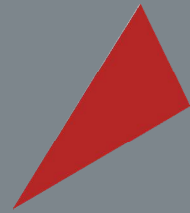




Town of Narragansett OPEB Plan

FYE June 30, 2017 GASB 74/75 Actuarial Valuation
Presented by Randy Gomez, FSA, MAAA



Agenda

- 3** Actuarial Model
- 4** Changes since Prior Valuation
- 5** TOL Changes and Breakdown
- 6** OPEB Expense
- 7** Balance Sheet Liability
- 8** Projected Pay-Go Costs
- 9** Projections – Contributions
- 11** Projections – Funded Status

Actuarial Model

Key Assumptions and Designs that Drive Costs



Health Care Trend

- Medical: 9.00% to 5.00% in 6 years
- Part B: 3.25% to 4.25% in 4 years
- Dental: 4.50% to 3.00% in 3 years



Employer Cost

- The Town pays for the full cost of coverage for closed group of retirees
- Newer retirees are required to contribute a % of medical and dental coverage (for themselves and spouses)



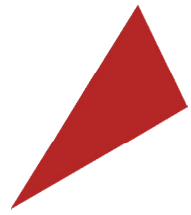
Discount Rate

- 6.60% as of June 30, 2017 for accounting disclosure
- 7.20% for calculating funding contribution (ADC)
- The Town budgeted contribution for FY 2018 is \$2.8M. After this is expected to contribute the greater of \$3M or the pay-go cost



Eligibility and Duration

- Negotiated eligibility requirements, not everyone goes immediately
- Lifetime benefit for closed group of retirees, temporary to 65 for newer retirees



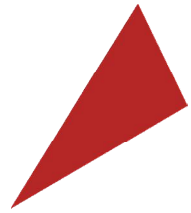
Changes since Prior Valuation

GASB 74/75

- Accounting standard change – separate accounting from funding valuations
- Increase in discount rate used for accounting valuation from 4.50% to 6.70% as of July 1, 2016 and 6.60% as of June 30, 2017
 - Reduced the Town's Total OPEB Liability (TOL) by \$18.7M.
 - Determined using discounted cash flow method that finds the cross over point between the Trust asset and benefit payments
- Calculate Actuarially Determined Contribution (ADC) using a 7.20% expected long-term asset return (determined based on investment strategy)

New CBAs

- CBA changes for Council 94 and Local 1033
 - Retiree health benefits will terminate at age 65 for those who retire on/after July 1, 2018.
 - Employees retiring on/after July 1, 2018 are required to contribute 20% of medical and dental premium at retirement for individual coverage. Those electing spousal coverage will be required to contribute the full incremental cost of spousal coverage.
- Both changes above reduced the Town's TOL by \$6.3M.



TOL Changes and Breakdown

Results are shown in millions

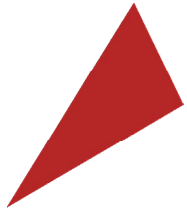
TOL Changes FY 2016/17	
Expected TOL as of July 1, 2016 (GASB 45)	\$ 64.4
(Gain) due to accounting standard change*	\$ (12.9)
Expected TOL as of July 1, 2016 (GASB 74/75)	\$ 45.9
TOL as of July 1, 2016	\$ 45.9
Expected TOL as of June 30, 2017	\$ 48.0
Actuarial (gain) / loss due to:	
CBA changes***	\$ (6.3)
Changes in assumptions	\$ 1.3
Differences between actual and expected experience	\$ 0.7
Total changes	\$ (4.3)
Actual TOL as of June 30, 2017	\$ 43.7

TOL Breakdown	7/1/2016	6/30/2017
Active (<65)	\$ 8.1	\$ 7.6
Active (65+)	8.2	3.2
Total A	\$ 16.3	\$ 10.8
Retirees (<65)	\$ 7.1	\$ 8.3
Retirees (65+)	22.5	24.6
Total R	\$ 29.6	\$ 32.9
Total TOL	\$ 45.9	\$ 43.7

