

***Town of Narragansett
Chapter 1666 Police
Pension Plan***

***Actuarial Valuation Report
July 1, 2015***

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Highlights

Purpose of the Valuation

This report summarizes actuarial information regarding the plan's liabilities and benefit obligations as compared to assets available for benefits on the valuation date. The report was prepared by Nyhart to:

- determine the acceptable range of employer contributions; and
- determine the plan's funded status

Principal results of actuarial valuations are shown in the following sections.

Plan Year Ending	06/30/17	06/30/16	06/30/15
Employer Contributions			
Actuarial Recommended Funding Contribution	\$ 230,391	\$ 216,196	\$ 208,518
Employer contribution	N/A	N/A	\$ 126,770
Valuation Date	07/01/15	07/01/14	07/01/13
Plan Assets			
Fair market value	\$ 723,354	\$ 848,473	\$ (49,199)
Actuarial value for funding	\$ 723,354	\$ 848,473	\$ (49,199)
Funded Status			
Actuarial Accrued Liability	\$ 2,488,616	\$ 2,542,858	\$ 1,001,118
Unfunded Accrued Liability	\$ 1,765,262	\$ 1,694,385	\$ 1,050,317
Funded Ratio			
Market Value Basis	29.1%	33.4%	0.0%
Actuarial Value Basis	29.1%	33.4%	0.0%
Participants			
Number of participants:			
Active	0	0	0
Inactive with deferred benefits	0	0	0
Inactive receiving benefits	10	11	5
Beneficiary receiving benefits	7	7	7
Alternate payee receiving benefits	0	0	0
Total in valuation	17	18	12

Highlights – Continued

Changes Since the Last Valuation

Methodology

Historically, the Actuarial Recommended Funding Contribution (ARFC) was determined annually for the plan year beginning on the valuation date. For the plan year beginning July 1, 2015, the method has been changed such that the Actuarial Recommended Funding Contribution is based on the calculated contribution from the prior valuation date rolled forward with interest to the following plan year.

For example, the ARFC for the plan year ending June 30, 2016 is based on the July 1, 2014 funding status of the plan and projected with interest. Additional details of this calculation are shown in this report.

Assumptions

For plan liabilities as of July 1, 2015 and the determination of the Actuarial Recommended Funding Contribution for the plan year ending June 30, 2017, the mortality tables were updated for all participants:

- For retirees, the mortality table has been updated from 115% of the RP2000 Mortality Table for Males with White Collar Adjustments, projected with Scale AA to 2014 and 95% of RP2000 Mortality for Females with White Collar Adjustments, projected with Scale AA to 2014 to the RP-2014 mortality table with blue collar adjustments and Social Security generational improvements from 2006 (based on the 2014 Trustees Report) for both males and females.
- For disabled retirees, the mortality table has been updated from the 60% of PBGC Disabled Mortality 2012 under Section 4044 to the RP-2014 Disabled table with Social Security generational improvements from 2006 (based on the 2014 Trustees Report).

For plan liabilities as of July 1, 2015 and the determination of the Actuarial Recommended Funding Contribution for the plan year ending June 30, 2017, the interest rate has been updated from 7.50% to 7.20%.

The effect of the interest rate assumption change on the Actuarial Recommended Funding Contribution is being phased in over three years. See section 2.2 for a detailed calculation of the phase-in.

Actuary's Opinion

This report provides information regarding the actuarial valuation prepared for

Town of Narragansett Chapter 1666 Police Pension Plan

The actuarial valuation was prepared as of July 1, 2015 using information which has been reconciled and reviewed for reasonableness. Employee census information was provided by the Town and asset information was provided by the Town. Our review was not performed at the source, and we therefore do not accept responsibility for the accuracy or completeness of the data on which the information is based.

To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with the Actuarial Standards of Practice as described by the American Academy of Actuaries.

In our opinion, the actuarial assumptions and methods are individually reasonable and in combination represent our best estimate of anticipated experience of the plan.

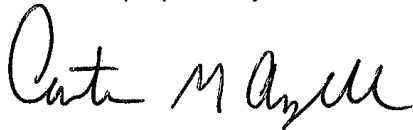
Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report.

