

October 8, 2015

Actuarial Valuation Report:

The City of Newport, Rhode Island
Police Pension System as of July 1, 2015

HayGroup®



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This report presents the results of our actuarial valuation of the City of Newport, Rhode Island Police Pension System (the Plan) as of July 1, 2015.

The valuation includes a general discussion and comments on the various schedules included in the report. These schedules summarize the underlying calculations, asset information, participant data, plan benefits and actuarial assumptions, and should be considered an integral part of the valuation.

Purpose

The main purposes of this report are to provide to the City of Newport (the City):

- The pension contribution under the City's funding policy for the 2016-2017 plan year;
- The financial condition of the Plan; and
- Information relating to the disclosure and reporting requirements of Statements No. 25, and No. 27 of the Governmental Accounting Standards Board.

Certification

To the best of our knowledge, this report is complete and accurate and all costs and liabilities have been determined in conformance with generally accepted actuarial principles and on the basis of actuarial assumptions and methods which are reasonable (taking into account past experience under the Plan and reasonable expectations) and which in combination represent our best estimate of anticipated experience under the Plan.


The actuaries certifying to this valuation are members of the Society of Actuaries or other professional actuarial organizations, and meet the General Qualification Standards of the American Academy of Actuaries for purposes of issuing Prescribed Statements of Actuarial Opinion.

Respectfully submitted,

HAY GROUP, INC.



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Comments on the Valuation

This is Hay Group's fourth valuation of the Plan. This report includes results for prior years based on methods and assumptions developed by the prior actuary.

Plan Contribution

The Valuation Highlights exhibit shows the development of the Plan's contribution for the 2016-2017 fiscal year, developed in accordance with the City's funding policy. The total contribution is \$4,063,560. This total cost has increased from \$3,327,981, which was developed for the 2015-2016 fiscal year. The main reasons for the increase were the asset loss for the year and the improvement of the retirement accrual.

If the City wishes to pay the contribution on a monthly basis, beginning on July 31, the monthly payment would be \$327,519.

Funding Policy

The funding requirement is the sum of two components, an annual normal cost and an amortization payment which will change from year to year in response to evolving plan experience. It is our understanding that beginning with the July 1, 2002 valuation, the amortization period was reduced from 30 to 29 years, and that for each year the amortization period decreases by one year. Thus, the amortization period for the July 1, 2015 valuation is 16 years. The normal cost and amortization is then offset by anticipated employee contributions to the Plan, to arrive at the net City contribution.

Plan Assets

Schedule A contains information about the Plan's assets. The market value of the Plan's assets as of June 30, 2015 is \$60,203,022. The overall rate of return achieved for the 2014-2015 plan year was 5.4 percent.

The asset information used for the valuation was provided by the City. We have not audited such information, but have checked it for reasonableness and consistency.

Funding Status

Schedule B provides the information on pension plans required by Statement Number 25 of the Governmental Accounting Standards Board.

Schedule C provides the information on pension plans required by Statement Number 27 of the Governmental Accounting Standards Board.

Schedule D discloses estimated City contributions and Plan benefits over the next twenty years. This open group projection shows that the Plan emerged from "critical status" (i.e., achieved a funding ratio of greater than 60%) on June 30, 2014 and should remain above 60% if the actuarial assumptions are reflective of the actual experience.

Participant Data

Schedule E provides a distribution of the active participants as of July 1, 2015 by age and length of service. It also shows the average salary by age and service brackets. Schedule E also includes a breakdown of the inactive participants, by age and benefit amounts.

Although we have made tests to check for the reasonableness and consistency of the participant data, we have not audited the data but have relied on it as submitted by the City.

Actuarial Assumptions and Methods

Schedule F summarizes the actuarial assumptions and cost methods used for the valuation. Effective with this July 1, 2015 valuation, (i) we adopted a more reasonable salary increase assumption for the near term, by lowering the assumed annual increase from 3.00% to 2.75% through July 1, 2022 and (ii) we implemented slight adjustments to the assumed retirement rates, to reflect a somewhat different expected pattern of future retirements due to negotiated benefit formula changes that became effective July 1, 2014. Otherwise, there were no changes in actuarial assumptions or cost methods since the prior valuation.

