



GASB 75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2021

PORTSMOUTH SCHOOL DISTRICT

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March 22, 2022

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

This report summarizes the GASB actuarial valuation for the Portsmouth School District 2020/21 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). This report may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

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.

A handwritten signature in black ink that reads "Cody Kocher".

Cody Kocher, ASA, MAAA
Actuary

A handwritten signature in black ink that reads "David Murciano".

David Murciano, ASA, MAAA, EA
Actuary

Executive Summary

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2021 compared to the prior fiscal year as shown in the School District's Notes to Financial Statement.

	As of June 30, 2020	As of June 30, 2021
Total OPEB Liability	\$ 3,014,011	\$ 3,570,560
Actuarial Value of Assets	\$ 0	\$ 0
Net OPEB Liability	\$ 3,014,011	\$ 3,570,560
Funded Ratio	0.0%	0.0%

	FY 2019/20	FY 2020/21
OPEB Expense	\$ 84,066	\$ 135,345
Annual Employer Contributions	\$ 179,755	\$ 194,426

	As of June 30, 2020	As of June 30, 2021
Discount Rate	2.66%	2.19%
Expected Return on Assets	N/A	N/A

	As of June 30, 2021
Total Active Participants	295
Total Retiree Participants	21

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

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

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, 2020	As of June 30, 2021
Active Employees	\$ 2,438,054	\$ 2,575,464
Retired Employees	1,276,509	1,809,322
Total Present Value of Future Benefits	\$ 3,714,563	\$ 4,384,786

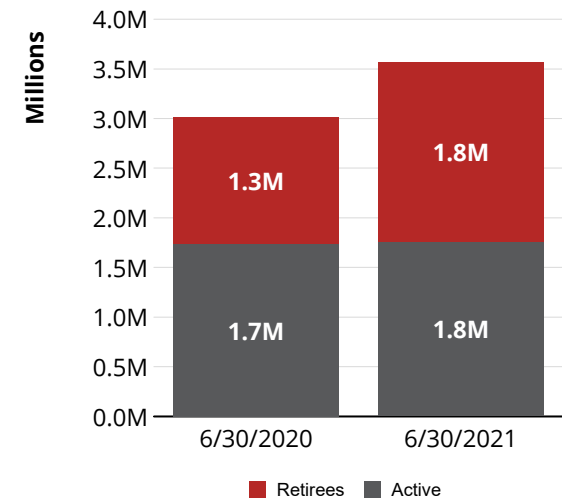
Total OPEB Liability	As of June 30, 2020	As of June 30, 2021
Active Pre-Medicare	\$ 1,548,097	\$ 1,580,506
Active Post-Medicare	189,405	180,732
Active Liability	\$ 1,737,502	\$ 1,761,238

Retiree Pre-Medicare	\$ 145,213	\$ 317,959
Retiree Post-Medicare	1,131,296	1,491,363
Retiree Liability	\$ 1,276,509	\$ 1,809,322

Total OPEB Liability	\$ 3,014,011	\$ 3,570,560
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	As of June 30, 2020	As of June 30, 2021
Discount Rate	2.66%	2.19%

Changes In Total OPEB Liability



Present Value of Future Benefits (PVFB) is the amount needed as of June 30, 2021 and June 30, 2020, to fully fund the School District'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, 2021 and June 30, 2020. This amount is a required disclosure in the Required Supplementary Information section.

GASB Disclosures

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
Total OPEB Liability					
Total OPEB Liability - beginning of year	\$ 3,014,011	\$ 2,995,096	\$ 3,414,823	\$ 3,938,455	\$ 4,012,108
Service cost	70,573	61,389	83,679	86,311	98,924
Interest	79,481	104,155	130,322	137,405	111,824
Change of benefit terms	0	0	0	22,101	0
Changes in assumptions	217,162	194,887	176,668	(85,586)	(139,055)
Differences between expected and actual experience	383,759	(161,761)	(545,866)	(350,776)	222,319
Benefit payments	(194,426)	(179,755)	(264,530)	(333,087)	(367,665)
Net change in total OPEB liability	\$ 556,549	\$ 18,915	\$ (419,727)	\$ (523,632)	\$ (73,653)
Total OPEB Liability - end of year	\$ 3,570,560	\$ 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	\$ 0
Contributions - employer	194,426	179,755	264,530	333,087	367,665
Contributions - active employees	0	0	0	0	0
Net investment income	0	0	0	0	0
Benefit payments	(194,426)	(179,755)	(264,530)	(333,087)	(367,665)
Trust administrative expenses	0	0	0	0	0
Net change in plan fiduciary net position	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Plan fiduciary net position - end of year	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net OPEB Liability - end of year	\$ 3,570,560	\$ 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%	0.0%
Covered employee payroll	\$ 19,698,136	\$ 18,850,532	\$ 18,518,146	\$ 19,626,791	\$ 18,963,083
Net OPEB liability as % of covered payroll	18.1%	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 GASB 75 Valuation for Fiscal Year Ending June 30, 2021