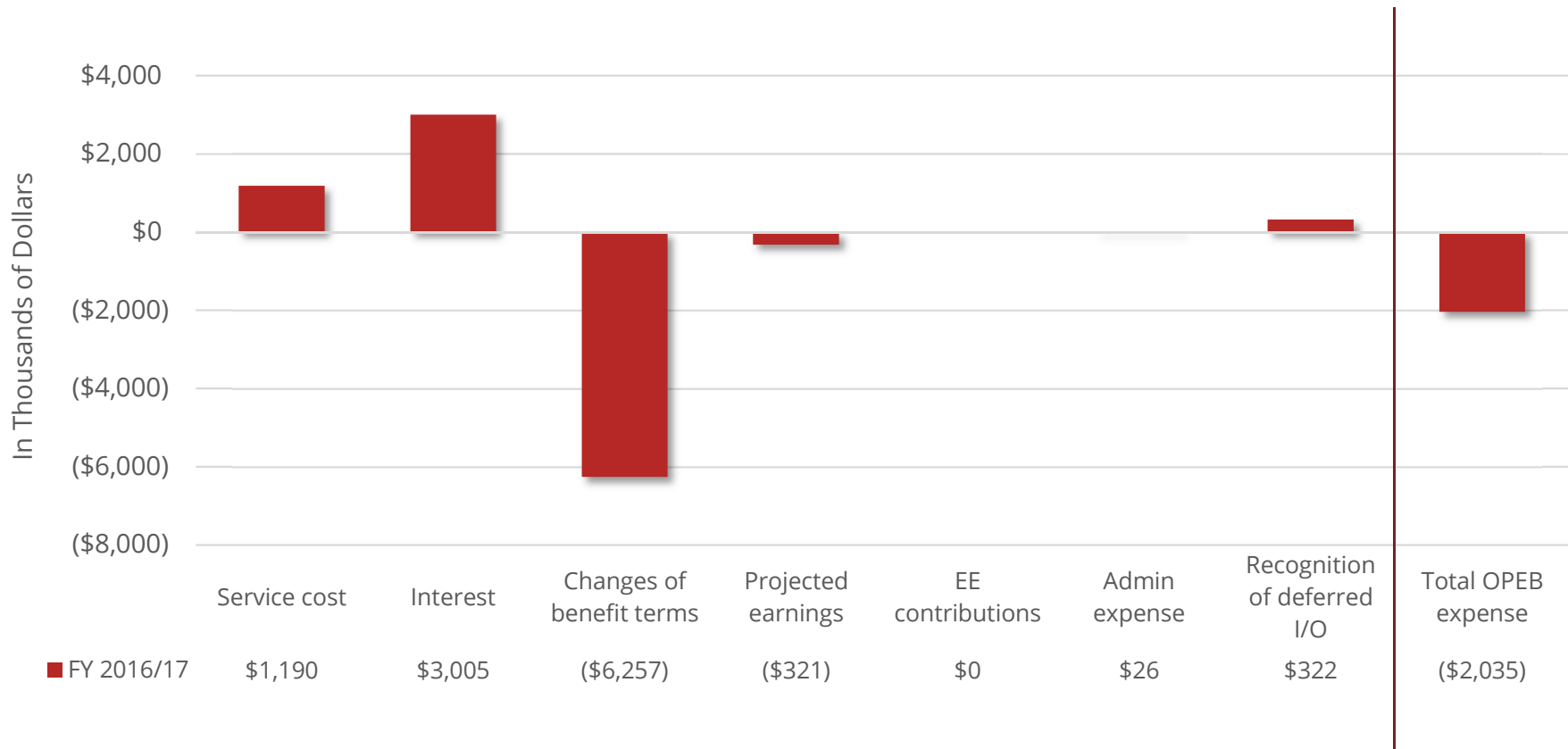
* Includes cost method change and discount rate increase from 4.50% to 6.70% as of July 1, 2016.

** Assumption changes include a slight discount rate reduction from 6.70% as of July 1, 2016 to 6.60% as of June 30, 2017, mortality assumption update, and health care trend rates reset.