Plan Provisions

Schedule G contains a summary of the principal provisions of the plan in effect as of July 1, 2015.

Valuation Highlights

	<u>July 1, 2014</u>		<u>July 1, 2015</u>
A. Membership Data			
1. Active Members			
a. Number	79		76
b. Expected covered payroll for fiscal year beginning on the valuation date	\$ 5,246,624		5,489,942
c. Average pay	\$ 66,413		72,236
d. Average age	40.9		41.1
e. Average service	14.0		14.2
2. Retired members and beneficiaries			
a. Number	124		124
b. Aggregate annual pension	\$ 4,863,894		5,155,330
c. Average annual pension	\$ 39,225		41,575
d. Average age	67.2		66.9
3. Deferred vested members			
a. Number	0		1
b. Aggregate annual pension	\$ 0		36,000
c. Average annual pension	\$ 0		36,000
d. Average age	0.0		49.0
B. Basic Valuation Results			
1. Normal cost ¹	\$ 1,175,418	(22.4%)	1,354,511 (24.7%)
2. Actuarial accrued liability			
a. Active members	\$ 22,782,955		24,296,897
b. Retirees and beneficiaries	63,079,837		68,186,712
c. Deferred vested	0		442,687
d. Total	<u>\$ 85,862,792</u>		<u>92,926,296</u>
3. Valuation assets	\$ 57,507,986		60,203,022
4. Unfunded actuarial accrued liability	\$ 28,354,806		32,723,274
	<u>July 1, 2015 to June 30, 2016</u>		<u>July 1, 2016 to June 30, 2017</u>
C. Development of Contribution			
1. Contribution for fiscal year of valuation			
a. Normal cost with interest	\$ 1,307,799		1,507,063
b. Amortization of unfunded actuarial accrued liability	2,470,598 ²		3,027,802 ³
c. Anticipated employee contributions with interest	(450,417)		(471,305)
d. City contribution assumed deposited June 30	<u>\$ 3,327,981</u>		<u>4,063,560</u>
2. Monthly City contribution beginning July 31	\$ 268,232		327,519

¹ Percentages in parentheses represent amounts as percentages of covered payroll.

² Amortized over 17 years from the valuation date as a level percentage of payroll.

³ Amortized over 16 years from the valuation date as a level percentage of payroll.

Schedule A: Analysis of Plan Assets

A.1. Schedule of Receipts and Disbursements

(1) Market Value at July 1, 2014		\$57,507,986
(2) Receipts		
a. City Contributions	\$ 4,012,174	
b. Member Contributions	487,883	
c. Net Investment Income	3,185,100	
d. Total Receipts	\$ 7,685,157	
(3) Disbursements		
a. Benefit Payments	\$ 4,990,121	
b. Total Disbursements	\$ 4,990,121	
(4) Market Value at June 30, 2015 [(1) + (2) - (3)]		\$60,203,022

A. 2. Trust Investment Yield for 12 Months Ending June 30, 2015

1. Asset Market Value at July 1, 2014	\$57,507,986
2. City Contributions during the year (paid 7/1/14)	4,012,174
3. Member Contributions and Benefits paid during the year	(4,502,238)
4. Asset Market Value at June 30, 2015	60,203,022
5. Investment Increment	3,185,100
6. Approximate Average Asset Market Value (1) + (2) + [(3) / 2]	59,269,041
7. Approximate Yield Rate (5) / (6)	5.4%

Schedule B: GASB 25 Disclosure Information

B.1 Actuarial Accounting Date

Date Used to Compute Benefit and Asset Values — July 1, 2015

B.2. Method and Assumptions

All methods and assumptions used for Plan accounting are summarized in Schedule F.