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

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

Nyhart

Valuation prepared by:



Carter M. Angell, FSA, EA, MAAA

Valuation reviewed by:



Tayt V. Odom, FSA, EA, MAAA

December 31, 2015

Date

Section 1 - Assets

1.1 Reconciliation of Plan Assets

Transaction activity is summarized in Section A and market value of assets is reconciled in Section B from 06/30/14 to 06/30/15 as follows:

A. Net income/(loss):

(1) Contributions:			
From town	\$	126,770	
From participants		0	
Other		<u>0</u>	\$ 126,770
(2) Earnings on investments			2,716
(3) Realized gain			(83)
(4) Other income			623
(5) Disbursements:			
Benefit payments	\$	255,145	
Other		0	
Administrative expenses		<u>0</u>	255,145
(6) Net income/(loss) = (1) + (2) + (3) + (4) – (5)			\$ (125,119)

B. Reconciliation of market value of assets:

(1) Market value of assets as of 06/30/14	\$	848,473
(2) Net income/(loss) from A(6)		(125,119)
(3) Market value of assets as of 06/30/15 = (1) + (2)	\$	723,354

Section 1 – Continued**1.2 Summary of Assets**

(1) Cash and Cash Equivalents			\$	22,157
(2) General investments:				
Fixed Income	\$	348,781	(35%)	
Domestic Equity		418,207	(42%)	
International Equity		225,180	(22%)	
Alternatives		8,719	(1%)	
Other		<u>5,176</u>	(1%)	1,006,063
(3) Receivables:				
Employer contributions	\$	0		
Income		<u>0</u>		0
(4) Prepaid Expenses				21,175
(5) Liabilities:				
Due to Other Funds	\$	326,041		
Internal Balances		0		
Accounts Payable & Accrued Expenses		<u>0</u>		326,041
(6) Total assets = (1) + (2) + (3) + (4) – (5)			\$	723,354

1.3 Actuarial Value of Assets

The actuarial value of assets is equal to the market value of plan assets.

(1) Actuarial value of assets as of 06/30/2015	\$	723,354
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Section 2 – Contribution Determination

2.1 Actuarial Recommended Funding Contribution

Plan Year Ending	06/30/17	06/30/16	06/30/15
Valuation Date	07/01/15	07/01/14	07/01/14
(1) Employer normal cost	\$ 0	0	0
(2) Net amortization payment (Exhibit 1)	209,538	193,970	193,970
(3) Interest at valuation rate on (1) + (2)	23,033	22,226	14,548
(4) Preliminary actuarial recommended funding contribution (1) + (2) + (3)	\$ 232,571	\$ 216,196	\$ 208,518
(5) Adjustment due to phasing in effect of assumption change	2,180	N/A	N/A
(6) Actuarial recommended funding contribution (4) - (5)	\$ 230,391	\$ 216,196	\$ 208,518

2.2 Phase-In of Interest Rate Assumption Change

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

(1) Actuarial recommended funding contribution (prior to assumption change)	\$ 229,301
(2) Actuarial recommended funding contribution (after assumption change)	232,571
(3) Increase due to assumption changes (2) – (1)	3,270
(4) Adjustment to actuarial recommended funding contribution (3) x 2 / 3	2,180
(5) Actuarial recommended funding contribution (2) – (4)	\$ 230,391

Section 3 – Basis for the Valuation

3.1 Plan Participants

Participant information provided by the plan administrator is summarized in the following table.

	Active	Inactive Participants		Total
		Benefits Deferred	Receiving Benefits	
Participants at 07/01/14	0	0	18	18
Retired	0	0	0	0
Rehires	0	0	0	0
Deaths without survivor	0	0	(1)	(1)
Deaths with survivor benefits	0	0	0	0
Survivors	0	0	0	0
Vested terminations	0	0	0	0
Nonvested terminations	0	0	0	0
Add alternate payees	0	0	0	0
Benefits paid in full	0	0	0	0
New participants during the plan year	0	0	0	0
Participants as of 07/01/15	0	0	17	17

Section 3 – Continued

3.2 Summary of Plan Provisions

Name of plan

Town of Narragansett Chapter 1666 Police Pension Plan

Participation

All members of the permanent Police Force who were hired prior to July 1, 1978 and refused the September 1984 offer to join the Chapter 1666 Pension Plan.

