620,948
2023	\$ 2,451,443	\$ 392,483	\$ 2,843,926	2033	\$ 2,590,891	\$ 1,341,777	\$ 3,932,668	2043	\$ 2,185,118	\$ 2,552,204	\$ 4,737,322
2024	\$ 2,570,760	\$ 494,514	\$ 3,065,274	2034	\$ 2,605,305	\$ 1,412,952	\$ 4,018,257	2044	\$ 2,124,777	\$ 2,729,934	\$ 4,854,711
2025	\$ 2,614,309	\$ 561,994	\$ 3,176,303	2035	\$ 2,518,058	\$ 1,445,899	\$ 3,963,957	2045	\$ 2,069,629	\$ 2,940,366	\$ 5,009,995
2026	\$ 2,698,997	\$ 668,703	\$ 3,367,700	2036	\$ 2,471,997	\$ 1,549,735	\$ 4,021,732	2046	\$ 2,002,980	\$ 3,223,720	\$ 5,226,700
2027	\$ 2,762,976	\$ 746,223	\$ 3,509,199	2037	\$ 2,434,984	\$ 1,642,456	\$ 4,077,440	2047	\$ 1,927,853	\$ 3,724,509	\$ 5,652,362
2028	\$ 2,839,557	\$ 804,273	\$ 3,643,830	2038	\$ 2,395,247	\$ 1,706,097	\$ 4,101,344	2048	\$ 1,846,220	\$ 3,667,238	\$ 5,513,458
2029	\$ 2,815,723	\$ 922,061	\$ 3,737,784	2039	\$ 2,345,646	\$ 1,628,576	\$ 3,974,222	2049	\$ 1,763,460	\$ 3,818,244	\$ 5,581,704
2030	\$ 2,815,819	\$ 1,004,102	\$ 3,819,921	2040	\$ 2,302,767	\$ 2,034,041	\$ 4,336,808	2050	\$ 1,677,610	\$ 3,978,348	\$ 5,655,958
2031	\$ 2,768,568	\$ 1,079,016	\$ 3,847,584	2041	\$ 2,273,148	\$ 2,272,631	\$ 4,545,779	2051	\$ 1,586,792	\$ 3,940,190	\$ 5,526,982

Projected Employer Pay-go Cost



⁴ Projections for future retirees do not take into account future new hires.

Discussion of Discount Rates

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used.

For the current valuation:

1. The long-term expected rate of return on OPEB plan investment is assumed to be 7.20% as of July 1, 2020 and 7.15% as of June 30, 2021. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.00%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2021 are summarized in the following table.
2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Asset Class	Target Allocation	L/T Expected Real ROR
Fixed Income	26.40%	1.50%
Domestic Equity	55.20%	6.00%
International Equity	7.40%	5.00%
Cash & Cash Equivalents	11.00%	0.80%

Yield as of	July 1, 2020	June 30, 2021
Bond Buyer Go 20-Bond Municipal Bond Index	2.21%	2.16%
S&P Municipal Bond 20-Year High Grade Rate Index	2.66%	2.19%
Fidelity 20-Year Go Municipal Bond Index	2.45%	1.94%
Bond Index Range	2.21% - 2.66%	1.94% - 2.19%

3. The final equivalent single discount rate used for this year's valuation is 7.20% as of July 1, 2020 and 7.15% as of June 30, 2021 based on the expectation that the Town will contribute the greater of (a) \$3 million or (b) pay-go cost in the future. If the contribution policy changes, Nyhart will need to re-evaluate the discount rate used for accounting disclosure purposes. Based on our calculations, the Trust is expected to be sufficient to pay out benefits over the next 50 years. A discount rate of 7.15% is used for funding purposes (in the Actuarially Determined Contribution).

