



Town of Westerly Police Pension Fund

June 30, 2020
GASB Nos. 67 & 68 Report

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This report is prepared in accordance with our understanding of GASB Nos. 67 & 68 for the purpose of disclosing pension plans in financial statements. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report.

The information presented in this report is based on:

- the actuarial assumptions included in this report;
- the plan provisions;
- participant information furnished to us by the Plan Administrator;
- asset information furnished to us by the Plan Trustee.

We have reviewed the provided data for reasonableness when compared to prior information provided, but have not audited the data. Where relevant data may be missing, we may have made assumptions we believe are reasonable for the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided. Any errors in the data provided may result in a different result than those provided in this report.

The interest rate, other economic assumptions, and demographic assumptions have been selected by the plan sponsor with our recommendations. The assumptions used, in our opinion, are reasonable and represent a reasonable expectation of future experience under the plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

A summary of any assumptions not included in this report, the plan provisions and the participant information is included in the Actuarial Valuation Report for funding purposes.

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 or additional cost or contribution requirements based on the plan's funded status); and
- changes in plan provisions or applicable law.

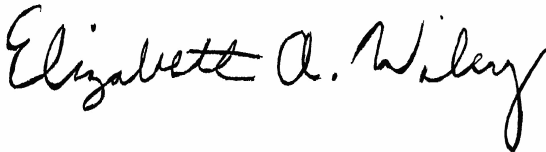
We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

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

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 which could materially affect the results contained herein.

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

Nyhart



Elizabeth A. Wiley, FSA, EA



Lawrence Watts, Jr., FSA, CFA, EA, MAAA

10/29/2020

Net Pension Liability

The components of the net pension liability at June 30

	06/30/2020	06/30/2019
Total pension liability	\$ 55,617,795	\$ 51,835,111
Plan fiduciary net position	(39,566,281)	(38,247,039)
Net pension liability	\$ 16,051,514	\$ 13,588,072
Plan fiduciary net position as a percent of the total pension liability	71.14%	73.79%
Pension Expense for the Fiscal Year Ended June 30	\$ 2,112,764	\$ 1,821,963

Actuarial Assumptions

The total pension liability was determined using the following actuarial assumptions

Inflation	2.00%	2.00%
Salary increases, including inflation	Varies by Service	Varies by Service
Investment rate of return, including inflation, and net of investment expense	7.00%	7.00%

Plan Membership

The total pension liability was determined based on the plan membership as of June 30

	2019	2017
Inactive plan members and beneficiaries currently receiving benefits	52	48
Inactive plan members entitled to but not yet receiving benefits	1	1
Active plan members	45	48
Total members	98	97

Town of Westerly Police Pension Fund
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Statement of Fiduciary Net Position

Assets	<u>06/30/2020</u>	<u>06/30/2019</u>
Cash and deposits	\$ 1,205,787	\$ 334,735
Securities lending cash collateral	0	0
Total cash	<u>\$ 1,205,787</u>	<u>\$ 334,735</u>
Receivables:		
Contributions	\$ 0	\$ 16,208
Due from broker for investments sold	0	0
Investment income	0	0
Other	0	398
Total receivables	<u>\$ 0</u>	<u>\$ 16,606</u>
Investments:		
Equity	\$ 25,701,126	\$ 24,572,106
Fixed Income	12,659,368	13,380,817
Real Estate	0	0
Total investments	<u>\$ 38,360,494</u>	<u>\$ 37,952,923</u>
Total assets	<u>\$ 39,566,281</u>	<u>\$ 38,304,264</u>
Liabilities		
Payables:		
Investment management fees	\$ 0	\$ 0
Due to broker for investments purchased	0	0
Collateral payable for securities lending	0	0
Other	0	57,225
Total liabilities	<u>\$ 0</u>	<u>\$ 57,225</u>
Net position restricted for pensions	<u>\$ 39,566,281</u>	<u>\$ 38,247,039</u>

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Statement of Changes in Fiduciary Net Position

