



GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2017

Town of Narragansett

CONTACT

Evi Laksana ASA, MAAA
evi.laksana@nyhart.com

ADDRESS

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

PHONE

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

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January 18, 2018

**Laura Kenyon
Town of Narragansett
25 Fifth Avenue
Narragansett, RI 02882**

This report summarizes the GASB actuarial valuation for the Town of Narragansett 2016/17 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions).

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

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

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

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

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.



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

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

A handwritten signature in black ink that reads "Randy Gomez".

Randy Gomez, FSA, MAAA
Consulting Actuary

A handwritten signature in black ink that reads "Evi Laksana".

Evi Laksana, ASA, MAAA
Valuation Actuary

Executive Summary

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Summary of Results

Presented below is the summary of GASB 74/75 results for the fiscal year ending June 30, 2017.

		As of June 30, 2017
Total OPEB Liability	\$	43,680,916
Actuarial Value of Assets	\$	(5,338,068)
Net OPEB Liability	\$	38,342,848
Funded Ratio		12.2%

		FY 2016/17
OPEB Expense	\$	(2,034,820)
Annual Employer Contribution	\$	3,176,785

		As of June 30, 2017
Discount Rate		6.60%
Expected Return on Assets		7.20%

		As of June 30, 2017
Total Active Participants		163
Total Retiree Participants		123

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

Executive Summary

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Below is a breakdown of total GASB 74/75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability allocated to pre and post Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Town's GASB subsidies.

Present Value of Future Benefits		As of June 30, 2017
Active Employees	\$	17,420,887
Retired Employees		32,909,324
Total Present Value of Future Benefits	\$	50,330,211

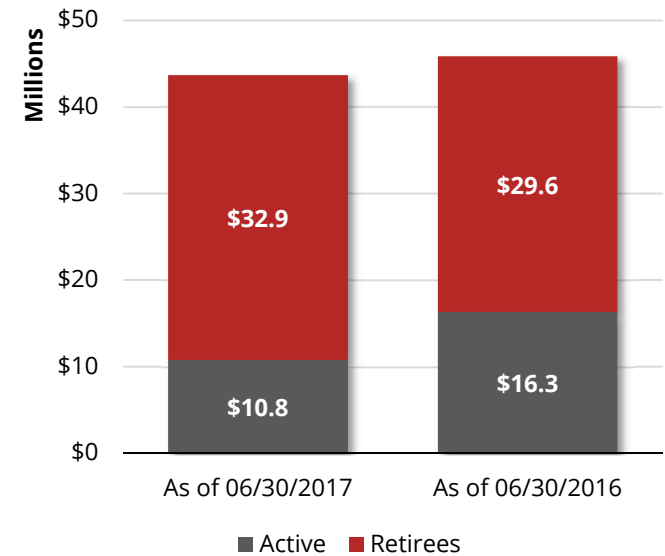
Total OPEB Liability		As of June 30, 2017
Active Pre-Medicare	\$	7,544,032
Active Post-Medicare		3,227,560
Active Liability	\$	10,771,592

Retiree Pre-Medicare	\$	8,283,194
Retiree Post-Medicare		24,626,130
Retiree Liability	\$	32,909,324

Total OPEB Liability	\$	43,680,916
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		As of June 30, 2017
Discount Rate		6.60%

Changes in Total OPEB Liability



Present Value of Future Benefits (PVFB) is the amount needed as of June 30, 2017, to fully fund the Town's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Total OPEB Liability is the portion of PVFB considered to be accrued or earned as of June 30, 2017. This amount is a required disclosure in the Required Supplementary Information section.

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2016/17
Total OPEB Liability	
Total OPEB liability – beginning of year	\$ 45,880,053
Service cost	1,189,644
Interest	3,005,083
Changes of benefit terms	(6,256,712)
Changes in assumptions	1,293,986
Differences between expected and actual experience	658,887
Benefit payments	(2,090,025)
Net change in total OPEB liability	\$ (2,199,137)
Total OPEB liability – end of year	\$ 43,680,916
Plan Fiduciary Net Position	
Plan fiduciary net position – beginning of year	\$ 3,939,320
Contributions – employer	3,176,785
Contributions – active employees	0
Net investment income	338,238
Benefit payments	(2,090,025)
Trust administrative expenses	(26,250)
Net change in plan fiduciary net position	\$ 1,398,748
Plan fiduciary net position – end of year	\$ 5,338,068
Net OPEB Liability – end of year	\$ 38,342,848
Plan fiduciary net position as % of total OPEB liability	12.2%
Covered employee payroll	\$ 10,228,484
Net OPEB liability as % of covered payroll	374.9%

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Schedule of Employer Contributions