B.3. Statement of Plan Net Assets

1. Assets	
a) Cash and Short Term Investments	\$(90,194)
b) Receivables	0
c) Investments at Fair Value	
(1) Fixed Income	10,660,348
(2) Domestic Equities	38,209,545
(3) Foreign Equities	7,435,049
(4) Alternative Investments	<u>4,032,412</u>
d) Total Assets	\$60,247,160
2. Liabilities	
a) Payables for Investments Purchased and Other Payables	44,138
3. Net Assets Held in Trust for Pension Benefits	\$60,203,022

B.4. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
6/30/02	28,060,710	65,986,217	(37,925,507)	42.53%	3,775,389	(1004.55%)
6/30/03	29,217,703	67,277,252	(38,059,549)	43.43%	4,007,324	(949.75%)
6/30/04	33,645,290	58,014,568	(24,369,278)	57.99%	4,383,668	(555.91%)
6/30/05	36,209,737	61,626,704	(25,416,967)	58.76%	4,527,283	(561.42%)
6/30/06	39,118,117	62,635,048	(23,516,931)	62.45%	4,757,611	(494.30%)
6/30/07	44,288,895	70,038,232	(25,749,337)	63.24%	4,752,900	(541.76%)
6/30/08	41,952,553	68,177,847	(26,225,294)	61.53%	5,129,935	(511.22%)
6/30/09	37,852,800	73,443,988	(35,591,188)	51.54%	4,990,094	(713.24%)
6/30/10	42,240,992	74,866,848	(32,625,856)	56.42%	4,972,175	(656.17%)
6/30/11	43,693,248	76,570,775	(32,877,527)	57.06%	5,048,815	(651.19%)
6/30/12	43,320,088	82,684,359	(39,364,271)	52.39%	5,033,625	(782.03%)
6/30/13	48,411,954	82,838,152	(34,426,198)	58.44%	5,147,999	(668.73%)
6/30/14	57,507,986	85,862,792	(28,354,806)	66.98%	5,246,624	(540.44%)
6/30/15	60,203,022	92,926,296	(32,723,274)	64.79%	5,489,942	(596.06%)

B.5. Schedule of Employer Contributions

Actuarial Valuation Date	Annual Required Contribution	Actual Contribution	Percentage Contributed
7/1/92	1,671,097	1,930,973	115.55%
7/1/93	1,823,577	2,136,173	117.14%
7/1/94	2,103,989	2,226,085	105.80%
7/1/95	2,279,943	2,322,898	101.88%
7/1/96	2,426,242	1,793,369	73.92%
7/1/97	2,547,554	2,759,907	108.34%
7/1/98	2,274,548	3,137,686	137.95%
7/1/99	2,094,752	2,510,675	119.86%
7/1/00	1,696,189	2,703,167	159.37%
7/1/01	1,985,197	2,273,062	114.50%
7/1/02	2,099,345	2,698,300	128.53%
7/1/03	3,247,875	3,247,875	100.00%
7/1/04	3,389,486	3,889,486	114.75%
7/1/05	2,440,649	2,440,649	100.00%
7/1/06	2,385,996	2,440,649	102.29%
7/1/07	2,272,177	2,272,049	100.00%
7/1/08	2,406,091	2,472,177	102.75%
7/1/09	2,470,822	2,670,822	108.09%
7/1/10	3,116,642	3,116,642	100.00%
7/1/11	2,899,579	2,899,579	100.00%
7/1/12	3,461,972	3,461,972	100.00%
7/1/13	3,954,174	3,954,174	100.00%
7/1/14	3,729,898	4,012,174	107.57%

Schedule C: GASB 27 Disclosure Information

Development of the Net Pension Obligation (Asset)