*** CBA changes are applicable to Council 94 and Local 1033 employees who are not retired as of July 1, 2018.

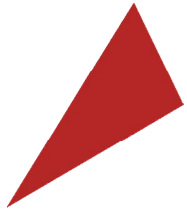


OPEB Expense

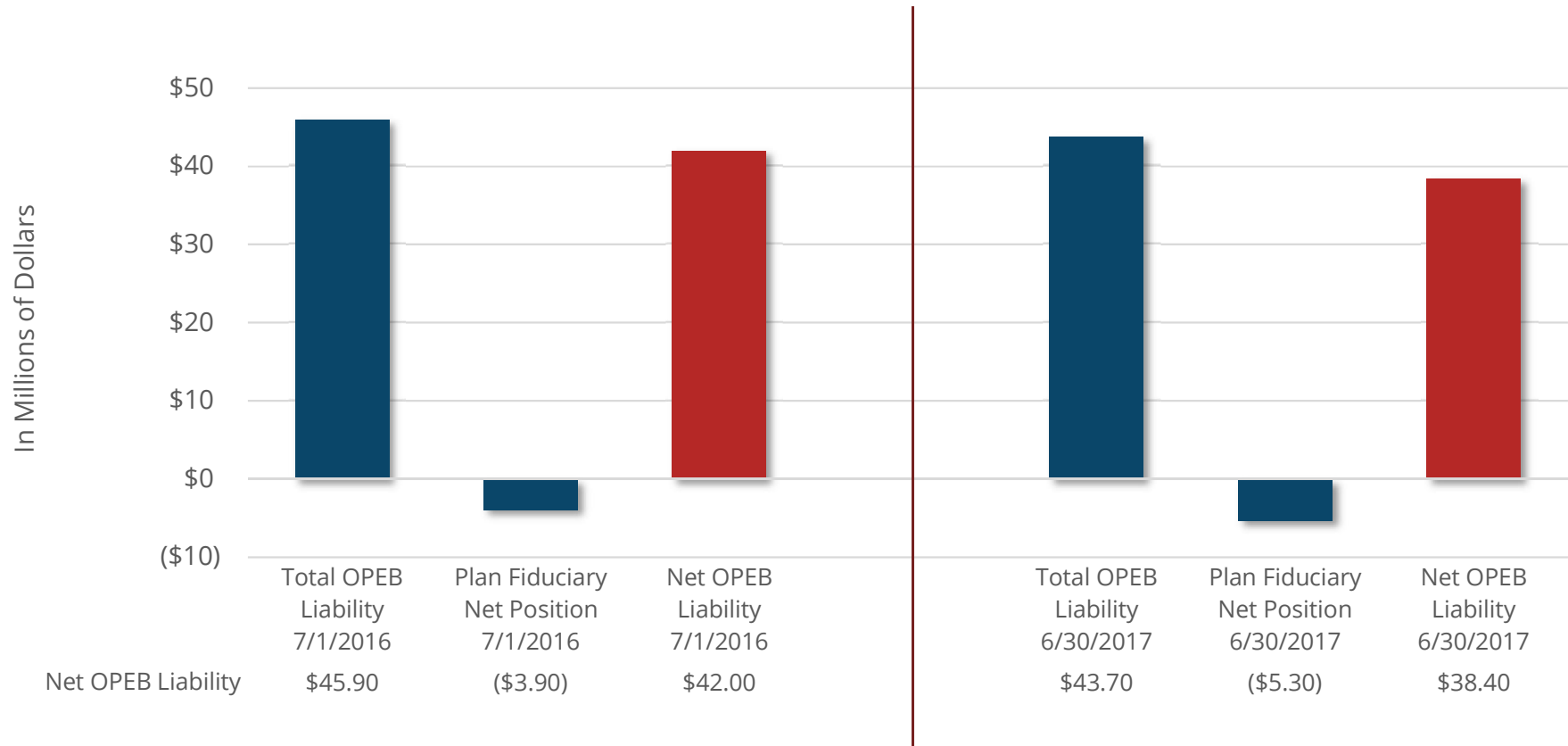


ACTUARY'S COMMENT

- Changes in benefit terms show the impact of new CBA provisions for Council 94 and Local 1033, the full amount is immediately recognized.
- Recognition of deferred I/O includes amortization for differences in actual and expected experience and changes in assumptions.