Summary of Plan Participants

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Active Employees

Actives with coverage	Single	Non-Single ⁵	Total	Avg. Age	Avg. Svc	Salary ⁶
Healthmate Coast to Coast	1	1	2	62.6	40.0	\$ N/A
Healthmate 250	38	67	105	44.1	9.5	\$ N/A
Blue Solutions HDHP	8	16	24	38.8	12.3	\$ N/A
United Health Plan	0	1	1	58.9	30.8	\$ N/A
Total Actives with coverage	47	85	132	43.6	10.6	\$ 8,428,320

Actives without coverage ⁷	Total	Avg. Age	Avg. Svc	Salary ⁶
Buyback	40	44.5	11.4	\$ N/A
No coverage	1	38.0	0.3	\$ N/A
Total actives without coverage	41	44.4	11.1	\$ 2,819,047

⁵ Non-single enrollment includes participants who elected two individual plans and family coverage.

⁶ For privacy purposes, information for individual employees is not shown.

⁷ Active employees on buyback are assumed to receive the buyback benefit at retirement. Active employees who currently have no coverage are assumed not to elect coverage at retirement but they may be eligible for life insurance benefits. All actives without coverage have been included in the GASB valuation.

Summary of Plan Participants

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Active Age-Service Distribution

Age	Years of Service										Total	
	< 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	3	5										8
25 to 29	4	8	6									18
30 to 34	5	9	9	6								29
35 to 39	2	1	7	13	1							24
40 to 44		1	1	3	9							14
45 to 49		2	4	2	2	7	1					18
50 to 54		2	3	4	3	5	4	1				22
55 to 59		5	3	3	4			4				19
60 to 64	1	1	6	2	3	1						14
65 to 69		1	2	1	1					1		6
70 & up		1										1
Total	15	36	41	34	23	13	5	5	0	1		173

Summary of Plan Participants

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
Classic Blue	4	4	8	77.4
Healthmate Coast to Coast	26	19	45	66.7
Healthmate 250	6	12	18	60.2
United Health Plan	6	3	9	72.2
Plan 65	22	19	41	73.6
Blue Solutions HDHP	3	2	5	52.9
Total retirees with coverage	67	59	126	68.5

Additionally, there are 23 retirees on buyback and 13 retirees who currently have no health coverage but they may be eligible for dental and/or life insurance benefits. They have been included in the GASB valuation.

Retiree Age Distribution

Age	Retirees
< 45	
45 to 49	4
50 to 54	12
55 to 59	13
60 to 64	21
65 to 69	20
70 to 74	21
75 to 79	15
80 to 84	11
85 to 89	8
90 & up	1
Total	126

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Eligibility and Benefit

Municipal Employees

Employees who have attained age 58 with 10 years of service or 20 years of service (whichever is earlier) are eligible for medical, dental, and life insurance benefits until age 65.

For Local 1033 employees hired on/after July 1, 2014, retiree health benefits eligibility requirement is at the earlier of (i) age 58 with 10 years of service or (ii) 25 years of service and the Town no longer provides medical and dental coverage once the retiree is eligible for Medicare.

For Council 94 employees hired on/after July 1, 2014, retiree health benefits eligibility requirement is at the earlier of (i) age 65 with 10 years of service or (ii) 25 years of service and the Town no longer provides medical and dental coverage once the retiree is eligible for Medicare.

Effective July 1, 2004, retirees under the age of 65 will be enrolled in Blue Cross Healthmate Coast to Coast plan. Effective January 1, 2015 all Council 94 and Local 1033 employees are required to enroll in Healthmate 250 plan.

Effective July 1, 2001, retirees age 65 and over will be enrolled in Blue Cross Plan 65 (for those eligible for lifetime retiree health benefits).

Current and future retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed 50% of the Town's portion of medical and dental cost depending on their coverage level (individual or family) payable at the end of each contract year. Council 94 and Local 1033 employees retiring on/after July 1, 2018 will receive this benefit until Medicare eligibility only. Non-Union employees will receive this benefit for life.

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Eligibility and Benefit (continued)

Fire

Firefighters who have 20 years of service are eligible for lifetime medical, dental, and life insurance benefits if they were hired prior to July 1, 2013. Those hired on/after July 1, 2013 must have 25 years of service to be eligible for medical, dental, and life insurance benefits.

