

***Pension Plan of Town of West
Warwick***

***Actuarial Valuation Report
July 1, 2014***

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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;
- determine the plan's funded status; and
- measure values of plan benefits and obligations under governmental financial accounting standards.

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

Plan Year Beginning	07/01/14	07/01/13	07/01/12
Employer Contributions			
Total payroll	\$ 14,203,313	\$ 13,956,326	\$ 14,855,258
Annual Required Contribution	\$ 8,103,839	\$ 10,322,474	\$ 9,264,065
As percent of payroll	57.1%	74.0%	62.4%
Actuarial Recommended Funding Contribution	\$ 8,103,839	NA	NA
As percent of payroll	57.1%	NA	NA
Employer contribution	NA	\$ 6,000,000	\$ 5,301,352
Total as percent of payroll	NA	43.0%	35.7%
Plan Assets			
Fair market value	\$ 27,928,822	\$ 26,565,271	\$ 26,527,591
Actuarial value for funding	\$ 27,236,805	\$ 26,428,505	\$ 28,421,048
Funded Status			
Actuarial Accrued Liability	\$ 144,350,999	\$ 154,588,604	\$ 143,760,373
Unfunded Accrued Liability	\$ 117,114,194	\$ 128,160,099	\$ 115,339,325
Funded Ratio			
Market Value Basis	19.3%	17.2%	18.5%
Actuarial Value Basis	18.9%	17.1%	19.8%

Highlights – Continued

Plan Year Beginning	07/01/14	07/01/13	07/01/12
Participants			
Number of participants:			
Active	299	297	321
Inactive with deferred benefits	33	33	22
Inactive receiving benefits	<u>341</u>	<u>332</u>	<u>331</u>
Total in valuation	673	662	674
Active participant averages:			
Age nearest birthday	45.2	45.0	44.5
Years of employment to date	11.9	11.8	10.9
Compensation for benefits	\$ 47,503	\$ 46,991	\$ 46,278

Changes Since the Last Valuation

In accordance with the Funding Improvement Plan dated May 29, 2014, and submitted to the Locally-Administered Pension Plans Study Commission of Rhode Island, several changes have been made to the Plan. The plan provision changes used to measure liabilities within this report are based on the following documents provided by the Town:

- Fire: Collective Bargaining Agreement (CBA) dated July 1, 2014 – June 30, 2019
- Police: CBA dated July 1, 2014 – June 30, 2019
- Municipal Union, Waste Water, School (Council 94): CBA dated July 1, 2014 – June 30, 2019
- Municipal Non-Union: Policy Manual Draft
- Retirees and Deferred Vested Participants as of July 1, 2014: Memorandum of Understanding (MOU) dated April 2014
- Disabled Police & Fire Participants as of July 1, 2014: Final and Consent Judgment dated July 16, 2014

In addition to the changes described below, the unfunded liability is re-amortized as of July 1, 2014 based on a 25-year level percent of pay closed amortization with payments increasing at 3.50% per year.

Local 1104, International Association of Firefighters AFL-CIO

The retirement eligibility for Fire members has been changed. Previously, a participant hired prior to 7/1/2011 was eligible to retire at the earlier of age 62.5 or 20 years of service. A participant hired on or after 7/1/2011 was eligible to retire at the earlier of age 62.5 or age 50 with 20 years of service with benefits not commencing until the 23-year anniversary of plan membership. The retirement eligibility has been updated such that “Fire” members hired prior to 7/1/2014 can retire at age 62 or age 50 with 25 years of service. Fire members hired on or after 7/1/2014 can retire at age 62 or age 55 with 25 years of service. “Civilian” members, regardless of hire date, can retire at age 60 with 10 years of service. The 23-year anniversary requirement has been removed for all members of this union. Four “Fire” members are exempt from the retirement eligibility changes described.

The benefit earned for Fire members has changed from 2.5% of Average Pay for each year of service up to a maximum benefit of 70% of Average Pay which is reached at 28 years of service. The benefit

Highlights – Continued

Changes Since the Last Valuation - Continued

formula has been changed to 2.2% of Average Pay for each of the first 25 years of service and 3.0% of Average Pay for up to 5 additional years with a maximum benefit of 70% of Average Pay. This formula change applies to both past and future service.

Average pay has been changed from pay averaged over the final 12 months of employment to the monthly average of the highest 3 consecutive years of employment.

The COLA for active Fire members has changed from a 2.25% compounded COLA for the first 15 years of retirement to a 2.25% simple COLA suspended for the first 7 years of retirement (or until age 62.5 for regular members, if earlier) then continuing for 15 years thereafter. For “Civilian” members, the 15-year 2.25% simple COLA will be suspended for the first 7 years of retirement or until age 67, if earlier.

Employee contributions have been changed. Previously, Fire members hired prior to 7/1/2011 contributed 9.0% of compensation stopping after 28 years of service and members hired on or after 7/1/2011 contributed 9.0% of compensation stopping after 30 years of service. Effective 7/1/2014, the contribution rate increased to 12% of compensation, followed by an increase to 13% on 7/1/2015; the contribution rate remains at 13% of compensation after 7/1/2015. Contributions will continue for all years of service. In addition, employee contributions are determined based on the full Basic Annual Salary, which includes annual salary, longevity pay, holiday pay and EMT pay. EMT pay had previously not been included.

