

Town of Narragansett

GASB 74/75 Disclosures for Fiscal Year Ending June 30, 2023
Based on OPEB Valuation as of June 30, 2023

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 of the Town of Narragansett OPEB Plan as of June 30, 2023 which will be used as the basis of the financial accounting disclosure for fiscal year ending June 30, 2023 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 meets 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 represents 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.

Nadine Pileggi, ASA, MAAA
October 27, 2023

Section 1: Executive Summary

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 the June 30, 2023 valuation with liabilities and assets measured as of June 30, 2023, for use in the Town’s accrual-based financial statement for the fiscal year ending June 30, 2023. The June 30, 2023 valuation uses census data of (a) active employees who will be eligible to receive benefits in the future and (b) existing retirees who are currently receiving these benefits as of June 30, 2023, as well as healthcare cost information effective on July 1, 2023 provided by the Plan Sponsor and/or their healthcare consultant.

The actuarial valuation is based on substantive plan provisions outlined in Section 6. The valuation requires assumptions which are listed in Section 7. Results from the June 30, 2023 valuation may be rolled-forward for use in the Plan Sponsor’s accrual-based financial statement disclosure for the fiscal year ending June 30, 2024 assuming that there are no material changes to the substantive plan provisions and/or the covered population.

The Plan Sponsor’s next full valuation is as of June 30, 2025 with liabilities and assets measured as of June 30, 2025 for reporting in the Plan Sponsor’s accrual-based financial statements for the fiscal year ending June 30, 2025.

Changes Since Prior Valuation

The Town’s Net OPEB Liability has decreased from \$30,387,345 as of June 30, 2022 to \$28,054,459 as of June 30, 2023, which is attributable to a combination of the following factors:

1. Better actual asset performance compared to expected that contributes to a decrease in the Net OPEB Liability.
2. Less favorable actual demographic experience that is more than offset by lower healthcare cost increase than expected for a net liability decrease.
3. Assumption changes as outlined in Section 7 that produce a net 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	2022/23	2021/22
Valuation Date (VD)	June 30, 2023	June 30, 2021
Measurement Date (MD)	June 30, 2023	June 30, 2022
Membership Data as of Valuation Date		
Inactive employees or beneficiaries currently receiving benefits ¹	161	162
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	183	173
Total membership	344	335
Discount Rate at Measurement Date		
Municipal Bond Index Rate	4.13%	4.09%
Long-term Expected Asset Return	6.50%	6.50%
Year in which Fiduciary Net Position is projected to be depleted	N/A	N/A
Single Equivalent Discount Rate (SEDR)	6.50%	6.50%
Net OPEB Liability as of Measurement Date		
Total OPEB Liability (TOL)	\$ 44,479,569	\$ 43,899,183
Fiduciary Net Position (FNP)	(16,425,110)	(13,511,838)
Net OPEB Liability (NOL = TOL - FNP)	\$ 28,054,459	\$ 30,387,345
Funded Status (FNP / TOL)	36.9%	30.8%

¹ Inactive employees or beneficiaries currently receiving benefits as of June 30, 2021 Valuation Date have been updated to include 23 retirees receiving buyback benefit and 13 retirees receiving subsidized dental and/or life insurance benefit only

Fiscal Years	2022/23	2021/22
Valuation Date (VD)	June 30, 2023	June 30, 2021
Measurement Date (MD)	June 30, 2023	June 30, 2022
OPEB Expense / (Income) by Fiscal Year	\$ 2,729,152	\$ 2,634,897
Balance of unamortized Deferred Inflows at MD	\$ (5,232,787)	\$ (5,518,842)
Balance of unamortized Deferred Outflows at MD	\$ 6,736,685	\$ 7,781,499
Actuarially Determined Contribution by Fiscal Year²	\$ 3,391,580	\$ 3,630,651

² Actuarially Determined Contribution for FY 2021/22 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 dated 10/15/2021. ADC for FY 2022/23 is as shown in the Town of Narragansett GASB 74/75 Disclosures for FYE June 30, 2022 dated 10/19/2022.

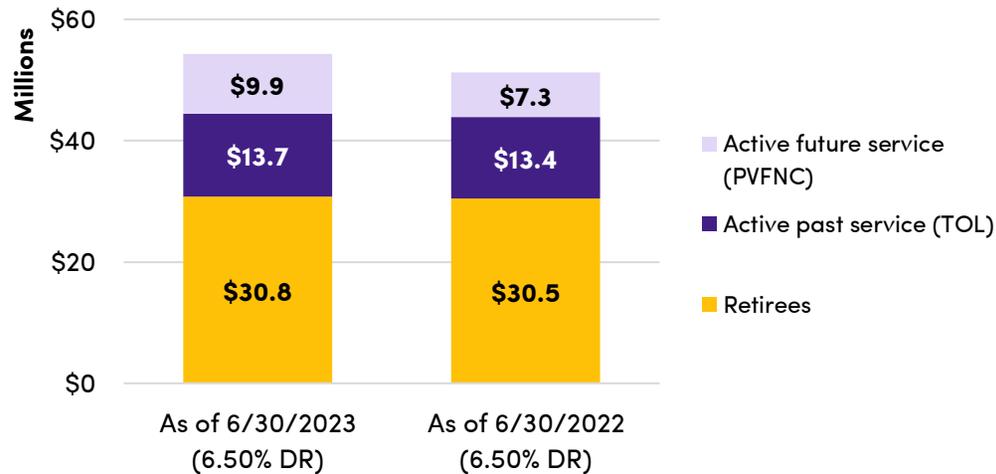
Below is a breakdown of the OPEB liability allocated to past and current service as of the Measurement Date compared to the prior Measurement Date. The liability below includes explicit subsidy (if any) and implicit subsidy. Refer to the Substantive Plan Provisions section for complete information on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

Present Value of Future Benefits (PVFB)	As of June 30, 2023	As of June 30, 2022
Active employees	\$ 23,530,076	\$ 20,736,715
Retired employees	30,819,633	30,506,397
Total PVFB	\$ 54,349,709	\$ 51,243,112

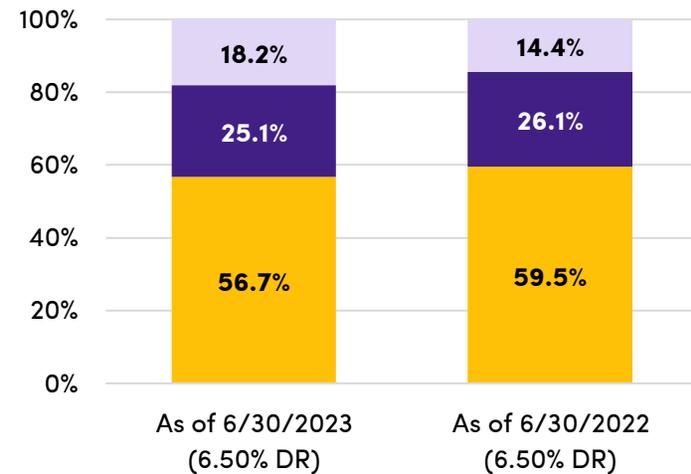
Total OPEB Liability (TOL)	As of June 30, 2023	As of June 30, 2022
Active employees	\$ 13,659,936	\$ 13,392,786
Retired employees	30,819,633	30,506,397
Total TOL	\$ 44,479,569	\$ 43,899,183

	As of June 30, 2023	As of June 30, 2022
Discount Rate	6.50%	6.50%

OPEB Liability Breakdown (\$)



OPEB Liability Breakdown (%)



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, 2023.