Effective July 1, 2001, retirees under the age of 65 will be enrolled in Blue Cross Healthmate Coast to Coast plan and coverage will switch to Blue Cross Plan 65 once they reach age 65. Employees retiring on/after January 1, 2011 will no longer receive subsidized Medicare Supplement plan coverage. Employees retiring on/after January 1, 2017 are required to enroll in the BlueSolutions HDHP plan at retirement while they are under the age of 65. There will not be any Town HSA contributions for retirees.

Upon reaching age 65, the Town will reimburse the Medicare Part B premium cost to the retirees and spouses (only for those who retired prior to January 1, 2011 only).

Current and future retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed 50% of the Town's portion of medical and dental cost depending on their coverage level (individual or family) payable quarterly. Employees retiring on/after January 1, 2011 will receive this benefit until Medicare eligibility only.

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Eligibility and Benefit (continued)

Police

Police officers who have attained age 58 with 10 years of service or 20 years of service (whichever is earlier) are eligible for lifetime medical, dental, and life insurance benefits if they were hired prior to July 1, 2013. Officers hired on/after July 1, 2013 must have 25 years of service to be eligible for medical and dental coverage until Medicare eligibility and lifetime life insurance benefits.

Officers hired prior to July 1, 2013 and retiring prior to July 1, 2013 will be enrolled in Blue Cross Healthmate Coast to Coast plan and coverage will switch to Blue Cross Plan 65 once they reach age 65 at retirement.

Prior to Medicare eligibility, officers hired prior to July 1, 2013 and retiring on/after July 1, 2013 but prior to January 1, 2017 will be enrolled in Blue Cross Healthmate Coast to Coast. For those who retire on/after January 1, 2017, they will be enrolled in Blue Cross Healthmate Coast to Coast 250 plan with 20% rx rider prior to Medicare eligibility. When these officers (those hired prior to July 1, 2013 and retiring on/after July 1, 2013) are eligible for Medicare, they must enroll in Blue Cross Plan 65 and the Town will also provide Medicare Part B coverage.

Officers hired on/after July 1, 2013 will be enrolled in Blue Cross Healthmate Coast to Coast 250 plan prior to Medicare eligibility and they will not have coverage through the Town upon Medicare eligibility.

Upon reaching age 65, the Town will reimburse the Medicare Part B premium cost to the retirees and spouses for all current and future retirees (only for employees hired prior to July 1, 2013).

Current and future retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed the following percentages of the Town's portion of medical and dental cost depending on their coverage level (individual or family) payable quarterly.

- Retirements prior to July 1, 2017 – 60%
- Retirements on/after July 1, 2017 – 50%

Employees hired on/after July 1, 2013 will receive this benefit until Medicare eligibility only.

Spouse Benefit

Spouse coverage continues upon death of the retiree. No spouse benefit is available if the employee dies prior to health care benefits eligibility.

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Retiree Cost Sharing

Municipal Employees

Employees retiring prior to January 1, 2010 receive free health coverage. Council 94 and Local 1033 employees retiring prior to July 1, 2018 who elect spousal coverage at retirement will be provided with 2-person coverage level and the retiree contribution requirements noted below are applicable to the spouse as well. Council 94 and Local 1033 employees retiring on/after July 1, 2018 who elect spousal coverage at retirement must pay the full incremental cost of the spouse coverage.

Council 94

Council 94 Municipal employees who retire on/after January 1, 2010 but prior to January 1, 2012 contribute 2% of their monthly pension towards healthcare cost (including dental and life insurance). Those who retire on/after the below listed dates contribute a percentage of premiums towards healthcare cost (including dental).