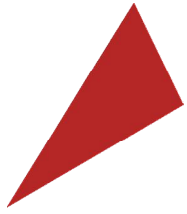


Balance Sheet Liability

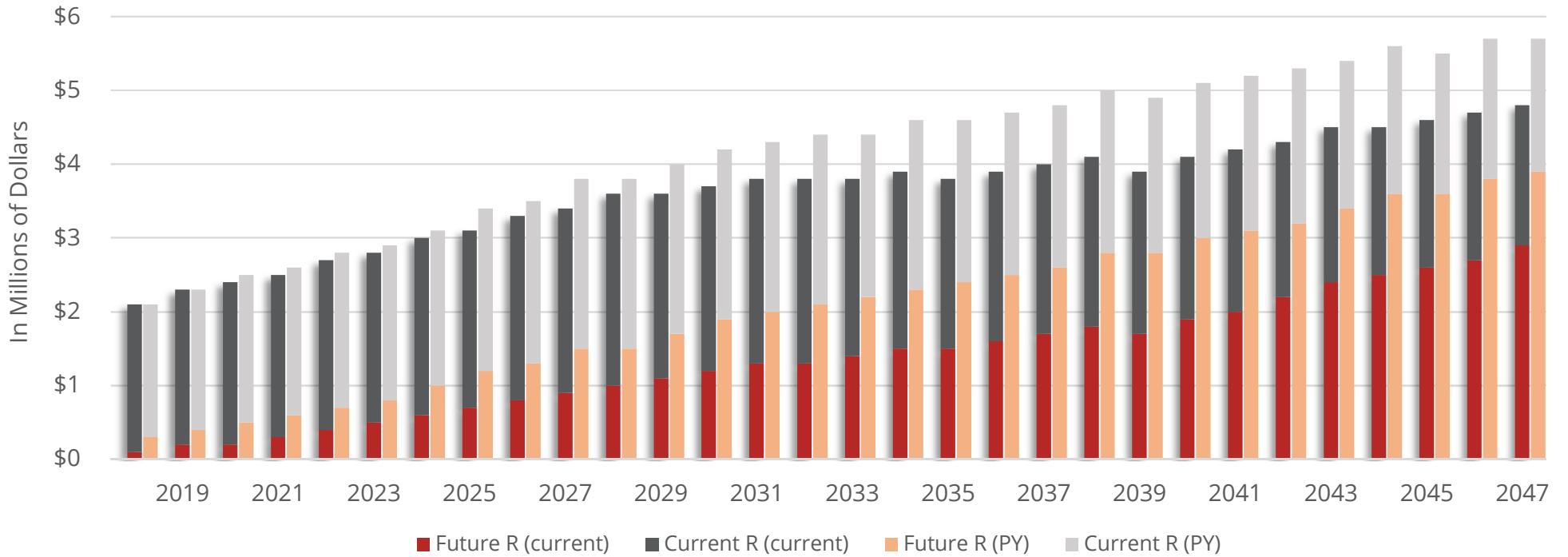


ACTUARY'S COMMENT

Under GASB 74/75 accounting standard, the balance sheet liability is equal to the Net OPEB Liability (difference between Total OPEB Liability and Plan Fiduciary Net Position) at the measurement date (which is June 30, 2017 for FY 2016/17). The 7/1/2016 information is shown for comparison purposes only.