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

	FY 2016/17	FY 2015/16	FY 2014/15	FY 2013/14	FY 2012/13
Actuarially Determined Contribution (ADC)	\$ 3,517,887 ¹	\$ 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	\$ 10,228,484	\$ 9,808,380	\$ 9,522,699	\$ 9,377,308	\$ 9,104,183
Contribution as a % of covered employee payroll	31.1%	29.7%	24.6%	26.8%	27.6%

	FY 2011/12	FY 2010/11	FY 2009/10	FY 2008/09
Actuarially Determined Contribution (ADC)	\$ 5,960,237	\$ 5,308,196	\$ 6,549,964	\$ 6,406,441
Contributions in relation to the ADC ¹	3,069,142	1,899,453	1,447,706	1,384,467
Contribution deficiency / (excess)	\$ 2,891,095	\$ 3,408,743	\$ 5,102,258	\$ 5,021,974
Covered employee payroll	\$ 8,839,013	\$ 8,644,525	N/A	N/A
Contribution as a % of covered employee payroll	34.7%	22.0%	N/A	N/A

¹ Refer to the Actuarially Determined Contributions section for the calculation details.

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

OPEB Expense

OPEB Expense	FY 2016/17
Discount rate as of beginning of fiscal year	6.70%
Discount rate as of end of fiscal year	6.60%
Service cost	\$ 1,189,644
Interest	3,005,083
Changes of benefit terms	(6,256,712)
Projected earnings on OPEB plan investments	(321,146)
Reduction for contributions from active employees	0
OPEB plan administrative expenses	26,250
Current period recognition of deferred outflows / (inflows) of resources	
Differences between expected and actual experience	\$ 109,815
Changes in assumptions	215,664
Net difference between projected and actual earnings on OPEB plan investments	(3,418)
Total current period recognition	\$ 322,061
Total OPEB expense	\$ (2,034,820)

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Deferred Outflows / (Inflows) of Resources

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

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

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

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2017
June 30, 2017	\$ 658,887	6	\$ 109,815	\$ 549,072

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2017
June 30, 2017	\$ 1,293,986	6	\$ 215,664	\$ 1,078,322

Net difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2017
June 30, 2017	\$ (17,092)	5	\$ (3,418)	\$ (13,674)

As of fiscal year ending June 30, 2017	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 549,072	\$ 0
Changes in assumptions	1,078,322	0
Net difference between projected and actual earnings in OPEB plan investments	0	(13,674)
Total	\$ 1,627,394	\$ (13,674)

GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Deferred Outflows / (Inflows) of Resources – Continued

Annual Amortization of Deferred Outflows / (Inflows)

The balances of June 30, 2017 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2018	\$ 322,061
2019	\$ 322,061
2020	\$ 322,061
2021	\$ 322,059
2022	\$ 325,478
Thereafter	\$ 0

Sensitivity Results

The following presents the net OPEB liability as of June 30, 2017, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 6.60%.
- The 1% decrease in discount rate would be 5.60%.
- The 1% increase in discount rate would be 7.60%.

As of June 30, 2017	Net OPEB Liability
1% Decrease	\$ 44,287,330
Current Discount Rate	\$ 38,342,848
1% Increase	\$ 33,492,119

The following presents the net OPEB liability as of June 30, 2017, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%.
- The 1% decrease in health care trend rates would assume an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.0%.
- The 1% increase in health care trend rates would assume an initial rate of 10.0% decreasing by 0.5% annually to an ultimate rate of 6.0%.

As of June 30, 2017	Net OPEB Liability
1% Decrease	\$ 33,624,841
Current Health Care Trend Rates	\$ 38,342,848
1% Increase	\$ 44,124,554

Asset Information

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Asset Breakdown	June 30, 2017
Assets	
Cash and cash equivalents	\$ 2,173,860
Securities lending cash collateral	0
Total cash	\$ 2,173,860
Receivables	
Prepaid expenses	\$ 135,030
Accrued interest	0
Total receivables	\$ 135,030
Investments	
Fixed income	\$ 1,047,645
Equities	2,113,835
Mutual Funds	0
Other	0
Total investments	\$ 3,161,480
Total assets	\$ 5,470,370
Liabilities	
Payables	
Accounts payable	\$ (132,302)
Securities lending expense	0
Total liabilities	\$ (132,302)
Net position restricted to OPEB	\$ 5,338,068

Reconciliation of Asset	FY 2016/17
Additions	
Contributions received	
Employer ²	\$ 3,176,785
Employee	0
Total contributions	\$ 3,176,785
Investment income	
Net increase in fair value of investments	\$ 286,458
Interests and dividends	68,011
Investment expense, other than from securities lending	(16,231)
Securities lending income	0
Securities lending expense	0
Net investment income	\$ 338,238
Total additions	\$ 3,515,023
Deductions	
Benefit payments ³	\$ (2,090,025)
Administrative expenses	(26,250)
Other	0
Total deductions	\$ (2,116,275)
Net increase in net position	\$ 1,398,748
Net position restricted to OPEB	
Beginning of year	3,939,320
End of year	\$ 5,338,068

² Town's employer contribution is the sum of: (a) \$2,825,809 Town's explicit employer contribution plus (b) \$350,976 implicit employer contribution.