OPEB Expense

OPEB Expense	FY 2020/21	FY 2019/20
Discount Rate		
Beginning of year	2.66%	3.51%
End of year	2.19%	2.66%
Service cost	\$ 70,573	\$ 61,389
Interest	79,481	104,155
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	\$ (52,042)	\$ (94,682)
Changes in assumptions	37,333	13,204
Net difference between projected and actual earnings on OPEB plan investments	0	0
Total current period recognition	\$ (14,709)	\$ (81,478)
Total OPEB expense	\$ 135,345	\$ 84,066

GASB Disclosures

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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, 2021
June 30, 2017	\$ 222,319	8	\$ 27,790	\$ 83,369
June 30, 2018	\$ (350,776)	8	\$ (43,847)	\$ (175,388)
June 30, 2019	\$ (545,866)	9	\$ (60,652)	\$ (363,910)
June 30, 2020	\$ (161,761)	9	\$ (17,973)	\$ (125,815)
June 30, 2021	\$ 383,759	9	\$ 42,640	\$ 341,119

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2017	\$ (139,055)	8	\$ (17,382)	\$ (52,145)
June 30, 2018	\$ (85,586)	8	\$ (10,698)	\$ (42,794)
June 30, 2019	\$ 176,668	9	\$ 19,630	\$ 117,778
June 30, 2020	\$ 194,887	9	\$ 21,654	\$ 151,579
June 30, 2021	\$ 217,162	9	\$ 24,129	\$ 193,033

GASB Disclosures

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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, 2021
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
June 30, 2021	\$ 0	N/A	\$ 0	\$ 0

As of fiscal year ending June 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 424,488	\$ (665,113)
Changes in assumptions	462,390	(94,939)
Net difference between projected and actual earnings in OPEB plan investments	N/A	N/A
Total	\$ 886,878	\$ (760,052)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2021 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2022	\$ (14,709)
2023	\$ (14,709)
2024	\$ (14,709)
2025	\$ (25,119)
2026	\$ 29,428
Thereafter	\$ 166,644

GASB Disclosures

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2021, 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 2.19%.
- The 1% decrease in discount rate would be 1.19%.
- The 1% increase in discount rate would be 3.19%.

As of June 30, 2021	Net OPEB Liability	
1% Decrease	\$	3,872,752
Current Discount Rate	\$	3,570,560
1% Increase	\$	3,300,519

The following presents the Net OPEB Liability as of June 30, 2021, 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 8.00%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.00%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 9.00%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2021	Net OPEB Liability	
1% Decrease	\$	3,293,076
Current Trend Rates	\$	3,570,560
1% Increase	\$	3,886,737

Projection of GASB Disclosures

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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 when 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 2020/21	FY 2021/22
TOL as of beginning of year	\$ 3,014,011	\$ 3,570,560
Normal cost as of beginning of year	70,573	72,696
Exp. benefit payments during the year	(194,426)	(200,098)
Interest adjustment to end of year	79,481	77,608
Exp. TOL as of end of year	\$ 2,969,639	\$ 3,520,766
Actuarial Loss / (Gain)	600,921	TBD
Actual TOL as of end of year	\$ 3,570,560	\$ TBD

Discount rate as of beginning of year	2.66%	2.19%
Discount rate as of end of year	2.19%	TBD