For participants who become occupationally disabled, Fire members had received 2/3 of pay with annual increases equal to the percentage increase in pay of active employees in the position held at time of disability retirement. The plan provisions have been updated such that Fire members who become occupationally disabled prior to 25 years of service will receive 2/3 of pay (without annual increases) until the 25th anniversary since date of hire. At that time, the benefit will be adjusted to 55% of present pay received by active employees in the position held at time of disability retirement. Members who become occupationally disabled after 25 years will receive 2/3 of pay for their lifetime. The regular retirement COLA will apply to benefits received after the 25th anniversary since date of hire. Note that the 2.25% simple COLA will be delayed 7 years from the 25th anniversary since date of hire or, if later, the date of disablement, then continue for 15 years thereafter.

Non-occupationally disabled fire members have changed from being able to receive their accrued normal retirement benefit with a minimum of 50% of pay. Now members who become disabled prior to 10 years will receive 25% of pay. Members who become disabled after 10 years will receive 25% of pay plus 2.2% for each year between 10 and 25 plus 3.0% for each year between 25 and 30 years; accruals cease at 30 years.

International Brotherhood of Police Officers Local 312

Previously, Police members hired prior to 7/1/2011 received 2.5% of Average Pay for each year of service up to 28 years with a maximum benefit of 70% of Average Pay at 28 years. Members hired on or after 7/1/2011 received 2.5% of Average Pay for up to 20 years of service plus 2.0% of Average Pay for up to 10 additional years with a maximum of 70% of Average Pay at 30 years of service. The benefit formula is not changed for members who have 20 years of service as of 6/30/2014. For all others, the benefit formula has changed to 2.5% of Average Pay for the first 20 years of service plus 1.0% of Average Pay for

Highlights – Continued

Changes Since the Last Valuation - Continued

the next 5 years of service plus 2.5% of Average Pay for up to 6 additional years of service. Therefore, the maximum benefit of 70% of Average Pay is attained at 31 years of service. This formula change applies to both past and future service.

Previously, a participant hired prior to 7/1/2011 was eligible to retire at the earlier of age 62 or 20 years of service. A participant hired on or after 7/1/2011 was eligible to retire at the earlier of age 62 or age 50 with 25 years of service. The retirement eligibility has now changed such that members hired prior to 7/1/2014 can retire at age 62 or 20 years of service. Members hired on or after 7/1/2014 can retire at age 62 or age 50 with 20 years of service.

Previously, Police members contributed 9.0% of compensation stopping after 28 years of service. Effective 1/1/2014, the contribute rate increased to 10% of compensation. Going forward, the contribution rate increases to 11% on 7/1/2014 and 12% on 7/1/2015; the contribution rate remains at 12% of compensation after 7/1/2015. Contributions will continue for all years of service.

Previously, members who retired received a 2.25% compounded COLA for the first 15 years of retirement. The COLA will be suspended for the first 7 years of retirement followed by 15 years of a compounded 2.25% COLA.

Previously, Police members received 2/3 of pay with annual increases equal to the percentage increase in pay of active employees in the position held at time of disability retirement. Going forward, members who remain fully disabled at normal retirement age continue to receive the 2/3 of pay benefit with annual increases equal to the percentage increase in pay of active employees in the position held at time of disability retirement. However, if the member is not “fully disabled” at normal retirement age, the benefit is adjusted to the member’s accrued benefit under the normal retirement benefit formula. The standard retirement COLA will apply to this portion of the benefit, however there is no 7-year delay on the COLA.

Municipal Union, Waste Water, School (Council 94)

Previously, members could retire at the earlier of age 60 with 10 years of service or 25 years of service regardless of age. The retirement eligibility has changed such that members hired prior to 7/1/2014 can retire at the earlier of age 62 with 12 years of service or 25 years of service regardless of age. Members hired on or after 7/1/2014 can retire at the earlier of age 62 with 12 years of service or age 55 with 25 years of service.

Previously, members received 2.5% of Average Pay for each year of service. The benefit formula has changed such that members will earn 2.4% of Average Pay for each year of service after 7/1/2014. Service prior to 7/1/2014 remains at the 2.5% level.

Previously, Average Pay was averaged over the final 12 months of employment. Average Pay is changing to the average of the final 10 years.

Previously, members who retired received a 2.25% compounded COLA for the first 15 years of retirement. The COLA will be suspended for the first 5 years of retirement followed by 15 years of a compounded 2.00% COLA.

Highlights – Continued

Changes Since the Last Valuation - Continued

Previously, members contributed 9.0% of compensation for all years of service. Effective 7/1/2014, the contribute rate has increased to 11.0% of compensation.

Library

Due to continued negotiations on the Teamsters contract which governs the benefit for Library employees, no adjustments were made to the 7/1/2013 plan provisions for Library employees.

Municipal Non-Union

Previously, members could retire at the earlier of age 60 with 10 years of service or 25 years of service regardless of age. The retirement eligibility has changed such that members can retire at age 55 with 10 years of service.

Previously, members received 2.5% of Average Pay for each year of service. The benefit formula has changed such that members will earn 2.4% of Average Pay for each year of service after 7/1/2014. Service prior to 7/1/2014 remains at the 2.5% level.

Previously, pay was averaged over the final 12 months of employment. Average Pay has changed to the average of the final 3 years.

Previously, members who retire received a 2.25% compounded COLA for the first 15 years of retirement. The COLA will be suspended for the first 5 years of retirement followed by 15 years of a compounded 2.00% COLA.

Previously, members contributed 9.0% of compensation for all years of service. Effective 7/1/2014, the contribute rate has increased to 11.0% of compensation.

Retirees and Deferred Vested Participants (as of July 1, 2014)

Previously, members received a 2.25% compounded COLA for up to 15 years depending on when they retired. The COLA has been suspended for 5 years from July 1, 2014 through and including June 30, 2019. After the suspension, COLA resumes for members who have remaining COLA increases. For example, if the member only received 2 years of COLA increases prior to the suspension, he or she would begin to receive COLA increases for years 3 through 15 when the COLA resumes on July 1, 2019.