Table 1 - Plan Demographics

Inactive employees or beneficiaries currently receiving benefits	161
Inactive employees entitled to but not yet receiving benefits	0
Active employees	183
Total membership	344

The Total OPEB Liability (TOL) as of June 30, 2023 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	2.50%
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	Based on Getzen 2023 table with initial rates of 7.00% non-Medicare / 6.00% Medicare decreasing gradually to an ultimate rate of 3.94% by 2075
Dental trend rates	3.00% for all years
Medicare Part B trend rates	Based on projected Medicare Part B premium increases shown in the 2023 Medicare Trustees report for the first nine years followed by Getzen 2023 table

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	2022/23	2021/22
SEDR as of beginning of year	6.50%	7.15%
SEDR as of end of year	6.50%	6.50%
Service Cost	\$ 781,429	\$ 788,997
Interest on TOL and Service Cost	2,823,965	3,224,200
Changes of benefit terms	0	0
Projected earnings on OPEB Plan investments	(935,273)	(1,022,559)
OPEB Plan administrative expenses net of all revenues	11,750	35,150
Current period recognition of Deferred Inflows / Outflows of Resources		
Difference between expected and actual experience in the TOL	\$ (1,707,870)	\$ (1,758,584)
Changes of assumptions or other inputs	1,317,646	871,012
Net difference between the projected and actual earnings on OPEB Plan investments	437,505	496,681
Other	0	0
Total current period recognition	\$ 47,281	\$ (390,891)
OPEB Expense	\$ 2,729,152	\$ 2,634,897

Schedule of Changes in Net OPEB Liability

Fiscal Year Ending June 30	2023	2022	2021	2020	2019
Measurement Period Ending June 30	2023	2022	2019	2018	2017
Total OPEB Liability (TOL)					
Service Cost	\$ 781,429	\$ 788,997	\$ 542,253	\$ 537,366	\$ 629,930
Interest on TOL and Service Cost	2,823,965	3,224,200	2,718,747	2,761,917	2,783,426
Changes of benefit terms	0	0	0	0	0
Difference between expected & actual experience	(1,883,725)	(5,396,745)	1,285,730	(1,463,284)	(1,110,915)
Changes of assumptions or other inputs	1,368,227	2,264,623	5,032,190	0	(1,238,106)
Benefit payments	(2,509,510) ³	(2,529,532)	(2,452,724)	(2,432,039)	(2,321,036)
Net change in TOL	\$ 580,386	\$ (1,648,457)	\$ 7,126,196	\$ (596,040)	\$ (1,256,701)
TOL – beginning	\$ 43,899,183	\$ 45,547,640	\$ 38,421,444	\$ 39,017,484	\$ 40,274,185
TOL – ending	\$ 44,479,569	\$ 43,899,183	\$ 45,547,640	\$ 38,421,444	\$ 39,017,484
Plan Fiduciary Net Position (FNP)					
Contributions – employer	\$ 4,303,279	\$ 4,155,176	\$ 3,650,696	\$ 3,801,999	\$ 4,115,135
Contributions – employees	0	0	0	0	0
Benefit payments	(2,509,510)	(2,529,532)	(2,452,724)	(2,432,039)	(2,321,036)
Net investment income	1,131,253	(1,598,662)	1,761,317	231,747	299,866
Trust administrative expenses	(11,750)	(35,150)	(6,600)	(17,033)	(6,200)
Net change in Plan FNP	\$ 2,913,272	\$ (8,168)	\$ 2,952,689	\$ 1,584,674	\$ 2,087,765
FNP – beginning	\$ 13,511,838	\$ 13,520,006	\$ 10,567,317	\$ 8,982,643	\$ 6,894,878
FNP – ending	\$ 16,425,110	\$ 13,511,838	\$ 13,520,006	\$ 10,567,317	\$ 8,982,643
Net OPEB Liability – ending	\$ 28,054,459	\$ 30,387,345	\$ 32,027,634	\$ 27,854,127	\$ 30,034,841
FNP as % of TOL	36.9%	30.8%	29.7%	27.5%	23.0%
Covered payroll – measurement period	\$ 12,415,733	\$ 12,306,218	\$ 11,247,367	\$ 11,941,182	\$ 12,599,633
NOL as % of covered payroll	226.0%	246.9%	284.8%	233.3%	238.4%

³ Based on explicit benefit payment of \$1,985,318 and estimated implicit subsidy payment of \$524,192.

Schedule of Changes in Net OPEB Liability (Continued)

Fiscal Year Ending June 30	2017	2017
Measurement Period Ending June 30	2017	2017
Total OPEB Liability (TOL)		
Service Cost	\$ 679,914	\$ 1,189,644
Interest on TOL and Service Cost	2,852,809	3,005,083
Changes of benefit terms	0	(6,256,712)
Difference between expected & actual experience	(2,686,363)	658,887
Changes of assumptions or other inputs	(1,943,284)	1,293,986
Benefit payments	(2,309,807)	(2,090,025)
Net change in TOL	\$ (3,406,731)	\$ (2,199,137)
TOL – beginning	\$ 43,680,916	\$ 45,880,053
TOL – ending	\$ 40,274,185	\$ 43,680,916
Plan Fiduciary Net Position (FNP)		
Contributions – employer	\$ 3,547,796	\$ 3,176,785
Contributions – employees	0	0
Benefit payments	(2,309,807)	(2,090,025)
Net investment income	327,071	338,238
Trust administrative expenses	(8,250)	(26,250)
Net change in Plan FNP	\$ 1,556,810	\$ 1,398,748
FNP – beginning	\$ 5,338,068	\$ 3,939,320
FNP – ending	\$ 6,894,878	\$ 5,338,068
Net OPEB Liability – ending	\$ 33,379,307	\$ 38,342,848
FNP as % of TOL	17.1%	12.2%
Covered-employee payroll – measurement period	\$ 10,637,623	\$ 10,228,484
NOL as % of covered payroll	313.8%	374.9%

Schedule of Employer Contribution

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

Fiscal Year Ending	2023	2022	2021	2020	2019
Actuarially Determined Contribution (ADC)	\$ 3,391,580	\$ 3,630,651	\$ 2,980,314	\$ 3,129,247	\$ 3,372,903
Contributions in relation to the ADC	\$ 4,303,279	\$ 4,155,176	\$ 3,650,696	\$ 3,801,999	\$ 4,115,135
Contribution deficiency / (excess)	\$ (911,699)	\$ (524,525)	\$ (670,382)	\$ (672,752)	\$ (742,232)
Covered-employee payroll – employer fiscal year	\$ 12,415,733	\$ 12,306,218	\$ 11,247,367	\$ 11,941,182	\$ 12,599,633
Contributions as a % of covered-employee payroll	34.7%	33.8%	32.5%	31.8%	32.7%

Fiscal Year Ending	2018	2017	2016	2015	2014
Actuarially Determined Contribution (ADC)	\$ 3,567,929	\$ 3,517,887	\$ 4,620,054	\$ 5,047,958	\$ 5,030,992
Contributions in relation to the ADC	\$ 3,547,796	\$ 3,176,785	\$ 2,911,234	\$ 2,346,138	\$ 2,510,011
Contribution deficiency / (excess)	\$ 20,133	\$ 341,102	\$ 1,708,820	\$ 2,701,820	\$ 2,520,981
Covered-employee payroll – employer fiscal year	\$ 10,637,623	\$ 10,228,484	\$ 9,808,380	\$ 9,522,699	\$ 9,377,308
Contributions as a % of covered-employee payroll	33.4%	31.1%	29.7%	24.6%	26.8%

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, 2023.

Table 4 - Net OPEB Liability Sensitivity (Discount Rate)

	1% Decrease (5.50%)	Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB Liability / (Asset)	\$ 33,390,023	\$ 28,054,459	\$ 23,616,639

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, 2023.

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

	1% Decrease	Healthcare Trend Rates ⁴	1% Increase
Net OPEB Liability / (Asset)	\$ 23,682,748	\$ 28,054,459	\$ 33,294,613

⁴ 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 6.00% non-Medicare / 5.00% Medicare decreasing gradually to an ultimate rate of 2.94% by 2075	Initial rate of 7.00% non-Medicare / 6.00% Medicare decreasing gradually to an ultimate rate of 3.94% by 2075	Initial rate of 8.00% non-Medicare / 7.00% Medicare decreasing gradually to an ultimate rate of 4.94% by 2075
Dental	2.00% for all years	3.00% for all years	4.00% for all years
Medicare Part B	Initial rate of 5.00% decreasing gradually to an ultimate rate of 2.94% by 2075	Initial rate of 6.00% decreasing gradually to an ultimate rate of 3.94% by 2075	Initial rate of 7.00% decreasing gradually to an ultimate rate of 4.94% by 2075

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 experience⁵

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2023	Unamortized Balance as of June 30, 2023
6/30/2019	6/30/2019	\$ (1,110,915)	5.00	\$ (222,183)	\$ (1,110,915)	\$ 0
6/30/2020	6/30/2020	\$ (1,463,284)	6.00	\$ (243,881)	\$ (975,524)	\$ (487,760)
6/30/2021	6/30/2021	\$ 1,285,730	6.00	\$ 214,288	\$ 642,864	\$ 642,866
6/30/2022	6/30/2022	\$ (5,396,745)	5.00	\$ (1,079,349)	\$ (2,158,698)	\$ (3,238,047)
6/30/2023	6/30/2023	\$ (1,883,725)	5.00	\$ (376,745)	\$ (376,745)	\$ (1,506,980)

⁵ Only amortization bases that are not fully recognized by fiscal year ending June 30, 2023 are shown in this table.