	06/30/2020	06/30/2019
Additions		
Contributions:		
Employer	\$ 1,759,248	\$ 1,795,200
Member	465,602	473,884
Nonemployer contributing entity	0	0
Total contributions	\$ 2,224,850	\$ 2,269,084
Investment income:		
Net increase in fair value of investments	\$ 1,610,502	\$ 2,841,117
Interest and dividends	0	0
Less investment expense, other than from securities lending	(66,207)	(59,822)
Net income other than from securities lending	\$ 1,544,295	\$ 2,781,295
Securities lending income	0	0
Less securities lending expense	0	0
Net income from securities lending	\$ 0	\$ 0
Net investment income	\$ 1,544,295	\$ 2,781,295
Other	0	0
Total additions	\$ 3,769,145	\$ 5,050,379
Deductions		
Benefit payments, including refunds of member contributions	\$ 2,449,903	\$ 2,371,675
Administrative expense	0	0
Other	0	0
Total deductions	\$ 2,449,903	\$ 2,371,675
Net increase in net position	\$ 1,319,242	\$ 2,678,704
Net position restricted for pensions		
Beginning of year	38,247,039	35,568,335
End of year	\$ 39,566,281	\$ 38,247,039

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Schedule of Changes in Net Pension Liability and Related Ratios

	<u>06/30/2020</u>	<u>06/30/2019</u>	<u>06/30/2018</u>	<u>06/30/2017</u>	<u>06/30/2016</u>
Total pension liability					
Service cost	\$ 925,576	\$ 957,819	\$ 904,511	\$ 974,655	\$ 917,082
Interest	3,607,501	3,475,720	3,375,546	3,320,232	3,224,788
Changes of benefit terms	0	0	0	0	0
Differences between expected and actual experience	1,294,831	0	(355,566)	(978,160)	47,387
Changes of assumptions	404,679	(107,909)	1,399,336	1,264,408	(835,428)
Benefit payments, including refunds of member contributions	(2,449,903)	(2,371,675)	(2,194,835)	(2,248,159)	(2,029,473)
Net change in total pension liability	<u>3,782,684</u>	<u>1,953,955</u>	<u>3,128,992</u>	<u>2,332,976</u>	<u>1,324,356</u>
Total pension liability - beginning	51,835,111	49,881,156	46,752,164	44,419,188	43,094,832
Total pension liability - ending (a)	\$ 55,617,795	\$ 51,835,111	\$ 49,881,156	\$ 46,752,164	\$ 44,419,188
Plan fiduciary net position					
Contributions - employer	\$ 1,759,248	\$ 1,795,200	\$ 1,850,000	\$ 1,720,000	\$ 1,713,800
Contributions - member	465,602	473,884	447,302	388,426	382,932
Contributions - nonemployer contributing member	0	0	0	0	0
Net investment income	1,544,295	2,781,295	2,863,907	3,482,244	129,896
Benefit payments, including refunds of member contributions	(2,449,903)	(2,371,675)	(2,194,835)	(2,248,159)	(2,029,473)
Administrative expenses	0	0	0	0	0
Other	0	0	0	0	0
Net change in plan fiduciary net position	<u>\$ 1,319,242</u>	<u>\$ 2,678,704</u>	<u>\$ 2,966,374</u>	<u>\$ 3,342,511</u>	<u>\$ 197,155</u>
Plan fiduciary net position - beginning	38,247,039	35,568,335	32,601,961	29,259,450	29,062,295
Plan fiduciary net position - ending (b)	\$ 39,566,281	\$ 38,247,039	\$ 35,568,335	\$ 32,601,961	\$ 29,259,450
Net pension liability - ending (a) - (b)	\$ 16,051,514	\$ 13,588,072	\$ 14,312,821	\$ 14,150,203	\$ 15,159,738
Plan fiduciary net position as a percentage of the total pension liability	71.14%	73.79%	71.31%	69.73%	65.87%
Covered-employee payroll	\$ 3,768,316	\$ 3,866,804	\$ 3,665,217	\$ 4,077,370	\$ 4,077,370
Net pension liability as percentage of covered-employee payroll	425.96%	351.40%	390.50%	347.04%	371.80%

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Schedule of Changes in Net Pension Liability and Related Ratios

