

Town of Portsmouth

GASB 74/75 Disclosures for Fiscal Year Ending June 30, 2022
Based on OPEB Valuation as of June 30, 2022

CONTACT

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GovInvest
The Financial Forecasting Authority

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Actuarial Certification

Mr. Ryan Kilpatrick
Town of Portsmouth
2200 E. Main Road
Portsmouth, RI 02871

GovInvest has been engaged by Town of Portsmouth to complete an actuarial valuation of the Town of Portsmouth OPEB Plan as of June 30, 2022 which will be used as the basis of the financial accounting disclosure for fiscal year ending June 30, 2022 in accordance with GASB Statement No. 74 (Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions).

The purpose of this report is to provide the Town with recommended contributions as well as required information needed for financial statement disclosure purposes. The use of this report for any other purpose may not be appropriate. The content of this report may not be modified, reproduced, or provided to third parties, either in whole or in part, without our permission. GovInvest is not responsible for usage, inference, or misinterpretation of this report by third parties.

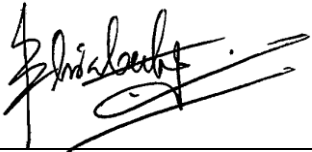
Results presented in this report are based on the census data, substantive plan provisions, and healthcare cost information provided by the Town and/or their benefit consultants. All information provided has been reviewed for reasonableness and clarifications or corrections have been requested where appropriate. We have not audited the information at the source, and therefore, do not accept responsibility for the accuracy or completeness of the data on which the information is based. Assumptions made related to missing data have been identified in this report. We are satisfied that the information provided is suitable and sufficient for the purpose of the measurement.

The valuation results were prepared using leased actuarial modeling software that produces results consistent with the purpose of this valuation and meet applicable regulatory requirements. The vendor is responsible for the development, maintenance, and improvement of these models. The models include comprehensive technical documentations that outline how the calculations are performed along with sample life outputs that allow the users to confirm with high degree of accuracy how the programmed benefit is applied to an individual with the proposed decrements and other assumptions. The actuarial team loads the participant data, programs the benefit provisions and proposed assumptions into the model and review sample life outputs and results under the supervision of credentialed actuaries who are proficient users of the software. We are not aware of any material limitations in the model nor any material inconsistencies in the assumptions used within the model.

The discount rate, other economic, and demographic assumptions have been selected by the Town with our recommendations and concurrence. We believe each assumption is reasonable based on its own merits and in combination represent reasonable expected experience of the Plan. All calculations have been completed in accordance with generally accepted actuarial principles and practices.

Future actuarial measurements may differ significantly from current measurements due to factors such as actual plan experience that differs from that anticipated by the economic and demographic assumptions as well as changes in future assumptions, substantive plan provisions, and/or applicable law. We have not analyzed the potential range of such differences due to the limited scope of our engagement. To our knowledge, there are no significant events prior to the current year's Measurement Date or as of the date of this report that may materially affect the results presented herein.

The undersigned meets the General Qualification Standards of the American Academy of Actuaries for the purpose of issuing Statement of Actuarial Opinion in the United States. Neither GovInvest nor any of its employees have any relationship with the Plan Sponsor that could impair or appear to impair the objectivity of this report.



Evi Laksana, ASA, MAAA
November 1, 2022

Section 1: Executive Summary

This is our first valuation of these benefits. Liability, expense, deferred inflows and outflows, and recommended contribution calculations prior to June 30, 2022 were determined by Nyhart. We have relied on these results without audit.

Town of Portsmouth (the "Town") sponsors a single-employer defined benefit OPEB plan that provides medical/prescription drug, dental, and vision coverage at retirement. Employees may continue health coverage with the Town at retirement for themselves, their spouses, and dependents until Medicare eligibility once they meet certain eligibility requirements and as long as required contributions are made.

The results presented in this report are based on the June 30, 2022 valuation with liabilities and assets measured as of June 30, 2022, for use in the Town's accrual-based financial statement for the fiscal year ending June 30, 2022. The June 30, 2022 valuation uses census data of (a) active employees who will be eligible to receive benefits in the future and (b) existing retirees who are currently receiving these benefits as of June 30, 2022, as well as healthcare cost information effective on July 1, 2022 provided by the Plan Sponsor and/or their healthcare consultant.

The actuarial valuation is based on substantive plan provisions outlined in Section 6. The valuation requires assumptions which are listed in Section 7. Results from the June 30, 2022 valuation may be rolled-forward for use in the Plan Sponsor's accrual-based financial statement disclosure for the fiscal year ending June 30, 2023 assuming that there are no material changes to the substantive plan provisions and/or the covered population.

The Plan Sponsor's next full valuation is as of June 30, 2024 with liabilities and assets measured as of June 30, 2024 for reporting in the Plan Sponsor's accrual-based financial statements for the fiscal year ending June 30, 2024.

Changes Since Prior Valuation

The Town's Net OPEB Liability has decreased from \$20,646,961 as of June 30, 2021 to \$17,353,096 as of June 30, 2022, which is attributable to a combination of the following factors:

1. Less favorable actual asset performance compared to expected.
2. Slightly less favorable actual demographic experience that is offset by lower healthcare cost increase than expected for a net liability decrease.
3. Differences in actuarial methodology due to a change in actuary and assumption changes as outlined in Section 7 that produces a net liability decrease.

