

# Town of Narragansett

GASB 74/75 Disclosures for Fiscal Year Ending June 30, 2022  
Based on Roll-Forward of OPEB Valuation as of June 30, 2021

## CONTACT

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**GovInvest**  
The Financial Forecasting Authority

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# Actuarial Certification

Ms. Christine Wilson  
Town of Narragansett  
25 Fifth Ave.  
Narragansett, RI 02882

GovInvest has been engaged by Town of Narragansett to complete an actuarial valuation for the Town of Narragansett OPEB Plan as of June 30, 2021 which will be used as the basis of the financial accounting disclosure for fiscal year ending June 30, 2022 in accordance with GASB Statement No. 74 (Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions).

The purpose of this report is to provide the Town with recommended contributions as well as required information needed for financial statement disclosure purposes. The use of this report for any other purpose may not be appropriate. The content of this report may not be modified, reproduced, or provided to third parties, either in whole or in part, without our permission. GovInvest is not responsible for usage, inference, or misinterpretation of this report by third parties.

Results presented in this report are based on the census data, substantive plan provisions, and healthcare cost information provided by the Town and/or their benefit consultants. All information provided has been reviewed for reasonableness and clarifications or corrections have been requested where appropriate. We have not audited the information at the source, and therefore, do not accept responsibility for the accuracy or completeness of the data on which the information is based. Assumptions made related to missing data have been identified in this report. We are satisfied that the information provided is suitable and sufficient for the purpose of the measurement.

The valuation results were prepared using leased actuarial modeling software that produces results consistent with the purpose of this valuation and meet applicable regulatory requirements. The vendor is responsible for the development, maintenance, and improvement of these models. The models include comprehensive technical documentations that outline how the calculations are performed along with sample life outputs that allow the users to confirm with high degree of accuracy how the programmed benefit is applied to an individual with the proposed decrements and other assumptions. The actuarial team loads the participant data, programs the benefit provisions and proposed assumptions into the model and review sample life outputs and results under the supervision of credentialed actuaries who are proficient users of the software. We are not aware of any material limitations in the model nor any material inconsistencies in the assumptions used within the model.

The discount rate, other economic, and demographic assumptions have been selected by the Town with our recommendations and concurrence. We believe each assumption is reasonable based on its own merits and in combination represent reasonable expected experience of the Plan. All calculations have been completed in accordance with generally accepted actuarial principles and practices.

Future actuarial measurements may differ significantly from current measurements due to factors such as actual plan experience that differs from that anticipated by the economic and demographic assumptions as well as changes in future assumptions, substantive plan provisions, and/or applicable law. We have not analyzed the potential range of such differences due to the limited scope of our engagement. To our knowledge, there are no significant events prior to the current year's Measurement Date or as of the date of this report that may materially affect the results presented herein.

The undersigned meets the General Qualification Standards of the American Academy of Actuaries for the purpose of issuing Statement of Actuarial Opinion in the United States. Neither GovInvest nor any of its employees have any relationship with the Plan Sponsor that could impair or appear to impair the objectivity of this report.



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Evi Laksana, ASA, MAAA  
October 19, 2022

# Section 1: Executive Summary

**This is our first valuation of these benefits. Liability, expense, deferred inflows and outflows, and recommended contribution calculations prior to June 30, 2022 were determined by Nyhart. We have relied on these results without audit.**

Town of Narragansett (the "Town") sponsors a single-employer defined benefit OPEB plan that provides medical, prescription drug, dental, and life insurance coverage at retirement. Employees may continue health coverage with the Town at retirement for themselves, their spouses, and dependents for life or until age 65 depending on their bargaining units once they meet certain eligibility requirements and as long as required contributions are made.

The results presented in this report are based on a roll-forward of the June 30, 2021 valuation with liabilities and assets measured as of June 30, 2022, for use in the Town's accrual-based financial statement for the fiscal year ending June 30, 2022.

The actuarial valuation is based on substantive plan provisions outlined in Section 6 of the Town of Narragansett GASB 74/75 Actuarial Valuation for the fiscal year ending June 30, 2021 report prepared by Nyhart. The valuation requires assumptions which are briefly listed in Section 7. For complete information on the actuarial methods and assumptions, refer to the Town of Narragansett GASB 74/75 Actuarial Valuation for the fiscal year ending June 30, 2021 report prepared by Nyhart.

The Plan Sponsor's next full valuation is as of June 30, 2023 with liabilities and assets measured as of June 30, 2023 for reporting in the Plan Sponsor's accrual-based financial statements for the fiscal year ending June 30, 2023.

## Changes Since Prior Valuation

The Town's Net OPEB Liability has decreased from \$32,027,634 as of June 30, 2021 to \$30,387,345 as of June 30, 2022, which is attributable to a combination of the following factors:

1. Less favorable actual asset performance compared to expected.
2. Lower premium increases than expected that caused a liability decrease.
3. Differences in actuarial methodology due to a change in actuary and assumption change as outlined in Section 7 that caused a liability increase.

## Summary of Results

Presented below is the summary of results for the current fiscal year compared to the prior fiscal year.