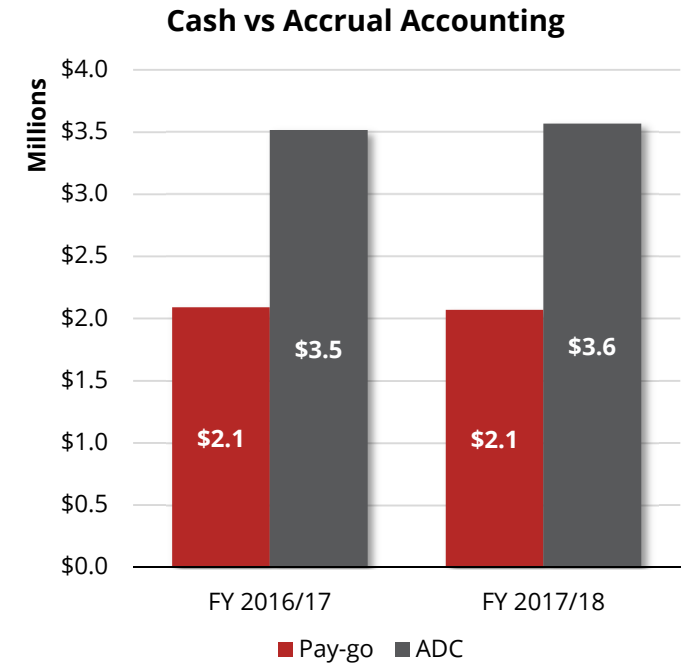
³ Town's benefit payments are the sum of: (a) \$1,739,049 Town's explicit benefit payments plus (b) \$350,976 implicit benefit payments.

Actuarially Determined Contributions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

The Actuarially Determined Contributions calculated below are recommended target contributions and assumes that the Plan Sponsor has the ability to contribute these amounts on an annual basis. The Plan Sponsor has the responsibility to decide how much it should contribute after considering its other needs and the OPEB participants' needs.

	FY 2016/17	FY 2017/18
Discount rate	7.20%	7.20%
Payroll growth factor used for amortization	N/A	N/A
Actuarial cost method	Entry Age Normal Level % of Salary	Entry Age Normal Level % of Salary
Amortization type	Level Dollar	Level Dollar
Amortization period	30 years	29 years
Actuarial accrued liability (AAL) – beginning of year	\$ 39,381,365	\$ 40,657,009
Actuarial value of assets – beginning of year	(3,939,320)	(5,338,068)
Unfunded AAL – beginning of year	\$ 35,442,045	\$ 35,318,941
Normal Cost	\$ 563,567	\$ 591,745
Amortization of UAAL	2,718,044	2,736,547
Total normal cost plus amortization	\$ 3,281,611	\$ 3,328,292
Interest to the end of year	236,276	239,637
Actuarially Determined Contribution – Preliminary	\$ 3,517,887	\$ 3,567,929
Expected benefit payments	2,090,025	2,069,583
Actuarially Determined Contribution – Final⁴	\$ 3,517,887	\$ 3,567,929



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

⁴ Set to be the greater of the preliminary ADC and expected benefit payments.

Projection of GASB Disclosures

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

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

Expected Events

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

Unexpected Events

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

Projection of Total OPEB Liability (TOL)	FY 2016/17	FY 2017/18
TOL as of beginning of year	\$ 45,880,053	\$ 43,680,916
Normal cost as of beginning of year	1,114,943	679,914
Exp. benefit payments during the year	(2,090,025)	(2,069,583)
Interest adjustment to end of year	3,079,784	2,860,610
Exp. TOL as of end of year	\$ 47,984,755	\$ 45,151,857
Actuarial Loss/(Gain)	(4,303,839)	TBD
Actual TOL as of end of year	\$ 43,680,916	\$ TBD

Discount rate as of beginning of year	6.70%	6.60%
Discount rate as of end of year	6.60%	TBD

Projection of Actuarial Value of Assets (AVA)	FY 2016/17	FY 2017/18
AVA as of beginning of year	\$ 3,939,320	\$ 5,338,068
Exp. employer contributions during the year ⁵	3,176,785	3,000,000
Exp. benefit payments during the year	(2,090,025)	(2,069,583)
Exp. investment income	321,146	416,310
Exp. Trust administrative expenses ⁶	(26,250)	(26,690)
Exp. AVA as of end of year	\$ 5,320,976	\$ 6,658,105
Differences between expected and actual experience	17,092	TBD
AVA as of end of year	\$ 5,338,068	\$ TBD
Expected asset return as of beginning of year	7.20%	7.20%
Expected asset return as of end of year	7.20%	TBD

⁵ FY 2017/18 expected employer contribution is estimated based on the Town's funding policy of contributing the greater of (a) \$3 million or (b) pay-go cost.

