



GASB 75 INTERIM ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2020

PORTSMOUTH SCHOOL DISTRICT

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October 30, 2020

**Christopher Diluro
Portsmouth School District
29 Middle Road
Portsmouth, RI 02871**

This report summarizes the interim GASB actuarial valuation for the Portsmouth School District 2019/20 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. 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.



Suraj M. Datta, ASA, MAAA
Consulting Actuary



Matt Sherertz, ASA, MAAA
Valuation Actuary

Executive Summary

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2020 compared to the prior fiscal year as shown in the School District's Notes to Financial Statement.

	As of June 30, 2019		As of June 30, 2020	
Total OPEB Liability	\$	2,995,096	\$	3,014,011
Actuarial Value of Assets	\$	0	\$	0
Net OPEB Liability	\$	2,995,096	\$	3,014,011
Funded Ratio		0.0%		0.0%

	FY 2018/19		FY 2019/20	
OPEB Expense	\$	128,842	\$	84,066
Annual Employer Contributions	\$	264,530	\$	179,755

	As of June 30, 2019		As of June 30, 2020	
Discount Rate		3.51%		2.66%
Expected Return on Assets		N/A		N/A

GASB Disclosures

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
Total OPEB Liability				
Total OPEB Liability - beginning of year	\$ 2,995,096	\$ 3,414,823	\$ 3,938,455	\$ 4,012,108
Service cost	61,389	83,679	86,311	98,924
Interest	104,155	130,322	137,405	111,824
Change of benefit terms	0	0	22,101	0
Changes in assumptions	194,887	176,668	(85,586)	(139,055)
Differences between expected and actual experience	(161,761)	(545,866)	(350,776)	222,319
Benefit payments	(179,755)	(264,530)	(333,087)	(367,665)
Net change in total OPEB liability	\$ 18,915	\$ (419,727)	\$ (523,632)	\$ (73,653)
Total OPEB Liability - end of year	\$ 3,014,011	\$ 2,995,096	\$ 3,414,823	\$ 3,938,455
Plan Fiduciary Net Position				
Plan fiduciary net position - beginning of year	\$ 0	\$ 0	\$ 0	\$ 0
Contributions - employer	179,755	264,530	333,087	367,665
Contributions - active employees	0	0	0	0
Net investment income	0	0	0	0
Benefit payments	(179,755)	(264,530)	(333,087)	(367,665)
Trust administrative expenses	0	0	0	0
Net change in plan fiduciary net position	\$ 0	\$ 0	\$ 0	\$ 0
Plan fiduciary net position - end of year	\$ 0	\$ 0	\$ 0	\$ 0
Net OPEB Liability - end of year	\$ 3,014,011	\$ 2,995,096	\$ 3,414,823	\$ 3,938,455
Plan fiduciary net position as % of total OPEB liability	0.0%	0.0%	0.0%	0.0%
Covered employee payroll	\$ 18,850,532	\$ 18,518,146	\$ 19,626,791	\$ 18,963,083
Net OPEB liability as % of covered payroll	16.0%	16.2%	17.4%	20.8%

* FY 2017/18 covered payroll is based on FY 2016/17 covered payroll increased 3.50% for wage inflation.

GASB Disclosures

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

OPEB Expense

OPEB Expense	FY 2019/20	FY 2018/19
Discount Rate		
Beginning of year	3.51%	3.87%
End of year	2.66%	3.51%
Service cost	\$ 61,389	\$ 83,679
Interest	104,155	130,322
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	0	0
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	0	0
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (94,682)	\$ (76,709)
Changes in assumptions	13,204	(8,450)
Net difference between projected and actual earnings on OPEB plan investments	0	0
Total current period recognition	\$ (81,478)	\$ (85,159)
Total OPEB expense	\$ 84,066	\$ 128,842

GASB Disclosures

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

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. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