Changes in assumptions or other inputs⁶

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2023	Unamortized Balance as of June 30, 2023
6/30/2019	6/30/2019	\$ (1,238,106)	5.00	\$ (247,622)	\$ (1,238,106)	\$ 0
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	\$ 2,516,094	\$ 2,516,096
6/30/2022	6/30/2022	\$ 2,264,623	5.00	\$ 452,925	\$ 905,850	\$ 1,358,773
6/30/2023	6/30/2023	\$ 1,368,227	5.00	\$ 273,645	\$ 273,645	\$ 1,094,582

Differences between projected and actual earnings on OPEB plan investments⁶

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2023	Unamortized Balance as of June 30, 2023
6/30/2019	6/30/2019	\$ 259,811	5.00	\$ 51,963	\$ 259,811	\$ 0
6/30/2020	6/30/2020	\$ 462,862	5.00	\$ 92,572	\$ 370,288	\$ 92,574
6/30/2021	6/30/2021	\$ (960,389)	5.00	\$ (192,078)	\$ (576,234)	\$ (384,155)
6/30/2022	6/30/2022	\$ 2,621,221	5.00	\$ 524,244	\$ 1,048,488	\$ 1,572,733
6/30/2023	6/30/2023	\$ (195,980)	5.00	\$ (39,196)	\$ (39,196)	\$ (156,784)

⁶ Only amortization bases that are not fully recognized by fiscal year ending June 30, 2023 are shown in this table.

The table below shows the unamortized balance of Deferred Inflows and Outflows of Resources as of June 30, 2023 for financial statement disclosure for the fiscal year ending June 30, 2023.

Table 7 - Unamortized Balance of Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 642,866	\$ (5,232,787)
Changes in assumptions or other inputs	4,969,451	0
Net difference between projected and actual earnings on OPEB plan investments	1,124,368	0
Employer contribution subsequent to the Measurement Date	0	0
Total	\$ 6,736,685	\$ (5,232,787)

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
2024	\$ 465,125
2025	\$ 372,554
2026	\$ 808,513
2027	\$ (142,294)
2028	\$ 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, 2023	June 30, 2022
Assets		
Cash and cash equivalents	\$ 3,184,850	\$ 2,613,668
Receivables	0	0
Investments		
Fixed income	\$ 4,933,401	\$ 4,231,908
Equities – stocks and options	5,962,220	5,635,050
Equities – mutual funds, ETFs, and UITs	2,503,708	1,204,223
Total investments	\$ 13,399,329	\$ 11,071,181
Total assets	\$ 16,584,179	\$ 13,684,849
Liabilities		
Accounts payable and accrued expenses	\$ (159,069)	\$ (173,011)
Total liabilities	\$ (159,069)	\$ (173,011)
Net asset available for benefits	\$ 16,425,110	\$ 13,511,838

Reconciliation of Assets

Measurement Periods	2022/23	2021/22
Additions		
Contributions received		
Employer	\$ 4,303,279	\$ 4,155,176
Employees	0	0
Total contributions	\$ 4,303,279	\$ 4,155,176
Investment income		
Interest and dividend	\$ 379,968	\$ 204,452
Net increase/(decrease) in fair value of investments	809,754	(1,713,022)
Accrued income	0	0
Investment expense	(58,469)	(90,092)
Net investment income	\$ 1,131,253	\$ (1,598,662)
Total additions	\$ 5,434,532	\$ 2,556,514
Deductions		
Benefit payments net of retiree contributions	\$ (2,509,510) ⁷	\$ (2,529,532) ⁸
Administrative expenses	(11,750)	(35,150)
Total deductions	\$ (2,521,260)	\$ (2,564,682)
Change in net position	\$ 2,913,272	\$ (8,168)
Net position – beginning of year	\$ 13,511,838	\$ 13,520,006
Net position – end of year	\$ 16,425,110	\$ 13,511,838

⁷ Based on explicit benefit payment of \$2,015,507, less Retiree Drug Subsidy payment of \$30,188, plus estimated implicit subsidy of \$524,192.

⁸ Based on explicit benefit payment of \$2,042,212, less Retiree Drug Subsidy payment of \$37,205, plus estimated implicit subsidy of \$524,525.

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	2023/24	2024/25
Funding discount rate	6.50%	6.50%
Amortization method	Level Dollar	Level Dollar
Payroll growth	N/A	N/A
Amortization period	23 years	22 years
Actuarial Accrued Liability (AAL) – beginning of year ⁹	\$ 44,479,569	\$ 45,644,812
Actuarial Value of Assets (AVA) – beginning of year ¹⁰	<u>(16,425,110)</u>	<u>(18,257,579)</u>
Unfunded AAL (UAAL) – beginning of year	\$ 28,054,459	\$ 27,387,233
Normal Cost – beginning of year	\$ 909,729	\$ 945,572
Amortization of UAAL – beginning of year	<u>2,238,055</u>	<u>2,229,326</u>
Total Normal Cost and amortization of UAAL	\$ 3,147,784	\$ 3,174,898
Interest adjustment for end of year payment	204,606	206,368
Trust administrative expenses	<u>32,850</u>	<u>36,515</u>
Actuarially Determined Contribution (ADC)	\$ 3,385,240	\$ 3,417,781
Expected benefit payments	\$ 2,611,261	\$ 2,698,571

⁹ Fiscal years 2023/24 and 2024/25 AALs as of beginning of year is based on June 30, 2023 OPEB valuation projected to June 30, 2023 and June 30, 2024 on a “no gain/loss” basis.

¹⁰ Fiscal year 2023/24 AVA as of beginning of year is based on market value of assets as of June 30, 2023. Fiscal year 2024/25 AVA as of beginning of year is projected from June 30, 2023 market value of asset assuming 6.50% investment income, District contribution equals to the ADC in FY 2023/24 (with the benefit payments being paid from the Trust), and 0.20% Trust administrative expense applied to beginning of year asset balance.

Section 5: Projected Benefit Payments

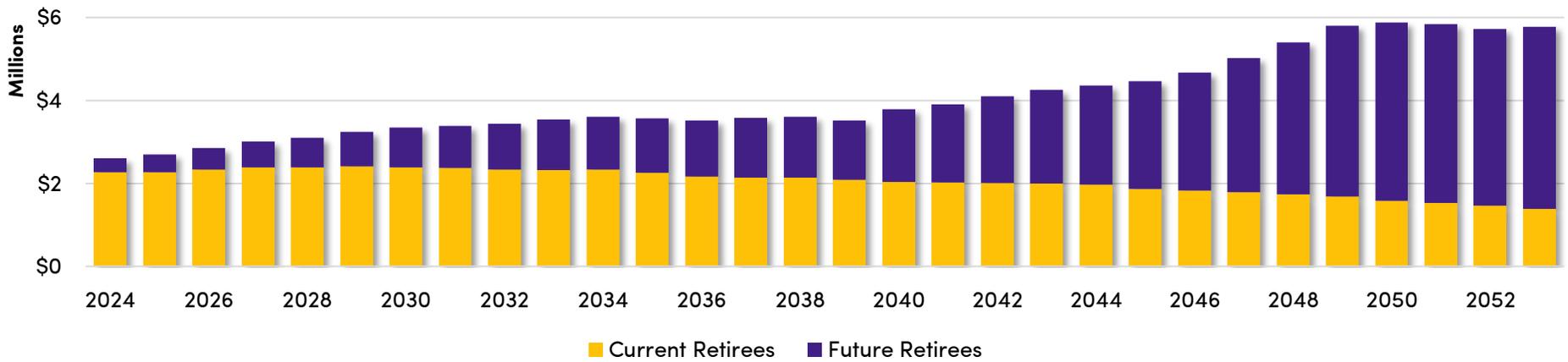
The below table shows the projected benefit payments for the next 30 years for a closed group of participants (both active employees and existing retirees) who are included in the census data as of June 30, 2023. This exhibit is provided for informational purposes only and is not a required disclosure under GASB 74/75. Projected benefit payments below include both explicit (if any) and implicit subsidies (as applicable).