⁶ Assumed to be 0.5% of the beginning of year Trust asset balance for FY 2017/18.

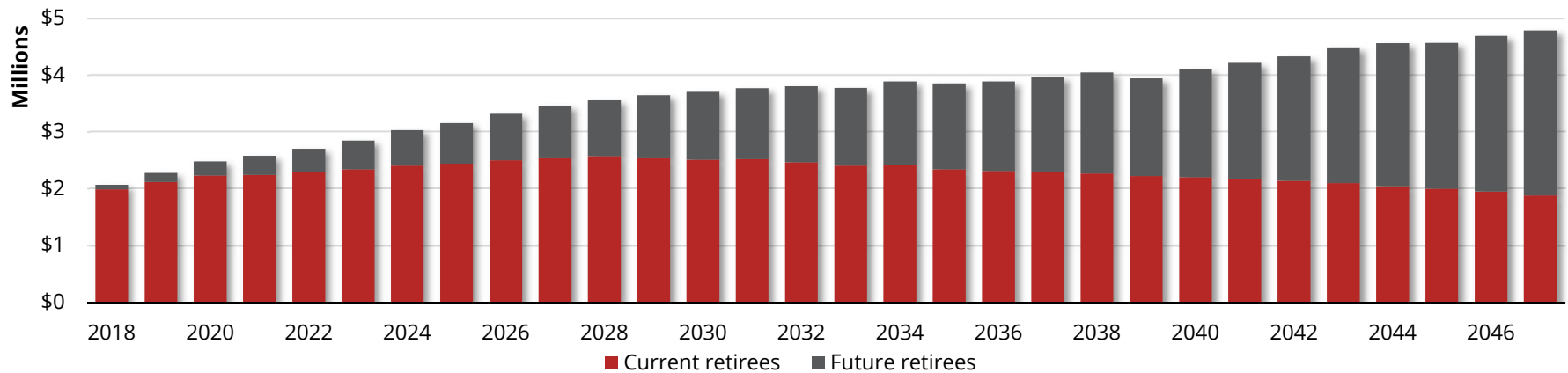
Cash Flow Projections

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

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

FYE	Current Retirees	Future Retirees ⁷	Total	FYE	Current Retirees	Future Retirees ⁷	Total	FYE	Current Retirees	Future Retirees ⁷	Total
2018	\$ 1,993,162	\$ 76,421	\$ 2,069,583	2028	\$ 2,577,593	\$ 980,047	\$ 3,557,640	2038	\$ 2,271,682	\$ 1,778,738	\$ 4,050,420
2019	\$ 2,119,351	\$ 160,959	\$ 2,280,310	2029	\$ 2,536,530	\$ 1,110,785	\$ 3,647,315	2039	\$ 2,223,475	\$ 1,724,587	\$ 3,948,062
2020	\$ 2,233,891	\$ 248,489	\$ 2,482,380	2030	\$ 2,513,433	\$ 1,193,048	\$ 3,706,481	2040	\$ 2,207,062	\$ 1,898,716	\$ 4,105,778
2021	\$ 2,244,428	\$ 337,881	\$ 2,582,309	2031	\$ 2,521,277	\$ 1,253,634	\$ 3,774,911	2041	\$ 2,179,164	\$ 2,042,034	\$ 4,221,198
2022	\$ 2,293,423	\$ 415,025	\$ 2,708,448	2032	\$ 2,468,330	\$ 1,337,917	\$ 3,806,247	2042	\$ 2,141,993	\$ 2,192,063	\$ 4,334,056
2023	\$ 2,345,306	\$ 503,761	\$ 2,849,067	2033	\$ 2,409,456	\$ 1,369,817	\$ 3,779,273	2043	\$ 2,101,399	\$ 2,389,576	\$ 4,490,975
2024	\$ 2,407,269	\$ 627,543	\$ 3,034,812	2034	\$ 2,425,198	\$ 1,466,116	\$ 3,891,314	2044	\$ 2,049,051	\$ 2,516,697	\$ 4,565,748
2025	\$ 2,441,962	\$ 713,433	\$ 3,155,395	2035	\$ 2,345,429	\$ 1,512,389	\$ 3,857,818	2045	\$ 2,001,894	\$ 2,570,890	\$ 4,572,784
2026	\$ 2,503,963	\$ 815,755	\$ 3,319,718	2036	\$ 2,313,229	\$ 1,578,253	\$ 3,891,482	2046	\$ 1,950,866	\$ 2,743,986	\$ 4,694,852
2027	\$ 2,540,034	\$ 918,487	\$ 3,458,521	2037	\$ 2,304,675	\$ 1,667,558	\$ 3,972,233	2047	\$ 1,884,350	\$ 2,905,028	\$ 4,789,378

Projected Employer Pay-go Cost



⁷ Projections for future retirees do not take into account future new hires.