Summary of Results

Presented below is the summary of results for the current fiscal year compared to the prior fiscal year.

Fiscal Years	2021/22	2020/21
Valuation Date (VD)	June 30, 2022	June 30, 2021
Measurement Date (MD)	June 30, 2022	June 30, 2021
Membership Data as of Valuation Date		
Inactive employees or beneficiaries currently receiving benefits	55	57
Inactive employees entitled to but not yet receiving benefits	0	0
Active employees	132	135
Total membership	187	192
Discount Rate at Measurement Date		
Municipal Bond Index Rate	4.09%	2.19%
Long-term Expected Asset Return	5.00%	5.00%
Year in which Fiduciary Net Position is projected to be depleted	N/A	N/A
Single Equivalent Discount Rate (SEDR)	4.32%	2.50%
Net OPEB Liability as of Measurement Date		
Total OPEB Liability (TOL)	\$ 19,376,308	\$ 22,862,258
Fiduciary Net Position (FNP)	(2,023,212)	(2,215,297)
Net OPEB Liability (NOL = TOL - FNP)	\$ 17,353,096	\$ 20,646,961
Funded Status (FNP / TOL)	10.4%	9.7%

Fiscal Years	2021/22	2020/21
Valuation Date (VD)	June 30, 2022	June 30, 2021
Measurement Date (MD)	June 30, 2022	June 30, 2021
OPEB Expense / (Income) by Fiscal Year	\$ 1,016,819	\$ 1,407,612
Balance of unamortized Deferred Inflows at MD	\$ (5,151,770)	\$ (2,971,740)
Balance of unamortized Deferred Outflows at MD	\$ 2,884,906	\$ 3,816,291
Actuarially Determined Contribution by Fiscal Year¹	\$ 1,696,125	\$ 1,522,495

¹ Actuarially Determined Contributions for FY 2021/22 and 2020/21 are as shown in the Town of Portsmouth GASB 74/75 Actuarial Valuation for the fiscal year ending June 30, 2021 report prepared by Nyhart dated 3/22/2022.

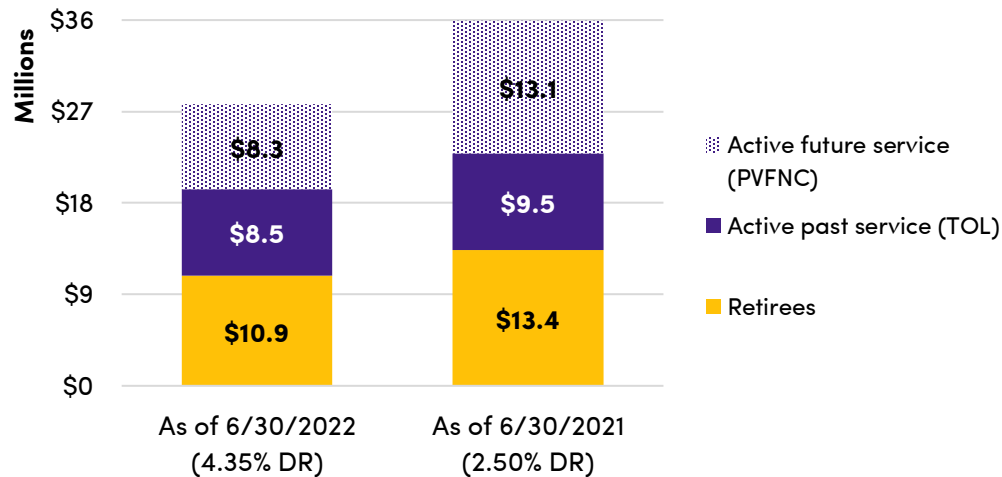
Below is a breakdown of the OPEB liability allocated to past and current service as of the Measurement Date compared to the prior Measurement Date. The liability below includes explicit subsidy (if any) and implicit subsidy. Refer to the Substantive Plan Provisions section for complete information on the Town benefit provisions.

Present Value of Future Benefits (PVFB)	As of June 30, 2022	As of June 30, 2021
Active employees	\$ 16,850,848	\$ 22,580,190
Retired employees	10,867,074	13,356,794
Total PVFB	\$ 27,717,922	\$ 35,936,984

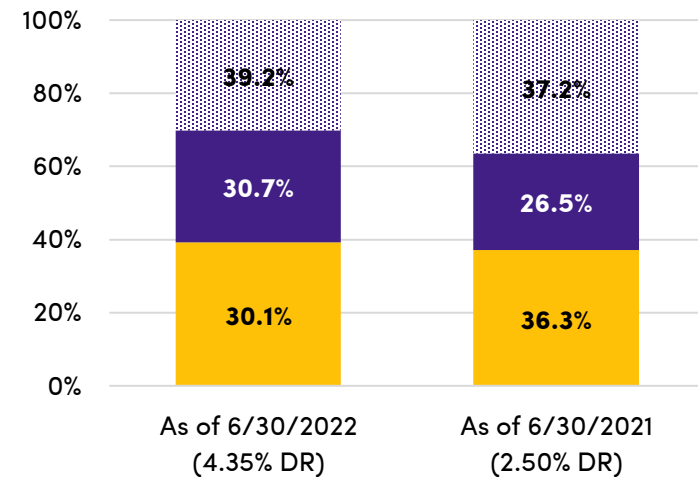
Total OPEB Liability (TOL)	As of June 30, 2022	As of June 30, 2021
Active employees	\$ 8,509,234	\$ 9,505,464
Retired employees	10,867,074	13,356,794
Total TOL	\$ 19,376,308	\$ 22,862,258