Fiscal Years	2021/22	2020/21
Valuation Date (VD)	June 30, 2021	June 30, 2021
Measurement Date (MD)	June 30, 2022	June 30, 2021
<b>Membership Data as of Valuation Date</b>		
Inactive employees or beneficiaries currently receiving benefits	126	126
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	173	173
Total membership	299	299
<b>Discount Rate at Measurement Date</b>		
Municipal Bond Index Rate	4.09%	2.19%
Long-term Expected Asset Return	6.50%	7.15%
Year in which Fiduciary Net Position is projected to be depleted	N/A	N/A
Single Equivalent Discount Rate (SEDR)	6.50%	7.15%
<b>Net OPEB Liability as of Measurement Date</b>		
Total OPEB Liability (TOL)	\$ 43,899,183	\$ 45,547,640
Fiduciary Net Position (FNP)	(13,511,838)	(13,520,006)
Net OPEB Liability (NOL = TOL - FNP)	\$ 30,387,345	\$ 32,027,634
Funded Status (FNP / TOL)	30.8%	29.7%

Fiscal Years	2021/22	2020/21
Valuation Date (VD)	June 30, 2021	June 30, 2021
Measurement Date (MD)	June 30, 2022	June 30, 2021
OPEB Expense / (Income) by Fiscal Year	\$ 2,634,897	\$ 2,174,541
Balance of unamortized Deferred Inflows at MD	\$ (5,518,842)	\$ (3,207,745)
Balance of unamortized Deferred Outflows at MD	\$ 7,781,499	\$ 5,590,412
<b>Actuarially Determined Contribution by Fiscal Year<sup>1</sup></b>	<b>\$ 3,630,651</b>	<b>\$ 3,129,247</b>

<sup>1</sup> Actuarially Determined Contributions for FY 2021/22 and 2020/21 are as shown in the Town of Narragansett GASB 74/75 Actuarial Valuation for the fiscal year ending June 30, 2021 report prepared by Nyhart dated 10/15/2021.

## Section 2: Financial Disclosures

This section provides the necessary accounting disclosures for the Town’s financial reports as shown in the following tables:

Table 1: Plan Demographics

Table 2: Brief Summary of Assumptions

Table 3: OPEB Expense

Table 4: Net OPEB Liability Sensitivity (Discount Rate)

Table 5: Net OPEB Liability Sensitivity (Healthcare Trend Rates)

Table 6: Historical Deferred Inflows and Outflows

Table 7: Unamortized Balance of Deferred Inflows and Outflows

Table 8: Schedule of Future Amortization of Deferred Inflows and Outflows

### Summary of Membership and Assumptions

The table below shows the number of employees covered by the benefit terms as of June 30, 2021.

Table 1 - Plan Demographics

Inactive employees or beneficiaries currently receiving benefits	126
Inactive employees entitled to but not yet receiving benefits	0
Active employees	173
Total membership	299

The Total OPEB Liability (TOL) as of June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. For a complete list of assumptions, refer to Section 7.

Table 2 - Brief Summary of Assumptions

Inflation	2.00%
Payroll growth	General wage inflation plus merit/productivity increases that vary by age, which are based on the Town’s 2021 pension experience study.
Investment rate of return	6.50%
Discount rate	6.50%
Medical/rx trend rates	Initial rate of 7.50% in FYE 2023, decreasing by 0.50% annually to an ultimate rate of 4.50% by FYE 2029
Dental trend rates	Initial rate of 3.50% in FYE 2023, decreasing by 0.50% annually to an ultimate rate of 3.00% by FYE 2024
Medicare Part B trend rates	Initial rate of 3.50% in FYE 2023, increasing by 0.25% annually to an ultimate rate of 4.25% by FYE 2026

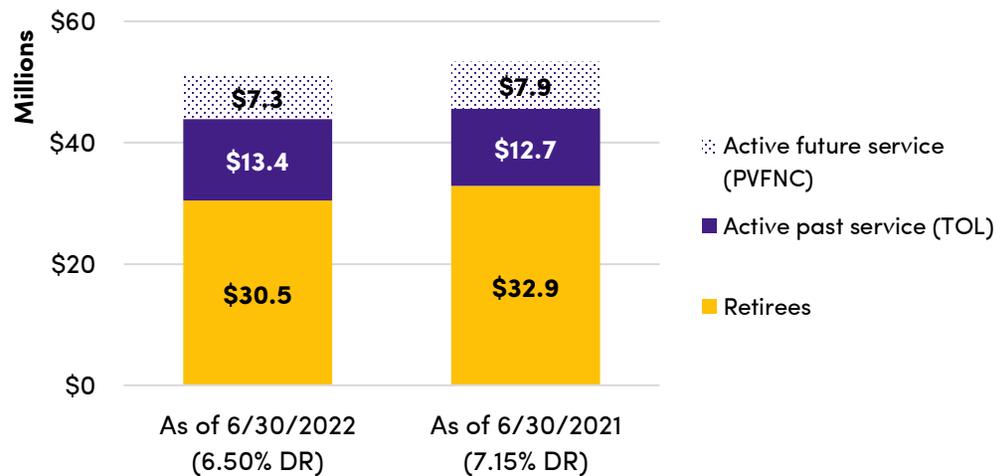
Below is a breakdown of the OPEB liability allocated to past and current service as of the Measurement Date compared to the prior Measurement Date. The liability below includes explicit subsidy (if any) and implicit subsidy. Refer to the Substantive Plan Provisions section for complete information on the Town benefit provisions.