Fiscal Year Ending	Val. Interest Rate	Amort. Years	Amort. Factor	NPO at Beginning of Year	Annual Required Contribution	Interest on NPO	Adjustment to NPO	Annual Pension Cost	Actual Contribution	Increase in NPO	NPO at End of Year
6/30/93	8.00%	30	22.7490	(603,644)	1,671,097	(48,292)	26,535	1,649,341	1,930,973	(281,632)	(885,276)
6/30/94	8.00%	30	22.7490	(885,276)	1,823,577	(70,822)	38,015	1,791,670	2,136,173	(344,503)	(1,229,779)
6/30/95	8.25%	30	18.4393	(1,229,779)	2,103,989	(101,457)	66,693	2,069,225	2,226,085	(156,860)	(1,386,639)
6/30/96	8.25%	30	18.4393	(1,386,639)	2,279,943	(114,398)	75,200	2,240,745	2,322,898	(82,153)	(1,468,792)
6/30/97	8.25%	30	18.4393	(1,468,792)	2,426,242	(121,175)	79,656	2,384,722	1,793,369	591,353	(877,439)
6/30/98	8.25%	30	18.4393	(877,439)	2,547,554	(72,389)	47,585	2,522,750	2,759,907	(237,157)	(1,114,596)
6/30/99	8.25%	30	18.4393	(1,114,596)	2,274,548	(91,954)	60,447	2,243,040	3,137,686	(894,646)	(2,009,242)
6/30/00	8.25%	30	18.4393	(2,009,242)	2,094,752	(165,762)	108,965	2,037,954	2,510,675	(472,721)	(2,481,963)
6/30/01	8.25%	30	20.1557	(2,481,963)	1,696,189	(204,762)	123,140	1,614,567	2,703,167	(1,088,600)	(3,570,563)
6/30/02	8.25%	30	20.1557	(3,570,563)	1,985,197	(294,571)	177,149	1,867,775	2,273,062	(405,287)	(3,975,850)
6/30/03	8.25%	30	20.1557	(3,975,850)	2,099,345	(328,008)	197,257	1,968,594	2,698,300	(729,706)	(4,705,556)
6/30/04	8.25%	29	19.6866	(4,705,556)	3,247,875	(388,208)	239,023	3,098,690	3,247,875	(149,185)	(4,854,741)
6/30/05	8.25%	28	19.2064	(4,854,741)	3,389,486	(400,516)	252,767	3,241,737	3,889,486	(647,749)	(5,502,490)
6/30/06	8.25%	27	15.8723	(5,502,490)	2,440,649	(453,955)	346,673	2,333,367	2,440,649	(107,282)	(5,609,772)
6/30/07	8.25%	26	15.5296	(5,609,772)	2,385,996	(462,806)	361,231	2,284,421	2,440,649	(156,228)	(5,766,000)
6/30/08	8.25%	25	14.8848	(5,766,000)	2,272,177	(475,695)	387,375	2,183,857	2,272,049	(88,192)	(5,854,192)
6/30/09	8.25%	24	14.5315	(5,854,192)	2,406,091	(482,971)	402,862	2,325,982	2,472,177	(146,195)	(6,000,387)
6/30/10	8.25%	23	14.1638	(6,000,387)	2,470,822	(495,032)	423,642	2,399,432	2,670,822	(271,390)	(6,271,777)
6/30/11	7.50%	22	14.1447	(6,271,777)	3,116,642	(470,383)	443,401	3,089,660	3,116,642	(26,982)	(6,298,759)
6/30/12	7.50%	21	13.7252	(6,298,759)	2,899,579	(472,407)	458,919	2,886,091	2,899,579	(13,488)	(6,312,247)
6/30/13	7.50%	20	13.2894	(6,312,247)	3,461,972	(473,419)	474,984	3,463,537	3,461,972	1,565	(6,310,682)
6/30/14	7.50%	19	12.8369	(6,310,682)	3,954,174	(473,301)	491,605	3,972,478	3,954,174	18,304	(6,292,378)
6/30/15	7.50%	18	11.8170	(6,292,378)	3,729,898	(471,928)	532,485	3,790,455	4,012,174	(221,719)	(6,514,097)

Note: Amortization factors used for periods prior to FY 2001 did not reflect future longevity or promotion pay increases.

Schedule D: Forecast of Plan Contributions and Benefit Payments

The following table discloses the estimated City contributions and benefits to be paid from the Plan over the next twenty years, under the current set of actuarial assumptions. Effective July 1, 2014 new police hires are enrolled in the State of Rhode Island Municipal Employees' Retirement System. Since there will be no new entrants to this group, this projection no longer assumes new entrants. This is why the Normal Cost and Expected Employee Contributions are now decreasing in each of the projection years.