	<u>06/30/2015</u>
Total pension liability	
Service cost	\$ 851,843
Interest	3,036,062
Changes of benefit terms	0
Differences between expected and actual experience	(499,006)
Changes of assumptions	991,037
Benefit payments, including refunds of member contributions	<u>(1,795,715)</u>
Net change in total pension liability	2,584,221
Total pension liability - beginning	<u>40,510,611</u>
Total pension liability - ending (a)	\$ 43,094,832
Plan fiduciary net position	
Contributions - employer	\$ 1,716,400
Contributions - member	384,672
Contributions - nonemployer contributing member	0
Net investment income	1,255,952
Benefit payments, including refunds of member contributions	(1,795,715)
Administrative expenses	0
Other	<u>0</u>
Net change in plan fiduciary net position	\$ 1,561,309
Plan fiduciary net position - beginning	<u>27,500,986</u>
Plan fiduciary net position - ending (b)	\$ 29,062,295
Net pension liability - ending (a) - (b)	\$ \$14,032,537
Plan fiduciary net position as a percentage of the total pension liability	67.44%
Covered-employee payroll	\$ 3,802,837
Net pension liability as percentage of covered-employee payroll	369.00%

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Pension Expense

Fiscal year ending	<u>06/30/2020</u>	<u>06/30/2019</u>
Service cost	\$ 925,576	\$ 957,819
Interest on total pension liability	3,607,501	3,475,720
Projected earnings on pension plan investments	(2,669,416)	(2,486,193)
Changes of benefit terms	0	0
Employee contributions	(465,602)	(473,884)
Pension plan administrative expense	0	0
Other changes	0	0
Current period recognition of deferred outflows/(inflows) of resources		
Differences between Expected & Actual Experience in measurement of the Total Pension Liability	\$ (20,742)	\$ (315,350)
Changes of assumptions	516,900	506,753
Differences between Projected & Actual Earnings on Pension Plan Investments	218,547	157,098
Total	<u>\$ 2,112,764</u>	<u>\$ 1,821,963</u>

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Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Differences between expected and actual experience in measurement of the total pension liability for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2020 Balance
June 30, 2020	\$ 1,294,831	5.0	\$ 258,966	\$ 1,035,865
June 30, 2018	\$ (355,566)	5.0	\$ (71,113)	\$ (142,227)
June 30, 2017	\$ (978,160)	6.0	\$ (163,027)	\$ (326,052)
June 30, 2016	\$ 47,387	6.0	\$ 7,898	\$ 7,897
June 30, 2015	\$ (499,006)	5.6	\$ (53,466)	\$ 0
			\$ (20,742)	\$ 575,483

Changes in assumptions for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2020 Balance
June 30, 2020	\$ 404,679	5.0	\$ 80,936	\$ 323,743
June 30, 2019	\$ (107,909)	5.0	\$ (21,582)	\$ (64,745)
June 30, 2018	\$ 1,399,336	5.0	\$ 279,867	\$ 559,735
June 30, 2017	\$ 1,264,408	6.0	\$ 210,735	\$ 421,468
June 30, 2016	\$ (835,428)	6.0	\$ (139,238)	\$ (139,238)
June 30, 2015	\$ 991,037	5.6	\$ 106,182	\$ 0
			\$ 516,900	\$ 1,100,963

Differences between projected and actual earnings on pension plan investments for fiscal year ending:	Initial Balance	Initial Amortization Period	Annual Recognition	06/30/2020 Balance
June 30, 2020	\$ 1,125,121	5.0	\$ 225,024	\$ 900,097
June 30, 2019	\$ (295,102)	5.0	\$ (59,020)	\$ (177,062)
June 30, 2018	\$ (496,550)	5.0	\$ (99,310)	\$ (198,620)
June 30, 2017	\$ (1,293,025)	5.0	\$ (258,605)	\$ (258,605)
June 30, 2016	\$ 2,052,298	5.0	\$ 410,458	\$ 0
			\$ 218,547	\$ 265,810

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Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,043,762	\$ (468,279)
Changes of Assumptions	\$ 1,304,946	\$ (203,983)
Net difference between projected and actual earnings on pension plan investments	\$ 900,097	\$ (634,287)
	\$ 3,248,805	\$ (1,306,549)