Present Value of Future Benefits (PVFB)	As of June 30, 2022	As of June 30, 2021
Active employees	\$ 20,736,715	\$ 20,520,751
Retired employees	30,506,397	32,883,790
<b>Total PVFB</b>	<b>\$ 51,243,112</b>	<b>\$ 53,404,541</b>

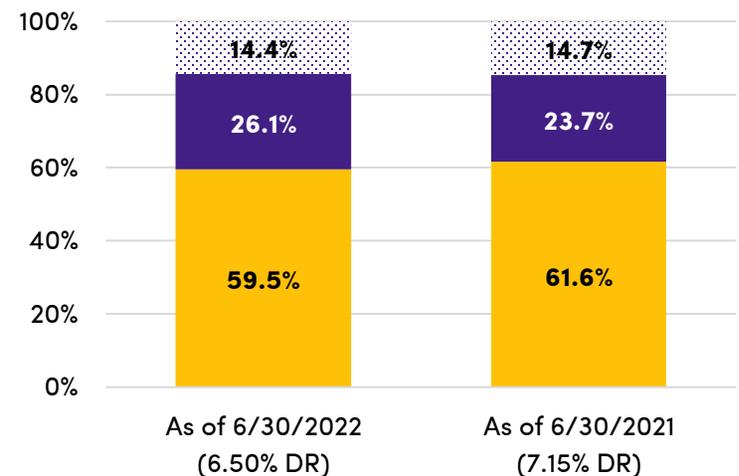
Total OPEB Liability (TOL)	As of June 30, 2022	As of June 30, 2021
Active employees	\$ 13,392,786	\$ 12,663,850
Retired employees	30,506,397	32,883,790
<b>Total TOL</b>	<b>\$ 43,899,183</b>	<b>\$ 45,547,640</b>

	As of June 30, 2022	As of June 30, 2021
Discount Rate	6.50%	7.15%

OPEB Liability Breakdown (\$)



OPEB Liability Breakdown (%)



## OPEB Expense

The table below shows a comparison of the OPEB Expense recognized by the Town for the current and prior fiscal years.

Table 3 - OPEB Expense

Fiscal Years	2021/22	2020/21
SEDR as of beginning of year	7.15%	7.20%
SEDR as of end of year	6.50%	7.15%
Service Cost	\$ 788,997	\$ 542,253
Interest on TOL and Service Cost	3,224,200	2,718,747
Changes of benefit terms	0	0
Projected earnings on OPEB Plan investments	(1,022,559)	(800,928)
OPEB Plan administrative expenses net of all revenues	35,150	6,600
Current period recognition of Deferred Inflows / Outflows of Resources		
Difference between expected and actual experience in the TOL	\$ (1,758,584)	\$ (679,234)
Changes of assumptions or other inputs	871,012	418,084
Net difference between the projected and actual earnings on OPEB Plan investments	496,681	(30,981)
Other	0	0
Total current period recognition	\$ (390,891)	\$ (292,131)
OPEB Expense	\$ 2,634,897	\$ 2,174,541

## Schedule of Changes in Net OPEB Liability

Fiscal Year Ending June 30	2022	2021	2020	2019	2018
Measurement Period Ending June 30	2022	2021	2020	2019	2018
<b>Total OPEB Liability (TOL)</b>					
Service Cost	\$ 788,997	\$ 542,253	\$ 537,366	\$ 629,930	\$ 679,914
Interest on TOL and Service Cost	3,224,200	2,718,747	2,761,917	2,783,426	2,852,809
Changes of benefit terms	0	0	0	0	0
Difference between expected & actual experience	(5,396,745)	1,285,730	(1,463,284)	(1,110,915)	(2,686,363)
Changes of assumptions or other inputs	2,264,623	5,032,190	0	(1,238,106)	(1,943,284)
Benefit payments	(2,529,532) <sup>2</sup>	(2,452,724)	(2,432,039)	(2,321,036)	(2,309,807)
<b>Net change in TOL</b>	<b>\$ (1,648,457)</b>	<b>\$ 7,126,196</b>	<b>\$ (596,040)</b>	<b>\$ (1,256,701)</b>	<b>\$ (3,406,731)</b>
<b>TOL – beginning</b>	<b>\$ 45,547,640</b>	<b>\$ 38,421,444</b>	<b>\$ 39,017,484</b>	<b>\$ 40,274,185</b>	<b>\$ 43,680,916</b>
<b>TOL – ending</b>	<b>\$ 43,899,183</b>	<b>\$ 45,547,640</b>	<b>\$ 38,421,444</b>	<b>\$ 39,017,484</b>	<b>\$ 40,274,185</b>
<b>Plan Fiduciary Net Position (FNP)</b>					
Contributions – employer	\$ 4,155,176	\$ 3,650,696	\$ 3,801,999	\$ 4,115,135	\$ 3,547,796
Contributions – employees	0	0	0	0	0
Benefit payments	(2,529,532)	(2,452,724)	(2,432,039)	(2,321,036)	(2,309,807)
Net investment income	(1,598,662)	1,761,317	231,747	299,866	327,071
Trust administrative expenses	(35,150)	(6,600)	(17,033)	(6,200)	(8,250)
<b>Net change in Plan FNP</b>	<b>\$ (8,168)</b>	<b>\$ 2,952,689</b>	<b>\$ 1,584,674</b>	<b>\$ 2,087,765</b>	<b>\$ 1,556,810</b>
<b>FNP – beginning</b>	<b>\$ 13,520,006</b>	<b>\$ 10,567,317</b>	<b>\$ 8,982,643</b>	<b>\$ 6,894,878</b>	<b>\$ 5,338,068</b>
<b>FNP – ending</b>	<b>\$ 13,511,838</b>	<b>\$ 13,520,006</b>	<b>\$ 10,567,317</b>	<b>\$ 8,982,643</b>	<b>\$ 6,894,878</b>
<b>Net OPEB Liability – ending</b>	<b>\$ 30,387,345</b>	<b>\$ 32,027,634</b>	<b>\$ 27,854,127</b>	<b>\$ 30,034,841</b>	<b>\$ 33,379,307</b>
FNP as % of TOL	30.8%	29.7%	27.5%	23.0%	17.1%
Covered-employee payroll – measurement period	\$ 12,306,218	\$ 11,247,367	\$ 11,941,182	\$ 12,599,633	\$ 10,637,623
NOL as % of covered payroll	246.9%	284.8%	233.3%	238.4%	313.8%

<sup>2</sup> Based on explicit benefit payment of \$2,042,212, less Retiree Drug Subsidy payment of \$37,205, plus estimated implicit subsidy of \$524,525.