	As of June 30, 2022	As of June 30, 2021
Discount Rate	4.32%	2.50%

OPEB Liability Breakdown (\$)



OPEB Liability Breakdown (%)



Section 2: Financial Disclosures

This section provides the necessary accounting disclosures for the Town’s financial reports as shown in the following tables:

Table 1: Plan Demographics

Table 2: Brief Summary of Assumptions

Table 3: OPEB Expense

Table 4: Net OPEB Liability Sensitivity (Discount Rate)

Table 5: Net OPEB Liability Sensitivity (Healthcare Trend Rates)

Table 6: Historical Deferred Inflows and Outflows

Table 7: Unamortized Balance of Deferred Inflows and Outflows

Table 8: Schedule of Future Amortization of Deferred Inflows and Outflows

Summary of Membership and Assumptions

The table below shows the number of employees covered by the benefit terms as of June 30, 2022.

Table 1 - Plan Demographics

Inactive employees or beneficiaries currently receiving benefits	55
Inactive employees entitled to but not yet receiving benefits	0
Active employees	132
Total membership	187

The Total OPEB Liability (TOL) as of June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. For a complete list of assumptions, refer to Section 7.

Table 2 - Brief Summary of Assumptions

Inflation	2.50%
Payroll growth	3.50%, which is based on the salary increase assumption from the Town of Portsmouth pension actuarial valuation as of 7/1/2020
Investment rate of return	5.00%
Discount rate	4.32% ²
Medical/Rx trend rates	Based on 2022 Getzen with initial rate of 7.00% that decreases gradually to an ultimate rate of 3.94% in 2075
Dental/Vision trend rates	Dental: 3.50% for all years Vision: 2.50% for all years

² The Trust is expected to be able to pay for the retiree health benefit expenses before becoming depleted by the year ending 2037 based on the funding policy that the Town makes annual OPEB Trust contribution of \$25,000 and pay for the retiree health benefit expenses from the Town’s general assets.

OPEB Expense

The table below shows a comparison of the OPEB Expense recognized by the Town for the current and prior fiscal years.

Table 3 - OPEB Expense

Fiscal Years	2021/22	2020/21
SEDR as of beginning of year	2.50%	2.94%
SEDR as of end of year	4.32%	2.50%
Service Cost	\$ 1,023,437	\$ 789,052
Interest on TOL and Service Cost	582,433	597,862
Changes of benefit terms	0	0
Projected earnings on OPEB Plan investments	(112,940)	(84,765)
Reduction for contributions from active employees	(75,045)	(61,988)
OPEB Plan administrative expenses net of all revenues	2,231	6,739
Current period recognition of Deferred Inflows / Outflows of Resources		
Difference between expected and actual experience in the TOL	\$ (379,572)	\$ (203,365)
Changes of assumptions or other inputs	(25,992)	449,101
Net difference between the projected and actual earnings on OPEB Plan investments	2,267	(85,024)
Other	0	0
Total current period recognition	\$ (403,297)	\$ 160,712
OPEB Expense	\$ 1,016,819	\$ 1,407,612

Schedule of Changes in Net OPEB Liability

Fiscal Year Ending June 30	2022	2021	2020	2019	2018
Measurement Period Ending June 30	2022	2021	2020	2019	2018
Total OPEB Liability (TOL)					
Service Cost	\$ 1,023,437	\$ 789,052	\$ 685,689	\$ 782,916	\$ 887,744
Interest on TOL and Service Cost	582,433	597,862	740,008	807,833	825,756
Changes of benefit terms	0	0	0	0	(8,005)
Difference between expected & actual experience	(1,057,241)	477,405	(1,273,550)	(966,904)	(2,179,438)
Changes of assumptions or other inputs	(2,850,557)	1,954,574	1,517,261	35,933	(607,184)
Benefit payments	(1,184,022) ³	(998,793)	(1,027,477)	(1,034,008)	(1,019,210)
Net change in TOL	\$ (3,485,950)	\$ 2,820,100	\$ 641,931	\$ (374,230)	\$ (2,100,337)
TOL – beginning	\$ 22,862,258	\$ 20,042,158	\$ 19,400,227	\$ 19,774,457	\$ 21,874,794
TOL – ending	\$ 19,376,308	\$ 22,862,258	\$ 20,042,158	\$ 19,400,227	\$ 19,774,457
Plan Fiduciary Net Position (FNP)					
Contributions – employer	\$ 1,199,269	\$ 1,128,104	\$ 1,052,477	\$ 1,059,008	\$ 1,069,210
Contributions – employees	75,045	61,988	58,601	53,312	53,958
Benefit payments	(1,184,022)	(998,793)	(1,027,477)	(1,034,008)	(1,019,210)
Net investment income	(280,146)	426,595	65,540	85,681	101,350
Trust administrative expenses	(2,231)	(6,739)	(5,000)	(14,515)	(10,486)
Net change in Plan FNP	\$ (192,085)	\$ 611,155	\$ 144,141	\$ 149,478	\$ 194,822
FNP – beginning	\$ 2,215,297	\$ 1,604,142	\$ 1,460,001	\$ 1,310,523	\$ 1,115,701
FNP – ending	\$ 2,023,212	\$ 2,215,297	\$ 1,604,142	\$ 1,460,001	\$ 1,310,523
Net OPEB Liability – ending	\$ 17,353,096	\$ 20,646,961	\$ 18,438,016	\$ 17,940,226	\$ 18,463,934
FNP as % of TOL	10.4%	9.7%	8.0%	7.5%	6.6%
Covered payroll – measurement period	\$ 9,427,054	\$ 8,987,551	\$ 7,902,464	\$ 7,635,231	\$ 7,441,122
NOL as % of covered payroll	184.1%	229.7%	233.3%	235.0%	248.1%

