



GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2017

Town of Westerly Police

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December 14, 2017

**Derrick Kennedy
Town of Westerly Police
23 Highland Avenue
Westerly, RI 02891**

This report summarizes the GASB actuarial valuation for the Town of Westerly Police 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.

Randy Gomez, FSA, MAAA
Consulting Actuary

Evi Laksana, ASA, MAAA
Valuation Actuary

DRAFT

Executive Summary

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

Summary of Results

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

		As of June 30, 2017
Total OPEB Liability	\$	30,748,509
Plan Fiduciary Net Position	\$	(2,800,049)
Net OPEB Liability	\$	27,948,460
Funded Ratio		9.1%

		FY 2016/17
OPEB Expense	\$	(9,428,983)
Annual Employer Contribution	\$	400,000

		As of June 30, 2017
Discount Rate		3.60%
Expected Return on Assets		7.25%

		As of June 30, 2017
Total Active Participants		49
Total Retiree Participants		44

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 Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2017

Below is a breakdown of total GASB 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 Plan Sponsor's GASB subsidies.

Present Value of Future Benefits		As of June 30, 2017
Active Employees	\$	9,420,697
Retired Employees		25,702,960
Total Present Value of Future Benefits	\$	35,123,657

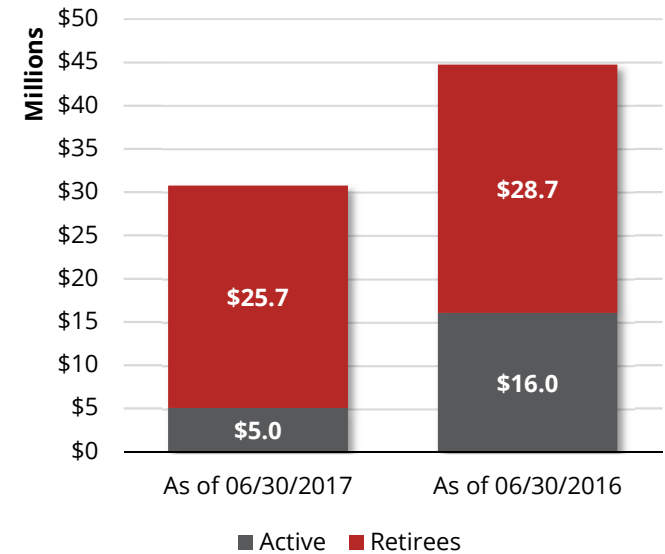
Total OPEB Liability		As of June 30, 2017
Active Pre-Medicare	\$	4,433,154
Active Post-Medicare		612,395
Active Liability	\$	5,045,549

Retiree Pre-Medicare	\$	7,158,476
Retiree Post-Medicare		18,544,484
Retiree Liability	\$	25,702,960

Total OPEB Liability	\$	30,748,509
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		As of June 30, 2017
Discount Rate		3.60%

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 Westerly Police 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	\$ 44,714,347
Service cost	1,254,229
Interest	1,331,128
Changes of benefit terms	(11,013,747)
Changes in assumptions	383,434
Differences between expected and actual experience	(5,228,968)
Benefit payments	(691,914)
Net change in total OPEB liability	\$ (13,965,838)
Total OPEB liability – end of year	\$ 30,748,509
Plan Fiduciary Net Position	
Plan fiduciary net position – beginning of year	\$ 2,842,937
Contributions – employer	400,000
Contributions – active employees	0
Net investment income	271,666
Benefit payments	(691,914)
Trust administrative expenses	(22,640)
Net change in plan fiduciary net position	\$ (42,888)
Plan fiduciary net position – end of year	\$ 2,800,049
Net OPEB Liability – end of year	\$ 27,948,460
Plan fiduciary net position as % of total OPEB liability	9.1%
Covered employee payroll	\$ 3,668,707
Net OPEB liability as % of covered payroll	761.8%

GASB Disclosures

Town of Westerly Police 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)	\$ 1,912,794 ¹	\$ 2,784,810	\$ 936,800	\$ 966,300	\$ 922,800
Contributions in relation to the ADC	(400,000) ²	(386,000)	(429,600)	(429,600)	(467,920)
Contribution deficiency / (excess)	\$ 1,512,794	\$ 2,398,810	\$ 507,200	\$ 536,700	\$ 454,880
Covered employee payroll	\$ 3,668,707	\$ 3,406,417	\$ 3,307,201	\$ 3,384,654	\$ 3,039,511
Contribution as a % of covered employee payroll	10.9%	11.3%	13.0%	12.7%	15.4%

	FY 2011/12	FY 2010/11	FY 2009/10	FY 2008/09
Actuarially Determined Contribution (ADC)	\$ 907,530	\$ 464,700	\$ 459,200	\$ 433,200
Contributions in relation to the ADC	(685,328)	(425,000)	(425,000)	(366,250)
Contribution deficiency / (excess)	\$ 222,202	\$ 39,700	\$ 34,200	\$ 66,950
Covered employee payroll	\$ 2,847,036	\$ 2,838,895	\$ 2,854,292	\$ 2,976,831
Contribution as a % of covered employee payroll	24.1%	15.0%	14.9%	12.3%

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

² Actual pay-go cost for FY 2016/17.