FYE	Future Retirees	Current Retirees	Total
2024	\$ 346,195	\$ 2,265,066	\$ 2,611,261
2025	\$ 426,742	\$ 2,271,829	\$ 2,698,571
2026	\$ 523,621	\$ 2,328,573	\$ 2,852,194
2027	\$ 629,015	\$ 2,384,926	\$ 3,013,941
2028	\$ 709,338	\$ 2,391,578	\$ 3,100,916
2029	\$ 835,173	\$ 2,411,494	\$ 3,246,667
2030	\$ 958,806	\$ 2,386,465	\$ 3,345,271
2031	\$ 1,015,605	\$ 2,368,976	\$ 3,384,581
2032	\$ 1,104,938	\$ 2,334,030	\$ 3,438,968
2033	\$ 1,228,438	\$ 2,314,858	\$ 3,543,296

FYE	Future Retirees	Current Retirees	Total
2034	\$ 1,277,495	\$ 2,328,126	\$ 3,605,621
2035	\$ 1,314,222	\$ 2,256,855	\$ 3,571,077
2036	\$ 1,349,966	\$ 2,163,591	\$ 3,513,557
2037	\$ 1,439,235	\$ 2,141,255	\$ 3,580,490
2038	\$ 1,477,955	\$ 2,134,015	\$ 3,611,970
2039	\$ 1,428,833	\$ 2,087,588	\$ 3,516,421
2040	\$ 1,754,152	\$ 2,034,328	\$ 3,788,480
2041	\$ 1,877,542	\$ 2,024,091	\$ 3,901,633
2042	\$ 2,090,262	\$ 2,008,694	\$ 4,098,956
2043	\$ 2,256,536	\$ 1,993,654	\$ 4,250,190

FYE	Future Retirees	Current Retirees	Total
2044	\$ 2,384,483	\$ 1,970,047	\$ 4,354,530
2045	\$ 2,598,932	\$ 1,868,273	\$ 4,467,205
2046	\$ 2,835,780	\$ 1,829,324	\$ 4,665,104
2047	\$ 3,234,464	\$ 1,786,241	\$ 5,020,705
2048	\$ 3,662,454	\$ 1,738,847	\$ 5,401,301
2049	\$ 4,111,817	\$ 1,687,477	\$ 5,799,294
2050	\$ 4,293,537	\$ 1,586,746	\$ 5,880,283
2051	\$ 4,319,100	\$ 1,524,642	\$ 5,843,742
2052	\$ 4,258,944	\$ 1,459,350	\$ 5,718,294
2053	\$ 4,389,876	\$ 1,391,446	\$ 5,781,322

Projected Benefit Payments



Section 6: Substantive Plan Provisions

Changes Since Prior Valuation

There are no plan provision changes since the last full valuation.

Eligibility & Benefits

Municipal Employees

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

For Local 1033 employees hired on/after 7/1/2014, retiree health benefits eligibility requirement is at the earlier of (i) age 58 with 10 years of service or (ii) 25 years of service. The Town no longer provides medical and dental coverage once the retiree is eligible for Medicare.

For Council 94 employees hired on/after 7/1/2014, retiree health benefits eligibility requirement is at the earlier of (i) age 65 with 10 years of service or (ii) 25 years of service. The Town no longer provides medical and dental coverage once the retiree is eligible for Medicare.

Health plan option at retirement requirements:

- Effective 7/1/2004, retirees under the age of 65 will be enrolled in Blue Cross Healthmate Coast to Coast plan.
- Effective 1/1/2015, all Council 94 and Local 1033 employees are required to enroll in Healthmate 250 plan.
- Effective 7/1/2001, retirees age 65 and over will be enrolled in Blue Cross Plan 65 (for those eligible for lifetime retiree health benefits).

**Employer Subsidy
(Cont'd)****Fire**

Firefighters who have 20 years of service are eligible for lifetime medical, dental, and life insurance benefits if they were hired prior to 7/1/2013. Those hired on/after 7/1/2013 must have 25 years of service to be eligible for medical, dental, and life insurance benefits.

Employees retiring on/after 1/1/2011 will no longer receive subsidized Medicare Supplement plan coverage but they can elect the Medicare Supplement plans offered by the Town and pay the full cost of coverage.

Health plan option at retirement requirements:

- Effective 7/1/2001, 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 in retirement.
- Employees retiring on/after 1/1/2017 are required to enroll in the Blue Solutions HDHP plan at retirement while they are under the age of 65. There will not be any Town HSA contributions for retirees.

Police

Police officers who retire with at least 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 7/1/2013. Officers hired on/after 7/1/2013 must have 25 years of service to be eligible for medical and dental coverage until Medicare eligibility and lifetime life insurance benefits.

Health plan option at retirement requirements:

- Officers hired prior to 7/1/2013 and retiring prior to 7/1/2013 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 in retirement.
- Officers hired prior to 7/1/2013 and between 7/1/2013 and 12/31/2016 will be enrolled in Blue Cross Healthmate Coast to Coast prior to Medicare eligibility and Blue Cross Plan 65 when they reach age 65 in retirement.
- Officers who retire on/after 1/1/2017 will be enrolled in Blue Cross Healthmate Coast to Coast 250 plan with 20% rx rider prior to Medicare eligibility and Blue Cross Plan 65 when they reach age 65 in retirement.
- Officers hired on/after 7/1/2013 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 once they reach age 65 in retirement.

Medicare Part B

The Town will reimburse Medicare Part B premium cost to the retirees and spouses only for:

- Firefighters who retired prior to 1/1/2011
- Police officers who were hired prior to 7/1/2013

Opt Out Benefits

Current and future retirees who waive coverage from the Town due to equivalent coverage elsewhere shall be reimbursed 50%¹¹ 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 for Municipal Employees and quarterly for Firefighters and Police Officers.

- Council 94 and Local 1033 employees retiring on/after 7/1/2018 will receive this benefit until Medicare eligibility only.
- Non-Union employees will receive this benefit for life.
- Firefighters retiring on/after 1/1/2011 will receive this benefit until Medicare eligibility only.
- Police officers hired on/after 7/1/2013 will receive this benefit until Medicare eligibility only.

Life Insurance

Employees meeting retiree health benefits eligibility requirements are eligible for \$50,000 life insurance benefit at retirement that is fully paid by the Town. Several existing retirees have a \$25,000 life insurance benefit as indicated by the Town.

Spouse Benefits

Employees are allowed to elect spousal coverage at retirement. Retiree health coverage continues to surviving spouses upon death of retirees and active employees who are eligible to retire as long as the required contributions are made. There is no surviving spouse benefit if the employee dies prior to meeting the health care benefits eligibility requirements.

¹¹ Town reimbursement is 60% of the Town's portion of medical and dental for Police officers who retire prior to 7/1/2017.

Retiree Contributions

Retiree contributions requirements applicable to medical and dental benefits for Municipal Employees are as shown below. Life insurance benefit is assumed to be free for all Municipal Employees unless noted otherwise below.

Groups	DOH cut-off	DOR cut-off	Retiree	Spouse
Council 94		Prior to 1/1/2010	None ¹²	None ¹²
		1/1/2010 – 12/31/2011	2% of pension ¹³	Included in the retiree’s contribution
		1/1/2012 – 6/30/2012	10% of premium	Same as retiree
		7/1/2012 – 6/30/2013	12% of premium	Same as retiree
		7/1/2013 – 6/30/2017	15% of premium	Same as retiree
		On/after 7/1/2018	20% of premium	Full cost of coverage
Local 1033	Prior to 7/1/1996	Prior to 1/1/2010	None ¹³	None ¹³
		1/1/2010 – 12/31/2011	2% of pension ¹²	Included in the retiree’s contribution
		7/1/2014 – 6/30/2015	5% of premium	Same as retiree
		7/1/2015 – 6/30/2016	10% of premium	Same as retiree
		7/1/2016 – 6/30/2018	15% of premium	Same as retiree
	On/after 7/1/1996	7/1/2018	20% of premium	Full cost of coverage
		7/1/2014 – 6/30/2018	20% of premium	Same as retiree
		7/1/2018	20% of premium	Full cost of coverage
Non-Union ¹⁴		Prior to 1/1/2010	None ¹²	None ¹²
		On/after 1/1/2010	2% of pension	Included in the retiree’s contribution

¹² Free coverage applies to all benefits: medical, dental, and life insurance.