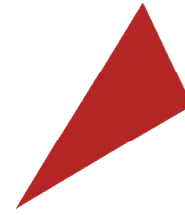
Projected Pay-go Costs



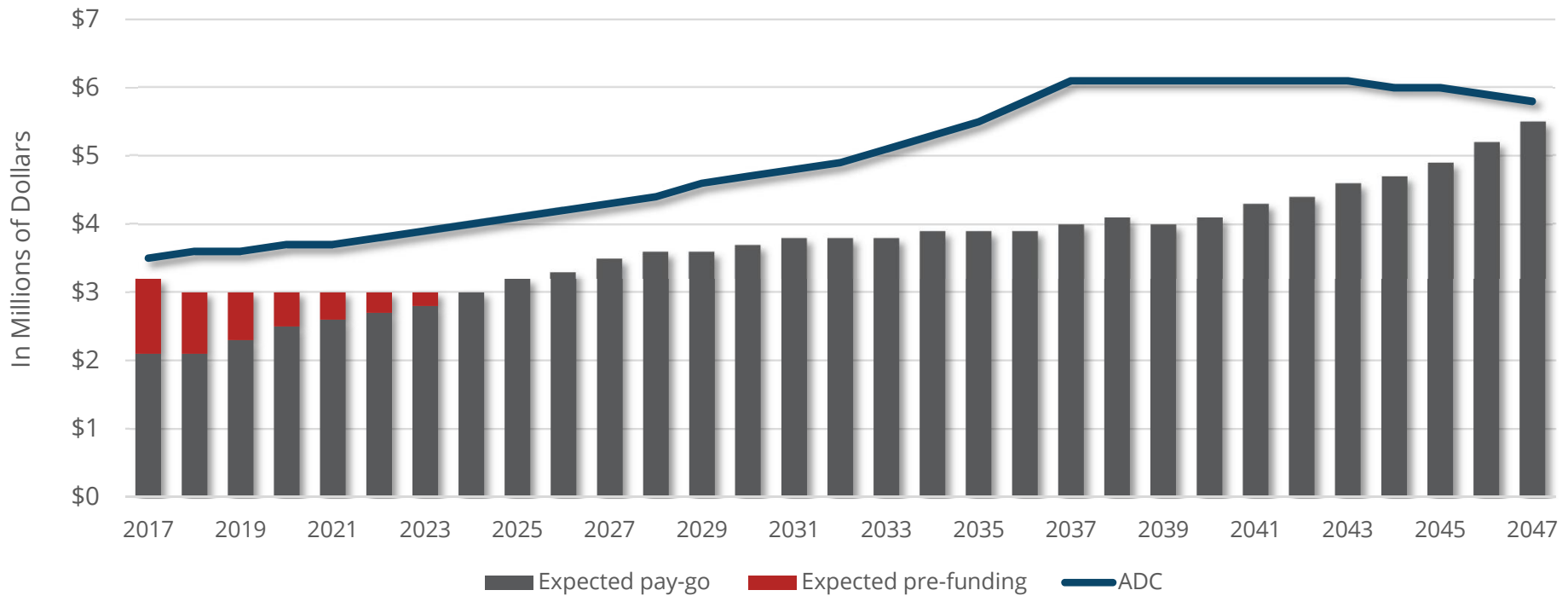
Results are shown in millions

FYE	2018	2020	2022	2024	2026	2028	2030	2032	2034	2036	2038	2040	2042	2044	2046
Current	\$2.1	\$2.5	\$2.7	\$3.0	\$3.3	\$3.6	\$3.7	\$3.8	\$3.9	\$3.9	\$4.1	\$4.1	\$4.3	\$4.6	\$4.7
PY	\$2.3	\$2.7	\$3.0	\$3.4	\$3.7	\$4.0	\$4.2	\$4.4	\$4.6	\$4.6	\$4.9	\$5.0	\$5.2	\$5.4	\$5.6

Projections



Contributions (Funding \$3M or Pay-Go)