GASB Disclosures

Town of Westerly Police 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	3.00%
Discount rate as of end of fiscal year	3.60%
Service cost	\$ 1,254,229
Interest	1,331,128
Changes of benefit terms	(11,013,747)
Projected earnings on OPEB plan investments	(201,638)
Reduction for contributions from active employees	0
OPEB plan administrative expenses	22,640
Current period recognition of deferred outflows / (inflows) of resources	
Differences between expected and actual experience	\$ (871,495)
Changes in assumptions	63,906
Net difference between projected and actual earnings on OPEB plan investments	(14,006)
Total current period recognition	\$ (821,595)
Total OPEB expense	\$ (9,428,983)

GASB Disclosures

Town of Westerly Police 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 of the expected remaining service lives of all employees (active and inactive) 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	\$ (5,228,968)	6	\$ (871,495)	\$ (4,357,473)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2017
June 30, 2017	\$ 383,434	6	\$ 63,906	\$ 319,528

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	\$ (70,028)	5	\$ (14,006)	\$ (56,022)

As of fiscal year ending June 30, 2017	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 0	\$ (4,357,473)
Changes in assumptions	319,528	0
Net difference between projected and actual earnings in OPEB plan investments	0	(56,022)
Total	\$ 319,528	\$ (4,413,495)

GASB Disclosures

Town of Westerly Police 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	\$ (821,595)
2019	\$ (821,595)
2020	\$ (821,595)
2021	\$ (821,593)
2022	\$ (807,589)
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 3.6%.
- The 1% decrease in discount rate would be 2.6%.
- The 1% increase in discount rate would be 4.6%.

As of June 30, 2017	Net OPEB Liability
1% Decrease	\$ 33,721,660
Current Discount Rate	\$ 27,948,460
1% Increase	\$ 23,463,432

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	\$ 23,602,992
Current Health Care Trend Rates	\$ 27,948,460
1% Increase	\$ 33,439,831

Asset Information

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

Asset Breakdown	FY 2016/17
Assets	
Cash and cash equivalents	\$ 100,267
Securities lending cash collateral	0
Total cash	\$ 100,267
Receivables	
Contributions	\$ 0
Accrued interest	0
Total receivables	\$ 0
Investments	
Fixed income	\$ 1,099,617
Equities	1,118,939
Mutual Funds	481,226
Other	0
Total investments	\$ 2,699,782
Total assets	\$ 2,800,049
Liabilities	
Payables	
Investment management fees	\$ 0
Securities lending expense	0
Total liabilities	\$ 0
Net position restricted to OPEB	\$ 2,800,049

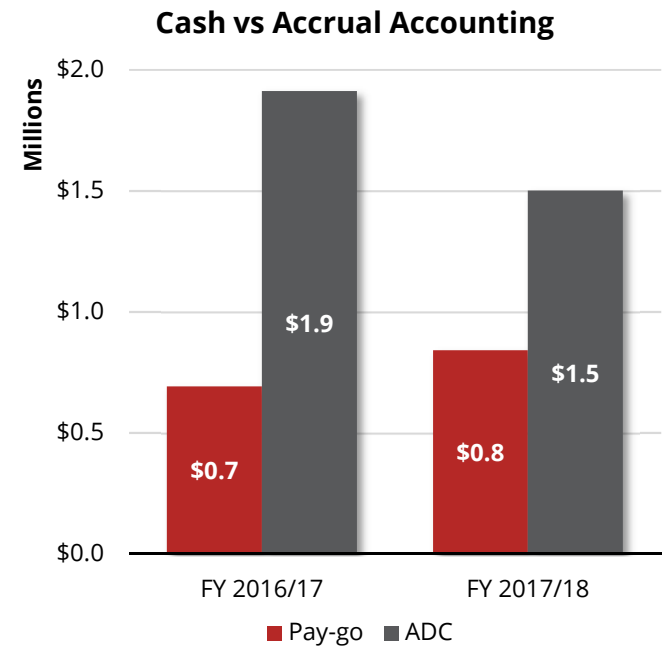
Reconciliation of Asset	FY 2016/17
Additions	
Contributions received	
Employer	\$ 400,000
Employee	0
Total contributions	\$ 400,000
Investment income	
Net increase in fair value of investments	\$ 0
Interests and dividends	271,666
Investment expense, other than from securities lending	0
Securities lending income	0
Securities lending expense	0
Net investment income	\$ 271,666
Total additions	\$ 671,666
Deductions	
Benefit payments	\$ (691,914)
Administrative expenses	(22,640)
Other	0
Total deductions	\$ (714,554)
Net increase in net position	\$ (42,888)
Net position restricted to OPEB	
Beginning of year	2,842,937
End of year	\$ 2,800,049

Actuarially Determined Contributions

Town of Westerly Police 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 ³	FY 2017/18
Discount rate	7.50%	7.25%
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	28 years	27 years
Actuarial accrued liability (AAL) – beginning of year	\$ 20,944,011	\$ 18,332,795
Actuarial value of assets – beginning of year	(2,998,870)	(2,831,124)
Unfunded AAL – beginning of year	\$ 17,945,141	\$ 15,501,671
Normal Cost	\$ 336,968	\$ 165,170
Amortization of UAAL	1,442,375	1,234,424
Total normal cost plus amortization	\$ 1,779,343	\$ 1,399,594
Interest to the end of year	133,451	101,471
Actuarially Determined Contribution – Preliminary	\$ 1,912,794	\$ 1,501,065
Expected benefit payments	691,914	840,955
Actuarially Determined Contribution – Final⁴	\$ 1,912,794	\$ 1,501,065



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.