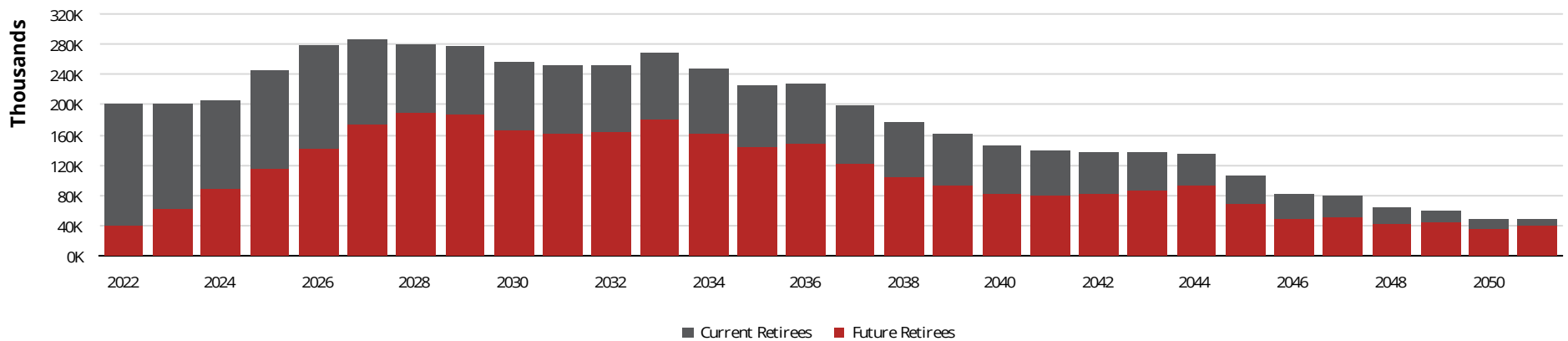
Cash Flow Projections

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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*	Total	FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total
2022	\$ 160,418	\$ 39,680	\$ 200,098	2032	\$ 89,061	\$ 163,640	\$ 252,701	2042	\$ 54,047	\$ 82,485	\$ 136,532
2023	\$ 140,625	\$ 60,923	\$ 201,548	2033	\$ 87,615	\$ 180,784	\$ 268,399	2043	\$ 48,593	\$ 87,182	\$ 135,775
2024	\$ 116,153	\$ 89,210	\$ 205,363	2034	\$ 85,679	\$ 161,942	\$ 247,621	2044	\$ 43,003	\$ 91,656	\$ 134,659
2025	\$ 131,019	\$ 114,222	\$ 245,241	2035	\$ 83,246	\$ 142,542	\$ 225,788	2045	\$ 37,398	\$ 68,405	\$ 105,803
2026	\$ 135,338	\$ 142,360	\$ 277,698	2036	\$ 80,325	\$ 147,481	\$ 227,806	2046	\$ 31,900	\$ 48,803	\$ 80,703
2027	\$ 114,497	\$ 173,289	\$ 287,786	2037	\$ 76,936	\$ 121,799	\$ 198,735	2047	\$ 26,646	\$ 51,813	\$ 78,459
2028	\$ 89,834	\$ 190,328	\$ 280,162	2038	\$ 73,105	\$ 102,978	\$ 176,083	2048	\$ 21,765	\$ 42,049	\$ 63,814
2029	\$ 90,601	\$ 186,712	\$ 277,313	2039	\$ 68,859	\$ 91,694	\$ 160,553	2049	\$ 17,363	\$ 43,240	\$ 60,603
2030	\$ 90,533	\$ 165,741	\$ 256,274	2040	\$ 64,236	\$ 82,410	\$ 146,646	2050	\$ 13,514	\$ 35,979	\$ 49,493
2031	\$ 90,028	\$ 161,827	\$ 251,855	2041	\$ 59,282	\$ 80,463	\$ 139,745	2051	\$ 10,252	\$ 38,961	\$ 49,213

Projected Employer Pay-go Cost



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

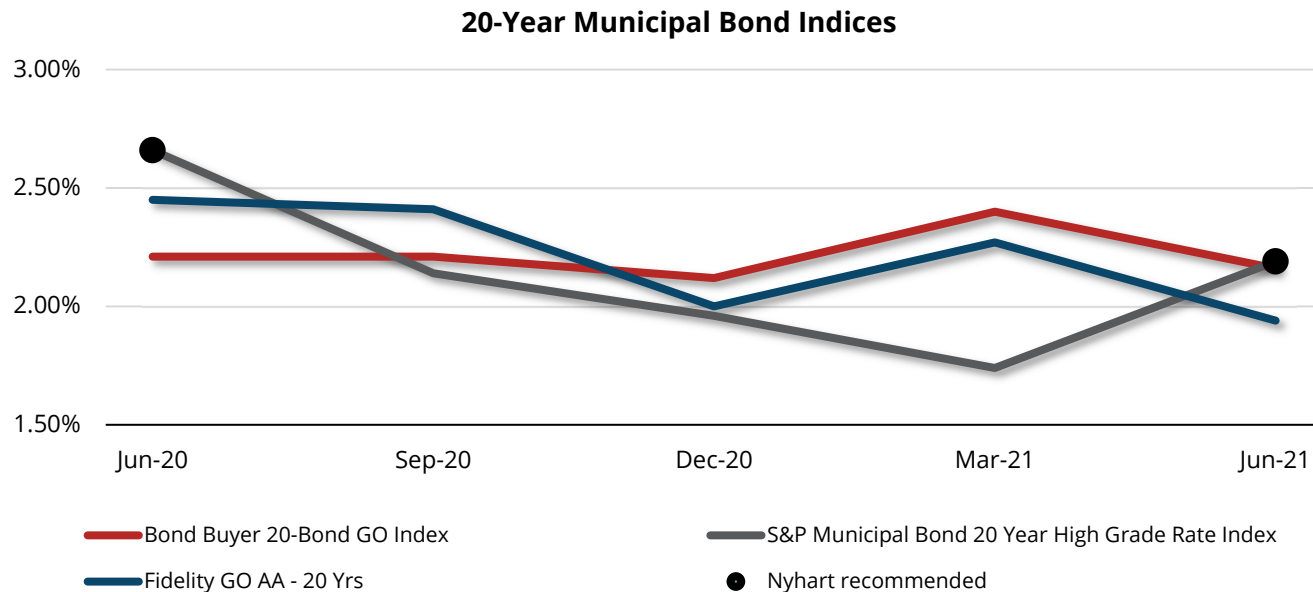
Discussion of Discount Rates

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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, 2020	2.21%	2.66%	2.45%	2.21% - 2.66%	2.66%
Yield as of June 30, 2021	2.16%	2.19%	1.94%	1.94% - 2.19%	2.19%