The balances as of June 30, 2020 of the deferred outflows/(inflows) of resources will be recognized in pension expense for the fiscal year ending June 30

6/30/2021	\$ 251,530
6/30/2022	\$ 641,476
6/30/2023	\$ 484,323
6/30/2024	\$ 564,927
6/30/2025	\$ 0
Thereafter	\$ 0

The long-term expected rate of return on pension plan investments was determined using a building -block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These expected future real rates of return are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return
Equity	62.0%	4.75%
Fixed Income	34.0%	1.93%
Real Estate	3.0%	4.75%
Cash	1.0%	0.25%
Total	100.0%	

Long-term expected rate of return is 7.00%.

Discount rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Professional judgment on future contributions has been applied in those cases where contribution patterns deviate from the actuarially determined rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	\$ 23,650,645	\$ 16,051,514	\$ 9,867,102

Town of Westerly Police Pension Fund
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Schedule of Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially determined contribution	\$ 1,759,248	\$ 1,636,400	\$ 1,610,200	\$ 1,667,700	\$ 1,713,800
Contributions in relation to the actuarially determined contribution	1,759,248	1,795,200	1,850,000	1,720,000	1,713,800
Contribution deficiency (excess)	\$ 0	\$ (158,800)	\$ (239,800)	\$ (52,300)	\$ 0
Covered-employee payroll	\$ 3,768,316	\$ 3,866,804	\$ 3,665,217	\$ 4,077,370	\$ 4,077,370
Contributions as a percentage of covered-employee payroll	46.69%	46.43%	50.47%	42.18%	42.03%
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 1,716,400	\$ 1,816,000	\$ 1,272,700	\$ 1,225,170	\$ 1,161,510
Contributions in relation to the actuarially determined contribution	1,716,400	1,816,000	1,586,044	1,225,170	1,275,000
Contribution deficiency (excess)	\$ 0	\$ 0	\$ (313,344)	\$ 0	\$ (113,490)
Covered-employee payroll	\$ 3,802,837	\$ 3,497,794	\$ 3,039,511	\$ 2,847,036	\$ 2,838,895
Contributions as a percentage of covered-employee payroll	45.13%	51.92%	52.18%	43.03%	44.91%

The total pension liability as of June 30, 2020 was determined using the following actuarial assumptions :

Actuarial Cost Method	Entry Age Method
Asset Valuation Method	Fair market value of assets on the measurement date
Interest Rates	
Discount Rate	7.00%
Expected Long Term Rate of Return	7.00%
Municipal Bond Rate	N/A
	The interest rate assumptions were evaluated as part of the experience study dated August 17, 2018 and were set by the plan sponsor in conjunction with their asset advisors.
Inflation	2.00%
Measurement Date	June 30, 2020
Participant Data	Collected as of July 1, 2019, rolled forward and adjusted for material events to the measurement date.
Cost of Living Increases	Valued explicitly
Mortality Rates	
Healthy	Pub-2010 Public Safety Mortality Table with generational improvements based on mortality improvement scale MP-19.
Disabled	Pub-2010 Public Safety Disabled Mortality Table with generational improvements based on mortality improvement scale MP-19.
Survivor	Pub-2010 Continuing Survivor Mortality Table with generational improvements based on MP-19.
	As the plan is not large enough to have credible experience, mortality assumptions are set to reflect general population trends.
All other assumptions	As described in the assumptions section of the actuarially determined contribution

Actuarial Cost Method

Entry Age Method

Asset Valuation Method

Fair market value of assets on the measurement date adjusted for a five year phase -in of gains and losses of plan assets at 20% per year

Amortization Method

Closed 30-year level dollar amortization of the Unfunded Actuarial Accrued Liability

Interest Rate

7.00% net of investment expenses

Inflation

2.00%

This assumption was set by the plan sponsor in conjunction with their investment advisor.

Annual Pay Increases

Service	Rate
0	15.00%
1	14.00%
2	12.00%
3	11.00%
4	10.00%
5	9.00%
6	8.00%
7	7.00%
8	6.00%
9	5.50%
10	5.25%
11-12	5.00%
13	4.75%
14	4.50%
15	4.25%
16+	4.00%

Cost of Living Increases

Valued explicitly

Mortality Rates

Healthy RP 2014 Mortality Table with generational improvements from 2006 using scale MP-18.