¹³ Retiree contribution also applies to life insurance benefit.

¹⁴ Deputy police chief contribution requirement follows Non-Union employees.

**Retiree Contributions
(Cont'd)**

Retiree contributions requirements applicable to medical and dental benefits for Firefighters and Police Officers are as shown below. Life insurance benefit is assumed to be free for all Firefighters and Police Officers unless noted otherwise below.

Groups	DOR cut-off	Retiree	Spouse
Fire	7/1/1987 – 12/31/2010 ¹⁵	None ¹⁶	None ¹⁶
	1/1/2011 – 12/31/2016	Pre-65: 20% of premium Post-65: 100% of premium (medical), 20% of premium (dental)	Pre-65: 20% of premium Post-65: 100% of premium (medical), 20% of premium (dental)
	On/after 1/1/2017	Pre-65: none Post-65: 100% of premium (medical), 20% of premium (dental)	Pre-65: none Post-65: 100% of premium (medical), 20% of premium (dental)
Police	Prior to 1/1/2010	None ¹⁶	None ¹⁶
	1/1/2010 – 12/31/2010	2% of pension ¹⁷	Included in the retiree's contribution
	1/1/2011 – 6/30/2013	5% of pension ¹⁷	Included in the retiree's contribution
	7/1/2013 – 6/30/2017	15% of premium	15% of premium
	7/1/2017 – 6/30/2018	17% of premium	17% of premium
	On/after 7/1/2018	20% of premium	20% of premium

¹⁵ Employees who retired prior to 7/1/1987 receive \$1,000 annually towards their medical plans. There are no retired Firefighters in this category.

¹⁶ Free coverage applies to all benefits: medical, dental, and life insurance.

¹⁷ Retiree contribution also applies to life insurance benefit.

Medical Benefits

Same benefits are available to retirees as active employees. Effective 7/1/2015, 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 health plan options:

- Healthmate Coast to Coast and Healthmate Coast to Coast 250 are available to all retired employees under age 65.
- 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 existing retirees currently enrolled in these plans.
- Police officers:
 - Officers hired on/after 7/1/2013 must enroll in Healthmate Coast to Coast 250 while actively employed and at retirement.
 - Officers retiring on/after 1/1/2017 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 1/1/2015.
- Firefighters retiring on/after 1/1/2017 are required to enroll in the Blue Solutions HDHP plan at retirement.

Post-Medicare health plan options:

- 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.

Premium Rates

The monthly premium rates effective on July 1, 2023 used in the valuation are as shown below.

Pre-65 Plans	Single	2-Person
Classic Blue	\$ 919.57	\$ 1,839.15
Healthmate Coast to Coast	\$ 840.85	\$ 1,681.75
Healthmate 250	\$ 765.19	\$ 1,530.41
Blue Solutions HDHP	\$ 636.06	\$ 1,269.76
United Health Plan	\$ 1,262.34	\$ 2,524.68

Post-65 Plans	Per Person
Blue Cross Plan 65 with Rx	\$ 427.18
Blue Cross Plan 65 without Rx	\$ 201.24
Blue Cross Plan 65 G with Rx	\$ 402.45
Blue Cross Plan 65 G without Rx	\$ 176.51

	Single	2-Person
Dental	\$ 31.92	\$ 63.84

Section 7: Actuarial Methods and Assumptions

Changes Since Prior Valuation

The following assumptions have been updated since the prior valuation:

1. Mortality improvement scale has been updated from MP-2020 to MP-2021. There are no changes made to the base mortality tables. This change caused a slight decrease in the liability.
2. Health plan election upon Medicare eligibility for all future and existing retirees under the age of 65 as of the Valuation Date has been updated from Plan 65 C to Plan 65 G due to MACRA Legislation where retirees who become eligible for Medicare on/after 1/1/2020 can no longer elect a health plan that covers the Part B deductible. This change caused a decrease in the liability.
3. Firefighters' participation rate at retirement has been updated from 100% to the following:
 - a. If retiring prior to age 65: 100% and decreasing to 50% upon Medicare eligibility
 - b. If retiring on/after age 65: 50%

For existing retired Firefighters who are under the age of 65 as of the Valuation Date, 50% of them are assumed to discontinue coverage in the health plans offered by the Town. This change caused a slight decrease in the liability.

4. Health care trend rates have been updated as follows based on updated Getzen Model of Long-Run Medical Cost Trend and publicly available health care trend rate surveys and medical inflation data, which caused a net increase in the liability.
 - a. Medical/prescription drug costs: from an initial rate of 8.00% decreasing by 0.50% annually to an ultimate rate of 4.50% to Getzen 2023 version with an initial rate of 7.00% non-Medicare / 6.00% Medicare decreasing gradually to an ultimate rate of 3.94% by 2075.
 - b. Dental costs: from an initial rate of 4.00% decreasing by 0.50% annually to an ultimate rate of 3.00% to 3.00% for all years.
 - c. Medicare Part B premium: from an initial rate of 3.25% increasing by 0.25% annually to an ultimate rate of 4.25% to the projected Medicare Part B premium increases shown in the 2023 Medicare Trustees report for the first nine years followed by Getzen 2023 table.
5. Percentage of active employees assumed to elect spousal coverage has been reduced from 75% to 65% based on the actual spousal coverage election for existing retirees in the 6/30/2023 valuation census data, which caused a decrease in the liability.

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Reporting Period	Fiscal year ending June 30, 2023
Discount Rate	<p>For accounting disclosure: 6.50% as of June 30, 2023 and 6.50% as of June 30, 2022</p> <p>For funding purposes (in calculating the Actuarially Determined Contribution): 6.50% for FY 2023/24 and FY 2024/25 contributions</p> <p>Refer to the Discussion of Discount Rate section for additional information on the discount rate setting.</p>
Actuarial Cost Method	<p>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).</p> <ul style="list-style-type: none"> • The portion allocated to a valuation year is called the Normal Cost. • The portion allocated to past periods is called the Actuarial Accrued Liability (AAL) or Total OPEB Liability (TOL).
Payroll Growth	<p>General wage inflation plus merit/productivity increases that vary by age. The rates are based on the same assumption used in the Town of Narragansett Pension Plan actuarial valuation as of July 1, 2022, which are based on a study of actual experience actual experience for the plan from July 1, 2010 to July 1, 2020. Refer to the Appendix for sample rates.</p>
Census Data	<p>Census information was provided by the Town in October 2023. We have reviewed this data for reasonableness and no material modification was made to the data except for excluding retirees with no health coverage or life insurance benefit (i.e., they will not generate any liability).</p>
Spousal Election	<p>For future retirees, 65% of active employees are assumed to elect spousal coverage at retirement. Husbands are assumed to be three years older than wives.</p> <p>For existing retirees, spousal coverage and age is based on actual data.</p>
Dependent Election	None assumed.

Mortality

Police and Fire employees and healthy retirees: SOA Pub-2010 Public Safety Headcount-Weighted Employee/Retiree Mortality Table projected fully generationally using Scale MP-2021

General employees and healthy retirees: SOA Pub-2010 General Headcount-Weighted Employee/Retiree Mortality Table projected fully generationally using Scale MP-2021

Disabled retirees: SOA Pub-2010 General/Public Safety Headcount-Weighted Disabled Retiree Mortality Table projected fully generationally using Scale MP-2021

Contingent survivors: SOA Pub-2010 Headcount-Weighted Contingent Survivors projected fully generationally using Scale MP-2021

Termination

General employees: A rate of 7.50% annually up to 10 years of service followed by rates in accordance with the T-2 Table of the Pension Actuary Handbook.

Police and Fire employees: no withdrawal is assumed.

The rates are based on the same assumption used in the Town of Narragansett Pension Plan actuarial valuation as of July 1, 2022, which are based on a study of actual experience actual experience for the plan from July 1, 2010 to July 1, 2020. Refer to the Appendix for sample rates.