Summary of Plan Participants

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Active Employees

Actives with coverage eligible for retiree health benefits	Single	Non-Single	Total	Avg. Age	Avg. Svc	Salary
Healthmate Certified	50	119	169	45.0	15.3	\$ 13,437,028
Healthmate Non-Certified	21	42	63	49.4	9.6	\$ 2,570,271
Total eligible actives with coverage	63	169	232	46.2	13.8	\$ 16,007,299

Actives without coverage eligible for retiree health benefits	Total	Avg. Age	Avg. Svc	Salary
NEA	46	44.4	7.5	\$ 3,027,269
AFSCME	15	49.2	7.8	\$ 423,946
Total eligible actives without coverage	61	45.6	7.7	\$ 3,451,215

Actives not eligible for retiree health benefits	Total	Avg. Age	Avg. Svc	Salary
Individual Contract with coverage	2	60.0	18.7	\$ 239,621
Individual Contract without coverage	0	N/A	N/A	\$ N/A
Total ineligible actives	2	60.0	18.7	\$ 239,621

Teachers who currently have no coverage are assumed to receive premium reimbursement benefit at retirement. They have been included in the GASB valuation. AFSCME who currently have no coverage are assumed not to elect coverage at retirement. They have been excluded from the GASB valuation.

Active employees who are not eligible for retiree health benefits are excluded from the GASB valuation.

Summary of Plan Participants

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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	3	2										5
25 to 29	8	13	4									25
30 to 34	2	4	18	3	1							28
35 to 39	6	6	3	11								26
40 to 44	2	8	8	4	19	2						43
45 to 49	1	2	8	1	12	13	1					38
50 to 54	1	4	5	7	11	9	5	2				44
55 to 59		4	7	3	8	8	1	8				39
60 to 64		1	3	9	5	3	2	2	1			26
65 to 69		1		1	2							4
70 & up												0
Total	23	45	56	39	58	35	9	12	1	0		278

Summary of Plan Participants

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
Healthmate Certified	13		13	67.4
Healthmate Non-Certified	3		3	63.2
Plan 65	2		2	67.3
Blue Chip	3		3	77.0
Total retirees with coverage	21		21	68.1

Retiree Age Distribution

Age	Retirees
< 45	
45 to 49	
50 to 54	
55 to 59	4
60 to 64	7
65 to 69	2
70 to 74	4
75 to 79	3
80 to 84	1
85 to 89	
90 & up	
Total	21

Substantive Plan Provisions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Eligibility

AFSCME

AFSCME employees are eligible for retiree health care benefits until Medicare eligibility upon attainment of 15 years of service with the School District and after meeting the Town pension plan's retirement eligibility requirements for general employees as shown below:

- Age 60 with 10 years of service (normal retirement) or,
- Age 55 with 20 years of service (early retirement)

NEA (Teachers)

Teachers are eligible for health care benefits until Medicare eligibility¹ upon attainment of 15 years of service with the School District and meeting the State of Rhode Island pension eligibility.

Individual Contract
(includes Administrators)

Individual Contract employees (including Administrators) are not eligible for post-retirement health benefits. An exception has been made for two administrators who had worked as teachers in the district and who would have qualified for retiree health under the NEA eligibility rules.

Rhode Island Pension Eligibility

RI ERS eligibility requirement is the earlier of each employee's (a) Article 7 or (b) RIRSA eligibility dates which vary by Schedules summarized below:

Schedules	Vested with 10 years of contributing service credit as of 7/1/2005	Eligible to retire as of 9/30/2009
A	Y	Y*
B	N	Y**
AB	Y	N
B1	N	N
B2	Employee that became a member of RI ERS after 9/30/2009	

* Schedule A members were eligible to retire as of 9/30/2009 if they had (i) 28 years of service as of 9/30/2009 or (ii) had 10 years of contributing service and were age 60 as of 9/30/2009.

** Schedule B members were eligible to retire as of 9/30/2009 if they had 10 years of contributing service and were age 65 as of 9/30/2009

¹ Some existing retirees over the age of 65 who are not eligible for Medicare are allowed to remain in the School District's group health plans by paying the full cost of coverage, unless they are eligible for a subsidy provided by the School District.

Substantive Plan Provisions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Rhode Island Pension Eligibility

(Continued)

Article 7 Eligibility Date

There are no changes to Schedule A and Schedule B members retirement eligibility dates. These employees may retire at any time once they met the prior RI ERS eligibility rules. The prior RI ERS eligibility rules are:

- Schedule A – earlier of (i) 28 years of service or (ii) age 60 with 10 years of contributing service.
- Schedule B – earlier of (i) age 65 with 10 years of contributing service or (ii) age 59 with 29 years of contributing service.