Disabled Participants – Former Members of Police and Fire Unions (as of July 1, 2014)

Previously, members received 2/3 of base pay received by an active member holding the same rank. Going forward, longevity pay will be included in the calculated benefit.

Previously, members received a benefit increase equal to the percentage increase in pay of the same rank member for lifetime. Effective 7/1/2014, members receive no COLA increases for the next 5 years. Beginning 7/1/2019, members receive a 2.0% compounded COLA for 5 years. Beginning 7/1/2024, members receive a 3.0% compounded COLA for 5 years. After the 7/1/2028 increase, members will receive no additional COLA increases.

Highlights – Continued

Changes Since the Last Valuation - Continued

Actuarial Assumption Changes

Some of the plan provision changes warranted changes to the actuarial assumptions as described below:

The retirement rates for police members hired on or after 7/1/2014 have changed to: 25% at first eligibility for unreduced retirement if less than 25 years of service; 50% at first eligibility for unreduced retirement at 25 or more years of service; 100% at age 62; 5% at all other age/service combinations.

The retirement rates for non-civilian fire members has changed to: 50% at first eligibility for unreduced retirement; 5% at ages 50-54; 30% at ages 55 and 60 if ineligible for unreduced retirement; 50% at ages 55 and 60 if eligible for unreduced retirement; 100% at age 62; 10% at all other age/service combinations.

The retirement rates for civilian fire members has changed to: 5% at all ages <60; 50% at ages 60 and 62; 10% at ages 61, 63, 64; 100% at age 65.

50% of Police members who become disabled prior to retirement age are assumed to remain disabled at retirement age.

Comments

Significant changes have been made to the pension plan as a response to concerns about the viability of the plan and the pressures it was placing on the Town's finances. While these changes have resulted in significant reductions to plan liabilities and contribution requirements, the funded percentage of the plan remains low at 18.9%. In an effort to improve both the short-term and long-term outlook of the plan, it is recommended that the Town annually contributes at least the Actuarial Recommended Funding Contribution.

Actuary's Opinion

This report provides information regarding the actuarial valuation prepared for

Pension Plan of Town of West Warwick

The actuarial valuation was prepared as of July 1, 2014 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 trustee. 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:



Matt Sherertz, ASA, EA

Valuation reviewed by:



Tayt V. Odom, FSA, EA, MAAA

October 15, 2014

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 for the plan year ending 06/30/14 as follows:

A. Net income (loss):

(1) Contributions:			
From town	\$ 6,000,000		
From participants	1,318,539		
Other	<u>0</u>		\$ 7,318,539
(2) Interest and Dividends			497,108
(3) Realized Gains/(Losses)			1,049,706
(4) Unrealized Gains/(Losses)			1,745,656
(5) Other income			30,408
(6) Disbursements:			
Benefit payments	\$ 9,021,629		
Legal expenses	98,061		
Investment expenses	57,473		
Administrative/Other expenses	<u>100,703</u>		9,277,866
(7) Net income (loss) = (1) + (2) + (3) + (4) + (5) - (6)			\$ 1,363,551

B. Reconciliation of market value of assets:

(1) Market value of assets as of 06/30/2013		\$ 26,565,271
(2) Net income (loss) from A(7)		1,363,551
(3) Market value of assets as of 06/30/2014 = (1) + (2)		\$ 27,928,822

Section 1 – Continued

1.2 Summary of Assets

(1) Cash and Cash Equivalents				\$ 3,311,719
(2) General investments:				
Equities	\$ 15,342,982	(55%)		
Fixed Income	9,267,913	(33%)		
Government Securities	<u>0</u>	(0%)		
				24,610,895
(3) Receivables:				
Employer contributions	\$ 0			
Income	<u>6,208</u>			6,208
(4) Prepaid Expenses				0
(5) Liabilities:				
Due to Other Funds	\$ 0			
Internal Balances	0			
Accounts Payable & Accrued Expenses	<u>0</u>			0
(6) Total assets = (1) + (2) + (3) + (4) – (5)				\$ 27,928,822

1.3 Actuarial Value of Assets

The market value of plan assets has been adjusted for valuation purposes to smooth the effects of appreciation and/or depreciation in assets over a 5-year period. Determination of the actuarial value of plan assets is detailed below.

(1) Fair market value of assets as of 06/30/2014					\$27,928,822
(2) Five-year smoothing of gains/(losses):					
2013-2014	\$ 1,136,957	x 80%	=	\$ 909,566	
2012-2013	\$ 540,200	x 60%	=	\$ 324,120	
2011-2012	\$ (3,145,011)	x 40%	=	\$(1,258,004)	
2010-2011	\$ 3,581,676	x 20%	=	\$ 716,335	\$ 692,017
(3) Actuarial value of assets = (1) – (2)					\$ 27,236,805

Section 1 – Continued

1.4 Average Rates of Return

Average rates of investment return have been determined using the formula

Two times (I) divided by (A + B – I), where

I is the dollar amount of earnings (including unrealized appreciation or depreciation of plan assets) for the plan year;

A is the value of assets at the beginning of the plan year; and

B is the value of assets at the end of the plan year

Under this formula, all transactions are assumed to occur in the middle of the year, therefore, rates of return determined in this manner are estimates and should be used only for comparison with actuarial assumptions.

Plan Year Ending	06/30/14	06/30/13	06/30/12
Based on average market value:			
Earnings after expenses	11.96%	10.17%	-2.43%
Based on actuarial value:			
Earnings after expenses	9.84%	1.97%	-0.44%

Section 2 – Contribution Alternatives – All Divisions

2.1 Annual Required Contribution

The contribution required under GASB #27 is shown for the current and prior plan years.