³ Based on explicit benefit payment of \$994,900 and estimated implicit subsidy of \$189,122.

Fiscal Year Ending June 30	2017
Measurement Period Ending June 30	2017
Total OPEB Liability (TOL)	
Service Cost	\$ 826,446
Interest on TOL and Service Cost	564,081
Changes of benefit terms	0
Difference between expected & actual experience	2,651,611
Changes of assumptions or other inputs	(335,511)
Benefit payments	(890,092)
Net change in TOL	\$ 2,816,535
TOL – beginning	\$ 19,058,259
TOL – ending	\$ 21,874,794
Plan Fiduciary Net Position (FNP)	
Contributions – employer	\$ 1,169,270
Contributions – employees	55,310
Benefit payments	(890,092)
Net investment income	90,454
Trust administrative expenses	(458)
Net change in Plan FNP	\$ 424,484
FNP – beginning	\$ 691,217
FNP – ending	\$ 1,115,701
Net OPEB Liability – ending	\$ 20,759,093
FNP as % of TOL	5.1%
Covered payroll – measurement period	\$ 7,189,490
NOL as % of covered payroll	288.7%

Schedule of Employer Contribution

Fiscal Year Ending	2022	2021	2020	2019	2018
Actuarially Determined Contribution (ADC)	\$ 1,696,125	\$ 1,522,495	\$ 1,586,153	\$ 1,695,662	\$ 1,629,782
Contributions in relation to the ADC	\$ 1,199,269	\$ 1,128,104	\$ 1,052,477	\$ 1,059,008	\$ 1,069,210
Contribution deficiency / (excess)	\$ 496,856	\$ 394,391	\$ 533,676	\$ 636,654	\$ 560,572
Covered-employee payroll – employer fiscal year	\$ 9,427,054	\$ 8,987,551	\$ 7,902,464	\$ 7,635,231	\$ 7,441,122
Contributions as a % of covered-employee payroll	12.7%	12.6%	13.3%	13.9%	14.4%

Fiscal Year Ending	2017
Actuarially Determined Contribution (ADC)	\$ 1,739,943
Contributions in relation to the ADC	\$ 1,169,270
Contribution deficiency / (excess)	\$ 570,673
Covered-employee payroll – employer fiscal year	\$ 7,189,490
Contributions as a % of covered-employee payroll	16.3%

Net OPEB Liability Sensitivity

The following presents the Net OPEB Liability of the Town, as well as what the Town's Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate as of June 30, 2022.

Table 4 - Net OPEB Liability Sensitivity (Discount Rate)

	1% Decrease (3.32%)	Discount Rate (4.32%)	1% Increase (5.32%)
Net OPEB Liability / (Asset)	\$ 15,449,191	\$ 17,353,096	\$ 19,586,814

The following presents the Net OPEB Liability of the Town, as well as what the Town's Net OPEB Liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates as of June 30, 2022.

Table 5 - Net OPEB Liability Sensitivity (Healthcare Trend Rates)

	1% Decrease (6.00% decreasing to 2.94%)	Healthcare Trend Rates (7.00% decreasing to 3.94%)	1% Increase (8.00% decreasing to 4.94%)
Net OPEB Liability / (Asset)	\$ 19,312,603	\$ 17,353,096	\$ 15,641,247

Deferred Inflows and Deferred Outflows of Resources Related to OPEB

The tables below show changes in the Net OPEB Liability that have not been included in the OPEB expense for the following items:

1. Differences between expected and actual experience of the OPEB plan
2. Changes in assumptions
3. Differences between projected and actual earnings on the OPEB plan investments

The initial amortization base for the first two items above are amortized linearly over the average expected remaining service lives of active and inactive employees. The difference between projected and actual earnings on the OPEB plan investments is amortized linearly over five years.