Minimum retirement age under Article 7 for Schedule AB and B1 members is 62 with “proportional downward adjustment” toward an earlier retirement age based on years of service as of 9/30/2009 (referred to as “frozen service credit”).

Schedule B2 members minimum retirement age under Article 7 is age 62 without “proportional downward adjustment” toward an earlier retirement age.

RIRSA Eligibility Date

Employees with less than five years of contributing service credit on 6/30/2012 may retire at the Social Security normal retirement age (not higher than 67).

For employees with at least five years of contributing service credit on 6/30/2012, minimum retirement age is 62 with “proportional downward adjustment” toward an earlier retirement date based on years of service prior to 7/1/2012, but not earlier than 59.

Employees with at least 10 years of contributing service credit on 6/30/2012 may retire at their Article 7 eligibility date if they continue to work and contribute until that date. If they are within five years of reaching RIRSA retirement eligibility date and have at least 20 years of service, they may retire at any time.

Public school teachers may retire with a reduced pension if they have 20 years of service credit and are within five years of their RIRSA retirement date.

Effective on July 1, 2015, employees are also eligible to retire upon attainment of age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service, or age 62 with at least 33 years of service. There are additional eligibility requirements, which means that if employees are eligible to retire under the current eligibility requirements, they may do so.

Spouse Benefit

No spousal coverage is offered at retirement.

Substantive Plan Provisions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Explicit Subsidy

AFSCME

Employees hired prior to July 1, 2012 and serving at least fifteen (15) years will receive post-retirement health benefits for five (5) years or until the employee becomes eligible for Medicare, whichever comes first. The Portsmouth School Department will pay for a one year Medicare Plan 65 supplement if it occurs during the post-retirement benefit period. The school department subsidy for all post-retirement health benefits will be locked in at the premium rate less the employee co-pay in effect at the time of retirement. The retiree will be responsible for any future premium increases.

Employees hired on or after July 1, 2012, and serving at least fifteen (15) years will receive a post-retirement health benefit of one (1) year for every five (5) years of service (to a maximum of five years) or until the employee becomes eligible for Medicare, whichever comes first. The Portsmouth School Department will pay for a one year Medicare Plan 65 supplement if it occurs during the post-retirement benefit period. The school department subsidy for all post-retirement health benefits will be locked in at the premium rate less the employee co-pay in effect at the time of retirement.

If retired prior to July 1, 2015, after 5 years, retirees who are not yet eligible for Medicare can stay on the plan until Medicare eligibility by contributing the full cost of coverage. Once they are eligible of Medicare, they will exit the School District's plan. If the retirees become eligible for Medicare within five-year period, the School District will pay for 1 year of Medicare Plan 65 Supplement coverage.

If retiring on/after July 1, 2015 retirees may not continue coverage with the district after their post-retirement health benefit ends regardless of whether or not they are eligible for Medicare.

There are several grandfathered current retirees who can stay in the School District's group health plan. They are enrolled in a Medicare Supplement plan. The School District's subsidies for these grandfathered retirees are limited to the Medicare Supplement plan premiums once they turn 65. The grandfathered employees that are not allowed to stay in the School District's health plan and enrolled in a Medicare Supplement plan must pay the full cost of the plan themselves, while the department pays nothing.

Individual Contract/At Will

Effective July 1, 2015, Individual Contract and At Will employees are not eligible for retiree health benefits. All employees that are non-NEA and non-AFSCME are included in this group. The district has made an exception for two administrators who had worked in the district as teachers long enough to qualify for retiree health benefits under the NEA collective bargaining agreement. Post-retirement health benefits and eligibility requirements for these two administrators mirrors those provided to teachers.

Substantive Plan Provisions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Explicit Subsidy (Continued)

NEA (Teachers)

For those retiring before October 1, 2011, the School District will subsidize the cost of single coverage for the first 9 years (6 years if they elect the cash incentive under the early retirement notification incentive) of retirement or until the retiree becomes eligible for Medicare. The School's subsidy is locked at the premium rate in effect in the first year of retirement and any increase in the premium from the first year will be paid by the retiree.

For those retiring on/after October 1, 2011 but before October 1, 2013, the School District will subsidize the cost of single coverage for the first 9 years (6 years if they elect the cash incentive under the early retirement notification incentive) of retirement equal to the District co-share in effect for active employees on the date of retirement. Currently that is 80% of premium. The School District's subsidy is locked at the premium rate in effect in the first year of retirement and will discontinue upon Medicare eligibility.

For those retiring on or after October 1, 2013, the School District will subsidize the cost of single coverage for the first 9 years (6 years if they elect the cash incentive under the early retirement notification incentive) of retirement equal to the District co-share in effect for active employees on the date of retirement multiplied by the premium during each year of retirement. Co-shares in effect were 82% in FY 2014, 81% in FY 2015 and 80% in FY 2016-19. For each year, the School District's subsidy will be calculated as that year's premium multiplied by the District co-share in effect at the time of retirement. All subsidies discontinue upon Medicare eligibility.