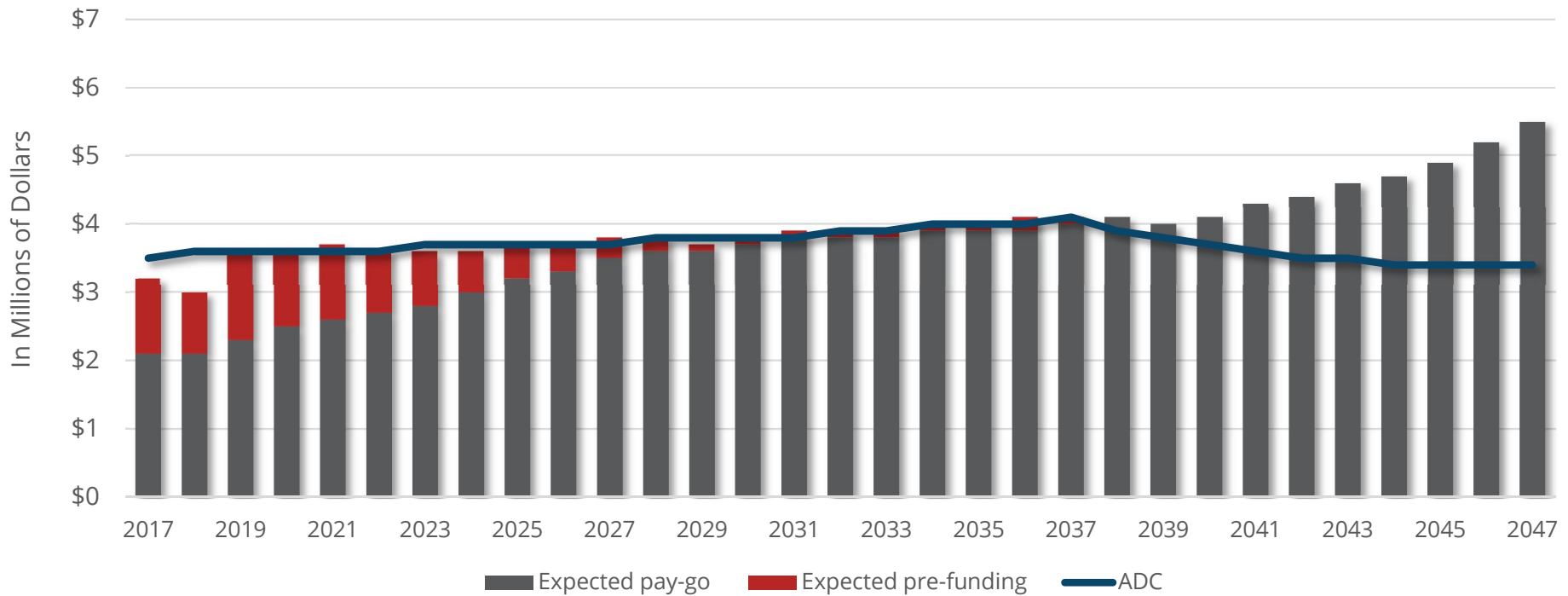
ACTUARY'S COMMENT

- Projections above assumed level active population in the future.
- ADC is calculated using a 7.2% expected asset return and level dollar amortization over a close 30-year period (amortization periods are set to be no less than 10 years).
- The Town's annual funding policy is the greater of \$3M or pay-go costs. Total 30-year Town contribution is \$117.8M.

Projections



Contributions (Funding ADC*)

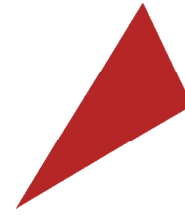


ACTUARY'S COMMENT

- Projections above assumed level active population in the future.
- ADC is calculated using a 7.2% expected asset return and level dollar amortization over a close 30-year period (amortization periods are set to be no less than 10 years).
- The Town's annual funding policy is contributing the ADC, except for \$3M in FYE 2018. Total 30-year Town contribution is \$113.8M.