Fiscal Year Ending	06/30/15	06/30/14	06/30/13
(1) Employer normal cost	\$ 701,099	\$ 1,622,075	\$ 1,247,152
(2) Net amortization payment (Exhibit 1)	7,114,937	8,333,803	7,667,199
(3) Interest at valuation rate on (1) + (2)	287,803	366,596	349,714
(4) Annual required contribution (1) + (2) + (3)	\$ 8,103,839	\$10,322,474	\$ 9,264,065

2.2 Actuarial Recommended Funding Contribution

Plan Year Ending	06/30/15	06/30/14	06/30/13
(1) Employer normal cost	\$ 701,099	NA	NA
(2) Net amortization payment (Exhibit 1)	7,114,937	NA	NA
(3) Interest at valuation rate on (1) + (2)	287,803	NA	NA
(4) Actuarial recommended funding contribution (1) + (2) + (3)	\$ 8,103,839	NA	NA

Section 2 – Continued

2.3 Annual Required Contribution/Actuarial Recommended Funding Contribution – By Division

Plan Year Ending: June 30, 2015

	<u>Library</u>	<u>Waste Water</u>	<u>School</u>	<u>Municipal</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
(1) Total Normal Cost	47,110	112,487	424,959	318,185	725,188	630,837	2,258,766
(2) Expected Employee Contributions	<u>25,162</u>	<u>96,580</u>	<u>346,499</u>	<u>292,313</u>	<u>460,379</u>	<u>336,734</u>	<u>1,557,667</u>
(3) Employer Normal Cost (1) – (2)	21,948	15,907	78,460	25,872	264,809	294,103	701,099
(4) Net Amortization Payment	139,158	356,963	1,127,967	1,547,101	1,983,236	1,960,512	7,114,937
(5) Interest at Valuation rate on (3) + (4)	<u>5,932</u>	<u>13,730</u>	<u>44,423</u>	<u>57,920</u>	<u>82,778</u>	<u>83,020</u>	<u>287,803</u>
(6) Annual required contribution / Actuarial recommended funding contribution (3) + (4) + (5)	167,038	386,600	1,250,850	1,630,893	2,330,823	2,337,635	8,103,839

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 Benefits Deferred	Receiving Benefits	Total
Participants at 06/30/13	297	33	332	662
Retired	(7)	0	7	0
Rehires	6*	(5)	0	1
Deaths without survivor	0	0	(1)	(1)
Deaths with survivor benefits	(1)	0	(2)	(3)
Disabled	(1)	0	1	0
Beneficiary added	0	0	3	3
Vested terminations	(8)	8	0	0
Add alternate payees	0	0	1†	1
Benefits paid in full	(4)	(3)	0	(7)
Data corrections	0	0	0	0
New participants during the plan year	17	0	0	17
Participants as of 06/30/14	299	33	341	673

* Includes one participant who had received a return of employee contributions after their first period of service.

† Correction for Alternate Payee previously excluded from data

Section 3 – Continued

3.1 Plan Participants – Continued

	Library	Waste Water	School	Municipal	Fire	Police	Totals
Actives							
Eligible for normal retirement benefits	1	0	5	1	5	10	22
Non-vested benefits	7	11	45	38	31	19	151
Not yet eligible for retirement benefits	0	10	40	23	33	20	126
Total	8	21	90	62	69	49	299
Receiving							
Currently receiving benefits	7	21	79	92	72	70	341
Terminated Vested							
Entitled to deferred benefit	3	2	22	5	0	1	33
Totals	18	44	191	159	141	120	673

Section 3 – Continued**3.2 Information about Participants****Active Participants**

Number accruing benefits	299
Average age for valuation	45.2
Average years of employment	11.9
Average pay	\$ 47,503

Inactive Participants with Deferred Retirement Benefits

Number of former participants with deferred retirement benefits	10
Average age for valuation	56.1
Total deferred monthly benefits	\$ 11,709
Average deferred monthly benefit	\$ 1,171

Inactive Participants Due Return of Contributions

Number of former participants due return of contributions	23
Average age for valuation	42.1
Total employee contributions (without interest)	\$ 227,262
Average employee contribution amount (without interest)	\$ 9,881

Retired Participants and Beneficiaries

Number of retired pensioners	237
Number of disabled pensioners	56
Number of beneficiaries	45
Number of alternate payees	3
Total monthly benefits	\$ 746,500
Average monthly benefit	\$ 2,189

Section 3 – Continued**3.3 Summary of Plan Provisions****Name of plan**

Pension Plan of Town of West Warwick

Effective date

Police and Fire April 1, 1957

School March 1, 1970

Others July 1, 1969

Participation

Employees are eligible to participate in the Plan upon date of hire.

Normal retirement benefit

Fire A benefit equal to 2.2% of Average Annual Compensation multiplied by credited service up to 25 years, plus 3.0% of Average Annual Compensation for up to 5 additional years with a maximum benefit of 70% of Average Annual Compensation

Police with 20 years of service as of 6/30/2014 A benefit equal to 2.5% of Average Annual Compensation multiplied by credited service up to 28 years.

Other Police A benefit equal to 2.5% of Average Annual Compensation multiplied by credited service up to 20 years, plus 1.0% of Average Annual Compensation for the next 5 years of service, plus 2.5% of Average Annual Compensation for the next 6 years of service. The maximum benefit of 70% of Average Annual Compensation is attained at 31 years of service.

Library A benefit equal to 2.5% of Average Annual Compensation multiplied by credited service.