Discussion of Discount Rates

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

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

For the current valuation:

1. The long-term expected rate of return on OPEB plan investment is assumed to be 7.20% as of July 1, 2016 and June 30, 2017. This was determined using a building block method in which expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are then combined to produce the long-term expected rate of return by weighting them based on the target asset allocation percentage and adding in expected inflation (2.00%). The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2017 are summarized in the following table.

Asset Class	Target Allocation	L/T Expected Real Rate of Return
Fixed Income	35.0%	2.00%
Domestic Equity	50.0%	6.00%
International Equity	12.0%	5.00%
Total	100.0%	4.45%

2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Yield as of	July 1, 2016	June 30, 2017
Bond Buyer Go 20-Bond Municipal Bond Index	2.85%	3.53%
S&P Municipal Bond 20-Year High Grade Rate Index	2.71%	3.13%
Fidelity 20-Year Go Municipal Bond Index	2.92%	3.56%
Bond Index Range	2.71% - 2.92%	3.13% - 3.56%
Bond Index Used	2.92%	3.56%

3. The final equivalent single discount rate used for accounting disclosure purposes is 6.70% as of July 1, 2016 and 6.60% as of June 30, 2017 based on the expectation that the Town will contribute the greater of (a) \$3 million or (b) pay-go cost in the future. If the contribution policy changes, Nyhart will need to re-evaluate the discount rate used for accounting disclosure purposes. Based on our projections, the Trust is expected to be depleted at the end of FY 2056/57. A discount rate of 7.20% is used for funding purposes (in determining the Actuarially Determined Contribution).

Summary of Plan Participants

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Active Employees

Actives with coverage	Single	Non-Single ⁸	Total	Avg. Age	Avg. Svc	Salary
Healthmate Coast to Coast	17	25	42	39.7	13.5	\$ 3,015,853
Healthmate 250	27	45	72	46.4	10.0	\$ 4,216,577
United Health Plan	1	3	4	52.5	23.5	\$ 310,581
Total actives with coverage	45	73	118	44.2	11.7	\$ 7,543,011

Actives without coverage ⁹	Total	Avg. Age	Avg. Svc	Salary
Buyback	39	44.0	10.9	\$ 2,437,614
No coverage	6	46.2	2.6	\$ 247,859
Total actives without coverage	45	44.3	9.8	\$ 2,685,473

⁸ Non-single enrollment includes participants who elected two individual plans and family coverage.

⁹ Active employees on buyback are assumed to receive the buyback benefit at retirement. Active employees who currently have no coverage are assumed not to elect coverage at retirement but they may be eligible for life insurance benefits. All actives without coverage have been included in the GASB valuation.

Summary of Plan Participants

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Active Age-Service Distribution

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25		3										3
25 to 29	1	11	6									18
30 to 34	1	9	11	2								23
35 to 39		1	6	9	1							17
40 to 44		5	2	7	5	3						22
45 to 49		3	3	3	6	5	2					22
50 to 54	1	3	3	4	3	2	8					24
55 to 59	1	4	4	3	1	2	3					18
60 to 64		5	4	2	2		1	1				15
65 to 69			1									1
70 & up												0
Total	4	44	40	30	18	12	14	1	0	0		163

Summary of Plan Participants

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
Classic Blue	10	4	14	78.6
Healthmate Coast to Coast	19	38	57	64.4
Healthmate 250	2	3	5	61.9
United Health Plan	10	3	13	64.3
Plan 65	18	16	34	71.6
Total retirees with coverage	59	64	123	67.9

Additionally, there are 19 retirees on buyback and 7 retirees who currently have no health coverage but they may be eligible for dental and/or life insurance benefits. They have been included in the GASB valuation.

Retiree Age Distribution

Age	Retirees
< 45	2
45 to 49	5
50 to 54	13
55 to 59	12
60 to 64	16
65 to 69	19
70 to 74	21
75 to 79	13
80 to 84	11
85 to 89	9
90 & up	2
Total	123

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Eligibility and Benefit

Municipal Employees

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

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

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

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

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

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

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Eligibility and Benefit (continued)

Fire

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

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

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

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

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Eligibility and Benefit (continued)

Police

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

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

Prior to Medicare eligibility, officers hired prior to July 1, 2013 and retiring on/after July 1, 2013 but prior to January 1, 2017 will be enrolled in Blue Cross Healthmate Coast to Coast. For those who retire on/after January 1, 2017, they will be enrolled in Blue Cross Healthmate Coast to Coast 250 plan with 20% rx rider prior to Medicare eligibility. When these officers (those hired prior to July 1, 2013 and retiring on/after July 1, 2013) are eligible for Medicare, they must enroll in Blue Cross Plan 65 without major medical and the Town will also provide Medicare Part B and D coverage.