Retirees who retired prior to September 1, 2013 and whose post-employment health care benefit has ended can continue to purchase coverage under the School District's group health plan by contributing the full cost of coverage until Medicare eligibility. No coverage is available after the retiree reaches Medicare Eligibility. There are several grandfathered current retirees who do not qualify for Medicare. These retirees can stay in the School District's group health plan past Medicare eligibility by paying the full cost of coverage.

Those retiring on/after September 1, 2013, no health coverage is available for purchase once the post-employment health benefit ends regardless of whether or not the employee is Medicare Eligible.

Effective September 1, 2013, employees are no longer permitted to purchase family coverage at retirement by paying the incremental cost of spousal coverage. Only individual coverage is offered to retirees.

Employees who decline health coverage at retirement will receive one-time payout of \$3,500.

Substantive Plan Provisions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Explicit Subsidy (Continued)

NEA (Teachers) - Continued

Employees meeting the Early Notification Incentive and meeting all other retiree health benefits eligibility requirements have the option of taking a \$4,500 lump sum cash incentive at retirement or an additional 3 years of subsidized individual coverage. For those retiring before October 1, 2011, the subsidy will be paid at the rate in effect in the first year of retirement. For those retiring on or after October 1, 2011 but before October 1, 2013, the subsidy will be limited to the School District's co-share in effect at the time of retirement. For those retiring on or after October 1, 2013, the subsidy will be limited to the School District's co-share in effect at the time of retirement multiplied by the health care premium in each year of retirement. Such co-shares were 82% for FY 2011-14, 81% in FY 2015 and 82% in FY 2016-19. If Teachers elect this cash incentive option, they will have subsidized individual coverage of 6 years only (instead of 9). For GASB valuation purposes, we have assumed that 20% of employees elect the additional 3 years of coverage.

Medical Benefits

Same benefit options are available to retirees as active employees.

The Town and the School District are in a collaborative pool with more than 30 entities in Rhode Island. All health plans are fully-insured and experience-rated. Each entity in the collaborative pool is viewed individually. Depending on its size the entity's experience is blended with the community pool (the community used is all of the municipal accounts in Rhode Island, not just the collaborative pool that they are a part of). In the case of Portsmouth (both Town and School District), their final rates are based on 80% of their own experience and 20% of the community average.

There is no asset used to suppress premium rate increases. Premium rates are calculated to fund the expected costs (including claims and administrative costs).

Substantive Plan Provisions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Medical Benefits (Continued)

The monthly premium rates by plan effective on July 1, 2021 are as shown below:

Health Plan	Single	Family
Pre-Medicare		
Healthmate Certified	\$ 624.49	\$ 1,613.05
Healthmate Non-Certified	\$ 694.40	\$ 1,793.53
Post-Medicare		
Plan 65 G ²	\$ 185.84	N/A
Plan 65 C ³	\$ 207.22	N/A
Blue Chip ⁴	\$ 315.00	N/A

Post-Medicare GASB Liability

There is post-Medicare GASB liability for current and future retirees as long as they continue to receive the School District's explicit subsidy. GASB liability no longer applies after the retirees begin paying the full cost of coverage.

GASB liability always applies to retirees who are not eligible for Medicare after reaching age 65. There are five retirees who are assumed to be ineligible for Medicare in this GASB valuation.

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

³ Plan 65 is a community-rated plan. No prescription drug coverage is included in this plan. It is available for a closed group of AFSCME retirees only.

⁴ Available for a closed group of AFSCME and NEA retirees only.

Actuarial Methods and Assumptions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and District 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, 2020. 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, mortality table, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2023.

Measurement Date	For fiscal year ending June 30, 2021, a June 30, 2021 measurement date was used.
Actuarial Valuation Date	June 30, 2021 with no adjustments to get to the June 30, 2021 measurement date. Liabilities as of July 1, 2020 are based on an actuarial valuation date of July 1, 2019 projected to July 1, 2020 on a "no loss / no gain" basis.
Discount Rate	2.66% as of July 1, 2020 and 2.19% as of June 30, 2021 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, 2020.

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	3.00% per year
Employer Funding Policy	Pay-as-you-go cash basis

Actuarial Methods and Assumptions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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 District in July 2021. We have reviewed it for reasonableness and no material modifications were made to the census data.

Experience Study

Best actuarial practices call for a periodic assumption review and the District has completed an experience study in 2016. Nyhart recommends the District complete another experience study prior to the fiscal year ending June 30, 2026.

Health Care Coverage Election Rate

Active employees with current coverage:

- Certified: 70%
- Non-Certified: 100%

Active employees with no coverage: 100% of Certified employees are assumed to receive premium reimbursement benefit at retirement.

Inactive employees with current coverage: 100%

Inactive employees with no coverage: 100% assumed to receive premium reimbursement benefit

Spousal Coverage

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

Spousal coverage and ages for current retirees is based on actual data.

Mortality

Certified Teacher participants: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2021

All other participants: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021

Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021

Actuarial Methods and Assumptions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Turnover Rate

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.