FY Ending 6/30	Normal Cost	Amortization of Unfunded AL	Estimated Employee Contributions	Annual Required Contribution	Benefit Payments	Funded %
2017	1,507,063	3,027,802	471,305	4,063,560	5,354,420	64.8%
2018	1,436,724	3,106,907	449,737	4,093,893	5,575,463	66.5%
2019	1,391,454	3,187,393	436,435	4,142,412	5,790,666	68.3%
2020	1,332,928	3,269,134	419,382	4,182,680	6,024,123	70.0%
2021	1,307,817	3,351,957	411,750	4,248,024	6,309,961	71.8%
2022	1,244,631	3,435,426	392,443	4,287,614	6,554,257	73.7%
2023	1,214,079	3,519,401	383,095	4,350,384	6,801,543	75.5%
2024	1,154,641	3,603,207	365,119	4,392,729	7,010,998	77.5%
2025	1,142,737	3,686,430	361,516	4,467,651	7,237,789	79.5%
2026	1,101,196	3,767,691	348,560	4,520,327	7,462,123	81.7%
2027	1,078,161	3,845,751	341,363	4,582,550	7,685,861	83.9%
2028	1,051,672	3,531,599	333,222	4,250,049	7,963,612	86.3%
2029	1,000,659	4,093,844	317,200	4,777,303	8,213,871	88.5%
2030	955,406	4,139,868	302,929	4,792,345	8,475,276	91.2%
2031	895,962	4,146,237	283,726	4,758,473	8,664,106	94.1%
2032	873,889	4,031,959	276,814	4,629,034	8,879,886	97.1%
2033	826,273	-	262,209	564,064	9,096,120	100.2%
2034	784,860	-	249,142	535,718	9,260,442	100.3%
2035	748,356	-	237,601	510,755	9,580,150	100.4%
2036	649,578	-	205,574	444,005	9,728,054	100.5%
2037	610,860	-	193,202	417,658	9,865,850	100.6%

Schedule E: Profiles of Population

E.1. Number of Active Participants by Age and Duration

ACTIVES								
MALE								
Age Group	0- 4	5-9	10-14	15-19	20-24	25-29	30+	Total
0- 19	0	0	0	0	0	0	0	0
20- 24	0	0	0	0	0	0	0	0
25- 29	10	1	0	0	0	0	0	11
30- 34	3	6	2	0	0	0	0	11
35- 39	3	2	3	2	0	0	0	10
40- 44	0	1	5	4	0	0	0	10
45- 49	0	0	1	5	5	3	0	14
50- 54	0	0	0	0	3	5	1	9
55- 59	0	0	0	0	0	1	2	3
60- 64	0	0	0	0	0	0	1	1
65+	0	0	0	0	0	1	0	1
TOTAL	16	10	11	11	8	10	4	70
			AVG AGE	41.04	AVG DUR	14.30		

ACTIVES								
FEMALE								
Age Group	0- 4	5-9	10-14	15-19	20-24	25-29	30+	Total
0- 19	0	0	0	0	0	0	0	0
20- 24	0	0	0	0	0	0	0	0
25- 29	2	0	0	0	0	0	0	2
30- 34	0	0	0	0	0	0	0	0
35- 39	0	0	0	0	0	0	0	0
40- 44	0	0	0	1	0	0	0	1
45- 49	0	0	0	1	0	0	0	1
50- 54	0	0	0	0	0	1	0	1
55- 59	0	1	0	0	0	0	0	1
60- 64	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0
TOTAL:	2	1	0	2	0	1	0	6
			AVG AGE	42.33	AVG DUR	12.67		

ACTIVES								
TOTAL								
Age Group	0- 4	5-9	10-14	15-19	20-24	25-29	30+	Total
0- 19	0	0	0	0	0	0	0	0
20- 24	0	0	0	0	0	0	0	0
25- 29	12	1	0	0	0	0	0	13
30- 34	3	6	2	0	0	0	0	11
35- 39	3	2	3	2	0	0	0	10
40- 44	0	1	5	5	0	0	0	11
45- 49	0	0	1	6	5	3	0	15
50- 54	0	0	0	0	3	6	1	10
55- 59	0	1	0	0	0	1	2	4
60- 64	0	0	0	0	0	0	1	1
65+	0	0	0	0	0	1	0	1
TOTAL:	18	11	11	13	8	11	4	76
			AVG AGE	41.14	AVG DUR	14.17		