Disability

None assumed

Retirement

The rates are based on the same assumption used in the Town of Narragansett Pension Plan actuarial valuation as of July 1, 2022, which are based on a study of actual experience actual experience for the plan from July 1, 2010 to July 1, 2020.

General employees:

- Local 1033 hired on/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/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 to 24 years of service, 100% at 25 years of service and 100% at age 58 with 10 years of service

Police and Fire employees:

- Police hired on/after 7/1/2013: 100% at the earlier of 25 years of service or age 58
- Fire hired on/after 7/1/2013: 100% at 25 years of service
- All others: 35% at 20 years of service, 20% at 21 to 24 years of service, 100% at 25 years of service and 100% at age 58

Participation Rate

100% of non-Firefighters active employees who currently have health coverage are assumed to elect health coverage with the Town at retirement. For Firefighters active employees who currently have coverage:

- If retiring prior to age 65: 100% and decreasing to 50% upon Medicare eligibility
- If retiring on/after age 65: 50%

100% of active employees who are currently receiving buyback benefit are assumed to elect buyback benefit at retirement.

Existing retirees who are currently enrolled in the Town's health plans are assumed to continue coverage until Medicare eligibility or death depending on the benefit duration as specified in their bargaining contracts. Upon retiree's death, surviving spouses are assumed to continue coverage in the Town's health plans if surviving spouse coverage is available based on the bargaining contracts.

Existing retirees who are receiving buyback benefit are assumed to continue receiving buyback benefit until Medicare eligibility or death depending on the benefit duration as specified in their bargaining contracts. Existing retirees who do not currently have health coverage with the Town are not assumed to re-elect coverage in the future.

Health Plan Election

Employees are assumed to elect the same health plan option they are currently enrolled in at retirement prior to Medicare eligibility. Upon Medicare eligibility, all future retirees are assumed to elect Plan 65 G with prescription drug coverage.

Existing retirees are assumed to remain in the same health plan option they are currently enrolled in for life, except for those who are under the age of 65 as of the Valuation Date. Unless allowed by their bargaining contracts, all existing retirees under the age of 65 as of the Valuation Date are assumed to elect Plan 65 G with prescription drug coverage upon Medicare eligibility.

Medicare Eligibility

All future and existing retirees (including disabled retirees) are assumed to be eligible for Medicare at age 65. Medicare eligibility for existing retirees are as indicated by the Town.

Per Capita Costs

The valuation projects health care costs for employees who remain enrolled in the Town's benefit plans after retirement. In accordance with Actuarial Standards of Practice No. 6 (ASOP 6), the actuarial development of health care costs should preferably use the health plan experience that is considered the best predictor of future claims experience assuming it is sufficiently credible. In the absence of credible health plan experience data, the actuary may use other methods such as premiums and normative databases to develop the per capita costs.

Per Capita Costs (Cont'd) As medical/prescription drug costs generally vary by age, age-specific costs should be used in the development of initial per capita costs and projection of future benefit costs, except in very limited circumstances defined in ASOP 6 Section 3.7.7(c). The development of the age-specific costs should be based on the demographics of the group being valued and the group’s total expected claims or premiums.

Retiree healthcare costs are, on average, significantly higher than active employees and if the Town charges blended premium rates (determined using active employees and retiree claims experience) to the retirees, the Town is providing an implicit subsidy for these retirees. Under GASB 75, the implicit subsidy must be included in the post-employment medical benefit obligation. Separate costs should be developed for Medicare-eligible participants due to Medicare being the primary payer for these retirees, which leads to a reduction to the Plan Sponsor’s health plan costs.

In developing the per capita costs, we have used the Town’s health plan premium rates effective on July 1, 2023, aging factors based on the “Health Care Costs – From Birth to Death” research report authored by Dale H. Yamamoto, and the Town’s active and retirees subscriber enrollments.

The following table shows the sample non-Medicare per capita costs at select ages for 2023/24 plan year used in the valuation. These costs are assumed to increase with health care trend rates.

Age	Healthmate ¹⁸		Classic/United ¹⁸		Healthmate 250 ¹⁸		HDHP ¹⁸	
	Male	Female	Male	Female	Male	Female	Male	Female
45	\$7,223	\$10,068	\$7,899	\$11,010	\$6,573	\$9,162	\$5,464	\$7,616
50	\$9,433	\$11,731	\$10,316	\$12,829	\$8,584	\$10,675	\$7,135	\$8,874
55	\$12,377	\$13,666	\$13,536	\$14,945	\$11,264	\$12,436	\$9,363	\$10,337
60	\$15,945	\$15,939	\$17,438	\$17,431	\$14,510	\$14,505	\$12,062	\$12,057
64	\$19,472	\$18,659	\$21,295	\$20,406	\$17,720	\$16,980	\$14,730	\$14,115
65	\$8,330	\$8,030	\$9,109	\$8,782	N/A	N/A	N/A	N/A
70	\$9,658	\$9,283	\$10,562	\$10,152	N/A	N/A	N/A	N/A
75	\$10,548	\$10,035	\$11,535	\$10,975	N/A	N/A	N/A	N/A
80	\$11,047	\$10,430	\$12,082	\$11,407	N/A	N/A	N/A	N/A
85	\$10,882	\$10,452	\$11,900	\$11,430	N/A	N/A	N/A	N/A
90	\$10,316	\$10,138	\$11,282	\$11,087	N/A	N/A	N/A	N/A

¹⁸ Post-65 per capita costs in this table apply to retirees who are not Medicare eligible only. There are no Medicare ineligible retirees in Healthmate 250 or HDHP plans.

Per Capita Costs (Cont'd) The following table shows the sample non-Medicare per capita costs at select ages for 2023/24 plan year used in the valuation. These costs are assumed to increase with health care trend rates.

Age	Healthmate ¹⁹		Healthmate 250 ¹⁹		Classic / United ¹⁹	
	Male	Female	Male	Female	Male	Female
65	\$8,330	\$8,030	\$7,720	\$7,443	\$9,109	\$8,782
70	\$9,658	\$9,283	\$8,951	\$8,603	\$10,562	\$10,152
75	\$10,548	\$10,035	\$9,776	\$9,301	\$11,535	\$10,975
80	\$11,047	\$10,430	\$10,239	\$9,667	\$12,082	\$11,407
85	\$10,882	\$10,452	\$10,085	\$9,687	\$11,900	\$11,430
90	\$10,316	\$10,138	\$9,561	\$9,396	\$11,282	\$11,087

Age	Plan 65		Plan 65G	
	Male	Female	Male	Female
65	\$4,310	\$4,155	\$4,060	\$3,914
70	\$4,997	\$4,803	\$4,708	\$4,525
75	\$5,458	\$5,193	\$5,142	\$4,892
80	\$5,716	\$5,397	\$5,385	\$5,084
85	\$5,630	\$5,408	\$5,304	\$5,095
90	\$5,338	\$5,245	\$5,029	\$4,942

The annual employer subsidy for dental benefit is based on the annualized premium rates which are \$383 for single coverage and \$766 for 2-person coverage. These costs are assumed to increase with dental trend rates.

¹⁹ The per capita costs for these plans apply to Medicare eligible retirees who are allowed to remain in these plans (i.e., they are not required to enroll in Plan 65 although they are over the age of 65).

Trend Rates

Historically, health care costs have increased more rapidly than the rate of inflation. In estimating the value of retiree health benefits, assumptions must be made on future increases in healthcare costs. The health care trend rates assumption used in this valuation is based on the Getzen Model of Long-Run Medical Cost Trends, which was first designed by T.E. Getzen for the Society of Actuaries (SOA) in 2007. The model is designed to make long-run forecasts and typically used to select medical trend assumptions for retiree medical valuations to present liabilities disclosed under the appropriate accounting standards, or to determine contributions under a funding policy. The long-run baseline projection and input variables were developed under the guidance of the SOA Project Oversight Group. The model is updated annually along with updated documentation and recommended input variables by the author of the model. The baseline assumptions used in the Getzen model are as shown in the table below.

Inflation Rate	2.5%
Real GDP Per Capita Growth	1.4%
Excess Medical Cost Growth	0.8%
Health Share of GDP Resistance Point	19.0%
Year for Limiting Cost Growth to GDP Growth	2075

The output of the Getzen Model of Long-Run Medical Cost Trend Model applied to medical/prescription drug costs and Medicare Part B trend rates based on a combination of 2023 Medicare Trustees report and Getzen Model used in the valuation are as shown below.