³ Based on the fiscal year ending June 30, 2016 interim valuation.

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

Projection of GASB Disclosures

Town of Westerly Police 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	\$ 44,714,347	\$ 30,748,509
Normal cost as of beginning of year	1,217,698	341,151
Exp. benefit payments during the year ⁸	(691,914)	(840,955)
Interest adjustment to end of year	1,367,659	1,104,224
Exp. TOL as of end of year	\$ 46,607,790	\$ 31,352,929
Actuarial Loss/(Gain)	(15,859,281)	TBD
Actual TOL as of end of year	\$ 30,748,509	\$ TBD
Discount rate as of beginning of year	3.00%	3.60%
Discount rate as of end of year	3.60%	3.60%

Projection of Actuarial Value of Assets (AVA)	FY 2016/17	FY 2017/18
AVA as of beginning of year	\$ 2,842,937	\$ 2,800,049
Exp. employer contributions during the year ⁵	400,000	430,000
Exp. benefit payments during the year ⁶	(691,914)	(840,955)
Exp. investment income ⁷	201,638	187,370
Exp. Trust administrative expenses	(22,640)	(28,000)
Exp. AVA as of end of year	\$ 2,730,021	\$ 2,548,464
Differences between expected and actual experience	70,028	TBD
AVA as of end of year	\$ 2,800,049	\$ TBD
Expected asset return as of beginning of year	7.50%	7.25%
Expected asset return as of end of year	7.25%	7.25%

⁵ Expected employer contribution for 2016/17 is based on actual deposit made into the Trust. FY 2017/18 expected employer contribution was estimated based on the average of prior years' OPEB contributions made by the Town into the Trust.

⁶ Actual benefit payment was used for FY 2016/17 while FY 2017/18 benefit payment is estimated.

⁷ Fiscal years 2016/17 and 2017/18 expected investment income are calculated based on a 7.50% and 7.25% asset return respectively.