Disabled RP 2014 Disabled Mortality Table with generational improvements from 2006 using scale MP-18.

As the plan is not large enough to have credible experience, mortality assumptions are set to reflect general population trends.

Disability Rates

33% of the 1985 Pension Disability Table Class 4 rates for males and females

The assumed disability rates are based on a study of actual experience for the plan during July 1, 2007 - July 1, 2017 and are based on expectations from a combination of plan experience and current plan provisions. See the experience study dated August 17, 2018.

Withdrawal Rates

Service	Rate
0	7.00%
1	5.50%
2	5.00%
3	4.50%
4	4.00%
5	3.50%
6	3.00%
7	2.50%
8	2.25%
9	2.00%
10	1.75%
11	1.50%
12	1.25%
13	1.00%
14	0.75%
15	0.50%
16+	0.00%

The assumed withdrawal rates are based on a study of actual experience for the plan during July 1, 2007 - July 1, 2017 and are based on expectations from a combination of plan experience and current plan provisions. See the experience study dated August 17, 2018.



Retirement Rates

For those hired on or before July 1, 2010:

Service	Rate
20-22	30.00%
23	20.00%
24-27	30.00%
28	100.00%

For those hired after July 1, 2010:

Service	Rate
25-27	30.00%
28	20.00%
29	30.00%
30	40.00%
31	100.00%

Marital Status and Ages

70% of males and 60% of females assumed married with wives 3 years younger than husbands

Payment Form

67.5% Joint & Survivor annuity for married; Single Life annuity otherwise

Expense and/or Contingency Loading

Estimated annual administrative fees. As administrative expenses are not paid from the trust, no administrative expenses are assumed.

Experience Study

The most recent experience study covered experience over the period July 1, 2007 through June 30, 2017

Participation

All regular police officers are eligible to participate.

Normal retirement benefit

A pension for life computed as 50% of annual pay for 20 years of service plus 2% times annual pay for each year of service over 20 years up to 5 years plus 1% times annual pay for each year of service over 25 years (maximum service equals 30)

For those hired after July 1, 2010, a pension for life computed as 50% of annual pay for 25 years of service plus 3% times annual pay for each year of service over 25 years (maximum service equals 30)

Normal retirement date

Effective July 1, 1987, a policeman may retire upon completion of 20 years of service

Effective July 1, 2010, a policeman hired after July 1, 2010 may retire upon completion of 25 years of service

Effective July 1, 2013, a policeman hired after July 1, 2013 may retire upon completion of 25 years of service and attainment of age 52

Annual pay

Base salary for the 12 months immediately preceding retirement

Credited service

Period of employment as police officer of Town

Normal form of payment

67.5% Joint & Survivor annuity

Vesting

100% vested after 10 years of service. Participants with less than 10 years of service receive a return of employee contributions with interest.

Non Occupational Disability retirement

10% of final Annual Pay for participants with less than 10 years of service, 18% for 10 to 15 years of service, and 27% for 15 to 20 years of service

Occupational Disability retirement

50% of final Annual Pay

Preretirement death benefit

Return of member's contributions with interest.

Postretirement death benefit

Continuation of 67.5% of deceased retired member's pension to spouse until death or remarriage. If no eligible spouse, benefit payable to dependent children under age 18

Death in line of duty benefit

Heirs shall receive benefits the member would have been entitled to as though they had been members of the bargaining unit for 20 years (25 years for policemen hired after July 1, 2010 and 25 years and attainment of age 52 for policemen hired after July 1, 2013)

Cost-of-living adjustment

Retired prior to June 30, 1990	2.5% Simple, retroactive to July 1, 1993
Retired on or after June 30, 1990	2.5% Simple, effective July 1, 1994
Retired on or after July 1, 1998	3.0% Simple
Hired after July 1, 2010	3.0% Simple after earlier of 5 years of payment or attainment of age 52
Hired after July 1, 2013	2.0% Simple

Member Contributions

12.0% of pay