Year	Non-Medicare	Medicare	Part B
2023	7.00%	6.00%	6.00%
2024	6.50%	5.75%	5.84%
2025	6.20%	5.50%	6.16%
2030	5.04%	5.04%	6.08%
2035	4.57%	4.57%	5.25%
2040	4.52%	4.52%	4.52%
2050	4.45%	4.45%	4.45%
2060	4.39%	4.39%	4.39%
2070	4.14%	4.14%	4.14%
2075+	3.94%	3.94%	3.94%

Dental costs are assumed to increase by 3.00% annually.

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, 2023 as provided by the Town's investment advisor. 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.
2. The municipal bond index as of the prior and current Measurement Dates are as shown below:

Index	June 30, 2023	June 30, 2022
S&P Municipal Bond 20 Year High Grade Rate Index	4.13%	4.09%

3. The final equivalent single discount rate used for accounting disclosure is 6.50% 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%.

Asset Classes	Target Allocation	Expected L/T Real Rates of Return ²⁰
Fixed Income	38%	2.50%
Domestic Equity	39%	5.15%
International Equity	13%	5.65%
REITs	3%	5.00%
Commodities	2%	2.50%
Alternatives	3%	1.50%
Cash and Cash Equivalents	2%	0.50%
Total	100%	

²⁰ The assumed inflation rate of 2.50% 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 2023 report prepared by Janney Montgomery Scott LLC in December 2022.

Section 8: Participant Summary

Active Employees

Actives with Health Coverage	Single	2-Party	Family	Total	Avg. Age	Avg. Svc	Total Salary
Healthmate		1		1	67.4	50.3	\$ 45,536
Healthmate 250	42	24	42	108	43.6	10.3	\$ 7,076,002
Blue Solutions HDHP	16	3	16	35	36.7	9.9	\$ 2,348,031
United Healthcare			1	1	60.9	32.8	\$ 96,866
Total actives with health coverage	58	28	59	145	42.2	10.6	\$ 9,566,435

Actives without Health Coverage	Total	Avg. Age	Avg. Svc	Total Salary
Total actives without health coverage	38	43.5	11.8	\$ 2,849,298

All active employees without health coverage are currently receiving buyback benefit. They are assumed to receive buyback benefit at retirement.

Active Age-Service Distribution

Age	Years of Service with the Town										Total
	<1	1 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40+	
<25	3	4	1								8
25 – 29	5	18	2								25
30 – 34	3	12	12	5							32
35 – 39	1	1	9	9	4						24
40 – 44	2	2	3	5	12						24
45 – 49		1	3	1	5		1				11
50 – 54	1	1	3	3	3	7	4				22
55 – 59		1	2	2	3	3	2	3			16
60 – 64		5	3	3	1			1			13
65+			3	1	3					1	8
Total	15	45	41	29	31	10	7	4	0	1	183

Retired Employees

Retirees with Health Coverage	Single	2-Party	Family	Total	Avg. Age
Healthmate	24	16	3	43	67.9
Healthmate 250	7	11	2	20	60.4
Blue Solutions HDHP	4	2		6	56.4
Classic	4	4		8	79.4
Plan 65 C	16	13		29	76.4
Plan 65 G	11	2		13	68.9
United Healthcare	4	2		6	73.7
Total retirees with health coverage	70	50	5	125	69.2

Enrollments above include retirees with split enrollment in pre-Medicare and Medicare plans.

All retirees who currently have no health coverage and not receiving buyback benefit are receiving subsidized life insurance benefit.

Age	W Covg	Buyback	Wo Covg	Total
<50	4	2		6
50 – 54	8	6	1	15
55 – 59	14	8	5	27
60 – 64	19	8		27
65 – 69	25	3	2	30
70 – 74	18		1	19
75 – 79	15			15
80 – 84	13			13
85 – 89	4			4
90+	5			5
Total	125	27	9	161

Comparison of Participant Summary

Below is a comparison of participant summary included in the current valuation and the prior full valuation.

	As of June 30, 2023	As of June 30, 2021
Number of Participants		
Active employees	183	173
Retired employees ²¹	161	162
Total	344	335
Averages		
Active average age	42.5	43.8
Active average service	10.9	10.7
Inactive average age	66.9	66.7

²¹ The enrollments above include retirees only and exclude spouses and/or dependents who are covered under the Town's health plans. The retired employees enrollment as of June 30, 2021 have been updated to include 23 retirees receiving buyback benefit and 13 retirees receiving subsidized dental and/or life insurance benefit only.

Appendix – Sample Decrement Rates

Mortality Rates

Mortality rates used in the valuation are based on the Pub-2010 General Employees/Retirees/Disabled/Contingent Survivors Headcount-Weighted Mortality Table and Safety Employees/Retirees/Disabled/Contingent Survivors Headcount-Weighted Mortality Table projected fully generationally using Scale MP-2021. Sample Pub-2010 General Headcount-Weighted base mortality rates before application of mortality improvement scale are as shown below.

Attained Ages	Employees		Retirees		Disabled Retirees		Contingent Survivors	
	Male	Female	Male	Female	Male	Female	Male	Female
20	0.00039	0.00014	0.00039	0.00014	0.00412	0.00233	0.00039	0.00014
25	0.00035	0.00013	0.00035	0.00013	0.00318	0.00177	0.00035	0.00013
30	0.00045	0.00019	0.00045	0.00019	0.00405	0.00270	0.00045	0.00019
35	0.00059	0.00028	0.00059	0.00028	0.00522	0.00407	0.00059	0.00028
40	0.00081	0.00043	0.00081	0.00043	0.00723	0.00629	0.00081	0.00043
45	0.00118	0.00065	0.00118	0.00065	0.01094	0.00985	0.00635	0.00309
50	0.00177	0.00097	0.00503	0.00388	0.01700	0.01484	0.00730	0.00449
55	0.00261	0.00142	0.00634	0.00400	0.02228	0.01742	0.00903	0.00559
60	0.00376	0.00210	0.00808	0.00465	0.02722	0.02040	0.01146	0.00750
65	0.00543	0.00327	0.01125	0.00682	0.03390	0.02457	0.01569	0.01095
70	0.00815	0.00528	0.01822	0.01161	0.04338	0.03151	0.02347	0.01587
75	0.01275	0.00861	0.03102	0.02009	0.05721	0.04354	0.03617	0.02449
80	0.02027	0.01405	0.05391	0.03549	0.08069	0.06428	0.05711	0.03958
85	0.09385	0.06473	0.09385	0.06473	0.11775	0.09913	0.09206	0.06761
90	0.15781	0.12123	0.15781	0.12123	0.16957	0.14492	0.14705	0.11912

Mortality Rates (Continued)

Sample Pub-2010 Safety Headcount-Weighted base mortality rates before application of mortality improvement scale are as shown below.

Attained Ages	Employees		Retirees		Disabled Retirees		Contingent Survivors	
	Male	Female	Male	Female	Male	Female	Male	Female
20	0.00043	0.00016	0.00043	0.00016	0.00146	0.00053	0.00043	0.00016
25	0.00043	0.00020	0.00043	0.00020	0.00146	0.00065	0.00043	0.00020
30	0.00048	0.00028	0.00048	0.00028	0.00163	0.00089	0.00048	0.00028
35	0.00054	0.00039	0.00054	0.00039	0.00185	0.00121	0.00054	0.00039
40	0.00067	0.00054	0.00067	0.00054	0.00229	0.00166	0.00067	0.00054
45	0.00092	0.00075	0.00180	0.00111	0.00314	0.00229	0.00635	0.00309
50	0.00133	0.00103	0.00275	0.00186	0.00455	0.00317	0.00730	0.00449
55	0.00195	0.00143	0.00375	0.00311	0.00644	0.00545	0.00903	0.00559
60	0.00300	0.00198	0.00625	0.00519	0.00938	0.00873	0.01146	0.00750
65	0.00480	0.00273	0.01031	0.00868	0.01415	0.01245	0.01569	0.01095
70	0.00880	0.00533	0.01736	0.01451	0.02220	0.01892	0.02347	0.01587
75	0.01615	0.01040	0.03149	0.02425	0.03634	0.03229	0.03617	0.02449
80	0.02963	0.02030	0.05703	0.04054	0.06044	0.05323	0.05711	0.03958
85	0.10313	0.06842	0.10313	0.06842	0.10313	0.08139	0.09206	0.06761
90	0.16904	0.11815	0.16904	0.11815	0.16904	0.12602	0.14705	0.11912

Salary Increases

The annual pay increases that include wage inflation and merit/productivity increases are as shown below. The rates are based on the same assumption used in the Town of Narragansett Pension Plan actuarial valuation as of July 1, 2022, which are based on a study of actual experience for the plan from July 1, 2010 to July 1, 2020.