E. 2. Number of Inactive Participants by Age and Annual Pension

RETIRED						
	MALE		FEMALE		TOTAL	
Age Group	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
40- 44	0	0	0	0	0	0
45- 49	4	165,317	1	35,080	5	200,397
50- 54	6	332,131	1	44,272	7	376,403
55- 59	12	637,848	0	0	12	637,848
60- 64	16	832,405	0	0	16	832,405
65- 69	17	908,820	0	0	17	908,820
70- 74	10	480,794	0	0	10	480,794
75- 79	9	419,650	0	0	9	419,650
80- 84	2	92,859	0	0	2	92,859
85- 89	2	95,653	0	0	2	95,653
90- 94	2	105,845	0	0	2	105,845
95- 99	0	0	0	0	0	0
100-104	0	0	0	0	0	0
105-109	0	0	0	0	0	0
110-114	0	0	0	0	0	0
115-119	0	0	0	0	0	0
120+	0	0	0	0	0	0
TOTAL	80	4,071,322	2	79,352	82	4,150,674
	AVG AGE:	65.5	AVG AGE:	47.5	AVG AGE:	65.0
	AVG PENSION:	50,892	AVG PENSION:	39,676	AVG PENSION :	50,618

DISABLED						
	MALE		FEMALE		TOTAL	
Age Group	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
20- 24	0	0	0	0	0	0
25- 29	0	0	0	0	0	0
30- 34	0	0	0	0	0	0
35- 39	0	0	0	0	0	0
40- 44	0	0	0	0	0	0
45- 49	4	194,540	1	48,426	5	242,966
50- 54	1	28,593	0	0	1	28,593
55- 59	0	0	0	0	0	0
60- 64	3	65,965	0	0	3	65,965
65- 69	0	0	1	45,035	1	45,035
70- 74	0	0	0	0	0	0
75- 79	0	0	0	0	0	0
80- 84	0	0	0	0	0	0
85- 89	0	0	0	0	0	0
90- 94	0	0	0	0	0	0
95- 99	0	0	0	0	0	0
100-104	0	0	0	0	0	0
105-109	0	0	0	0	0	0
110-114	0	0	0	0	0	0
115-119	0	0	0	0	0	0
120+	0	0	0	0	0	0
TOTAL	8	289,098	2	93,461	10	382,559
	AVG AGE:	53.1	AVG AGE:	56.5	AVG AGE:	53.8
	AVG PENSION:	36,137	AVG PENSION:	46,731	AVG PENSION :	38,256

BENEFICIARY						
	MALE		FEMALE		TOTAL	
Age Group	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
15- 19	0	0	0	0	0	0
20- 24	0	0	0	0	0	0
25- 29	0	0	0	0	0	0
30- 34	0	0	0	0	0	0
35- 39	0	0	0	0	0	0
40- 44	0	0	0	0	0	0
45- 49	0	0	0	0	0	0
50- 54	0	0	1	9,971	1	9,971
55- 59	0	0	0	0	0	0
60- 64	0	0	4	76,809	4	76,809
65- 69	0	0	5	141,860	5	141,860
70- 74	0	0	5	102,953	5	102,953
75- 79	0	0	5	133,099	5	133,099
80- 84	0	0	3	13,650	3	13,650
85- 89	0	0	7	114,271	7	114,271
90- 94	0	0	2	29,484	2	29,484
95- 99	0	0	0	0	0	0
100-104	0	0	0	0	0	0
105-109	0	0	0	0	0	0
110-114	0	0	0	0	0	0
115-119	0	0	0	0	0	0
120+	0	0	0	0	0	0
TOTAL	0	0	32	622,097	32	622,097
	AVG AGE:	0.0	AVG AGE:	75.4	AVG AGE:	75.4
	AVG PENSION:	0	AVG PENSION:	19,441	AVG PENSION :	19,441