Table 6 - Historical Deferred Inflows and Outflows

Differences between expected and actual experience

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2017	6/30/2017	\$ 2,651,611	7.00	\$ 378,802	\$ 2,272,812	\$ 378,799
6/30/2018	6/30/2018	\$ (2,179,438)	7.00	\$ (311,348)	\$ (1,556,740)	\$ (622,698)
6/30/2019	6/30/2019	\$ (966,904)	7.00	\$ (138,129)	\$ (552,516)	\$ (414,388)
6/30/2020	6/30/2020	\$ (1,273,550)	6.00	\$ (212,258)	\$ (636,774)	\$ (636,776)
6/30/2021	6/30/2021	\$ 477,405	6.00	\$ 79,568	\$ 159,136	\$ 318,269
6/30/2022	6/30/2022	\$ (1,057,241)	6.00	\$ (176,207)	\$ (176,207)	\$ (881,034)

Changes in assumptions or other inputs

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2017	6/30/2017	\$ (335,511)	7.00	\$ (47,930)	\$ (287,580)	\$ (47,931)
6/30/2018	6/30/2018	\$ (607,184)	7.00	\$ (86,741)	\$ (433,705)	\$ (173,479)
6/30/2019	6/30/2019	\$ 35,933	7.00	\$ 5,133	\$ 20,532	\$ 15,401
6/30/2020	6/30/2020	\$ 1,517,261	6.00	\$ 252,877	\$ 758,631	\$ 758,630
6/30/2021	6/30/2021	\$ 1,954,574	6.00	\$ 325,762	\$ 651,524	\$ 1,303,050
6/30/2022	6/30/2022	\$ (2,850,557)	6.00	\$ (475,093)	\$ (475,093)	\$ (2,375,464)

Differences between projected and actual earnings on OPEB plan investments⁴

Measurement Period Ending	Fiscal Year Ending	Initial Balance	Initial Amortization Period	Annual Recognition	Recognized in OPEB Expense through June 30, 2022	Unamortized Balance as of June 30, 2022
6/30/2018	6/30/2018	\$ (37,450)	5.00	\$ (7,490)	\$ (37,450)	\$ 0
6/30/2019	6/30/2019	\$ (11,871)	5.00	\$ (2,374)	\$ (9,496)	\$ (2,375)
6/30/2020	6/30/2020	\$ 9,401	5.00	\$ 1,880	\$ 5,640	\$ 3,761
6/30/2021	6/30/2021	\$ (341,830)	5.00	\$ (68,366)	\$ (136,732)	\$ (205,098)
6/30/2022	6/30/2022	\$ 393,086	5.00	\$ 78,617	\$ 78,617	\$ 314,469

⁴ Only amortization bases that are not fully recognized by fiscal year ending June 30, 2022 are shown in this table.

The table below shows the unamortized balance of Deferred Inflows and Outflows of Resources as of June 30, 2022 for financial statement disclosure for the fiscal year ending June 30, 2022.

Table 7 - Unamortized Balance of Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 697,068	\$ (2,554,896)
Changes in assumptions or other inputs	2,077,081	(2,596,874)
Net difference between projected and actual earnings on OPEB plan investments	110,757	0
Employer contribution subsequent to the Measurement Date	0	0
Total	\$ 2,884,906	\$ (5,151,770)

Schedule of future annual amortizations of Deferred Inflows and Outflows that will be recognized in future OPEB expense is as shown below.

Table 8 - Schedule of Future Deferred Inflows and Outflows Amortization

Measurement Period Ending	Amounts
2023	\$ (395,812)
2024	\$ (724,303)
2025	\$ (328,098)
2026	\$ (167,353)
2027	\$ (651,298)
Thereafter	\$ 0

Section 3: Asset Information

Funding Policy

The Town has an OPEB Trust that is invested in Mission Square Retirement under Mission Square II Model Portfolio Moderate Fund, which is a qualified irrevocable trust. The Town intends to make annual OPEB Trust contribution of \$25,000 and pay for the retiree health benefit expenses from the Town's general assets.

Asset Breakdown

As of	June 30, 2022	June 30, 2021
Assets		
Cash and cash equivalents	\$ 0	\$ 0
Receivables	0	0
Investments		
Fixed income	\$ 733,010	\$ 825,198
Equities	1,224,448	1,390,099
Treasury Inflation-Protected Securities (TIPS)	65,754	0
Real assets	0	0
Total investments	<u>\$ 2,023,212</u>	<u>\$ 2,215,297</u>
Total assets	\$ 2,023,212	\$ 2,215,297
Liabilities		
Accounts payable	\$ 0	\$ 0
Total liabilities	<u>\$ 0</u>	<u>\$ 0</u>
Net asset available for benefits	\$ 2,023,212	\$ 2,215,297

Reconciliation of Assets

Measurement Periods	2021/22	2020/21
Additions		
Contributions received		
Employer	\$ 1,199,269	\$ 1,128,104
Employees	75,045	61,988
Total contributions	\$ 1,274,314	\$ 1,190,092
Investment income		
Interest and dividend	\$ 0	\$ 0
Net increase/(decrease) in fair value of investments	(280,146)	426,595
Accrued income	0	0
Investment expense	0	0
Net investment income	\$ (280,146)	\$ 426,595
Total additions	\$ 994,168	\$ 1,616,687
Deductions		
Benefit payments net of retiree contributions	\$ (1,184,022)	\$ (998,793)
Administrative expenses	(2,231)	(6,739)
Total deductions	\$ (1,186,253)	\$ (1,005,532)
Change in net position	\$ (192,085)	\$ 611,155
Net position – beginning of year	\$ 2,215,297	\$ 1,604,142
Net position – end of year	\$ 2,023,212	\$ 2,215,297

Section 4: Actuarially Determined Contribution

Actuarially Determined Contribution (ADC) is the recommended contribution that, if paid on an ongoing basis, is expected to provide sufficient resources to fund (a) future normal cost (cost for new service) and (b) the amortized unfunded liabilities (cost for past service). There is no requirement to fund OPEB benefit under GASB 74/75 and it is up to the Plan Sponsor's discretion to determine the OPEB contributions based on their fiscal situation.