- Date of retirement on/after January 1, 2012: 10%
- Date of retirement on/after July 1, 2012: 12%
- Date of retirement on/after July 1, 2013: 15%
- Date of retirement on/after July 1, 2018: 20%

Employees choosing family coverage shall be responsible for the additional family plan premium cost. Employees who retire on/after July 1, 2011 will no longer receive a Medicare Part B subsidy.

Local 1033

Local 1033 employees who retire on/after January 1, 2010 but before January 1, 2012 contribute 2% of their monthly pension towards healthcare cost (including dental and life insurance). Those who retire on/after the below listed dates contribute a percentage of premiums towards healthcare cost (including dental).

- Hired prior to July 1, 1996:
 - Retired between July 1, 2014 and June 30, 2015: 5%
 - Retired between July 1, 2015 and June 30, 2016: 10%
 - Retired between July 1, 2016 and June 30, 2018: 15%
 - Retired on/after July 1, 2018: 20%
- Hired on/after July 1, 1996 retiring on/after July 1, 2014: 20%

Non-Union

Non-Union employees who retire on/after January 1, 2010 contribute 2% of their monthly pension towards healthcare cost (including dental). Employees who retired prior to January 1, 2010 receive free coverage (medical, dental, and life insurance). Deputy police chief contribution requirement follows non-union employees.

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Retiree Cost Sharing (continued)

Fire	<p>Employees who retired prior to July 1, 1987 shall receive \$1,000 annually towards their medical plans. There are no retirees belonging in this category.</p> <p>Employees who retired on/after July 1, 1987 receive free coverage for health, dental, and life insurance (for retirees and spouses).</p> <p>Employees who retired on/after January 1, 2011 but prior to January 1, 2017 are required to contribute 20% of premium towards the cost of their healthcare (for retirees and spouses). These employees will no longer have a subsidized Medicare Supplement coverage. Employees who retired on/after January 1, 2017 will receive free medical coverage through BlueSolutions HDHP plan. For valuation purposes we have assumed that the dental contribution requirement will remain at 20% for these employees.</p>
Police	<p>Employees who retire prior to January 1, 2010 receive free coverage upon retirement (health, dental, and life insurance) for retirees and spouses.</p> <p>Employees who retire on/after January 1, 2010 but before January 1, 2011 contribute 2% of their monthly pension towards healthcare cost (including dental and life insurance) regardless of coverage level elected at retirement.</p> <p>Employees who retire on/after January 1, 2011 but before July 1, 2013 contribute 5% of their monthly pension towards healthcare cost regardless of coverage level elected at retirement.</p> <p>Employees who retire on/after July 1, 2013 contribute the following percentages of premiums for medical and dental benefits.</p> <ul style="list-style-type: none">• Retirements prior to July 1, 2017 – 15%• Retirements on/after July 1, 2017 but before July 1, 2018 – 17%• Retirements on/after July 1, 2018 – 20% <p>Employees who elect spousal coverage at retirement will be provided with 2-person coverage level and the retiree contribution requirements noted above are applicable to the spouse as well. Employees choosing family coverage shall be responsible for the additional family plan premium cost. Life insurance coverage remains non-contributory for retirees.</p>

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Pension Benefit

The basic pension benefit is 2.5% of the highest average compensation for the last 3 years multiplied by credited service, limited to 30 years.

Life Insurance

Town employees meeting the eligibility requirements are eligible for a \$50,000 retiree life insurance benefit. Several current retirees have \$25,000 life insurance benefit as indicated by the Town.

Medical Benefits

Same benefits are available to retirees as active employees. Effective on July 1, 2015, Town of Narragansett is a member of Rhode Island Trust Pool and all health plans are considered fully-insured and partially experience-rated for GASB valuation purposes.

Pre-Medicare

Healthmate Coast to Coast and Healthmate Coast to Coast 250 are available to all retired employees under age 65. Police officers hired on/after July 1, 2013 must enroll in Healthmate Coast to Coast 250 while active employed and at retirement. Police officers retiring on/after January 1, 2017 must enroll in Healthmate Coast to Coast 250 with 20% rx rider. All Council 94 and Local 1033 employees are required to enroll in Healthmate Coast to Coast 250 while actively employed and at retirement effective on January 1, 2015. Firefighters retiring on/after January 1, 2017 are required to enroll in the BlueSolutions HDHP plan at retirement.