VESTED TERMS						
	MALE		FEMALE		TOTAL	
Age Group	Number	Annual Pension	Number	Annual Pension	Number	Annual Pension
20- 24	0	0	0	0	0	0
25- 29	0	0	0	0	0	0
30- 34	0	0	0	0	0	0
35- 39	0	0	0	0	0	0
40- 44	0	0	0	0	0	0
45- 49	1	36,000	0	0	1	36,000
50- 54	0	0	0	0	0	0
55- 59	0	0	0	0	0	0
60- 64	0	0	0	0	0	0
65- 69	0	0	0	0	0	0
70- 74	0	0	0	0	0	0
75- 79	0	0	0	0	0	0
80- 84	0	0	0	0	0	0
85- 89	0	0	0	0	0	0
90- 94	0	0	0	0	0	0
95- 99	0	0	0	0	0	0
100-104	0	0	0	0	0	0
105-109	0	0	0	0	0	0
110-114	0	0	0	0	0	0
115-119	0	0	0	0	0	0
120+	0	0	0	0	0	0
TOTAL	1	36,000	0	0	1	36,000
	AVG AGE:	49.0	AVG AGE:	0	AVG AGE:	49.0
	AVG PENSION:	36,000	AVG PENSION:	0	AVG PENSION :	36,000

Schedule F: Actuarial Methods and Assumptions

Actuarial Cost Method:	Individual Entry Age Normal Actuarial Cost Method - Under this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit. The normal cost is the portion of the actuarial present value allocated to the valuation year. For inactive members, the actuarial accrued liability is equal to the present value of benefits. Inactive members do not have a normal cost. The portion of this actuarial present value not provided for at the valuation date by the sum of the actuarial value of the assets and actuarial present value of future normal costs is the unfunded actuarial accrued liability. The unfunded actuarial accrued liability represents the excess of the total actuarial accrued liability over the valuation assets.
Asset Valuation Method:	Market value, as reported by the City
Actuarial Assumptions:	
1. <i>Interest</i>	7.50% per year, net of investment expenses
2. <i>Salary Increases</i>	2.75% per year through July 1, 2022. Thereafter, 3.00% per year plus longevity increases of 3.00% after seventh year of employment and 0.50% for each year of employment thereafter through the thirty-first year of employment. No longevity increases are assumed after the thirty-first year of employment.
3. <i>Cost of Living Increases</i>	Tied to the general wage increase which is usually assumed to be 3.00% per year. Benefits payable to service related disability retirements on or after July 1, 2014 are assumed to increase 2.75% per year.
4. <i>Mortality</i>	
a. Healthy Members	RP-2000 Combined Healthy Mortality Table, applied on a fully generational basis using Mortality Projection Scale AA. This table contains sufficient margin for improvement in life expectancy.
b. Disabled Members	The 1985 Wyatt Pension Disability Table (unisex rates)

5. *Disability*

Rates of disability are based on an employee's age. Selected ages are listed below. 90% of disabilities are assumed to be service related.

<u>Attained Age</u>	<u>Probability of Disability</u>
25	0.17%
35	0.29%
45	0.72%
55	1.21%

6. *Withdrawal*

Rates of withdrawal are based on an employee's length of service, as follows:

Years of Service	Probability of Withdrawal
< 1	4.50%
1	3.38%
2	3.00%
3	2.63%
4	2.25%
5	1.88%
6	1.50%
7	1.13%
8	0.75%
9	0.38%
10+	0.00%

7. *Retirement*

Rates of retirement are based on an employee's length of service, as follows:

Years of Service	Probability of Retirement
20	10%
21	2%
22	2%
23	2%
24	2%
25	40%
26	10%
27	10%
28	10%
29	10%
30	40%
31	20%
32	20%
33	20%
34	20%
35+	100%

The above rates for years of service 21 through 29 have been adjusted since the prior valuation to reflect a somewhat different expected pattern of retirements as a result of negotiated benefit formula changes that became effective July 1, 2014.

8. *Administrative Expenses*

Assumed to be paid by the Plan Sponsor outside the trust.