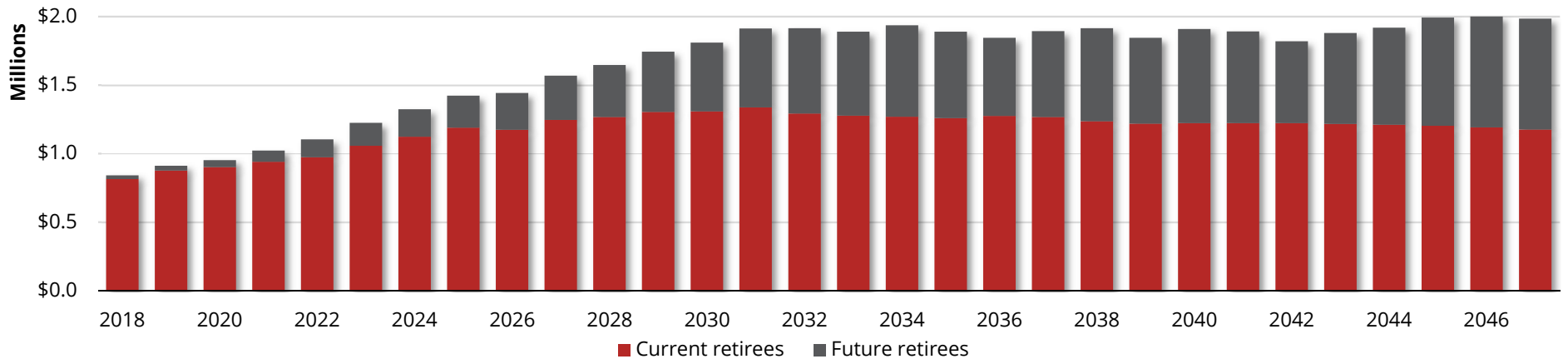
Cash Flow Projections

Town of Westerly Police 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 ⁸	Total	FYE	Current Retirees	Future Retirees ⁸	Total	FYE	Current Retirees	Future Retirees ⁸	Total
2018	\$ 813,315	\$ 27,640	\$ 840,955	2028	\$ 1,266,963	\$ 379,043	\$ 1,646,006	2038	\$ 1,234,959	\$ 680,466	\$ 1,915,425
2019	\$ 876,570	\$ 34,459	\$ 911,029	2029	\$ 1,304,300	\$ 438,662	\$ 1,742,962	2039	\$ 1,219,011	\$ 625,723	\$ 1,844,734
2020	\$ 900,602	\$ 50,910	\$ 951,512	2030	\$ 1,306,929	\$ 502,885	\$ 1,809,814	2040	\$ 1,222,024	\$ 686,363	\$ 1,908,387
2021	\$ 939,012	\$ 82,725	\$ 1,021,737	2031	\$ 1,336,653	\$ 576,271	\$ 1,912,924	2041	\$ 1,222,748	\$ 669,125	\$ 1,891,873
2022	\$ 972,572	\$ 130,730	\$ 1,103,302	2032	\$ 1,291,554	\$ 622,550	\$ 1,914,104	2042	\$ 1,221,134	\$ 597,278	\$ 1,818,412
2023	\$ 1,057,017	\$ 167,460	\$ 1,224,477	2033	\$ 1,276,293	\$ 612,731	\$ 1,889,024	2043	\$ 1,217,146	\$ 662,659	\$ 1,879,805
2024	\$ 1,122,468	\$ 200,173	\$ 1,322,641	2034	\$ 1,267,911	\$ 668,136	\$ 1,936,047	2044	\$ 1,210,685	\$ 707,841	\$ 1,918,526
2025	\$ 1,188,100	\$ 235,013	\$ 1,423,113	2035	\$ 1,258,751	\$ 630,313	\$ 1,889,064	2045	\$ 1,201,655	\$ 790,282	\$ 1,991,937
2026	\$ 1,174,088	\$ 267,997	\$ 1,442,085	2036	\$ 1,273,878	\$ 571,588	\$ 1,845,466	2046	\$ 1,189,962	\$ 809,932	\$ 1,999,894
2027	\$ 1,245,709	\$ 323,303	\$ 1,569,012	2037	\$ 1,266,923	\$ 625,972	\$ 1,892,895	2047	\$ 1,175,500	\$ 808,168	\$ 1,983,668

Projected Employer Pay-go Cost



⁸ Projections for future retirees do not take into account future new hires.

Discussion of Discount Rates

Town of Westerly Police 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 7.25%. This was determined by the plan sponsor in conjunction with their asset advisors. Detailed evaluation of this assumption was outside of the scope of our engagement.
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%

3. The Town contributes discretionarily to the OPEB Trust annually and does not contribute the full Actuarially Determined Contribution (ADC). The final equivalent single discount rate used for accounting disclosure purposes is 3.00% as of July 1, 2016 and 3.60% as of June 30, 2017 based on the expectation that the Town will contribute \$430,000 annually in the future and continue paying for pay-go costs from the Trust.

Summary of Plan Participants

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

Active Employees

Actives with coverage	Single	Non-Single	Total	Avg. Age	Avg. Svc	Salary
HDHP Plan (Post-7/1/1993)	12	30	42	38.1	11.6	\$ 3,171,830
Total actives with coverage	12	30	42	38.1	11.6	\$ 3,171,830

Actives without coverage	Total	Avg. Age	Avg. Svc	Salary
Total actives without coverage	7	35.6	9.4	\$ 496,877

Actives without coverage are assumed not to elect health coverage at retirement. They have been excluded from this valuation.

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	4										4
25 to 29	1	5	2	1							9
30 to 34		1	5	1							7
35 to 39	1		3	1	1						6
40 to 44				3	6	1					10
45 to 49				2	6	2					10
50 to 54						1	1				2
55 to 59					1						1
60 to 64											0
65 to 69											0
70 & up											0
Total	6	6	10	8	14	4	1	0	0	0	49

Summary of Plan Participants

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

Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
BCBS Plan (pre-7/1/1993)	11	22	33	63.2
Total retirees with coverage	11	22	33	63.2

Retirees with reimbursement	Single	Non-Single	Total	Avg. Age
Premium/claim reimbursement (pre-7/1/1993)	7	1	8	59.5
Up to \$6,000 reimbursement (post-7/1/1993)	3		3	50.4
Total retirees with reimbursement	10	1	11	57.0

In addition to the above, there were 4 retirees with no health coverage and they are also not receiving any kind of reimbursement from the Town. They have been excluded from the valuation.

Retiree Age Distribution

Age	Retirees
< 45	
45 to 49	6
50 to 54	9
55 to 59	4
60 to 64	9
65 to 69	5
70 to 74	8
75 to 79	2
80 to 84	1
85 to 89	
90 & up	
Total	44

Substantive Plan Provisions

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

Eligibility

Police officers are eligible for retiree health benefits once they have met the following requirements:

- Officers hired prior to July 1, 2010 may retire with completion of 20 years of service.
- Officers hired on/after July 1, 2010 but before July 1, 2013 may retire with completion of 25 years of service.
- Officers hired on/after July 1, 2013 may retire after completion of 25 years of service and attainment of age 52.

Additional requirements to be eligible for retiree health benefits:

- Each retiree who is eligible for medical insurance coverage at retirement must provide to the Town on / before July 1 of each year proof that he / she is not eligible for Medicare / Medicaid coverage, Plan 65 coverage, or medical insurance coverage under any plan whether offered by another employer, through a spouse's coverage or otherwise.
- Members who are eligible for such coverage (i.e. Medicare / Medicaid, Plan 65, or coverage under another plan offered by another employer or through a spouse's coverage) shall not reject, deny, or forgo such coverage if made available to him / her.
- Should the member be required to make any monthly contributions to said medical coverage in excess of any dollar contribution he / she would be required to make for Town coverage, he / she shall be entitled to reimbursement on a quarterly basis from the Town for such excess contribution.
- Should a retired member subsequent to retirement lose said alternate coverage, the Town will pick up the full cost of medical insurance coverage.