Contribution Years	2022/23	2023/24
Funding discount rate	5.00%	5.00%
Amortization method	Level Dollar	Level Dollar
Payroll growth	N/A	N/A
Amortization period	20 years	19 years
Actuarial Accrued Liability (AAL) – beginning of year ⁵	\$ 18,187,587	\$ 18,724,175
Actuarial Value of Assets (AVA) – beginning of year ⁶	(2,023,212)	(2,201,742)
Unfunded AAL (UAAL) – beginning of year	\$ 16,164,375	\$ 16,522,433
Normal Cost – beginning of year	\$ 667,495	\$ 668,212
Reduction for active employees' contribution	(60,621)	(60,608)
Amortization of UAAL – beginning of year	1,235,306	1,302,047
Total Normal Cost and amortization of UAAL	\$ 1,842,180	\$ 1,909,651
Interest adjustment for end of year payment	92,109	95,483
Trust administrative expense	10,116	11,009
Actuarially Determined Contribution (ADC)	\$ 1,944,405	\$ 2,016,143
Expected benefit payments	\$ 1,047,786	\$ 1,097,789

⁵ Fiscal year 2022/23 AAL as of beginning of year is based on June 30, 2022 OPEB valuation. Fiscal year 2023/24 AAL as of beginning of year is based on June 30, 2022 OPEB valuation results projected to June 30, 2023 on a "no gain/loss" basis.

⁶ Fiscal year 2022/23 AVA as of beginning of year is based on market value of assets as of June 30, 2022. Fiscal year 2023/24 AVA as of beginning of year is projected from June 30, 2022 market value of asset assuming 5.00% investment income, Town contribution equals to the benefit payment plus \$25,000 pre-funding contribution (total contribution of \$1,072,786), active employee contribution of \$60,621, and 0.50% Trust administrative expense applied to beginning of year asset balance.

Section 5: Projected Benefit Payments

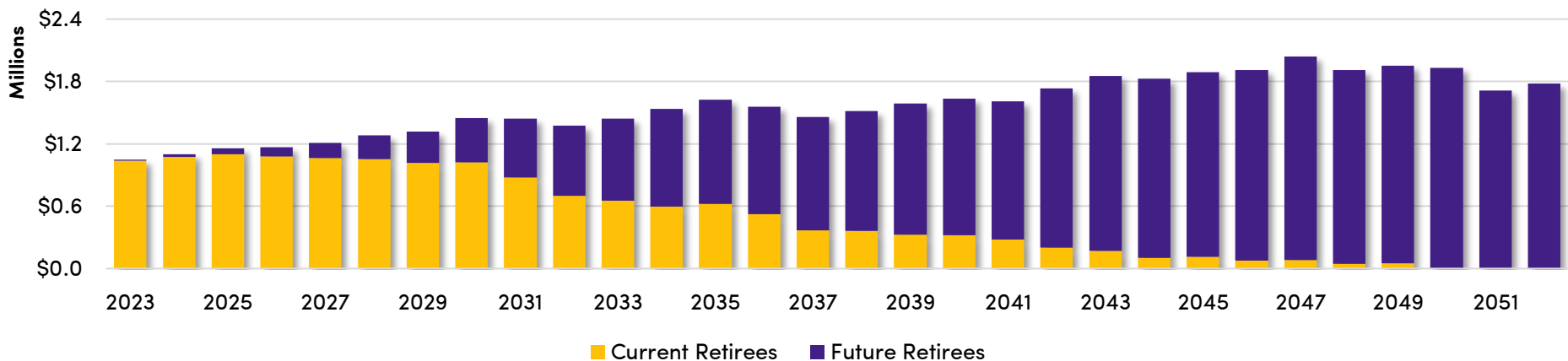
The below table shows the projected benefit payments for the next 30 years for a closed group of participants (both active employees and existing retirees) who are included in the census data as of June 30, 2022. This exhibit is provided for informational purposes only and is not a required disclosure under GASB 74/75. Projected benefit payments below include both explicit (if any) and implicit subsidies (as applicable).