9. *Benefit Compensation Limits*

Benefit limits under Section 415 and compensation limits under Section 401(a)(17) of the Internal Revenue Code are assumed to have no impact on benefits earned under this Plan.

10. *Marriage/Dependents*

75% of active police are assumed to be married. For all participants, wives are assumed to be three years younger than their husbands. For the purposes of valuing the death benefit, unmarried members are assumed to have no dependent children at death.

11. *Valuation Date*

July 1, 2015.

Schedule G: Summary of Plan Provisions as of July 1, 2015

1. *Effective Date*

Most recent amendment July 1, 2014

2. *Eligibility*

All members of the police department who contribute to the pension fund and who were hired before July 1, 2014 (or enrolled in the Police Academy as of September, 2014). All other police hires on or after July 1, 2014 will be covered by the State of Rhode Island Municipal Employees' Retirement System.

3. *Retirement*

a. Eligibility

Members who have completed 20 years of service may retire.

b. Benefit Formula

The annual benefit at retirement is equal to the percentage of final annual salary specified in the table below, plus \$100 per year for each year of service over 25 (maximum \$1,000). For pension purposes, annual salary includes regular and longevity pay.

<u>Years of Service</u>	<u>Benefit as a Percentage of Final Annual Salary</u>
20	50.0%
21	52.5%
22	55.0%
23	57.5%
24	60.0%
25	65.0%
26	66.0%
27	67.0%
28	68.0%
29	69.0%
30 or more	70.0%

Note: The benefit levels shown above payable at years of service 25 through 29 were increased (from those shown in the prior valuation report) as a result of negotiated benefit formula changes that became effective July 1, 2014.

c. Commencement Date

Retirement benefits commence as of the first payroll period after retirement

d. Form of Payment

The annual benefit calculated in accordance with the formula in (b) above is payable monthly for the remainder of the retired member's life, with 67.5% of the member's benefit payable for the lifetime of the member's surviving spouse.

4. Vested Termination

a. Eligibility

Upon termination of employment after 10 years of service, a member is eligible for a benefit deferred to retirement age.

b. Benefit Formula

2.5% of final annual salary multiplied by full years of service at termination.

c. Commencement Date

20th anniversary of employment.

d. Form of Payment

Same as retirement.

5. Disability Retirement

a. Eligibility

i. Non-Service Related

No benefit prior to completion of 7 years of service. A member who is disabled with between 7 and 20 years of service is eligible to receive disability retirement benefits.

ii. Service Related

Retirement because of a job-related mental or physical incapacity.

b. Benefit Formula

i. Non-Service Related

50% of final annual salary.

ii. Service Related

66-2/3% of final annual salary.

c. Commencement Date

Benefits commence as of the first payroll period after disability.

d. Form of Payment

Same as retirement.

6. Non-Vested Termination of Employment

A member who leaves employment prior to completing 10 years of service will receive a lump sum payment of accumulated contributions.

7. Death Before Retirement - Survivor Annuity Benefits

a. Eligibility

Death while actively employed.

b. Benefit Formula

Surviving spouse (or, if none, dependent children) receives benefit of 67.5% of final annual salary, reduced pro rata if the deceased member had less than 20 years of service.

- c. Commencement Date Benefits commence as of the first payroll period after death.
- d. Form of Payment Monthly life annuity.
- 8. *Retiree Cost of Living Increase*** For retirements before July 1, 2014: Pensions for retirees (but not disabled retirees or beneficiaries) are indexed to the negotiated pay increases for active police. Terminated vested members receive 3% annual increases after benefit commencement.

 For retirements on or after July 1, 2014: Pensions for retirees with at least 20 years of service are indexed to the negotiated pay increases for active police. For retirees with 20 to 25 years of service, the indexing begins when the retiree would have attained 25 years of service. Retirements with less than 20 years of service do not get indexed except for job related disability retirements. Job related disability retirement benefits are indexed using the Bureau of Labor Statistics CPI for Northeast Urban Wage Earners, but will not exceed 3.00% nor be lower than 1.00% per year.
- 9. *Employee Contributions*** 8% of salary.