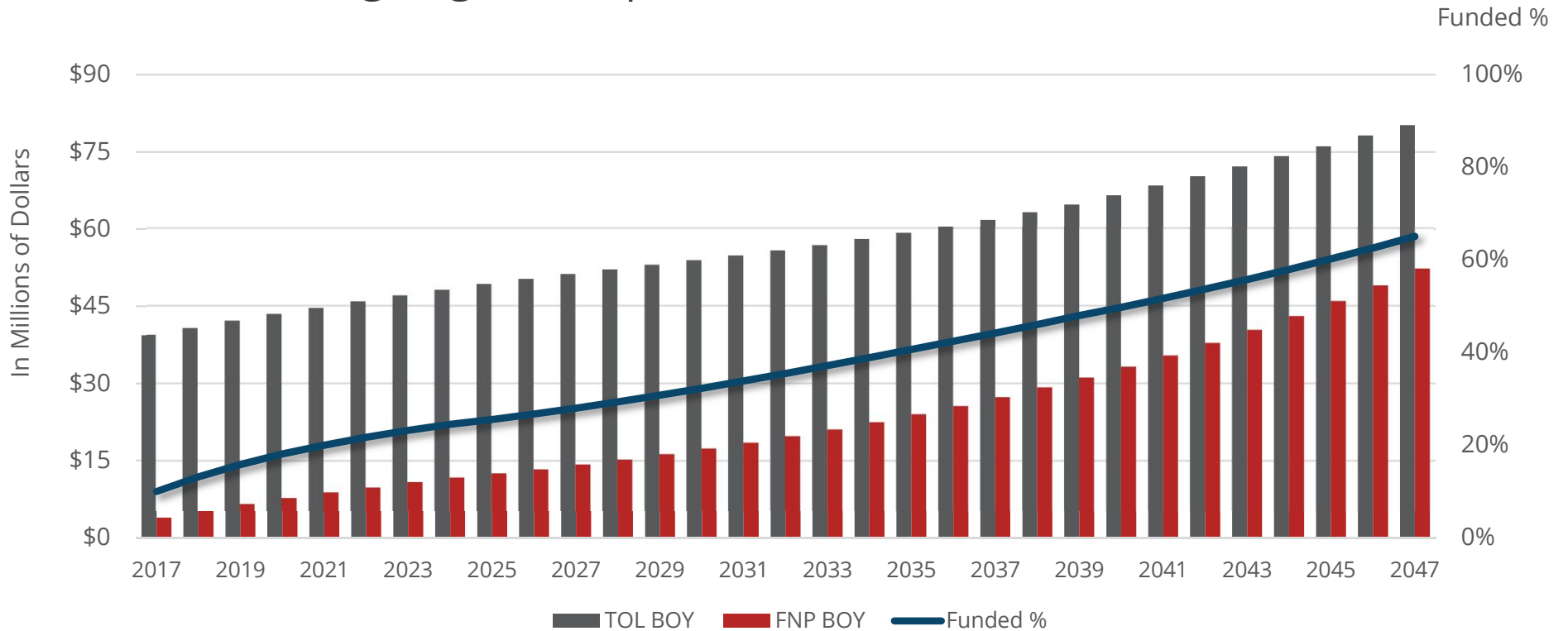
* Except for \$3M budgeted for FYE 2018.

Projections



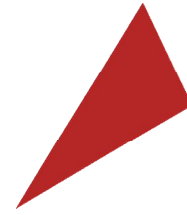
Funded Status (Funding \$3M or Pay-Go)

Where is this going? Is the plan sustainable?



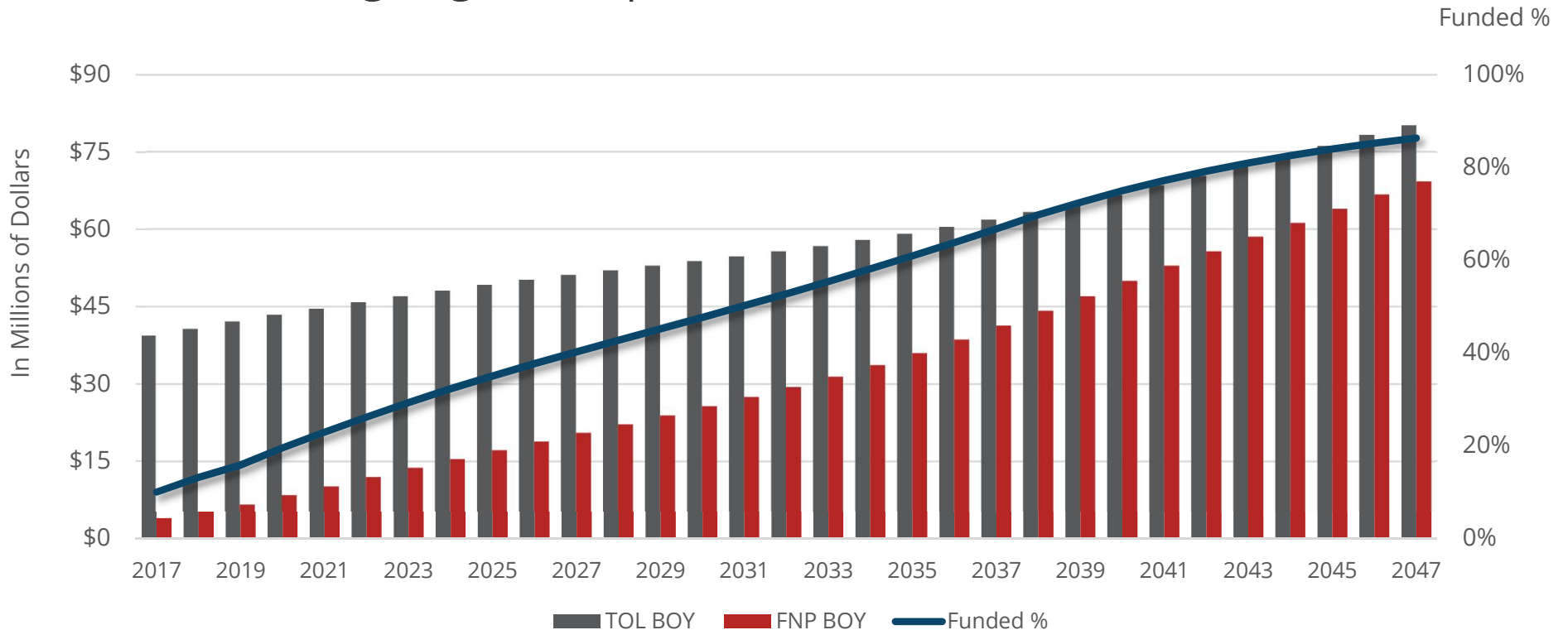
Funded %	2017	2022	2027	2032	2037	2042	2047	Total 30-year contributions
Funding \$3M or pay-go	10.0%	21.7%	28.0%	35.5%	44.2%	53.7%	65.1%	\$117.8M