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

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

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

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

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

Spouse Benefit

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

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Retiree Cost Sharing

Municipal Employees

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

Council 94

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

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

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

Local 1033

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

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

Non-Union

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

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Retiree Cost Sharing (continued)

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

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Pension Benefit

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

Life Insurance

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

Medical Benefits

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

Pre-Medicare

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

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

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

Post-Medicare

All retirees except for several grandfathered retirees must convert to Blue Cross Plan 65 once they reach age 65. This plan is fully-insured and partially experience-rated. Police officers retiring on/after July 1, 2013 are required to enroll in a Blue Cross Plan 65 without major medical at retirement. This plan is community-rated.

Substantive Plan Provisions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Medical /Rx Premium Rates

The monthly premiums by plan effective July 1, 2017 are as shown below.

Pre-Medicare Plans	Single	2-person
Classic Blue	\$ 771.93	\$ 1,543.87
Healthmate Coast to Coast	\$ 705.86	\$ 1,411.72
Healthmate 250	\$ 642.34	\$ 1,284.69
BlueSolutions HDHP	\$ 531.94	\$1,063.89
United Health Plan	\$ 967.91	\$ 1,935.80

Medicare Plans	Single	2-person
Blue Cross Plan 65	\$ 771.93	\$ 1,543.87
Plan 65 without Major Medical	\$ 203.82	\$ 407.64
Part D plan	\$ 199.00	\$ 398.00

Dental

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

Dental Benefits

Dental plan is fully-insured and experience-rated and the monthly premium rates effective on July 1, 2017 are as shown below.

Plan	EE Only	2-person
Dental	\$ 39.33	\$ 78.66

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

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

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2015. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update health care trend rates, per capita costs, mortality rates, and the discount rate in the next full GASB valuation, which will be for the fiscal year ending June 30, 2019.

Measurement Date June 30, 2017

Actuarial Valuation Date June 30, 2017 with no adjustments to the June 30, 2017 measurement date. Liabilities as of July 1, 2016 are based on an actuarial valuation date of June 30, 2015 with results actuarially projected to July 1, 2016 on a no gain/loss basis.

Discount Rate Accounting: 6.70% as of July 1, 2016 and 6.60% as of June 30, 2017
Funding: 7.20% for determining the Actuarially Determined Contribution
Refer to the Discussion of Discount Rate section for more information on the selection of the discount rate.

Payroll Growth General wage inflation plus merit/productivity increases for the Town of Narragansett is as shown below which is based on the same assumption used in the Town's pension valuation as of July 1, 2017.

Age	Rates
20	6.0%
30	5.5%
40	4.5%
50	4.0%
60	4.0%
70+	4.0%

Inflation Rate 4.0% per year

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Experience Study

Best actuarial practices call for a periodic assumption review and Nyhart recommends the Town to complete an actuarial assumption review (also referred to as an experience study) prior to the next full valuation (for the fiscal year ending June 30, 2019). The actuarial assumptions have not been updated since at least the 2009 valuation.

Cost Method

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

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

Census Data

Census information was provided by the Town as of September 2017. We have reviewed it for reasonableness and no material modifications were made to the census data.

Health Care Coverage Election Rate

Active employees with current coverage: 100%

Active employees with no coverage: 0%

Inactive employees with current coverage: 100%

Inactive employees with no coverage: 0%

Spousal Coverage

Spousal coverage for current retirees is based on actual data.

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

Mortality

SOA RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016

Disability

None

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Turnover Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. The rates represent the probability of termination in the next 12 months. The termination rates are based on standard actuarial termination table adjusted for the Town's historical termination experience. Sample annual turnover rates are shown below:

Age	Municipal	Police/Fire
25	5.3%	4.9%
30	5.1%	3.7%
35	4.7%	2.3%
40	4.2%	1.1%
45	3.5%	0.3%
50	2.5%	0.0%
55	0.9%	0.0%

Retirement Rate

Annual rates of retirement are as shown below.

Fire		All Others		
Age	Rates	Age	<20 YOS	<20 YOS
45 - 61	25%	50 - 57	0%	25%
62	50%	58	25%	25%
63 - 64	25%	59 - 61	15%	25%
65+	100%	62	30%	30%
		63 - 64	15%	25%
		65+	100%	100%

Retiree Contributions

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

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Health Care Trend Rates

FYE	Medical / Rx	Dental	Part B
2018	9.00%	4.50%	3.25%
2019	8.00%	4.00%	3.50%
2020	7.00%	3.50%	3.75%
2021	6.50%	3.00%	4.00%
2022	6.00%	3.00%	4.25%
2023	5.50%	3.00%	4.25%
2024+	5.00%	3.00%	4.25%

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

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

Per Capita Costs

Annual per capita costs were calculated based on 2017/18 premium rates by plan for retirees, actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs prior to age 65 are as shown below:

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

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

Age	Healthmate C2C	Healthmate 250	HDHP	United	Classic
50 – 54	\$ 9,000	\$ 8,200	\$ 6,800	\$ 12,400	\$ 9,900
55 – 59	\$ 11,200	\$ 10,200	\$ 8,500	\$ 15,400	\$ 12,300
60 – 64	\$ 14,500	\$ 13,200	\$ 11,000	\$ 19,900	\$ 15,900

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

Age	Eligible for Medicare			Not Eligible for Medicare		
	Plan 65	Healthmate C2C*	Classic / United*	Healthmate C2C	Healthmate 250	Classic / United
65 – 69	\$ 4,600	\$ 4,700	\$ 5,100	\$ 8,100	\$ 7,600	\$ 8,500
70 – 74	\$ 5,800	\$ 5,800	\$ 6,300	\$ 10,000	\$ 9,500	\$ 10,500
75+	\$ 6,800	\$ 6,800	\$ 7,400	\$ 11,800	\$ 11,200	\$ 12,400

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

Annual dental per capita cost is \$472 and is assumed to increase with dental trend rates.

Annual Medicare Part B reimbursement cost is \$1,608 and is assumed to increase with Part B trend rates.

Actuarial Methods and Assumptions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Explicit Subsidy

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

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 642.34	\$ 128.47	\$ 513.87
Spouse	\$ 642.35	\$ 128.47	\$ 513.88

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a retiree age 64 with spouse of the same age.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,100.00	\$ 642.34	\$ 457.66
Spouse	\$ 1,100.00	\$ 642.35	\$ 457.65

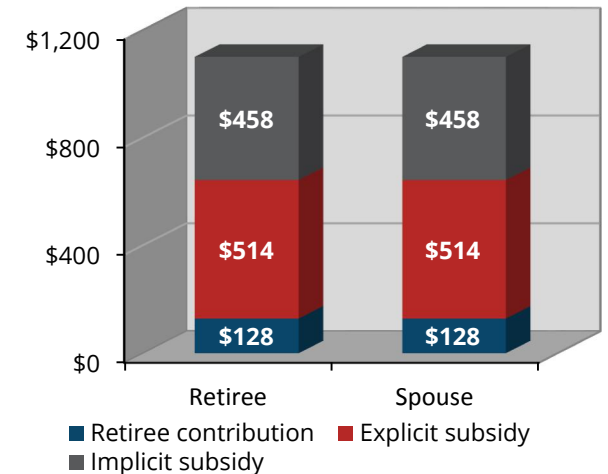
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

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

	Retiree	Spouse
Retiree contribution	\$ 128.47	\$ 128.48
Explicit subsidy	\$ 513.87	\$ 513.88
Implicit subsidy	\$ 457.66	\$ 457.65
Total monthly cost	\$ 1,100.00	\$ 1,100.00

GASB Subsidy Breakdown



APPENDIX

The background features a dark gray upper section. Below it, there are several overlapping geometric shapes. On the left, there are white and light gray shapes. On the right, there are light green and red shapes. A thin, dashed white line runs diagonally across the lower portion of the image.

Appendix

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Comparison of Participant Demographic Information

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

	As of June 30, 2015	As of June 30, 2017
Active Participants	165	63
Retired Participants ¹⁰	118	123
Averages for Active		
Age	44.0	44.3
Service	10.7	11.2
Averages for Inactive		
Age	66.4	67.9

¹⁰ Retired participants enrollments above exclude those receiving buyback benefit and those who don't currently have health coverage (but they may be eligible for dental and/or life insurance benefits).

Appendix

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Detailed Actuary's Notes

There have been several substantive plan provision changes since the last interim valuation, which was for the fiscal year ending June 30, 2016 as noted below:

1. Retiree health benefits for Council 94 and Local 1033 employees will terminate at age 65 for those who retire on/after July 1, 2018. This change caused a decrease in the Town's liabilities.
2. Council 94 and Local 1033 employees who retire on/after July 1, 2018 are required to contribute 20% of medical and dental premium at retirement for individual coverage. Those who elect spousal coverage at retirement will be required to contribute the full incremental cost of spouse coverage. This change caused a decrease in the Town's liabilities.

Town of Narragansett has opted to disclose OPEB liabilities under GASB 74/75 for the current valuation. The prior valuation was disclosed under GASB 45. The following assumptions have been updated in accordance with GASB 74/75:

1. The actuarial cost method has been updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level % of Salary. This change has caused an increase in liabilities for the Town.
2. The prior valuation used a discount rate of 4.50% for accounting disclosure purposes. The current valuation uses a discount rate of 6.70% as of July 1, 2016 and 6.60% as of June 30, 2017 for accounting disclosure purposes. Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used. The accounting discount rate will be updated annually to reflect market conditions as of the Measurement Date. For funding purposes, the expected Trust rate of return of 7.20% has been used in calculating the Actuarially Determined Contribution. Refer to the Discussion of Discount Rates section for additional information in the discount rate selection.