United Health Plan is available to a closed group of Local 1033 existing retirees currently enrolled in this plan.

Classic Blue Cross and Managed Care plans are available to a closed group of current retirees.

Post-Medicare

All retirees except for several grandfathered retirees must convert to Blue Cross Plan 65 once they reach age 65. This plan is fully-insured and partially experience-rated.

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Medical / Rx Premium Rates

The monthly premiums by plan effective July 1, 2021 are as shown below.

Pre-65 Plans	Single	2-person
Classic Blue	\$ 888.45	\$ 1,776.89
Healthmate Coast to Coast	\$ 812.39	\$ 1,624.81
Healthmate 250	\$ 739.29	\$ 1,478.60
BlueSolutions HDHP	\$ 614.53	\$ 1,226.77
United Health Plan	\$ 1,084.67	\$ 2,169.34

Post-65 Plans	Single	2-person
Blue Cross Plan 65 w/ Rx	\$ 466.25	\$ 932.50
Blue Cross Plan 65 w/o Rx	\$ 189.70	\$ 379.40
Blue Cross Plan 65G w/ Rx	\$ 445.61	\$ 891.22
Blue Cross Plan 65G w/o Rx	\$ 169.06	\$ 338.12

Dental

Town employees meeting the eligibility requirements are eligible for lifetime dental benefits, except as noted in the Eligibility and Benefit section.

Dental Benefits

Dental plan is fully-insured and experience-rated and the monthly premium rates effective on July 1, 2021 are as shown below.

Plan	EE Only	2-person
Dental	\$ 34.36	\$ 68.72

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and Town experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2019. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update discount rate, health care trend rates, mortality table, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2023.

Measurement Date

For fiscal year ending June 30, 2021, a June 30, 2021 measurement date was used.

Actuarial Valuation Date

June 30, 2021 with no adjustments to get to the June 30, 2021 measurement date. Liabilities as of July 1, 2020 are based on an actuarial valuation date of July 1, 2019 projected to July 1, 2020 on a "no loss / no gain" basis.

Discount Rate

Accounting: 7.20% as of July 1, 2020 and 7.15% as of June 30, 2021

Funding: 7.20% as of July 1, 2020 and 7.15% as of June 30, 2021 for determining the Actuarially Determined Contribution

Refer to the Discussion of Discount Rate section for more information on the selection of the discount rate.

Payroll Growth

General wage inflation plus merit/productivity increases for the Town of Narragansett are as shown below and are based on the Town's 2021 pension experience study.

<u>Age</u>	<u>Rates</u>
20	10.00%
30	6.00%
40	4.50%
50	4.25%
55+	4.00%

Inflation Rate

2.0% per year

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Experience Study

Best actuarial practices call for a periodic assumption review, and Nyhart's pension team completed an experience study for the Town in 2021. Many of the assumptions from that study are also utilized in this report.

Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.

Census Data

Census information was provided by the Town in August 2021. We have reviewed it for reasonableness and no material modifications were made to the census data.

Health Care Coverage Election Rate

Active employees with current coverage: 100%
Active employees with no coverage: 0%

Inactive employees with current coverage: 100%
Inactive employees with no coverage: 0%

Spousal Coverage

Spousal coverage for current retirees is based on actual data.

75% of employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.