The termination rates are based on Saranson T-5 table and adjusted for the District's historical termination experience in 2010 through 2016. Sample annual turnover rates are shown below:

Age	AFSCME	Teachers
25	13.9%	11.6%
30	13.0%	10.8%
35	11.3%	9.4%
40	9.3%	7.7%
45	6.0%	7.2%
50	3.8%	4.6%
55	1.4%	1.9%
60	0.1%	0.2%

Retirement Rate

Annual rates of retirement by group based on the District's historical retirement experience in 2010 through 2016 are as shown below.

Age	AFSCME	Teachers & Admin (Schedules AB + A)	Teachers & Admin (Schedules B1 + B2)
55	25%	30%	0%
56	5%	25%	0%
57 - 58	5%	20%	0%
59	10%	20%	25%
60	20%	15%	5%
61	20%	35%	5%
62	35%	40%	10%
63 - 64	25%	30%	10%
65 - 66	50%	50%	50%
67	50%	100%	100%
68+	100%	100%	100%

Actuarial Methods and Assumptions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Health Care Trend Rates

FYE	Medical/Rx	FYE	Medical/Rx
2022	8.0%	2026	6.0%
2023	7.5%	2027	5.5%
2024	7.0%	2028	5.0%
2025	6.5%	2029+	4.5%

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.

Disability

None

Per Capita Costs

Annual per capita costs were calculated based on the School District's monthly premium rates effective on July 1, 2021 actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs by plan are as shown below:

Age	Certified		Non-Certified	
	Male	Female	Male	Female
<50	\$ 5,500	\$ 7,500	\$ 6,100	\$ 8,400
50 - 54	\$ 7,600	\$ 8,800	\$ 8,500	\$ 9,800
55 - 59	\$ 10,300	\$ 10,000	\$ 11,500	\$ 11,100
60 - 64	\$ 13,600	\$ 12,300	\$ 15,100	\$ 13,700
65 - 69*	\$ 19,700	\$ 15,700	\$ 21,900	\$ 17,500
70 - 74*	\$ 22,600	\$ 18,100	\$ 25,200	\$ 20,100
75+*	\$ 26,000	\$ 20,800	\$ 29,000	\$ 23,100

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.

* The over 65 per capita costs above are only applicable to current retirees who are not eligible for Medicare.

Annual per capita costs for post-65 retirees eligible for Medicare are assumed to equal \$2,487 for those enrolled in Plan 65 and \$3,780 for those enrolled in Blue Chip. These costs are assumed to increase with health care trend rates.

Actuarial Methods and Assumptions

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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 retired teacher age 64.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B = 20% * A	C = A - B
Retiree	\$ 624.49	\$ 124.90	\$ 499.59
Spouse ⁵	N/A	N/A	N/A

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 retired male teacher age 64.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,133.33	\$ 624.49	\$ 508.84
Spouse	N/A	N/A	N/A

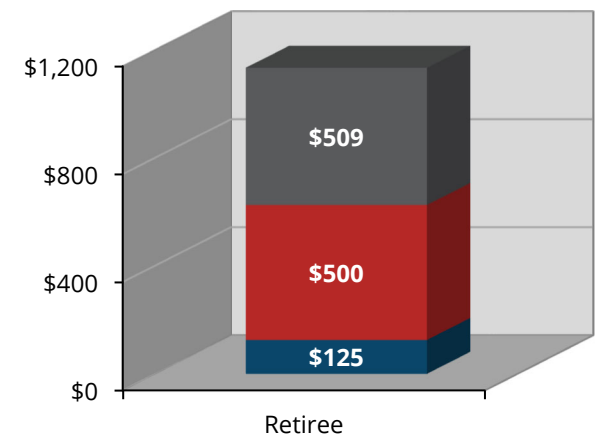
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 75 monthly total cost for a retired male teacher age 64.

	Retiree	Spouse ⁵
Retiree contribution	\$ 124.90	N/A
Explicit subsidy	\$ 499.59	N/A
Implicit subsidy	\$ 508.84	N/A
Total monthly cost	\$ 1,133.33	N/A

GASB Subsidy Breakdown



■ Retiree contribution ■ Explicit subsidy ■ Implicit subsidy

⁵ Employees are not allowed to purchase family coverage at retirement

APPENDIX

The background features a complex geometric design. It consists of several overlapping, semi-transparent shapes. A large, solid red shape is prominent in the lower right quadrant. To its left, there are various shades of gray and white shapes, some of which are outlined with thin, dashed lines, creating a layered, architectural effect. The overall composition is clean and modern.

Appendix

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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, 2019	As of June 30, 2021
Active Participants ⁶	301	295
Retired Participants	21	21
Averages for Active		
Age	47.0	46.2
Service	12.3	12.6
Averages for Inactive		
Age	68.2	68.1

⁶ Includes active employees who are not eligible for retiree health benefits. Refer to Summary of Plan Participants section for breakdown of actives who are eligible and ineligible for retiree health benefits.