Fiscal Year Ending June 30	2017
Measurement Period Ending June 30	2017
<b>Total OPEB Liability (TOL)</b>	
Service Cost	\$ 1,189,644
Interest on TOL and Service Cost	3,005,083
Changes of benefit terms	(6,256,712)
Difference between expected & actual experience	658,887
Changes of assumptions or other inputs	1,293,986
Benefit payments	(2,090,025)
<b>Net change in TOL</b>	<b>\$ (2,199,137)</b>
<b>TOL – beginning</b>	<b>\$ 45,880,053</b>
<b>TOL – ending</b>	<b>\$ 43,680,916</b>
<b>Plan Fiduciary Net Position (FNP)</b>	
Contributions – employer	\$ 3,176,785
Contributions – employees	0
Benefit payments	(2,090,025)
Net investment income	338,238
Trust administrative expenses	(26,250)
<b>Net change in Plan FNP</b>	<b>\$ 1,398,748</b>
<b>FNP – beginning</b>	<b>\$ 3,939,320</b>
<b>FNP – ending</b>	<b>\$ 5,338,068</b>
<b>Net OPEB Liability – ending</b>	<b>\$ 38,342,848</b>
FNP as % of TOL	12.2%
Covered-employee payroll – measurement period	\$ 10,228,484
NOL as % of covered payroll	374.9%

## Schedule of Employer Contribution

Actuarially Determined Contributions prior to fiscal years ending 2017 are based on the Annual Required Contributions calculated in the prior GASB 45 actuarial valuations as shown in the Plan Sponsor financial statements.

Fiscal Year Ending	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 3,630,651	\$ 2,980,314	\$ 3,129,247	\$ 3,372,903	\$ 3,567,929
Contributions in relation to the ADC	\$ 4,155,176	\$ 3,650,696	\$ 3,801,999	\$ 4,115,135	\$ 3,547,796
Contribution deficiency / (excess)	\$ (524,525)	\$ (670,382)	\$ (672,752)	\$ (742,232)	\$ 20,133
Covered-employee payroll – employer fiscal year	\$ 12,306,218	\$ 11,247,367	\$ 11,941,182	\$ 12,599,633	\$ 10,637,623
Contributions as a % of covered-employee payroll	33.8%	32.5%	31.8%	32.7%	33.4%

Fiscal Year Ending	2017	2016	2015	2014	2013
Actuarially Determined Contribution (ADC)	\$ 3,517,887	\$ 4,620,054	\$ 5,047,958	\$ 5,030,992	\$ 5,117,673
Contributions in relation to the ADC	\$ 3,176,785	\$ 2,911,234	\$ 2,346,138	\$ 2,510,011	\$ 2,516,858
Contribution deficiency / (excess)	\$ 341,102	\$ 1,708,820	\$ 2,701,820	\$ 2,520,981	\$ 2,600,815
Covered-employee payroll – employer fiscal year	\$ 10,228,484	\$ 9,808,380	\$ 9,522,699	\$ 9,377,308	\$ 9,104,183
Contributions as a % of covered-employee payroll	31.1%	29.7%	24.6%	26.8%	27.6%

## Net OPEB Liability Sensitivity

The following presents the Net OPEB Liability of the Town, as well as what the Town’s Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate as of June 30, 2022.

Table 4 - Net OPEB Liability Sensitivity (Discount Rate)

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability / (Asset)	\$ 35,493,293	\$ 30,387,345	\$ 26,128,768

The following presents the Net OPEB Liability of the Town, as well as what the Town’s Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of June 30, 2022.

Table 5 - Net OPEB Liability Sensitivity (Healthcare Trend Rates)

	1% Decrease	Healthcare Trend Rates <sup>3</sup>	1% Increase
Net OPEB Liability / (Asset)	\$ 26,075,422	\$ 30,387,345	\$ 35,558,561

<sup>3</sup> Comparison of Baseline, 1% Decrease and 1% Increase in healthcare trend rates assumptions are as shown below.

Benefits	1% Decrease	Baseline	1% Increase
Medical/rx	Initial rate of 6.50% in FYE 2023, decreasing by 0.50% annually to an ultimate rate of 3.50% by FYE 2029	Initial rate of 7.50% in FYE 2023, decreasing by 0.50% annually to an ultimate rate of 4.50% by FYE 2029	Initial rate of 8.50% in FYE 2023, decreasing by 0.50% annually to an ultimate rate of 5.50% by FYE 2029
Dental	Initial rate of 2.50% in FYE 2023, decreasing by 0.50% annually to an ultimate rate of 2.00% by FYE 2024	Initial rate of 3.50% in FYE 2023, decreasing by 0.50% annually to an ultimate rate of 3.00% by FYE 2024	Initial rate of 4.50% in FYE 2023, decreasing by 0.50% annually to an ultimate rate of 4.00% by FYE 2024
Medicare Part B	Initial rate of 2.50% in FYE 2023, increasing by 0.25% annually to an ultimate rate of 3.25% by FYE 2026	Initial rate of 3.50% in FYE 2023, increasing by 0.25% annually to an ultimate rate of 4.25% by FYE 2026	Initial rate of 4.50% in FYE 2023, increasing by 0.25% annually to an ultimate rate of 5.25% by FYE 2026

## Deferred Inflows and Deferred Outflows of Resources Related to OPEB

The tables below show changes in the Net OPEB Liability that have not been included in the OPEB expense for the following items:

1. Differences between expected and actual experience of the OPEB plan
2. Changes in assumptions
3. Differences between projected and actual earnings on the OPEB plan investments

The initial amortization base for the first two items above are amortized linearly over the average expected remaining service lives of active and inactive employees. The difference between projected and actual earnings on the OPEB plan investments is amortized linearly over five years.