FYE	Future Retirees	Current Retirees	Total
2023	\$ 12,536	\$ 1,035,250	\$ 1,047,786
2024	\$ 22,353	\$ 1,075,436	\$ 1,097,789
2025	\$ 57,234	\$ 1,098,340	\$ 1,155,574
2026	\$ 91,058	\$ 1,077,000	\$ 1,168,058
2027	\$ 144,442	\$ 1,065,971	\$ 1,210,413
2028	\$ 228,183	\$ 1,055,404	\$ 1,283,587
2029	\$ 299,797	\$ 1,017,995	\$ 1,317,792
2030	\$ 426,291	\$ 1,022,006	\$ 1,448,297
2031	\$ 562,978	\$ 877,434	\$ 1,440,412
2032	\$ 675,417	\$ 698,978	\$ 1,374,395

FYE	Future Retirees	Current Retirees	Total
2033	\$ 791,806	\$ 651,682	\$ 1,443,488
2034	\$ 936,656	\$ 597,787	\$ 1,534,443
2035	\$ 1,002,937	\$ 623,619	\$ 1,626,556
2036	\$ 1,032,271	\$ 524,923	\$ 1,557,194
2037	\$ 1,095,353	\$ 364,886	\$ 1,460,239
2038	\$ 1,152,159	\$ 361,720	\$ 1,513,879
2039	\$ 1,261,322	\$ 327,335	\$ 1,588,657
2040	\$ 1,314,250	\$ 318,838	\$ 1,633,088
2041	\$ 1,332,643	\$ 277,822	\$ 1,610,465
2042	\$ 1,532,430	\$ 198,676	\$ 1,731,106

FYE	Future Retirees	Current Retirees	Total
2043	\$ 1,682,846	\$ 172,128	\$ 1,854,974
2044	\$ 1,721,035	\$ 104,543	\$ 1,825,578
2045	\$ 1,776,266	\$ 112,807	\$ 1,889,073
2046	\$ 1,834,972	\$ 75,358	\$ 1,910,330
2047	\$ 1,960,708	\$ 81,180	\$ 2,041,888
2048	\$ 1,863,998	\$ 47,580	\$ 1,911,578
2049	\$ 1,899,135	\$ 51,457	\$ 1,950,592
2050	\$ 1,933,201	\$ 0	\$ 1,933,201
2051	\$ 1,711,600	\$ 0	\$ 1,711,600
2052	\$ 1,777,801	\$ 0	\$ 1,777,801

Projected Benefit Payments



Section 6: Substantive Plan Provisions

Changes Since Prior Valuation

There are no plan provision changes since the last full valuation, however, buyback liability is now valued for active employees in Fire and PMEA bargaining units who currently waive medical coverage.

Eligibility

- Police and Fire Police officers and firefighters are eligible for retiree health benefits until Medicare eligibility upon attainment of 20 years of service with the Town, or 25 years of service if a Municipal Employees Retirement System (MERS) member.
- General Employees General employees (PMEA, Public Works union groups, and Non-Union groups) are eligible for retiree health benefits until Medicare eligibility at the earlier of:
 1. Age 60 with 10 years of service (normal retirement)
 2. Age 55 with 25 years of service and within 5 years of normal retirement

Disability Health Eligibility Police officers and firefighters injured in the line of duty are eligible for disability health benefit until Medicare eligibility without any age or years of service requirement. For those injured not in the line of duty, the disability health benefit eligibility requirement is 10 years of service with the Town.

Spouse Benefits

- Police and Fire Upon retiree’s death, retiree health coverage continues to unmarried surviving spouse and dependent children up to age 19.
- General Employees Retiree health coverage is discontinued upon retiree’s death. Surviving spouses will be offered COBRA.

Active Cost Sharing Certain active employees are required to contribute to the OPEB Trust Fund that was set up to defray the cost of post-employment benefits according to the table below.

Employee Groups	Active Contributions
Fire	1.5% of base earnings
Police	1% of salary
Public Works	0.25% of salary and longevity

Employer Subsidy

Fire Firefighters receive free retiree health coverage for medical, dental, and vision benefits until Medicare eligibility. In addition to the free retiree health coverage, the Town will contribute the following amounts annually for retired firefighters enrolled in the HDHP plan based on their date of retirements.

Retirement Dates	Single	Family	Retirement Dates	Single	Family
7/1/2010 – 12/31/2012	\$2,000	\$4,000	7/1/2017 – 6/30/2018	\$500	\$1,000
1/1/2013 – 6/30/2016	\$1,000	\$2,000	7/1/2018 – 6/30/2019	\$250	\$500
7/1/2016 – 6/30/2017	\$750	\$1,500			

Police and PMEA Employees who retired prior to July 1, 2013 receive free retiree health coverage (medical, dental, and vision benefits) until Medicare eligibility. For all employees who retired on/after July 1, 2013, the Town subsidizes a percentage of premium according to the table below until Medicare eligibility for all benefits (medical, dental, and vision).

Hire Dates	Police		PMEA	
	Single	Family	Single	Family
Prior to 7/1/2013	90%	90%	85%	85%
On/after 7/1/2013	80%	80%	80%	80%

Public Works The Town will contribute 80% of medical and dental premiums until Medicare eligibility. Vision coverage is free.

Non-Union Groups The Town subsidizes a percentage of premium according to the table below until Medicare eligibility for medical benefit. Dental and vision benefits are free.

Retirement Dates	Single	Family
Prior to 7/1/2018	85%	85%
On/after 7/1/2018	80%	80%

Ancillary Benefits There is no Town-subsidized life insurance benefit at retirement.