Spouse Benefit

Spousal coverage continues to surviving spouses of retirees for life, if hired prior to July 1, 1993, or until age 65, if hired on/after July 1, 1993. Surviving spouses of active employees are eligible for COBRA coverage.

Medicare Part B Reimbursement

The Town reimburses Medicare Part B premium for employees who retired prior January 1, 2017 when they turn 65 and only if they elect coverage with the Town. The monthly Medicare Part B reimbursement is \$134.

There is no subsidized Medicare Part B benefit for anyone retiring on/after January 1, 2017.

Substantive Plan Provisions

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

Medical Benefits

Same benefits are available to retirees as active employees. Pre-65 health plans are self-insured and partially experience-rated. The post-65 health plan is fully-insured. The monthly premium rates by plan effective on July 1, 2017 are as shown below.

	EE	EE + Sp
BCBS Plan (Pre-7/1/1993)	\$ 913.43	\$ 2,279.75
HDHP Plan (Post-7/1/1993)	\$ 626.33	\$ 1,562.21

	Rate/person	Admin/person
Plan 65 (post-65)	\$ 634.72	\$ 184.08

Refer to the Appendix for a brief summary of benefit descriptions for health plans effective on July 1, 2017.

Dental Benefits

Monthly premium rates by plan effective on July 1, 2017 are as shown below.

	EE	EE + Sp
Dental (Pre-7/1/1993)	\$ 37.96	\$ 128.54
Dental (Post-7/1/1993)	\$ 36.50	\$ 123.59

Retiree Contributions

Officers hired prior to July 1, 1993 contribute 10% of premium (for medical and dental benefits) prior to Medicare eligibility and receive free coverage (medical and dental) once they are eligible for Medicare.

There are eight grandfathered retirees who are eligible to receive lifetime reimbursements for the difference between their current insurance cost and what the Town would have paid for health care coverage. They are also reimbursed for out of pocket medical expenses on a quarterly basis.

Officers hired on/after July 1, 1993 contribute 17.5% of premium (for medical and dental benefits) for single coverage until Medicare eligibility. For retirees who wish to purchase additional insurance (such as for spouses), the Town will reimburse the retired member up to \$500 per month until the employee reaches age 65. There is no benefit for employees who decline health care coverage with the Town at retirement.

The subsidized dental benefit for officers hired on/after July 1, 1993 is only available to anyone who retired prior to January 1, 2017.

Actuarial Methods and Assumptions

Town of Westerly Police 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 discount rate, health care trend rates, and per capita costs again 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 get to the June 30, 2017 measurement date. Liabilities as of July 1, 2016 are based on an actuarial valuation date of June 30, 2015 projected to July 1, 2016 on a "no gain / loss" basis.										
Discount Rate	3.00% as of July 1, 2016 and 3.60% as of June 30, 2017 for accounting disclosure purposes 7.50% as of July 1, 2016 and 7.25% as of June 30, 2017 for funding disclosure purposes (in calculating the Actuarially Determined Contribution) Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.										
Payroll Growth	3.00% per year for general wage inflation plus merit / productivity increases as shown below.										
	<table><thead><tr><th>YOS</th><th>Rates</th></tr></thead><tbody><tr><td>0</td><td>12.00%</td></tr><tr><td>5</td><td>6.00%</td></tr><tr><td>10</td><td>2.25%</td></tr><tr><td>15</td><td>1.25%</td></tr></tbody></table>	YOS	Rates	0	12.00%	5	6.00%	10	2.25%	15	1.25%
YOS	Rates										
0	12.00%										
5	6.00%										
10	2.25%										
15	1.25%										
Inflation Rate	3.0% per year										

Actuarial Methods and Assumptions

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

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 in October 2017. We have reviewed it for reasonableness and no material modifications were made to the census data.

Asset Method

Actuarial Value of Assets with 5-year smoothing of asset gain/loss for Actuarially Determined Contribution calculation; Fair Market Value of Assets for Net OPEB Liability disclosure

Employer Funding Policy

Partially pre-funded with discretionary employer contributions made annually.

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). The actuarial assumptions have not been updated since at least the 2015 valuation.

Mortality

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

Turnover Rates

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. Sample annual turnover rates are shown below:

YOS	Rates
0	7.00%
5	3.50%
10	1.75%
15	0.50%
16+	0.00%

Disability

None

Actuarial Methods and Assumptions

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

Retirement Rates

Annual rates of retirement are as shown below.

YOS	Hired on/before 7/1/2010	Hired after 7/1/2010
<20	0%	0%
20-22	30%	0%
23	20%	0%
24	30%	0%
25-27	30%	30%
28	100%	20%
29	100%	30%
30	100%	40%
31+	100%	100%

Health Care Trend Rates

Annual trend rates by benefit are as shown below:

FYE	Medical / Rx	Dental	Part B
2018	9.00%	5.00%	5.00%
2019	8.50%	4.75%	5.00%
2020	8.00%	4.50%	5.00%
2021	7.50%	4.25%	5.00%
2022	7.00%	4.00%	5.00%
2023	6.50%	3.75%	5.00%
2024	6.00%	3.50%	5.00%
2025	5.50%	3.50%	5.00%
2026+	5.00%	3.50%	5.00%

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.