The initial amortization period for the first two items noted above is based on expected future service lives while the difference between the 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 items above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2017	\$ 222,319	8	\$ 27,790	\$ 111,159
June 30, 2018	\$ (350,776)	8	\$ (43,847)	\$ (219,235)
June 30, 2019	\$ (545,866)	9	\$ (60,652)	\$ (424,562)
June 30, 2020	\$ (161,761)	9	\$ (17,973)	\$ (143,788)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2020
June 30, 2017	\$ (139,055)	8	\$ (17,382)	\$ (69,527)
June 30, 2018	\$ (85,586)	8	\$ (10,698)	\$ (53,492)
June 30, 2019	\$ 176,668	9	\$ 19,630	\$ 137,408
June 30, 2020	\$ 194,887	9	\$ 21,654	\$ 173,233

GASB Disclosures

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

Deferred Outflows / (Inflows) of Resources (Continued)

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, 2020
June 30, 2017	\$ 0	N/A	\$ 0	\$ 0
June 30, 2018	\$ 0	N/A	\$ 0	\$ 0
June 30, 2019	\$ 0	N/A	\$ 0	\$ 0
June 30, 2020	\$ 0	N/A	\$ 0	\$ 0

As of fiscal year ending June 30, 2020	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 111,159	\$ (787,585)
Changes in assumptions	310,641	(123,019)
Net difference between projected and actual earnings in OPEB plan investments	N/A	N/A
Total	\$ 421,800	\$ (910,604)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2020 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2021	\$ (81,478)
2022	\$ (81,478)
2023	\$ (81,478)
2024	\$ (81,478)
2025	\$ (91,888)
Thereafter	\$ (71,004)

GASB Disclosures

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2020, 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 2.66%.
- The 1% decrease in discount rate would be 1.66%.
- The 1% increase in discount rate would be 3.66%.

As of June 30, 2020	Net OPEB Liability
1% Decrease	\$ 3,268,944
Current Discount Rate	\$ 3,014,011
1% Increase	\$ 2,786,632

The following presents the Net OPEB Liability as of June 30, 2020, 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 7.50%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 6.50%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 8.50%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2020	Net OPEB Liability
1% Decrease	\$ 2,753,297
Current Trend Rates	\$ 3,014,011
1% Increase	\$ 3,313,211