Mortality

Police and Fire employees and retirees: SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020

All other employees and retirees: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020

Surviving Spouses: SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020

Disability

None

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on the Town's 2021 pension experience study. No terminations are assumed for Police and Fire employees. Sample annual turnover rates for all other employees are shown below:

Age	0 – 9 YOS	10+ YOS
25	7.5%	5.3%
30	7.5%	5.1%
35	7.5%	4.7%
40	7.5%	3.5%
45	7.5%	1.8%
50	7.5%	0.4%
55	0.0%	0.0%

Retirement Rate

Annual rates of retirement are as shown below are based on the Town's 2021 pension experience study:

Non-Public Safety Employees

Local 1033 Hired On or After 7/1/2014

100% at the earlier of 25 years of service or age 58 with 10 years of service

Council 94 Hired On or After 7/1/2014

100% at the earlier of 25 years of service or age 65 with 10 years of service

All others

25% at 20 years of service, 20% at 21-24 years of service, 100% at 25 years of service and 100% at age 58 with 10 years of service

Public Safety Employees

Police Hired On or After 7/1/2013

100% at the earlier of 25 years of service or age 58

Fire Hired On or After 7/1/2013

100% at 25 years of service

All others

35% at 20 years of service, 20% at 21-24 years of service, 100% at 25 years of service and 100% at age 58

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Health Care Trend Rates

FYE	Medical / Rx	Dental	Part B
2022	8.00%	4.00%	3.25%
2023	7.50%	3.50%	3.50%
2024	7.00%	3.00%	3.75%
2025	6.50%	3.00%	4.00%
2026	6.00%	3.00%	4.25%
2027	5.50%	3.00%	4.25%
2028	5.00%	3.00%	4.25%
2029+	4.50%	3.00%	4.25%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Per Capita Costs

Annual per capita costs were calculated based on 2021/22 premium rates by plan for retirees, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs prior to age 65 are as shown below:

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Age	Healthmate C2C	Healthmate 250	HDHP	United	Classic
50 – 54	\$ 10,400	\$ 9,500	\$ 7,900	\$ 13,900	\$ 11,400
55 – 59	\$ 12,900	\$ 11,700	\$ 9,700	\$ 17,200	\$ 14,100
60 – 64	\$ 16,400	\$ 14,900	\$ 12,400	\$ 21,900	\$ 17,900

Annual dental per capita cost is \$412 and is assumed to increase with dental trend rates.

Annual Medicare Part B reimbursement cost is \$1,782 and is assumed to increase with Part B trend rates.

Annual per capita costs on/after age 65 are as shown below:

Age	Eligible for Medicare			Not Eligible for Medicare	
	Plan 65	Healthmate C2C*	Classic / United*	Healthmate C2C	Classic / United
65 – 69	\$ 4,400	\$ 6,500	\$ 7,200	\$ 10,700	\$ 11,400
70 – 74	\$ 5,500	\$ 8,200	\$ 9,000	\$ 13,500	\$ 14,300
75+	\$ 6,300	\$ 9,300	\$ 10,200	\$ 15,300	\$ 16,200

* Only applicable to current retirees over the age of 65 who are allowed to remain in these plans (i.e. they are not required to enroll in Blue Cross Plan 65 although they are over the age of 65).

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Retiree Contributions

Retiree contributions are assumed to increase according to health care trend rates.

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a police officer retiring on/after July 1, 2018 with spouse of the same age enrolled in the Healthmate 250 plan.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 739.29	\$ 147.86	\$ 591.43
Spouse	\$ 739.31	\$ 147.86	\$ 591.45

All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a police officer retiring on/after July 1, 2018 at age 64 with spouse of the same age enrolled in the Healthmate 250 plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,241.67	\$ 739.29	\$ 502.38
Spouse	\$ 1,241.67	\$ 739.31	\$ 502.36

Actuarial Methods and Assumptions

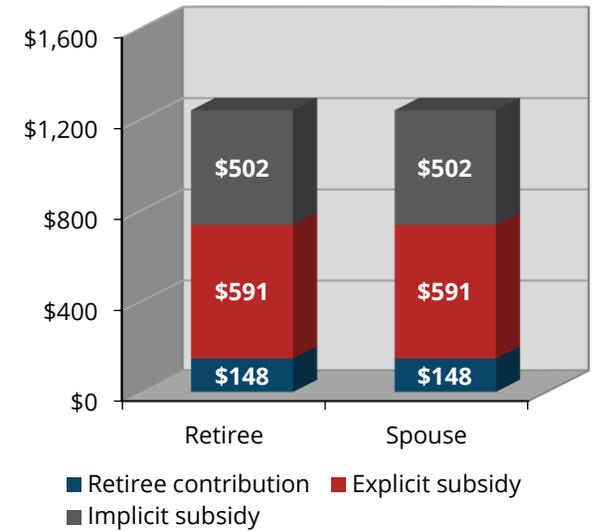
Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