Retiree Contributions

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

Actuarial Methods and Assumptions

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

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.

70% of male employees and 60% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.

Per Capita Costs

Annual per capita costs were calculated based on premium rates as of July 1, 2017, actuarially increased using health index factors and substitute enrollment assumed to represent the demographic make-up of the Town's risk pool. The costs are assumed to increase with health care trend rates. Annual per capita costs are as shown below:

Age	BCBS (pre-7/1/1993)		HDHP (post-7/1/1993)	
	Male	Female	Male	Female
<55	\$ 11,600	\$ 13,200	\$ 8,000	\$ 9,000
55 – 59	\$ 15,700	\$ 15,200	\$ 10,800	\$ 10,400
60 – 64	\$ 21,300	\$ 18,700	\$ 14,600	\$ 12,800

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.

Annual dental per capita costs are assumed to be \$456, increasing with dental trend rates.

Post-65 per capita costs are assumed to equal the premium rate plus admin fee. There is no implicit subsidy assumed for post-65 coverage.

For the eight grandfathered retirees receiving reimbursement, pre and post-65 premium reimbursements are assumed to equal \$4,800 annually, increasing with medical / rx trend rates. Medical out-of-pocket expenses reimbursements are assumed to be \$1,100 annually with no future increases.

Actuarial Methods and Assumptions

Town of Westerly Police 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 hired on/after July 1, 1993 enrolled in HDHP plan.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 626.33	\$ 109.61	\$ 516.72
Spouse	\$ 935.88	\$ 435.88	\$ 500.00

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 male retiree age 60 with spouse of the same age enrolled in the HDHP plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,216.67	\$ 626.33	\$ 590.34
Spouse	\$ 1,066.67	\$ 935.88	\$ 130.79

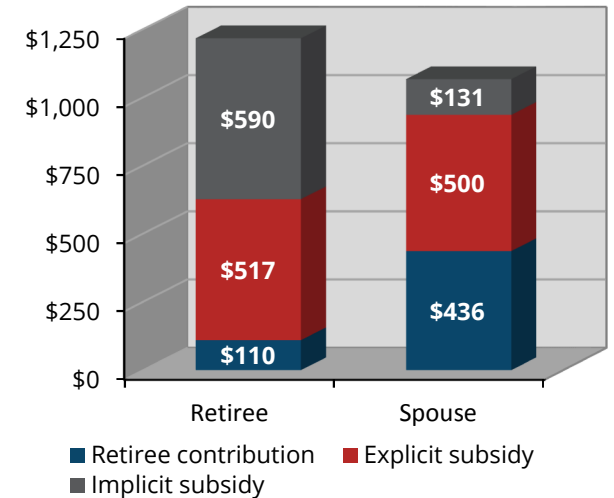
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a male retiree age 60 hired on/after July 1, 1993 and his spouse of the same age enrolled in the HDHP plan.

	Retiree	Spouse
Retiree contribution	\$ 109.61	\$ 435.88
Explicit subsidy	\$ 516.72	\$ 500.00
Implicit subsidy	\$ 590.34	\$ 130.79
Total monthly cost	\$ 1,216.67	\$ 1,066.67

GASB Subsidy Breakdown



APPENDIX

The background features a complex geometric design. The top half is a solid dark gray. Below this, there are several overlapping, semi-transparent shapes in various shades of gray and white, creating a layered effect. A prominent, solid red shape is located in the bottom right corner, extending towards the center. The overall aesthetic is modern and minimalist.

Appendix

Town of Westerly Police 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	48	49
Retired Participants ⁹	43	44
Averages for Active		
Age	38.8	37.7
Service	12.0	11.3
Averages for Inactive		
Age	63.7	61.7

⁹ In addition to the above, there are three retirees as of June 30, 2015 and four retirees as of June 30, 2017 with no health coverage and they are also not receiving any kind of reimbursement from the Town.

Appendix

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

Detailed Actuary's Notes

The following substantive plan provision changes have been implemented since the last full valuation, which was for the fiscal year ending June 30, 2015.

1. In the prior valuation, officers hired on or after July 1, 1993 were required to contribute 15% of medical and dental benefits at retirement and they received lifetime coverage. For officers who declined coverage with the Town at retirement, the Town would provide a reimbursement of \$500 per month. In the current valuation, these officers are required to contribute 17.5% for single coverage until Medicare eligibility. For those purchasing additional coverage (such as spousal coverage), they will receive a Town subsidy of up to \$500 monthly until age 65. There is no health coverage by the Town upon Medicare eligibility. The impact of this change was a significant decrease in the Town's liabilities.
2. In the prior valuation, all current and future retirees were eligible for subsidized dental benefits and Medicare Part B reimbursement. In the current valuation, only officers who retired prior to January 1, 2017 are eligible for these subsidies. This caused a decrease in the Town's liabilities.
3. In the prior valuation, officers hired after July 1, 2010 were eligible to retire upon completion of 25 years of service. For the current valuation, those hired after July 1, 2013 are eligible to retire upon completion of 25 years of service and attainment of age 52. This caused a slight decrease in liabilities.
4. Officers hired on/after July 1, 1993 are now required to enroll in a high deductible health plan. This caused a decrease in the Town's liabilities.