Appendix

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

Detailed Actuary's Notes

There have been no substantive plan provision changes since the last full valuation, which was for the fiscal year ending June 30, 2019.

1. Discount rate as of the Measurement Date has been updated to 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). The current full valuation uses a discount rate of 2.66% as of July 1, 2020 and 2.19% as of June 30, 2021. This change has caused an increase in liabilities. The discount rate will be updated annually to reflect market conditions as of the Measurement Date.
2. Mortality table has been updated as follows, causing a decrease in liability:
 - a. Certified Teacher participants: SOA Pub-2010 Teachers Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - b. All other participants: SOA Pub-2010 General Headcount Weighted Mortality Table fully generational using Scale MP-2021
 - c. Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2021
3. Healthcare trend rates have been reset to an initial rate of 8.0% decreasing by 0.5% annually to an ultimate rate of 4.5%. This change caused an increase in liabilities.

GLOSSARY

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.

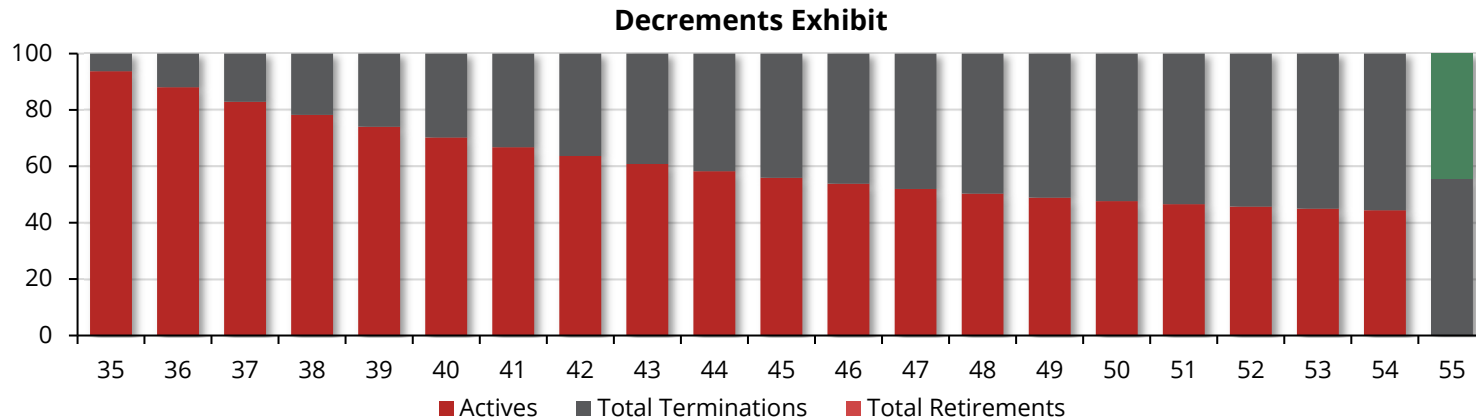
Glossary – Decrements Exhibit

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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 ⁷	# 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



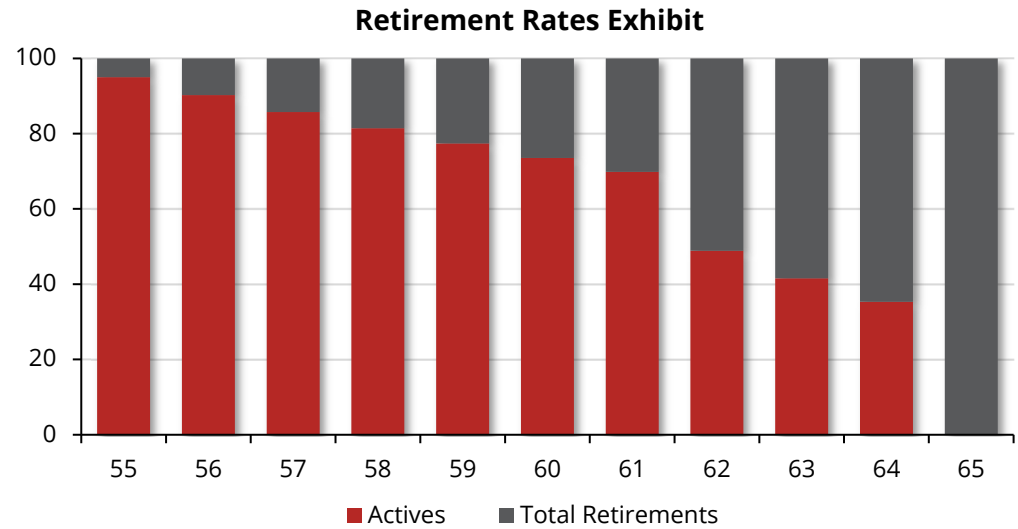
⁷ The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Retirement Rates Exhibit

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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

Portsmouth School District GASB 75 Valuation for Fiscal Year Ending June 30, 2021

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).