Age	Pay Increase
20 – 24	0.100
25 – 29	0.080
30 – 34	0.060
35 – 39	0.050
40 – 44	0.045
45 – 54	0.0425
55+	0.040

Termination Rates

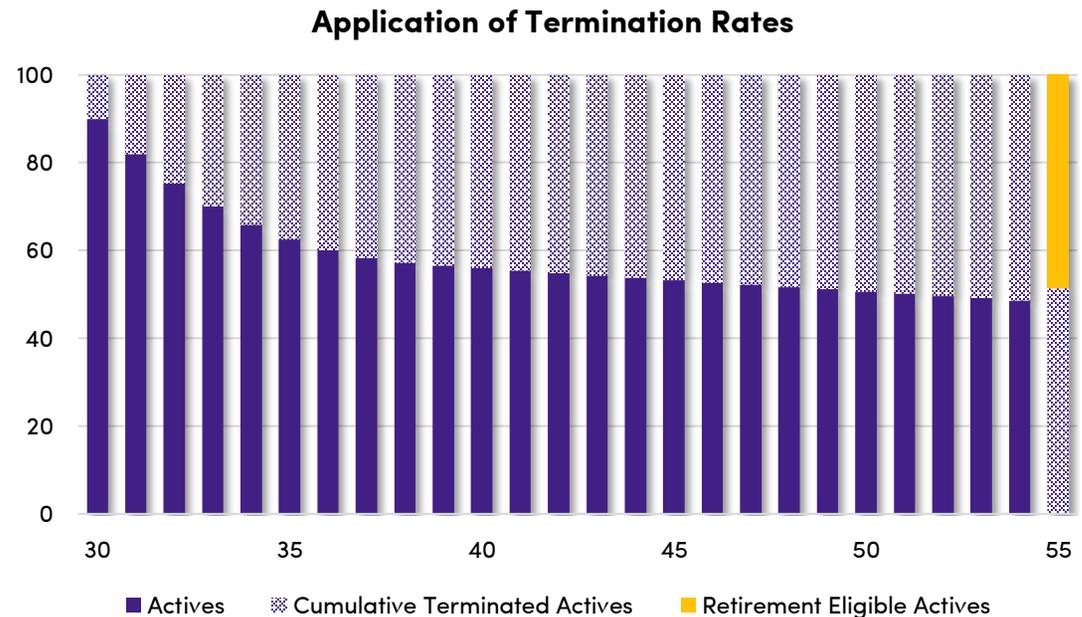
This assumption is used to project terminations (voluntary and involuntary) prior to meeting the minimum eligibility requirements to retire. The rates are based on the same assumption used in the Town of Narragansett Pension Plan actuarial valuation as of July 1, 2022, which are based on a study of actual experience for the plan from July 1, 2010 to July 1, 2020. Sample rates applicable to General employees are as shown below.

Attained Ages	Service	
	<10	10+
20	0.0750	0.0544
25	0.0750	0.0529
30	0.0750	0.0507
35	0.0750	0.0470
40	0.0750	0.0350
45	0.0750	0.0177
50	0.0750	0.0000

Decrements Illustration

The table below illustrates how decrements are applied in the valuation and how the decrements affect the liabilities valued. Assuming the Plan Sponsor has 100 employees aged 30 as of the valuation date, only 48.6 employees will be projected to be employed at age 55 (assumed retirement eligibility age) using the assumed illustrative termination rates.

Age	# Actives BOY	Annual Termination %	# Terminated Actives / Year
30	100.0	10%	10.0
31	90.0	9%	8.1
32	81.9	8%	6.6
33	75.3	7%	5.3
34	70.1	6%	4.2
35	65.9	5%	3.3
36	62.6	4%	2.5
37	60.1	3%	1.8
38	58.3	2%	1.2
39	57.1	1%	0.6
40	56.5	1%	0.6
41	56.0	1%	0.6
42	55.4	1%	0.6
43	54.9	1%	0.5
44	54.3	1%	0.5
45	53.8	1%	0.5
46	53.2	1%	0.5
47	52.7	1%	0.5
48	52.2	1%	0.5
49	51.6	1%	0.5
50	51.1	1%	0.5
51	50.6	1%	0.5
52	50.1	1%	0.5
53	49.6	1%	0.5
54	49.1	1%	0.5
55	48.6	0%	0.0



Notes:

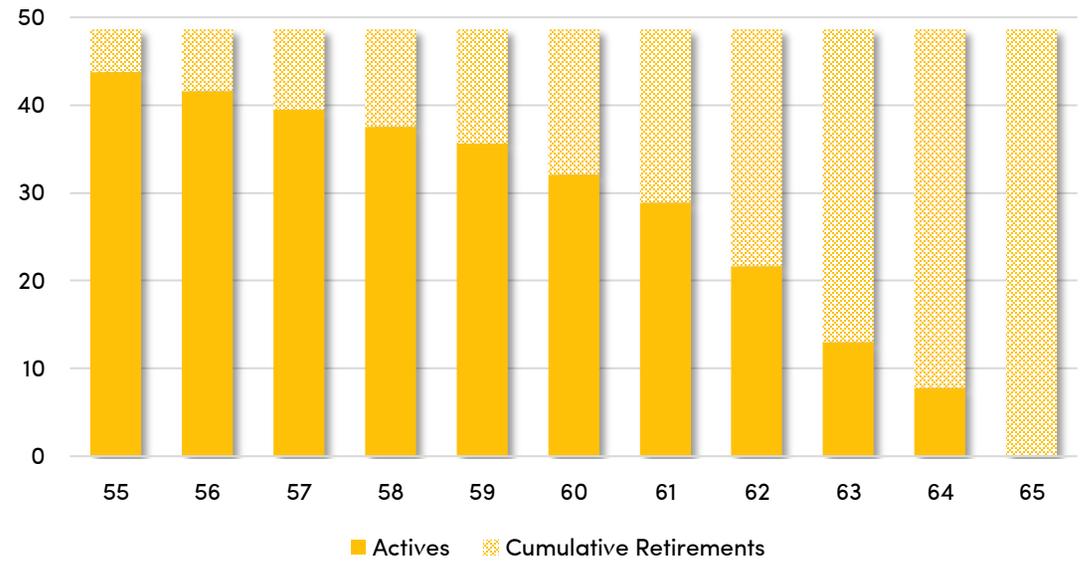
1. The annual termination percentages shown in the table are for illustrative purposes only, not the actual termination rates used in the valuation.
2. For simplification, only termination decrement is assumed to be applicable while actively employed. Actuarial valuation typically applies pre-retirement death decrement during employment as well.

Decrements Illustration (Continued)

The table below illustrates the number of active employees assumed to retire at each age based on the illustrative retirement rates.

Age	# Actives BOY	Annual Retirement %	# Retirements / Year
55	48.6	10%	4.9
56	43.8	5%	2.2
57	41.6	5%	2.1
58	39.5	5%	2.0
59	37.5	5%	1.9
60	35.6	10%	3.6
61	32.1	10%	3.2
62	28.9	25%	7.2
63	21.7	40%	8.7
64	13.0	40%	5.2
65	7.8	100%	7.8

Application of Retirement Rates



Notes:

1. The annual retirement percentages shown in the table are for illustrative purposes only, not the actual retirement rates used in the valuation.
2. For simplification, only retirement decrement is assumed to be applicable once the employee is retirement eligible. Actuarial valuation typically applies pre-retirement death decrement once an employee is eligible to retire.
3. The illustration above assumes that all active employees who are projected to be employed at age 55 elect health coverage with the Plan Sponsor at retirement.

| 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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