Additionally, the following assumptions have also been updated:

1. Mortality table has been updated from SOA RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to SOA RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016. The impact of this change is a slight decrease in the Town's liabilities.
2. Health care trend rates have been reset to an initial rate of 9.0% decreasing by 0.5% annually to an ultimate rate of 5.0%. This change caused an increase in liabilities for the Town.

GLOSSARY

The background features a complex geometric design. The top half is a solid dark gray. The bottom half is composed of several overlapping, semi-transparent shapes in shades of light gray, white, and a vibrant red. These shapes create a layered, architectural effect with sharp angles and soft gradients.

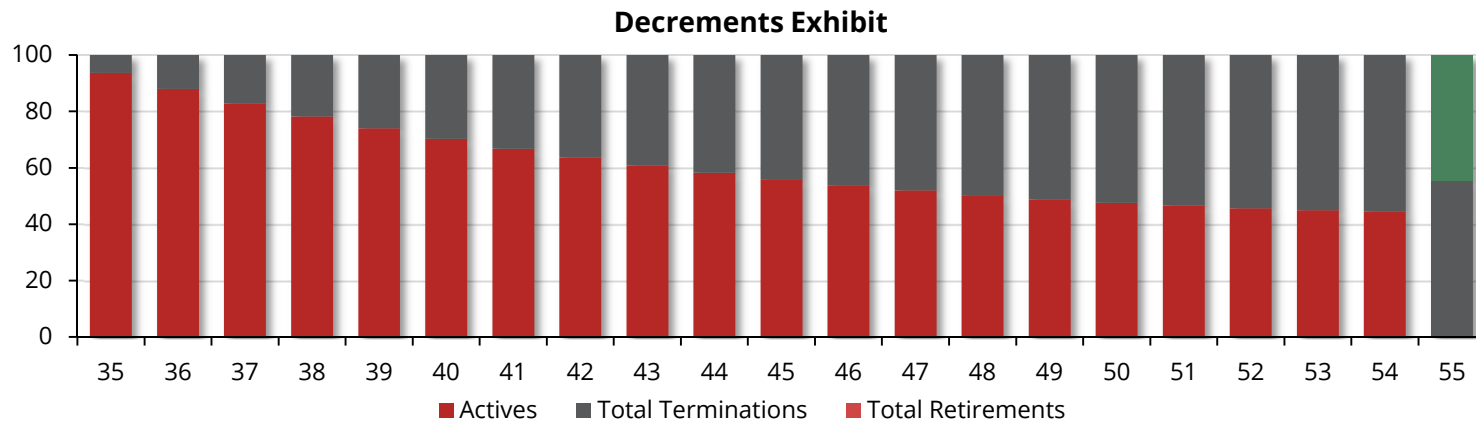
Glossary – Decrements Exhibit

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

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

Age	# Remaining Employees	# of Terminations per Year ¹¹	# of Retirements per Year	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

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



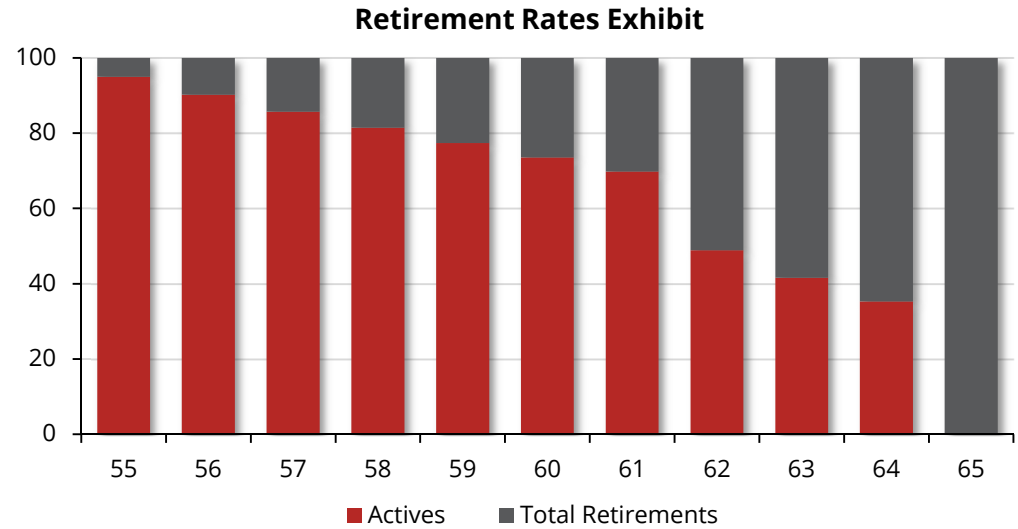
¹¹ The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Retirement Rates Exhibit

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

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

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



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

Glossary – Definitions

Town of Narragansett GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

GASB 74/75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

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

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

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