Projections



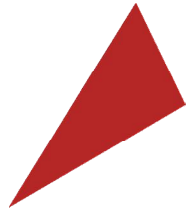
Funded Status (Funding ADC*)

Where is this going? Is the plan sustainable?



Funded %	2017	2022	2027	2032	2037	2042	2047	Total 30-year contributions
Funding ADC	10.0%	26.2%	40.2%	52.8%	66.8%	79.2%	86.3%	\$113.8M
Funding \$3M or pay-go	10.0%	21.7%	28.0%	35.5%	44.2%	53.7%	65.1%	\$117.8M

* Except for \$3M budgeted for FYE 2018.



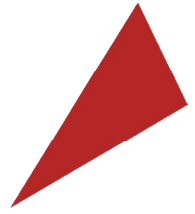
Comments on Projections

Reasonable actuarial techniques and assumptions were used to produce the cost projections. Actual results will vary from the projections, perhaps significantly, due to changes in assumptions, plan provisions, data, and actual experience of the plan.

While a diligent effort was made to produce reasonable projections, projections by nature are speculative and users of this information are cautioned against placing too much reliance on any particular set of projections. Depending on the use of this information, additional cost projections may be necessary to quantify the sensitivity of the results.

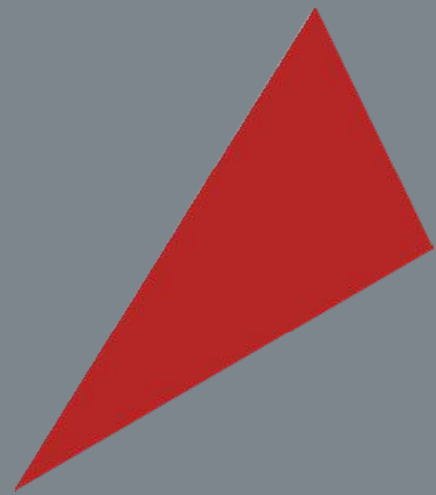
These projections reflect numerous assumptions and one should focus on the general trend of the results rather than the absolute dollar amount.

Nyhart cannot, and does not, guarantee or warrant any results presented in this exhibit. The Town should carefully review all information presented here and notify Nyhart immediately if any information differs from that which the Town possesses.



Provisions and Assumptions

All results presented in this document are based on the substantive plan provisions and actuarial methods and assumptions shown in the FYE June 30, 2017 GASB 74/75 actuarial report.



QUESTIONS?