Municipal Union, Waste Water, School (Council 94), Municipal Non-Union A benefit equal to 2.5% of Average Annual Compensation multiplied by credited service for each year of service prior to 7/1/2014. Members earn 2.4% of Average Annual Compensation for each year of service after 7/1/2014.

Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Normal retirement date

Fire hired before 7/1/14	Regular fire employees hired before 7/1/14 may retire upon the earlier of attainment of age 62 or age 50 with 25 years of service. Four members named in the CBA may retire upon the earlier of attainment of age 62.5 or the completion of 20 years of service regardless of age.
Fire hired after 7/1/14	Regular fire employees hired after 7/1/14 may retire upon the earlier of attainment of age 62 or age 55 with 25 years of service.
Civilian Fire	Civilian fire employees may retire at attainment of age 60 with 10 years of service.
Police hired before 7/1/14	Police employees hired before 7/1/14 may retire at the earlier of age 62 or the completion of 20 years of service regardless of age.
Police hired on or after 7/1/14	Police employees hired on or after 7/1/11 may retire at the earlier of age 62 or the attainment of age 50 and completion of 20 years of service.
Library	Participants may retire upon the attainment of age 60 and completion of 10 years of service or the completion of 25 years of service regardless of age.
Municipal Non-Union	Participants may retire upon the attainment of age 55 and completion of 10 years of service.
Municipal Union, Waste Water, School (Council 94)	
Hired before 7/1/14	Participants hired before 7/1/14 may retire upon the attainment of age 62 and completion of 12 years of service or the completion of 25 years of service regardless of age.
Hired on or after 7/1/14	Participants hired on or after 7/1/14 may retire upon the attainment of age 62 and completion of 12 years of service or the attainment of age 55 and completion of 25 years of service.

Early Retirement Date

Police and Fire	Age 50 and 10 years of service.
Others	Department head after age 50 and 10 years of service.

Annual Compensation

Police	Basic earnings, longevity pay (excluding overtime and other extra payments), wellness stipend, and 105 hours of holiday pay.
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Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Fire	Basic earnings, longevity pay (excluding overtime and other extra payments), all holiday pay, and EMT pay.
Others	Basic earnings and longevity pay (excluding overtime and other extra payments).

Average Annual Compensation

Police, Library	Average of Annual Compensation over the last 12 months of employment.
Fire	Average of highest three consecutive Annual Compensation amounts.
Municipal Non-Union	Average of final three Annual Compensation amounts.
Municipal Union, Waste Water, School (Council 94)	Average of final ten Annual Compensation amounts.

Continuous Service

Number of years and completed months of uninterrupted service.

Preretirement death benefit

A lump sum equal to \$400 times years of service, with a minimum of \$2,000 and a maximum of \$8,000 is payable to the employee’s beneficiary. If a survivor’s pension is not payable, an additional amount equal to employee contributions with credited interest is payable to the employee’s beneficiary.

If the employee dies after 10 years of service and while married, his spouse will receive a monthly pension equal to the amount which would be payable if he had retired with a 50% joint & survivor annuity.

Postretirement death benefit

A lump sum is payable to the participant’s beneficiary in an amount equal to the greater of: A) \$400 times years of service, with a maximum of \$8,000, reducing by 25% per year following retirement, to a minimum of \$2,000 or B) the excess of the employee’s contributions plus credited interest to the retirement date over any benefits already paid.

In addition, a spouse’s pension equal to 67.50% of the participant’s pension is payable until the earlier of the spouse’s death or remarriage, or to surviving dependent children under age 18.

Disability Retirement

Occupational Disability	Benefit amount is equal to 2/3 of Annual Compensation at disability payable for life.
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Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Fire – Occurs Before 25 Years of Service

Payments receive no annual increases. Upon the 25th anniversary since date of hire, benefit is adjusted to 55% of present pay received by active employees in the position held at time of disability retirement. After 7 years of COLA suspension commencing at the 25th anniversary since date of hire, the 2.25% simple COLA applies for 15 years.

Fire – Occurs After 25 Years of Service

After 7 years of COLA suspension commencing at date of disability, the 2.25% simple COLA applies for 15 years.

Police

Payments are increased annually by the percentage increase in pay of an active employee in the position held at time of disability retirement. If the member is not fully disabled at normal retirement age, the benefit is adjusted to the member’s accrued benefit under the normal retirement benefit formula. The standard retirement COLA will apply to this portion of the benefit, with no 7-year delay.

Others

After 5 years of COLA suspension commencing at date of disability, the 2.00% compounded COLA applies for 15 years.

Non-Occupational Disability

Eligible after completing 7 years of continuous service and prior to reaching early or normal retirement date for Police and Fire.

Fire – Prior to 10 Years of Service

25% of Annual Compensation

Fire – After 10 Years of Service

25% of Annual Compensation, plus 2.2% for each year between 10 and 25, plus 3.0% for each year between 25 and 30 years; accruals cease at 30 years.

Police

Benefit amount is equal to the accrued normal retirement benefit with a minimum of 50% of Average Annual Compensation.

Others

Benefit amount is equal to the accrued normal retirement benefit.

Partial Disability - Others

Benefit amount is equal to 2% of Annual Compensation times years of service.

Employee Contributions

Police

11.0% of Annual Compensation. Contributions increase to 12.0% on 7/1/2015.

Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Fire	12.0% of Annual Compensation. Contributions increase to 13.0% on 7/1/2015.
Library	9.0% of Annual Compensation
Others	11.0% of Annual Compensation

Cost of living adjustments

Police*	2.00% compounded for 10 years effective July 1, 1991 2.25% compounded for 15 years effective July 1, 2000 Suspended 7 years from retirement, followed by 2.25% compounded for 15 years.
Fire*	2.00% compounded for 10 years effective July 1, 1991 2.25% compounded for 15 years effective July 1, 2002 Suspended until the earlier of 7 years from retirement or age 62.5 for regular members (age 67 for civilian members), followed by 2.25% simple COLA for 15 years.
Library*	2.00% compounded for 5 years effective July 1, 1999 2.25% compounded for 15 years effective July 1, 2002
Others*	2.00% compounded for 5 years effective July 1, 1999 2.25% compounded for 15 years effective July 1, 2002 Suspended 5 years from retirement, followed by 2.00% compounded for 15 years.

*For retirees and deferred vested participants as of July 1, 2014, the COLA has been suspended for 5 years from July 1, 2014 through and including June 30, 2019. After the suspension, the COLA resumes for members who have remaining COLA increases. For example, if the member only received 2 years of COLA increases prior to the suspension, he or she would begin to receive COLA increases for years 3 through 15 when the COLA resumes on July 1, 2019.

Vesting

Upon termination after 10 years of service, Member may choose between a refund of contributions with interest or a monthly pension at normal retirement date.

Upon termination prior to 10 years of service, Member contributions are returned with interest accumulated at 4.0% per year.

Section 3 – Continued

3.3 Summary of Plan Provisions – Continued

Normal form of payment

The normal form of benefit is a monthly benefit payable for the participant's lifetime with 67.5% of such benefit continued to a surviving contingent annuitant following the participant's death with guaranteed return of employee contributions accumulated at 4.0% interest to retirement.

Section 3 – Continued

3.4 Actuarial Assumptions

Actuarial assumptions concerning future events are described below. Please see *Highlights* section for comments regarding changes in assumptions since the last valuation.

Retirement age

Police – Hired Prior to 7/1/14	25% at 20 years of service; 50% at 25 years of service; 100% at age 62; 5% at all other age/service combinations.
Police – Hired On or After 7/1/14	25% at first eligibility for unreduced retirement if less than 25 years of service; 50% at first eligibility for unreduced retirement at 25 or more years of service; 100% at age 62; 5% at all other age/service combinations.
4 Grandfathered Fire Members	25% at 20 years of service; 50% at 25 years of service; 100% at age 62; 5% at all other age/service combinations.
Other Fire Members	50% at first eligibility for unreduced retirement; 5% at ages 50-54; 30% at ages 55 and 60 if ineligible for unreduced retirement; 50% at ages 55 and 60 if eligible for unreduced retirement; 100% at age 62; 10% at all other age/service combinations.
Civilian Fire Members	5% at all ages <60; 50% at ages 60 and 62; 10% at ages 61, 63, 64; 100% at age 65
Others	

<u>Age</u>	<u>Rate</u>
0 - 55	2%
56 - 59	4%
60	25%
61	10%
62 - 64	30%
65 - 66	25%
67 - 69	50%
70	100%

Displayed rates above apply only to extent member is retirement eligible.

**Mortality of healthy lives
Police and Fire**

RP-2000 Combined Blue Collar Mortality Table with generational projection per Scale AA.

**Others and Beneficiaries
of All Participants**

RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA.

Section 3 – Continued

3.4 Actuarial Assumptions – Continued

**Mortality of disabled lives
All Participants**

RP-2000 Disabled Mortality Table with generational projection per Scale AA.

Disablement

Police and Fire*

3 times the 1985 Pension Disability Table.

Others

1985 Pension Disability Table through age 54.

<u>Age</u>	<u>Police and Fire</u>	<u>Others</u>
25	0.28%	0.09%
30	0.44%	0.15%
35	0.66%	0.22%
40	0.99%	0.33%
45	1.53%	0.51%
50	2.51%	0.84%
55	4.49%	0.00%
60	6.32%	0.00%

*50% of Police members who become disabled prior to retirement age are assumed to remain disabled at retirement age.

Withdrawal

Police and Fire

None

Others

Crocker-Sarason T-3

<u>Age</u>	<u>T-3</u>
25	5.27%
30	4.83%
35	4.47%
40	3.84%
45	3.21%
50	1.52%
55	0.33%
60	0.00%

Future salary increases

2.0% compounded annually for the next four years; 3.50% compounded annually thereafter

Valuation interest rate

7.5%

Eligible spouse

80% of participants assumed to be married with female spouse 3 years younger than husbands

COLA - Active Police Disability

90% of assumed active base salary increase rate (0.00% next 4 years; 3.15% compounded thereafter)

Section 3 – Continued**3.5 Valuation Procedures****Funding method****Actuarial Recommended Funding Contribution and Annual Required Contribution – Entry Age Normal Cost Method**

The actuarial cost method used in determining the Recommended and Annual Required contributions is the entry age normal cost method.

In determining both the Actuarial Recommended Funding Contribution and Annual Required Contribution, the excess of the entry age actuarial accrued liability over the actuarial value of plan assets is amortized over a closed 25 year period as a level % of pay. For this purpose, pay is assumed to grow at 3.5% annually.

Asset valuation method

The actuarial value of assets is equal to the fair market value of assets on the valuation date adjusted for a 5 year phase in of gains and losses on fair market value of assets.

Other procedures

Benefits projected to assumed retirement age for active participants have been limited so as not to exceed maximum benefit limits imposed by Code Section 415(b) and/or maximum compensation limits of Code Section 401(a)(17).