Table 6 - Historical Deferred Inflows and Outflows

### Differences between expected and actual experience

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2017	6/30/2017	\$ 658,887	6.00	\$ 109,812	\$ 658,887	\$ 0
6/30/2018	6/30/2018	\$ (2,686,363)	5.00	\$ (537,271)	\$ (2,686,363)	\$ 0
6/30/2019	6/30/2019	\$ (1,110,915)	5.00	\$ (222,183)	\$ (888,732)	\$ (222,183)
6/30/2020	6/30/2020	\$ (1,463,284)	6.00	\$ (243,881)	\$ (731,643)	\$ (731,641)
6/30/2021	6/30/2021	\$ 1,285,730	6.00	\$ 214,288	\$ 428,576	\$ 857,154
6/30/2022	6/30/2022	\$ (5,396,745)	5.00	\$ (1,079,349)	\$ (1,079,349)	\$ (4,317,396)

**Changes in assumptions or other inputs**

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2017	6/30/2017	\$ 1,293,986	6.00	\$ 215,666	\$ 1,293,986	\$ 0
6/30/2018	6/30/2018	\$ (1,943,284)	5.00	\$ (388,656)	\$ (1,943,284)	\$ 0
6/30/2019	6/30/2019	\$ (1,238,106)	5.00	\$ (247,621)	\$ (990,484)	\$ (247,622)
6/30/2020	6/30/2020	\$ 0	6.00	\$ 0	\$ 0	\$ 0
6/30/2021	6/30/2021	\$ 5,032,190	6.00	\$ 838,698	\$ 1,677,396	\$ 3,354,794
6/30/2022	6/30/2022	\$ 2,264,623	5.00	\$ 452,925	\$ 452,925	\$ 1,811,698

**Differences between projected and actual earnings on OPEB plan investments<sup>4</sup>**

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2018	6/30/2018	\$ 99,913	5.00	\$ 19,981	\$ 99,913	\$ 0
6/30/2019	6/30/2019	\$ 259,811	5.00	\$ 51,962	\$ 207,848	\$ 51,963
6/30/2020	6/30/2020	\$ 462,862	5.00	\$ 92,572	\$ 277,716	\$ 185,146
6/30/2021	6/30/2021	\$ (960,389)	5.00	\$ (192,078)	\$ (384,156)	\$ (576,233)
6/30/2022	6/30/2022	\$ 2,621,221	5.00	\$ 524,244	\$ 524,244	\$ 2,096,977

<sup>4</sup> Only amortization bases that are not fully recognized by fiscal year ending June 30, 2022 are shown in this table.

The table below shows the unamortized balance of Deferred Inflows and Outflows of Resources as of June 30, 2022 for financial statement disclosure for the fiscal year ending June 30, 2022.

Table 7 - Unamortized Balance of Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 857,154	\$ (5,271,220)
Changes in assumptions or other inputs	5,166,492	(247,622)
Net difference between projected and actual earnings on OPEB plan investments	1,757,853	0
Employer contribution subsequent to the Measurement Date	0	0
<b>Total</b>	<b>\$ 7,781,499</b>	<b>\$ (5,518,842)</b>

Schedule of future annual amortizations of Deferred Inflows and Outflows that will be recognized in future OPEB expense is as shown below.

Table 8 - Schedule of Future Deferred Inflows and Outflows Amortization

Measurement Period Ending	Amounts
2023	\$ 189,577
2024	\$ 607,421
2025	\$ 514,850
2026	\$ 950,809
2027	\$ 0
Thereafter	\$ 0

## Section 3: Asset Information

### Funding Policy

The Town has an OPEB Trust that is invested in the Washington Trust Company of Westerly TTEE, which is a qualified irrevocable trust. The target allocation for the Trust is governed by the Town of Narragansett Pension Plan Investment Policy. The Town is expected to contribute the Actuarially Determined Contribution to the Trust and pays for the retiree healthcare expenses from the Trust annually.

### Asset Breakdown

As of	June 30, 2022	June 30, 2021
<b>Assets</b>		
Cash and cash equivalents	\$ 2,613,668	\$ 3,005,780
Receivables		
Investments		
Fixed income	\$ 4,231,908	\$ 3,663,385
Equities – stocks and options	5,635,050	5,476,994
Equities – mutual funds, ETFs, and UITs	1,204,223	1,536,214
Total investments	\$ 11,071,181	\$ 10,676,593
Total assets	\$ 13,684,849	\$ 13,682,373
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ (173,011)	\$ (162,367)
Total liabilities	\$ (173,011)	\$ (162,367)
Net asset available for benefits	\$ 13,511,838	\$ 13,520,006

## Reconciliation of Asset

Measurement Periods	2021/22	2020/21
<b>Additions</b>		
Contributions received		
Employer	\$ 4,155,176	\$ 3,650,696
Employees	0	0
Total contributions	\$ 4,155,176	\$ 3,650,696
Investment income		
Interest and dividend	204,452	174,000
Net increase/(decrease) in fair value of investments	(1,713,022)	1,618,007
Accrued income	0	0
Investment expense	(90,092)	(30,690)
Net investment income	\$ (1,598,662)	\$ 1,761,317
Total additions	\$ 2,556,514	\$ 5,412,013
<b>Deductions</b>		
Benefit payments net of retiree contributions	\$ (2,529,532) <sup>5</sup>	\$ (2,452,724) <sup>6</sup>
Administrative expenses	(35,150)	(6,600)
Total deductions	\$ (2,564,682)	\$ (2,459,324)
Change in net position	\$ (8,168)	\$ 2,952,689
Net position – beginning of year	\$ 13,520,006	\$ 10,567,317
Net position – end of year	\$ 13,511,838	\$ 13,520,006

<sup>5</sup> Based on explicit benefit payment of \$2,042,212, less Retiree Drug Subsidy payment of \$37,205, plus estimated implicit subsidy of \$524,525.