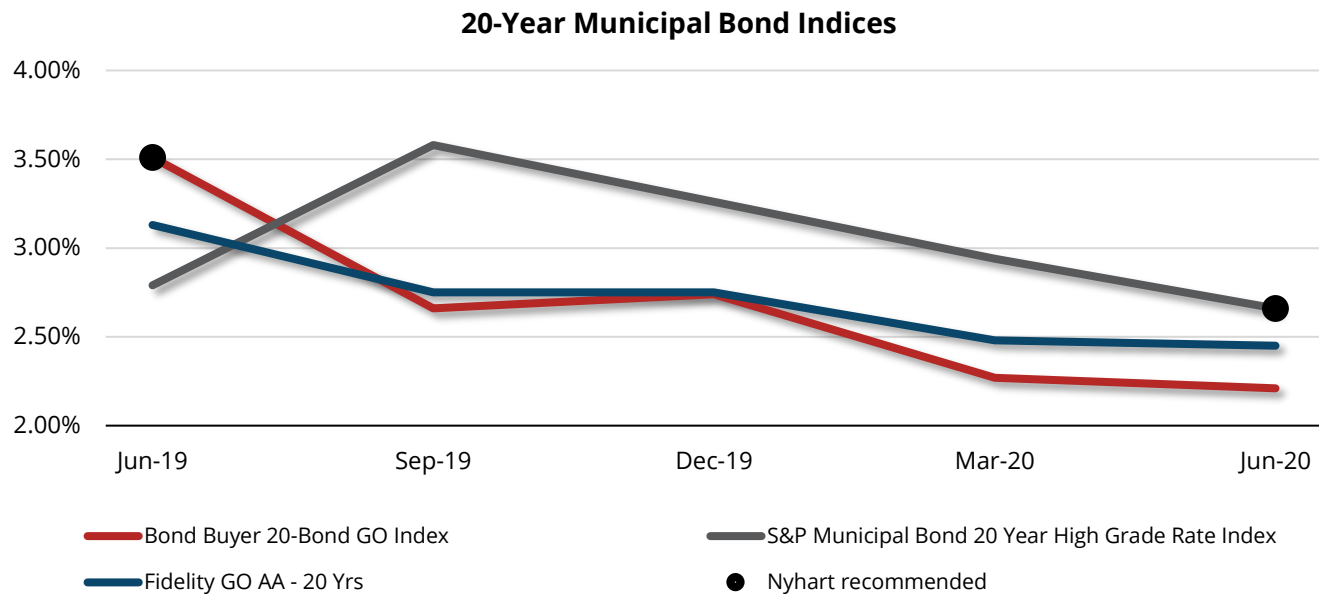
Discussion of Discount Rates

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

Under GASB 75, the discount rate used in valuing OPEB liabilities for unfunded plans as of the Measurement Date must be based on 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).

For the current valuation, the discount rate was 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.

	Bond Buyer Go 20-Bond Municipal Bond Index	S&P Municipal Bond 20-Year High Grade Rate Index	Fidelity 20-Year Go Municipal Bond Index	Bond Index Range	Actual Discount Rate Used
Yield as of July 1, 2019	3.51%	2.79%	3.13%	2.79% - 3.51%	3.51%
Yield as of June 30, 2020	2.21%	2.66%	2.45%	2.21% - 2.66%	2.66%



Summary of Key Actuarial Assumptions

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

For a complete summary of actuarial methods and assumptions, refer to the GASB 75 actuarial valuation report for the fiscal year ending June 30, 2019.

Measurement Date

For fiscal year ending June 30, 2020, June 30, 2020 measurement date was used.

Actuarial Valuation Date

July 1, 2019 with results actuarially projected on a “no gain / no loss” basis to get to the June 30, 2020 measurement date. Liabilities as of July 1, 2019 are based on an actuarial valuation date of July 1, 2019.

Discount Rate

3.51% as of July 1, 2019 and 2.66% as of June 30, 2020 for accounting disclosure purposes. Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

Payroll Growth

3.00% for wage inflation. For Certified employees, merit / productivity increases are as shown below, which are based on the assumptions used in the RI ERS actuarial valuation as of June 30, 2018.

YOS	Certified
0	10.00%
1	9.00%
2	6.25%
3	5.50%
4 – 5	5.00%
6	4.50%
7	4.25%
8 – 9	4.00%
10+	0.00%

Inflation Rate

2.50% per year

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.

Summary of Key Actuarial Assumptions

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

Health Care Trend Rates	FYE	Medical/Rx
	2021	7.5%
	2022	7.0%
	2023	6.5%
	2024	6.0%
	2025	5.5%
	2026	5.0%
	2027+	4.5%

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

Actuary's Notes

Portsmouth School District Interim GASB 75 Valuation for Fiscal Year Ending June 30, 2020

Interim year valuation results have been projected from the prior year's valuation, with adjustments for the following:

1. Actual premium rate changes from July 1, 2019 to July 1, 2020.
2. The discount rate assumption has been updated based on changes to the bond indices since the prior measurement date of June 30, 2019. The discount rate has been updated to 2.66% as of June 30, 2020.

The combined impact of these changes was an increase in liabilities.

Premium Rates

The monthly premium rates by plan effective on July 1, 2020 are as shown below:

Health Plan	Single	Family
Pre-Medicare		
Healthmate Certified	\$ 596.37	\$ 1,540.42
Healthmate Non-Certified	\$ 663.13	\$ 1,712.77
Post-Medicare		
Plan 65 G ¹	\$ 175.52	N/A
Plan 65 C ²	\$ 194.08	N/A
Blue Chip ³	\$ 308.00	N/A

¹ Plan 65 G is a new plan that does not cover Medicare Part B deductible.

² Plan 65 is a community-rated plan. No prescription drug coverage is included in this plan. It is available for AFSCME retirees only.

³ Available for a closed group of AFSCME and NEA retirees only.