Exhibit 1 – Unfunded Actuarial Liability

A. Unfunded Entry-Age Actuarial Accrued Liability

(1)	Active participants	\$ 37,918,853
(2)	Inactive participants with deferred benefits	1,631,375
(3)	Participants/beneficiaries receiving benefits	104,800,771
(4)	Total entry-age actuarial accrued liability (1) + (2) + (3)	144,350,999
(5)	Actuarial value of assets as of 07/01/14	27,236,805
(6)	Unfunded actuarial liability as of 07/01/14 = (4) – (5), not less than zero	\$ 117,114,194

B. Annual Required Contribution and Actuarial Recommended Funding Contribution Amortization Schedule

	First Payment	Remaining Amortization Period (Years)	Outstanding Balance	Annual‡ Payment
Charges:	07/01/2014	25	\$ 117,114,194	\$7,114,937
		Total	\$ 117,114,194	\$7,114,937

‡ Based on a closed period 25 year amortization as a level % of pay.

Pension Plan of Town of West Warwick

Appendix A

Governmental Accounting Standards Board

Financial Reporting for Statement No. 25/27

As Amended by Statement No. 50

Pension Plan of Town of West Warwick

Statement of Plan Net Assets as of June 30,

	2014	2013
Assets		
Cash and Cash Equivalents	\$ 3,311,719	\$ 1,116,633
Investments		
Equities	\$ 15,342,982	\$ 14,775,594
Fixed Income	9,267,913	7,139,839
Government Securities	<u>0</u>	<u>3,493,538</u>
Total Investments	\$ 24,610,895	\$ 25,408,971
Receivables	\$ 6,208	\$ 39,667
Prepaid Expenses	\$ 0	\$ 0
Liabilities		
Due to Other Funds	\$ 0	\$ 0
Internal Balances	\$ 0	\$ 0
Accounts Payable and Accrued Expenses	\$ 0	\$ 0
Net assets held in trust for pension benefits	\$ 27,928,822	\$ 26,565,271

Pension Plan of Town of West Warwick

Statement of Changes in Plan Net Assets for the years ended June 30,

	2014	2013
Additions		
Contributions		
Employer	\$ 6,000,000	\$ 5,301,352
Employee	1,318,539	1,299,046
Other	<u>0</u>	<u>0</u>
Total contributions	\$ 7,318,539	\$ 6,600,398
Investment income		
Interest and dividends	\$ 497,108	\$ 719,322
Net appreciation/depreciation in fair value of investments	<u>2,825,770</u>	<u>2,055,354</u>
Net investment income	\$ 3,322,878	\$ 2,774,676
Total additions	\$ 10,641,417	\$ 9,375,074
Deductions		
Benefits	\$ 9,021,629	\$ 9,126,043
Administrative and Other Expenses	<u>256,237</u>	<u>211,351</u>
Total deductions	\$ 9,277,866	\$ 9,337,394
Net increase	\$ 1,363,551	\$ 37,680
Net assets held in trust for benefits		
Beginning of year	<u>\$ 26,565,271</u>	<u>\$ 26,527,591</u>
End of year	\$ 27,928,822	\$ 26,565,271

Pension Plan of Town of West Warwick

Required Pension Disclosure Under GASB #27

Schedule of Funding Progress

Valuation Date	Valuation Assets	Accrued Liability*	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as % of Payroll
07/01/99	\$ 43,809,218	\$ 45,438,520	\$ 1,629,302	96.4%	\$ 8,998,303	18.1%
07/01/00	\$ 47,719,865	\$ 53,282,256	\$ 5,562,391	89.6%	\$ 10,613,594	52.4%
07/01/01	\$ 43,461,393	\$ 56,428,256	\$ 12,966,863	77.0%	\$ 10,782,972	120.3%
07/01/02	\$ 40,507,658	\$ 63,983,831	\$ 23,476,173	63.3%	\$ 11,698,142	200.7%
07/01/03	\$ 39,809,352	\$ 70,391,979	\$ 30,582,627	56.6%	\$ 13,344,655	229.2%
07/01/04	\$ 40,173,416	\$ 77,478,434	\$ 37,305,018	51.9%	\$ 14,354,371	260.0%
07/01/05	\$ 40,301,196	\$ 84,051,416	\$ 43,750,220	48.0%	\$ 14,781,683	296.0%
07/01/06	\$ 41,254,601	\$ 91,322,808	\$ 50,068,207	45.2%	\$ 15,720,077	318.5%
07/01/07	\$ 43,413,194	\$100,619,756	\$ 57,206,562	43.2%	\$ 16,862,318	339.3%
07/01/08	\$ 44,536,601	\$112,769,635	\$ 68,233,034	39.5%	\$ 17,047,080	400.3%
07/01/09	\$ 35,588,039	\$119,658,016	\$ 84,069,977	29.7%	\$ 16,891,909	497.7%
07/01/10	\$ 35,007,723	\$133,014,168	\$ 98,006,445	26.3%	\$ 16,303,378	601.1%
07/01/11	\$ 34,278,146	\$144,368,994	\$ 110,090,848	23.7%	\$ 15,164,989	726.0%
07/01/12	\$ 28,421,048	\$143,760,373	\$ 115,339,325	19.8%	\$ 14,855,258	776.4%
07/01/13	\$ 26,428,505	\$154,588,604	\$ 128,160,099	17.1%	\$ 13,956,326	918.3%
07/01/14	\$ 27,236,805	\$144,350,999	\$ 117,114,194	18.9%	\$ 14,203,313	824.6%

*The actuarial funding method prior to July 1, 2000 was the Frozen Entry Age Normal cost method. As of July 1, 2000, the funding method changed from a Frozen Entry Age Normal cost method to the Entry Age Normal cost method as defined in Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 25 year closed period as a level % of pay.