<sup>6</sup> Based on explicit benefit payment of \$2,045,765, less Retire Drug Subsidy payment of \$35,272, plus estimated implicit subsidy of \$442,231.

## Section 4: Actuarially Determined Contribution

Actuarially Determined Contribution (ADC) is the recommended contribution that, if paid on an ongoing basis, is expected to provide sufficient resources to fund (a) future normal cost (cost for new service) and (b) the amortized unfunded liabilities (cost for past service). There is no requirement to fund OPEB benefit under GASB 74/75 and it is up to the Plan Sponsor's discretion to determine the OPEB contributions based on their fiscal situation.

Contribution Years	2021/22 <sup>7</sup>	2022/23	2023/24
Funding discount rate	7.15%	6.50%	6.50%
Amortization method	Level Dollar	Level Dollar	Level Dollar
Payroll growth	N/A	N/A	N/A
Amortization period	25 years	24 years	23 years
Actuarial Accrued Liability (AAL) – beginning of year <sup>8</sup>	\$ 45,547,640	\$ 43,899,183	\$ 44,806,593
Actuarial Value of Assets (AVA) – beginning of year <sup>9</sup>	(13,523,530)	(13,511,838)	(15,127,353)
Unfunded AAL (UAAL) – beginning of year	\$ 32,024,110	\$ 30,387,345	\$ 29,679,240
Normal Cost – beginning of year	\$ 788,997	\$ 773,301	\$ 760,939
Amortization of UAAL – beginning of year	2,599,385	2,379,563	2,367,673
Total Normal Cost and amortization of UAAL	\$ 3,388,382	\$ 3,152,864	\$ 3,128,612
Interest adjustment for end of year payment	242,269	204,936	203,360
Trust administrative expenses	0	33,780	37,818
Actuarially Determined Contribution (ADC)	\$ 3,630,651	\$ 3,391,580	\$ 3,369,790

<sup>7</sup> ADC for FY 2021/22 is as shown in the GASB 74/75 Actuarial Valuation for fiscal year ending June 30, 2021 report prepared by Nyhart.

<sup>8</sup> Fiscal year 2022/23 and 2023/24 AAL as of beginning of year is based on June 30, 2021 OPEB valuation projected to June 30, 2022 and 2023 on a "no gain/loss" basis but reflecting actual trend adjustment based on premium rate changes from 2021 to 2022.

<sup>9</sup> Fiscal year 2022/23 AVA as of beginning of year is based on market value of assets as of June 30, 2022. Fiscal year 2023/24 AVA as of beginning of year is projected from June 30, 2022 market value of asset assuming 6.50% investment income, total Town contribution of \$3,391,580 in FY 2022/23 (which is equal to the FY 2022/23 ADC shown above), and 0.25% Trust administrative expenses applied to the beginning of year Trust balance.

# Section 5: Projected Benefit Payments

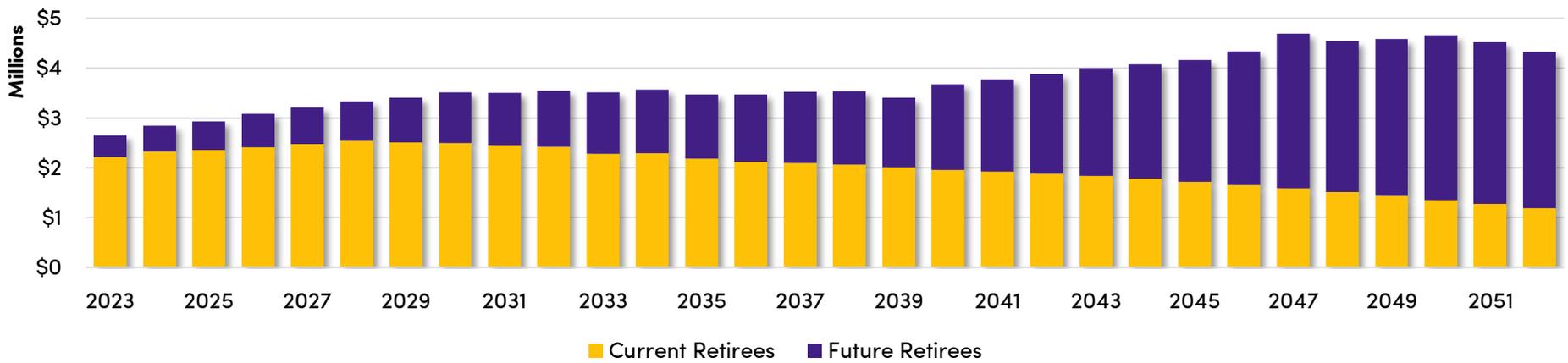
The below table shows the projected benefit payments for the next 30 years for a closed group of participants (both active employees and existing retirees) who are included in the census data as of June 30, 2021. This exhibit is provided for informational purposes only and is not a required disclosure under GASB 74/75. Projected benefit payments below include both explicit (if any) and implicit subsidies (as applicable).