Normal Retirement Date

The attainment of age 65 or the completion of 20 years of service.

Normal Retirement Benefit

A monthly benefit equal to 50% of Final Earnings.

Disability retirement

In the event a member becomes unable to perform Active Police Duty by reason of clearly proved physical or mental infirmities, he shall be entitled to a Monthly Pension in the amount of 50% of Final Earnings in the Year of Disability.

Preretirement death benefit

If an active member shall die after 25 Years of Service, his widow shall receive a Monthly Benefit equal to 67.5% of the member's Accrued Benefit continuing until her death or remarriage.

Optional forms of payment

Married participants are entitled to a 67.5% Joint and Survivor Annuity. If not married, participants are entitled to a Life Annuity.

Section 3 – Continued**3.3 Actuarial Assumptions**

Actuarial assumptions concerning future events are described below. Please see *Highlights* section for comments regarding changes in assumptions since the last valuation. Actuarial liabilities were determined using assumptions denoted below by “ARFC for Plan Year Ending 6/30/2017”.

Retirement age	Not Applicable
Mortality of active lives	Not Applicable
Mortality of retired lives	
ARFC for Plan Year Ending 6/30/2016:	For Males: 115% of RP2000 Mortality for Males with White Collar Adjustments, projected with Scale AA to 2014 For Females: 95% of RP2000 Mortality for Females with White Collar Adjustments, projected with Scale AA to 2014
ARFC for Plan Year Ending 6/30/2017:	RP-2014 Blue Collar Mortality Table with Social Security Generational Improvements from 2006 based on the 2014 Trustees’ Report
Mortality of disabled lives	
ARFC for Plan Year Ending 6/30/2016:	60% of PBGC Disabled Mortality 2012 under Section 4044
ARFC for Plan Year Ending 6/30/2017:	RP-2014 Disabled Mortality Table with Social Security Generational Improvements from 2006 based on the 2014 Trustees’ Report
Disablement	Not Applicable
Withdrawal	Not Applicable
Future salary	Not Applicable
Valuation interest rate	
ARFC for Plan Year Ending 6/30/2016:	7.5%
ARFC for Plan Year Ending 6/30/2017:	7.2%
Cost of Living Adjustment	3% for eligible employees

Section 3 – Continued

3.4 Valuation Procedures

Funding method

Actuarial Recommended Funding Contribution – Entry Age Normal Cost Method

The actuarial cost method used in determining the Actuarial Recommended Funding Contribution is the entry age normal cost method.

In determining the Actuarial Recommended Funding Contribution, the excess of the entry age actuarial accrued liability over the actuarial value of plan assets is amortized over the average expected future lifetime of the plan participants.

The Actuarial Recommended Contribution is determined as of the current valuation date and projected to the following plan year at the valuation interest rate.

Asset valuation method

The actuarial value of assets is equal to the fair market value of assets on the valuation date.

Exhibit 1 – Unfunded Actuarial Liability

A. Unfunded Entry-Age Actuarial Accrued Liability as of July 1, 2015

(1)	Active participants	\$	0
(2)	Inactive participants with deferred benefits		0
(3)	Participants/beneficiaries receiving benefits		2,488,616
(4)	Total entry-age actuarial accrued liability = (1) + (2) + (3)		2,488,616
(5)	Actuarial value of assets as of 07/01/15		723,354
(6)	Unfunded actuarial liability as of 07/01/15 = (4) – (5), not less than zero	\$	1,765,262

B. Actuarial Recommended Funding Contribution Amortization Schedule – Determined as of July 1, 2015 for the Plan Year Ending June 30, 2017

	First Payment	Remaining Amortization Period (Years)	Outstanding Balance	Annual Payment
Charges:	07/01/2014	12	\$1,634,108	\$193,970
	07/01/2015	12	131,154	15,568
Total			\$1,765,262	\$209,538