GASB Subsidy Breakdown

Below is a breakdown of the GASB 74/75 monthly total cost for a police officer retiring on/after July 1, 2018 at age 64 with spouse of the same age enrolled in the Healthmate 250 plan.

	Retiree		Spouse	
Retiree contribution	\$	147.86	\$	147.86
Explicit subsidy	\$	591.43	\$	591.45
Implicit subsidy	\$	502.38	\$	502.36
Total monthly cost	\$	1,241.67	\$	1,241.67

GASB Subsidy Breakdown



APPENDIX

The background features a complex geometric design. It consists of several overlapping, semi-transparent shapes. A large, dark gray shape occupies the upper portion of the frame. Below it, there are various shapes in lighter shades of gray and white, some of which are defined by dashed lines. A prominent, solid red shape is located in the lower right corner, extending towards the center. The overall composition is modern and minimalist.

Appendix

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	As of June 30, 2019	As of June 30, 2021
Active Participants	171	173
Retired Participants ⁸	117	126
Averages for Active		
Age	43.3	43.8
Service	10.4	10.7
Averages for Inactive		
Age	68.6	68.5

⁸ Retired participants' enrollments above exclude those receiving buyback benefit and those who don't currently have health coverage (but they may be eligible for dental and/or life insurance benefits).

Appendix

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Detailed Actuary's Notes

There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2019.

The following assumptions have been updated.

1. Mortality table has been updated as follows, causing a slight increase to liabilities:
 - a. Police and Fire employees and retirees: From SOA RPH-2019 Blue Collar Total Dataset Mortality Table fully generational using Scale MP-2019 to SOA Pub-2010 Public Safety Headcount Weighted Mortality Table fully generational using Scale MP-2020
 - b. All other employees and retirees: From SOA RPH-2019 Total Dataset Mortality Table fully generational using Scale MP-2019 to SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2020
 - c. Surviving Spouses: From SOA RPH-2019 Total Dataset Mortality Table fully generational using Scale MP-2019 to SOA Pub-2010 Contingent Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020
2. The termination rates, retirement rates, and payroll growth rates have been updated to follow the Town's 2021 pension experience study. The net impact of these updates was an increase in liabilities.
3. Health care trend rates have been reset to the tables shown below. These changes caused an increase in liabilities for the Town:

FYE	Medical / Rx	Dental	Part B
2022	8.00%	4.00%	3.25%
2023	7.50%	3.50%	3.50%
2024	7.00%	3.00%	3.75%
2025	6.50%	3.00%	4.00%
2026	6.00%	3.00%	4.25%
2027	5.50%	3.00%	4.25%
2028	5.00%	3.00%	4.25%
2029+	4.50%	3.00%	4.25%

4. The prior valuation used a discount rate of 7.20% as of July 1, 2020 for accounting and funding disclosure purposes. The current valuation uses a discount rate of 7.15% as of June 30, 2021 for accounting and funding disclosure purposes. The result of this change was a slight increase in liabilities for the Town.

GLOSSARY

The background features a complex geometric design. The top half is a solid dark gray. Below this, several overlapping triangles in various shades of gray and white create a layered, three-dimensional effect. A prominent bright red triangle is located in the bottom right corner, overlapping the other shapes.