FYE	Future Retirees	Current Retirees	Total
2023	\$ 425,409	\$ 2,217,998	\$ 2,643,407
2024	\$ 522,061	\$ 2,321,415	\$ 2,843,476
2025	\$ 570,506	\$ 2,356,260	\$ 2,926,766
2026	\$ 668,190	\$ 2,414,619	\$ 3,082,809
2027	\$ 742,057	\$ 2,470,981	\$ 3,213,038
2028	\$ 790,082	\$ 2,538,925	\$ 3,329,007
2029	\$ 897,706	\$ 2,506,652	\$ 3,404,358
2030	\$ 1,010,755	\$ 2,501,094	\$ 3,511,849
2031	\$ 1,041,086	\$ 2,457,156	\$ 3,498,242
2032	\$ 1,123,547	\$ 2,418,998	\$ 3,542,545

FYE	Future Retirees	Current Retirees	Total
2033	\$ 1,232,690	\$ 2,281,365	\$ 3,514,055
2034	\$ 1,281,860	\$ 2,287,696	\$ 3,569,556
2035	\$ 1,288,890	\$ 2,187,268	\$ 3,476,158
2036	\$ 1,351,562	\$ 2,122,539	\$ 3,474,101
2037	\$ 1,429,098	\$ 2,095,991	\$ 3,525,089
2038	\$ 1,467,787	\$ 2,063,896	\$ 3,531,683
2039	\$ 1,391,169	\$ 2,012,984	\$ 3,404,153
2040	\$ 1,720,569	\$ 1,959,740	\$ 3,680,309
2041	\$ 1,850,112	\$ 1,923,408	\$ 3,773,520
2042	\$ 2,003,077	\$ 1,881,133	\$ 3,884,210

FYE	Future Retirees	Current Retirees	Total
2043	\$ 2,166,166	\$ 1,839,189	\$ 4,005,355
2044	\$ 2,301,092	\$ 1,780,065	\$ 4,081,157
2045	\$ 2,442,319	\$ 1,722,729	\$ 4,165,048
2046	\$ 2,678,696	\$ 1,657,919	\$ 4,336,615
2047	\$ 3,104,288	\$ 1,586,424	\$ 4,690,712
2048	\$ 3,026,821	\$ 1,511,705	\$ 4,538,526
2049	\$ 3,154,995	\$ 1,434,550	\$ 4,589,545
2050	\$ 3,301,859	\$ 1,355,088	\$ 4,656,947
2051	\$ 3,245,965	\$ 1,272,298	\$ 4,518,263
2052	\$ 3,138,068	\$ 1,188,737	\$ 4,326,805

Projected Benefit Payments



## Section 6: Actuary's Notes

### Changes Since Prior Valuation

There are no plan provision changes reflected in this roll-forward report. For complete description of substantive plan provisions, refer to the Town of Narragansett GASB 74/75 Actuarial Valuation for fiscal year ending June 30, 2021 report. Roll-forward valuation results shown in this report have been projected from the prior year's valuation, with adjustments for actual premium and contribution changes since the prior year.

### Premium Rates

Comparison of monthly premium rates effective on July 1, 2021 and 2022 are as shown below.

Pre-65 Plans	Eff. 7/1/2022		Eff. 7/1/2021	
	Single	2-Person	Single	2-Person
Classic Blue	\$ 892.91	\$ 1,784.42	\$ 888.45	1,776.89
Healthmate Coast to Coast	\$ 815.83	\$ 1,631.70	\$ 812.39	1,624.81
Healthmate 250	\$ 742.42	\$ 1,484.87	\$ 739.29	1,478.60
Blue Solutions HDHP	\$ 617.13	\$ 1,231.97	\$ 614.53	1,226.77
United Health Plan	\$ 1,168.83	\$ 2,337.66	\$ 1,084.67	2,169.34

Post-65 Plans	Eff. 7/1/2022		Eff. 7/1/2021	
	Single	2-Person	Single	2-Person
Blue Cross Plan 65 with Rx	\$ 443.49	\$ 886.98	\$ 466.25	\$ 932.50
Blue Cross Plan 65 without Rx	\$ 191.43	\$ 382.86	\$ 189.70	\$ 379.40
Blue Cross Plan 65G with Rx	\$ 419.88	\$ 839.76	\$ 445.61	\$ 891.22
Blue Cross Plan 65G without Rx	\$ 167.82	\$ 335.64	\$ 169.06	\$ 338.12

Dental	Eff. 7/1/2022		Eff. 7/1/2021	
	Single	2-Person	Single	2-Person
	\$ 30.30	\$ 60.61	\$ 34.36	\$ 68.72

# Section 7: Brief Summary of Actuarial Methods and Assumptions

## Changes Since Prior Valuation

All actuarial methods and assumptions used in this year's roll-forward report are the same as those used in the Town of Narragansett June 30, 2021 actuarial valuation, except as noted below. Refer to the Town of Narragansett GASB 74/75 Actuarial Valuation for the fiscal year ending June 30, 2021 report prepared by Nyhart for complete description of actuarial methods and assumptions.

In this roll-forward report, we have reduced the Single Equivalent Discount Rate (SEDR) from 7.15% as of June 30, 2021 to 6.50% as of June 30, 2022 based on updated capital market assumption. This change caused an increase in the liability.

<b>Valuation Date</b>	June 30, 2021
<b>Measurement Date</b>	June 30, 2022
<b>Reporting Period</b>	Fiscal year ending June 30, 2022
<b>Discount Rate</b>	For accounting disclosure: 6.50% as of June 30, 2022 and 7.15% as of June 30, 2021  For funding purposes (in calculating the Actuarially Determined Contribution): 6.50% as of June 30, 2022 and 7.15% as of June 30, 2021  Refer to the Discussion of Discount Rate section for additional information on the discount rate setting.
<b>Actuarial Cost Method</b>	Entry Age Normal Level Percentage of Pay; a method that allocates the actuarial present value of the projected benefits of each individual on a level basis over the earnings of the individual between entry age and assumed exit age(s). <ul style="list-style-type: none"> <li>• The portion allocated to a valuation year is called the Normal Cost.</li> <li>• The portion allocated to past periods is called the Actuarial Accrued Liability (AAL) or Total OPEB Liability (TOL).</li> </ul>

**Trend Rates**

The following trend assumption is as shown in the Town of Narragansett GASB 74/75 Actuarial Valuation for the fiscal year ending June 30, 2021 report prepared by Nyhart. This assumption is reasonable in our professional judgment, and we continued using the same trend assumption for fiscal year ending June 30, 2022 onwards. Initial trend rates for fiscal year ending June 30, 2021 have been updated based on actual premium increases from July 1, 2021 to 2022.