Pension Plan of Town of West Warwick

Required Pension Disclosure Under GASB #27

Schedule of Contributions from the Employer and Other Contributing Entities

Fiscal Year Ending	Annual Required Contribution*	Employer Funding Contributions	Percentage Contributed	Net Pension Obligation
06/30/03	\$ 1,552,933	\$ 497,950	32.1%	\$ 12,223,506
06/30/04	\$ 2,066,960	\$ 500,000	24.2%	\$ 13,483,989
06/30/05	\$ 2,617,422	\$ 500,000	19.1%	\$ 15,317,920
06/30/06	\$ 3,100,394	\$ 1,470,276	47.4%	\$ 17,315,472
06/30/07	\$ 3,553,780	\$ 2,051,206	57.7%	\$ 19,256,290
06/30/08	\$ 4,082,436	\$ 2,279,340	55.8%	\$ 21,458,620
06/30/09	\$ 4,676,096	\$ 1,000,000	31.5%	\$ 25,540,416
06/30/10	\$ 5,799,056	\$ 2,500,000	43.1%	\$ 29,247,260
06/30/11	\$ 6,912,110	\$ 1,289,098	18.6%	\$ 35,273,050
06/30/12	\$ 8,708,689	\$ 1,100,592	12.6%	\$ 43,279,369
06/30/13	\$ 9,264,065	\$ 5,301,352	57.2%	\$ 47,950,972
06/30/14	\$10,322,474	\$ 6,000,000	58.1%	\$ 52,956,645
06/30/15	\$ 8,103,839	NA	NA	\$ NA

*The actuarial funding method prior to July 1, 2000 was the Frozen Entry Age Normal cost method. As of July 1, 2000, the funding method changed from a Frozen Entry Age Normal cost method to the Entry Age Normal cost method as defined in Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 25 year closed period as a level % of pay.

Pension Plan of Town of West Warwick

Required Pension Disclosure Under GASB #27

Trend Information

Fiscal Year Ending	Annual Pension Cost*	Employer Funding Contributions	Percentage Contributed	Net Pension Obligation
06/30/03	\$ 1,238,939	\$ 497,950	40.2%	\$ 12,223,506
06/30/04	\$ 1,760,483	\$ 500,000	28.4%	\$ 13,483,989
06/30/05	\$ 2,333,931	\$ 500,000	21.4%	\$ 15,317,920
06/30/06	\$ 3,467,828	\$ 1,470,276	42.4%	\$ 17,315,472
06/30/07	\$ 3,942,024	\$ 2,001,206	50.8%	\$ 19,256,290
06/30/08	\$ 4,481,670	\$ 2,279,340	50.9%	\$ 21,458,620
06/30/09	\$ 5,081,796	\$ 1,000,000	19.7%	\$ 25,540,416
06/30/10	\$ 6,206,844	\$ 2,500,000	40.3%	\$ 29,247,260
06/30/11	\$ 7,314,888	\$ 1,289,098	17.6%	\$ 35,273,050
06/30/12	\$ 9,106,911	\$ 1,100,592	12.1%	\$ 43,279,369
06/30/13	\$ 9,972,955	\$ 5,301,352	53.2%	\$ 47,950,972
06/30/14	\$11,005,673	\$ 6,000,000	54.5%	\$ 52,956,645

*The actuarial funding method prior to July 1, 2000 was the Frozen Entry Age Normal cost method. As of July 1, 2000, the funding method changed from a Frozen Entry Age Normal cost method to the Entry Age Normal cost method as defined in Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 25 year closed period as a level % of pay.

Pension Plan of Town of West Warwick

Required Pension Disclosure Under GASB #27

Annual Pension Cost and Net Pension Obligation

	Year Ending 06/30/2008	Year Ending 06/30/2009	Year Ending 06/30/2010	Year Ending 06/30/2011	Year Ending 06/30/2012	Year Ending 06/30/2013	Year Ending 06/30/2014
Annual Required Contribution (ARC)	\$ 4,082,436	\$ 4,676,096	\$ 5,799,056	\$ 6,912,110	\$8,708,689	\$ 9,264,065	\$ 10,322,474
Interest on Net Pension Obligation (NPO)	1,636,785	1,823,983	2,107,084	2,412,899	2,821,844	3,462,350	3,596,323
Adjustment to ARC	<u>1,237,551</u>	<u>1,418,283</u>	<u>1,699,296</u>	<u>2,010,121</u>	<u>(2,423,622)</u>	<u>2,753,460</u>	<u>2,913,124</u>
Annual Pension Cost	\$ 4,481,670	\$ 5,081,796	\$ 6,206,844	\$ 7,314,888	\$ 9,106,911	\$ 9,972,955	\$ 11,005,673
Actual Contributions	<u>2,279,340</u>	<u>1,000,000</u>	<u>2,500,000</u>	<u>1,289,098</u>	<u>1,100,592</u>	<u>5,301,352</u>	<u>6,000,000</u>
Increase/decrease in NPO	\$ 2,202,330	\$ 4,081,796	\$ 3,706,844	\$ 6,025,790	\$ 8,006,319	\$ 4,671,603	\$ 5,005,673
NPO Beginning of Year	<u>19,256,290</u>	<u>21,458,620</u>	<u>25,540,416</u>	<u>29,247,260</u>	<u>35,273,050</u>	<u>43,279,369</u>	<u>47,950,972</u>
NPO End of Year	\$21,458,620	\$25,540,416	\$29,247,260	\$35,273,050	\$43,279,369	\$47,950,972	\$ 52,956,645
Interest Rate	8.25%	8.25%	8.25%	8.00%	8.00%	8.00%	7.50%
Amortization Years	24	23	22	25	25	25	25
Rate of Payment Increase						3.50%	3.50%