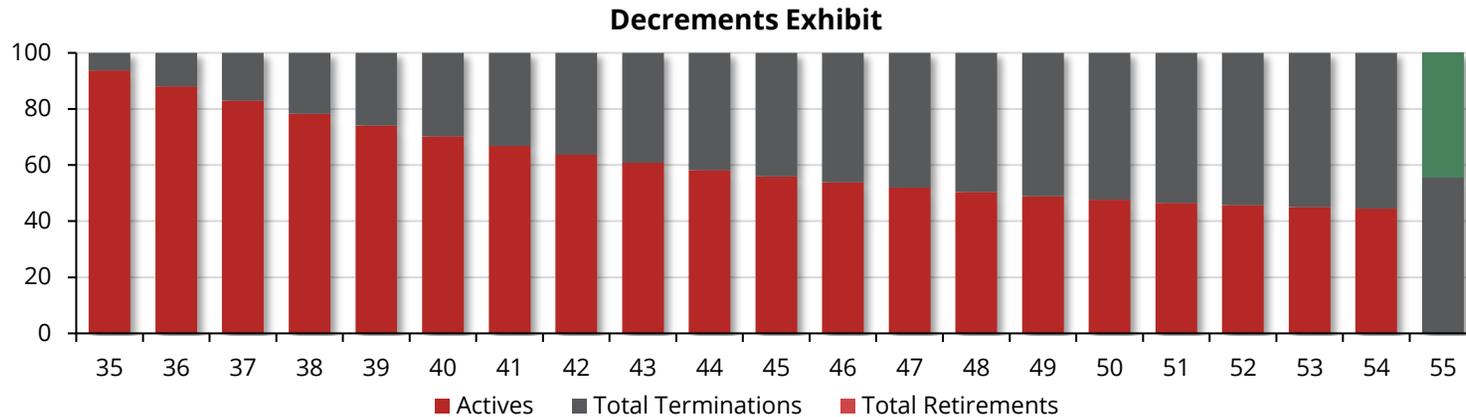
Glossary – Decrements Exhibit

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.43 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year ⁹	# of Retirements per Year	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year	# of Retirements per Year	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430



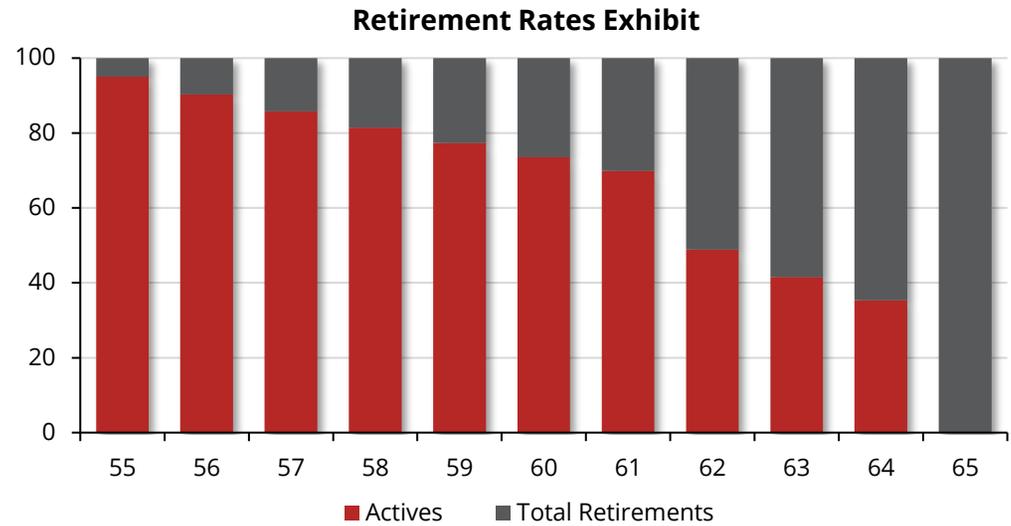
⁹ The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Retirement Rates Exhibit

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Definitions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
 - a. Differences between expected and actual experience of the OPEB plan
 - b. Changes in assumptions
 - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.

Glossary – Definitions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

8. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

Glossary – Definitions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).