Town of Westerly is required to disclose OPEB liabilities under GASB 74 / 75 for the current valuation. The prior valuation was disclosed under GASB 45. The following assumption has been updated in accordance with GASB 74 / 75.

- The prior valuation used a discount rate of 4.00% for accounting disclosure purposes. The current valuation uses a discount rate of 3.00% as of July 1, 2016 and 3.60% 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 has been decreased from 7.50% to 7.25%. This is based on the expected long-term rate of return of the Trust provided by the Town and their investment advisor. The 7.25% discount rate is also used in calculating the Actuarially Determined Contribution. The impact of these changes was an increase in liabilities and Actuarially Determined Contribution.

Appendix

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

Detailed Actuary's Notes – Continued

Additionally, the following assumptions have also been updated:

1. In this year's valuation, the annual per capita costs are calculated using health index factors that vary by 5-year age bands. Per capita costs were calculated based on the Town's premium rates and substitute enrollment that is assumed to represent the make-up of the entire risk pool. This caused an increase in the Town's liabilities.
2. Mortality table has been updated from RPH-2015 Total Dataset Mortality Table fully generational using Scale MP-2015 to RPH-2016 Total Dataset Mortality Table fully generational using Scale MP-2016. The impact of this change is a decrease in the Town's liabilities.
3. The payroll growth assumption has been updated to be consistent with the Town's pension valuation as of June 30, 2017, which caused a slight decrease in liabilities.
4. In the prior valuation, 50% of officers hired on/after July 1, 1993 were assumed to elect coverage with the Town with the remaining 50% declining health care coverage from the Town. In this year's valuation, we have assumed that 100% of officers hired on/after July 1, 1993 will elect coverage with the Town if they currently have coverage with the Town. Those who currently decline coverage with the Town are assumed not to elect coverage with the Town at retirement as well. This change caused an increase in the Town's liabilities.
5. Health care trend rates have been updated as follows. This change caused an increase in the Town's liabilities.
 - a. For medical/rx benefits, the trend rates have been reset to an initial rate of 9.00% decreasing by 0.50% annually to an ultimate rate of 5.00%.
 - b. For dental benefit, the trend rates have been reset to an initial rate of 5.00% decreasing by 0.25% annually to an ultimate rate of 3.50%.

Appendix

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

Development of Actuarial Value of Assets (AVA)

		FY 2015/16		FY 2016/17
Fair Market Value (FMV) at beginning of year	\$	32,120,832	\$	32,102,387
Contributions		2,482,732		2,508,426
Benefit payments		(2,691,005)		(2,940,073)
Expected asset return at 7.50%		2,401,393		2,391,784
Expected FMV at end of year	\$	34,313,952	\$	34,062,524
FMV Gain/Loss		(2,211,565)		1,339,486
Actual FMV at end of year	\$	32,102,387	\$	35,402,010
Gain/Loss not recognized as of end of year		1,760,790		(392,878)
Actuarial Value of Assets (AVA) as of end of year ¹⁰	\$	33,863,177	\$	35,794,888
(A) AVA as % of FMV		105.5%		101.1%
(B) FMV as of end of year	\$	2,842,937	\$	2,800,049
(C) AVA as of the end of year (A x B)	\$	2,998,870	\$	2,831,124

¹⁰ Includes the total in both the Pension Trust and OPEB Trust.

Appendix

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

Recognition of Gain / (Loss) in Actuarial Value of Assets

FY 2015/16	Gain/Loss	Recognized as of July 1, 2015	Recognized in current year	Total recognized as of July 1, 2016	Not recognized as of July 1, 2016
Years	A	B	C = 20% x A	D = B + C	E = A - D
2011/12	\$ (1,109,460)	\$ (887,568)	\$ (221,892)	\$ (1,109,460)	\$ 0
2012/13	438,415	263,049	87,683	350,732	87,683
2013/14	1,270,708	508,284	254,142	762,426	508,282
2014/15	(979,173)	(195,835)	(195,835)	(391,670)	(587,503)
2015/16	(2,211,565)		(442,313)	(442,313)	(1,769,252)
Total			\$ (518,215)		\$ (1,760,790)

FY 2016/17	Gain/Loss	Recognized as of July 1, 2016	Recognized in current year	Total recognized as of July 1, 2017	Not recognized as of July 1, 2017
Years	A	B	C = 20% x A	D = B + C	E = A - D
2012/13	\$ 438,415	\$ 350,732	\$ 87,683	\$ 436,415	\$ 0
2013/14	1,270,708	762,426	254,142	1,016,568	254,140
2014/15	(979,173)	(391,670)	(195,835)	(587,505)	(391,668)
2015/16	(2,211,565)	(442,313)	(442,313)	(884,626)	(1,326,939)
2016/17	1,339,486		267,897	267,897	1,071,589
Total			\$ (28,426)		\$ (392,878)

Appendix

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

Summary of Medical Benefits

A brief summary of all health plans offered effective on July 1, 2017 is as shown below.