The trend assumption used in the valuation varies by benefit as shown below.

FYE	Medical/Rx	Dental	Part B
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%

## Discussion of Discount Rates

Under GASB 74/75, the discount rate used in valuing OPEB liabilities as of the Measurement Date is a single rate that reflects:

1. 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 expected to be invested using a strategy that will achieve that return.
2. A yield or index rate 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), when the conditions in (1) above are not met.

For the current year’s valuation:

1. The expected long-term real rate of return of the OPEB Trust is 6.50% as of June 30, 2022. This rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return net of investment expense are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target allocation percentage.

Asset Classes	Target Allocation	Expected L/T Real Rates of Return <sup>10</sup>
Fixed Income	37.6%	2.00%
Domestic Equity	39.0%	4.65%
International Equity	14.2%	5.28%
REITs	3.0%	4.50%
Commodities	1.2%	3.00%
Alternatives	3.0%	2.00%
Cash and Cash Equivalents	2.0%	0.50%
<b>Total</b>	<b>100.0%</b>	

2. The municipal bond index as of the prior and current Measurement Dates are as shown below:

Index	June 30, 2022	June 30, 2021
S&P Municipal Bond 20 Year High Grade Rate Index	4.09%	2.19%

3. The final equivalent single discount rate used for accounting disclosure is 6.50% as of June 30, 2022 with the expectation that the Plan Sponsor will contribute in accordance with the Funding Policy described in Section 3. Under this Funding Policy, the OPEB Trust is not expected to be depleted in the future.

The discount rate used to calculate the Actuarially Determined Contribution for recommended funding contribution is 6.50%.

<sup>10</sup> The assumed inflation rate of 2.00% is added to the weighted expected future real rate of return to obtain the assumed discount rate. Expected long-term real rates of return in the table above are expected returns based on the Long-Term Capital Market Assumptions and Model Portfolios report prepared by Janney Montgomery Scott LLC in January 2022.

# | Appendix – Glossary

1. **Active Employees** – Individuals employed at the end of the reporting or measurement period, as applicable.
2. **Actuarial Cost Method** – A method to allocate the Actuarial Present Value of Future Benefits into portions attributed to past service (Total OPEB Liability) and future service (Normal Cost).
3. **Actuarial Present Value of Future Benefits** – Projected benefit payments estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and their expected future service, discounted to reflect the expected effects of time value (present value) of money and the probabilities of payment (which is contingent on events such as death, termination, retirement, etc). In other words, this is the amount that would have been invested as of the Valuation Date so that it is sufficient to pay for benefit payments when due.
4. **Deferred Inflows** – Gains in the Total OPEB Liability and Fiduciary Net Position (for funded plan only) due to be recognized in the future.
5. **Deferred Outflows** – Losses in the Total OPEB Liability and Fiduciary Net Position (for funded plan only) due to be recognized in the future.
6. **Defined Benefit OPEB** – OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated
7. **Entry Age Actuarial Cost Method** – A method that allocates the actuarial present value of the projected benefits of each individual on a level basis over the earnings or service of the individual between entry age and assumed exit age(s).
  - The portion allocated to a valuation year is called the Normal Cost.
  - The portion allocated to past periods is called the Total OPEB Liability.
  - The portion allocated to future periods after the valuation date is called the Present Value of Future Normal Costs.
8. **Fiduciary Net Position** – OPEB plan assets in a secure Trust that meet the following criteria:
  - Contributions from employers to the OPEB plan and earnings on those contributions are irrevocable.
  - OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
  - OPEB Plan assets are legally protected from the creditors of employers, OPEB plan administrator, and creditors of the plan members.
9. **Funded Ratio** – The value of the asset expressed as a percentage of the Total OPEB Liability.

10. **Healthcare Cost Trend Rates** – The rates of change in 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.
11. **Inactive Employees** – Individuals no longer employed by an employer in the OEPB plan or the beneficiaries of those individuals. Inactive employees also include individuals who have accumulated benefits under the terms of an OPEB plan but are not yet receiving benefit payments and individuals currently receiving benefits.
12. **Net OPEB Liability** – The difference between the Total OPEB Liability and the Fiduciary Net Position.
13. **Payroll Growth** – An actuarial assumption on the rate of future increase in the total coverage payroll attributable to wage inflation and productivity increase; used in the Actuarial Cost Method to determine the Total OPEB Liability.
14. **Plan Members** – Individuals covered by the terms of the OPEB plan, which would typically include employees in active service, terminated employees who have terminated service but are not yet receiving benefit payments, and retired employees who are currently receiving benefits.
15. **Other Postemployment Benefits (OPEB)** – Benefits such as death benefits, life insurance, disability, and long-term care, as well as healthcare benefits (medical, prescription drug, dental, vision, and other health-related benefits), that are paid in the period after employment and that are provided separately from a pension plan regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
16. **Service Cost (Normal Cost)** – The portion of actuarial present value of projected benefit payments that are attributed to a 12-month period after a valuation date as determined by the Actuarial Cost Method.
17. **Total OPEB Liability** – The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service as of the valuation date as determined by the Actuarial Cost Method.



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