Pre-65 Plans	Pre-7/1/1993 Plan	HDHP Plan (Post-7/1/1993)
Deductible (Individual / Family)	\$250 / \$500	\$1,500 / \$3,000
Coinsurance	80%	100%
Out-of-Pocket Maximum (Individual / Family)	\$6,350 / \$12,700	\$3,000 / \$6,000
Co-pay / co-insurances for:		
Office Visit (PCP / SCP)	\$15	Ded / coins
Emergency Room	\$100	Ded / coins
Urgent Care	\$15	Ded / coins
Prescription drugs		
Retail (Generic / Pref / Non-Pref / Spec)	\$5 / \$15 / \$30 / \$30	\$7 / \$25 / \$40 / \$65
Mail Order (Generic/ Pref / Non-Pref / Spec)	\$12.5 / \$37.5 / \$75 / N/A	\$17.5 / \$62.5 / \$100 / N/A

GLOSSARY

The background features a dark gray upper section. Below it, there are several overlapping geometric shapes in shades of light gray, white, and a vibrant red. The shapes are layered, creating a sense of depth and movement. The red shape is a large triangle pointing towards the bottom right corner.

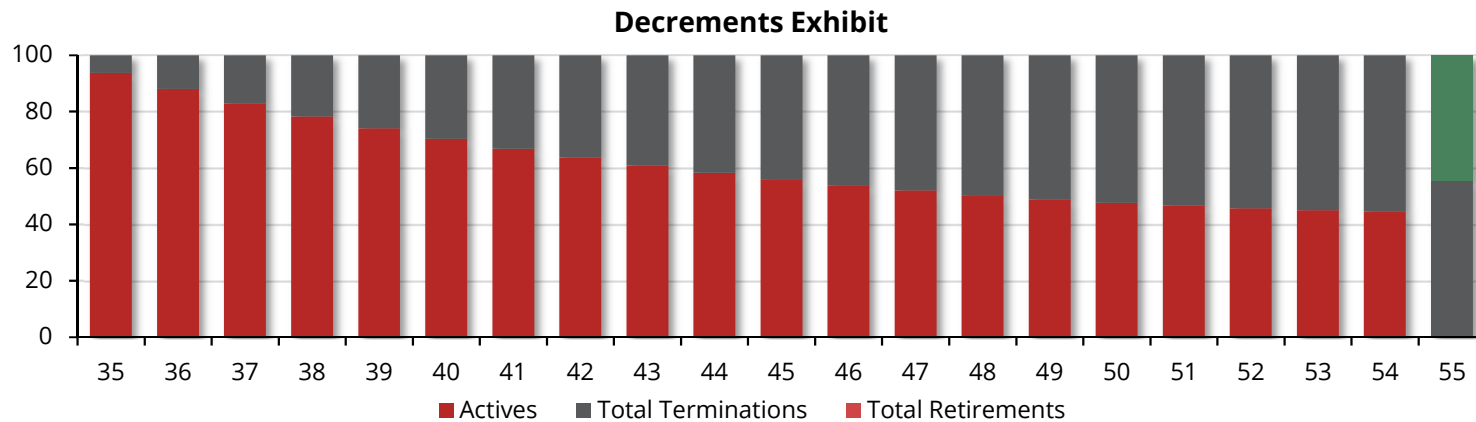
Glossary – Decrements Exhibit

Town of Westerly Police 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.

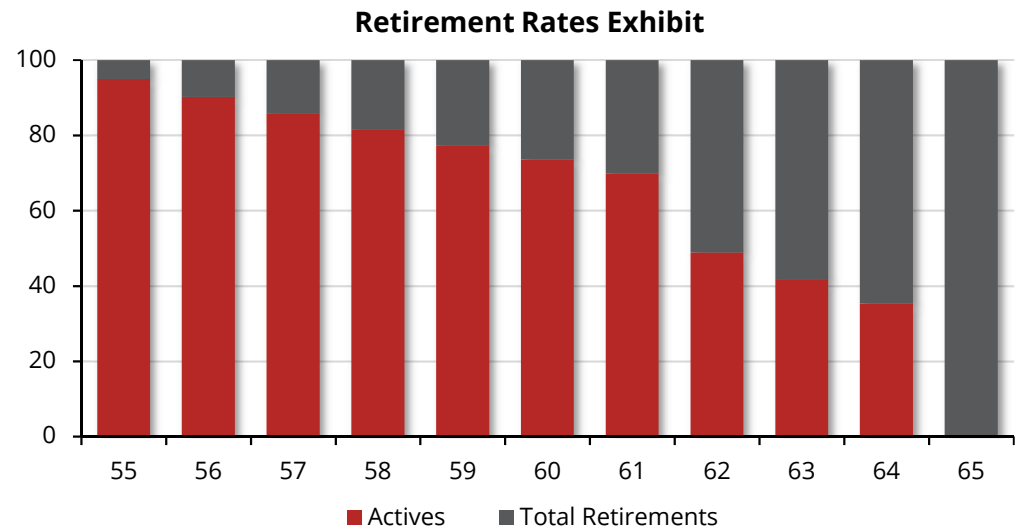
Glossary – Retirement Rates Exhibit

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

GASB 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.

Glossary – Definitions

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

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.

Glossary – Definitions

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

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).