Retiree Contributions Retirees are required to contribute the portion of premium rates not covered by the Employer Subsidy.

Medical Benefits

Same benefit options are available to pre-Medicare retirees as active employees. The Town and School 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 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), 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).

The monthly premium rates (excluding BCBS WRI) effective on July 1, 2022 used in the valuation are as shown below.

Plans	Groups	Single	Family
HM 0007 Ded	PMEA & NUG (active & retired post 7/2013)		
HM 0002 Ded	DPW (active & retired post 7/2014)	\$ 712.27	\$ 1,839.61
HM 0009 Ded	Retired Police (post 4/2014)		
HM 0001	Retired Fire (post 4/2008 but pre 7/2010)	\$ 752.35	\$ 1,943.19
HM 0002	Retired DPW (pre 7/2014)		
HM 0004	Retired Fire (pre 4/2008)	\$ 780.42	\$ 2,015.64
HM 0009	Retired Police (pre 4/2014)		
HM 0005 HDHP	Fire (active)	\$ 601.51	\$ 1,435.13
HM 0006 HDHP	Retired Fire (post 7/2010) Civilian Fire Dispatchers	\$ 526.66	\$ 1,360.28
Classic 0007	Retired NUG (pre 7/2014)	\$ 902.38	\$ 2,319.30
Classic 0009	Retired Police (pre 4/2014)	\$ 1,037.05	\$ 2,738.00
HM 0007	Retired PMEA (pre 7/2013)	\$ 752.59	\$ 1,943.75
HM 0008 Ded	Police (active)	\$ 759.93	\$ 1,887.27

Buyback Benefits

Employees in Fire and PMEA bargaining units who waive medical coverage with the Town at retirement are eligible for \$5,000 and \$2,500 annual buy back benefit respectively.

Dental Benefits

The monthly dental premiums effective on July 1, 2022 used in the valuation are as shown below.

Groups	Single	Family
Police and Fire	\$ 30.01	\$ 80.85
Public Works (DPW)	\$ 31.67	\$ 85.30
PMEA and NUG ⁷	\$ 31.06	\$ 84.53

Vision Benefits

Vision benefit is funded annually through the budget based on the vision benefit agreed upon by the Town and the union groups. The annual budget for FY 2022/23 is \$7,000 for all employees and retirees. The Town is responsible for any vision requests for reimbursement that exceeds the budgeted amount.

Changes Subsequent to the Measurement Date

New labor contracts effective on July 1, 2022 for Fire and PMEA bargaining units include the following benefit changes that will be reflected in the fiscal year ending June 30, 2023 GASB 74/75 report.

1. Firefighters:
 - a. Active firefighters' contribution to the OPEB Trust is reduced from 1.5% to 1.0% of base earnings.
 - b. For firefighters enrolled in the HDHP plan who retire on/after July 1, 2022, the Town will make annual HSA contribution of \$800 (single) / \$1,600 (family) for the first ten years in retirement.
2. PMEA: Town subsidy for retiree health coverage (medical, dental, and vision) for employees hired prior to July 1, 2013 who retire on/after July 1, 2022 is reduced from 85% to 80%.

These benefit changes are expected to increase the Town's liability as of June 30, 2023 by approximately 0.60% under the same Single Equivalent Discount Rate and assuming all the assumptions are realized.

⁷ Rates shown are effective on September 1, 2022.

Section 7: Actuarial Methods and Assumptions

Changes Since Prior Valuation

The following assumptions have been updated since the prior valuation:

1. The Single Equivalent Discount Rate has been increased from 2.50% to 4.32% based on the updated cross-over test and municipal bond index as of June 30, 2022, which caused a liability decrease. With the expectation that the Town contributes \$25,000 to the Trust and pays for retiree healthcare expenses from the Town's general assets, the Trust is expected to be depleted by the year ending 2037.
2. Health care trend rates have been updated as follows, which caused a net increase in the liability:
 - a. Medical/prescription drug: from an initial rate of 8.00% that decreases by 0.50% annually to an ultimate rate of 4.50% to Getzen 2022 version with an initial rate of 7.00% that decreases gradually to an ultimate rate of 3.94% in 2075.
 - b. Dental: from an initial rate of 5.00% that decreases by 0.25% annually to an ultimate rate of 4.00% to 3.50% for all years.
 - c. Vision: from 3.00% to 2.50% for all years.
3. The percentage of active employees assumed to elect spousal coverage has been updated from 80% for all employees to 95% for Police and Fire employees and 85% for all other employees, which caused an increase in the liability.
4. In the prior valuation, active Fire and PMEA employees who currently waive medical coverage are assumed not to elect health coverage with the Town at retirement. In this year's valuation, these employees are assumed to receive buyback benefit at retirement. This change caused an increase in the liability.

Valuation Date	June 30, 2022
Measurement Date	June 30, 2022
Reporting Period	Fiscal year ending June 30, 2022

Discount Rate	<p>For accounting disclosure: 4.32% as of June 30, 2022 and 2.50% as of June 30, 2021</p> <p>For funding purposes (in calculating the Actuarially Determined Contribution): 5.00% as of June 30, 2022 and 5.00% as of June 30, 2021</p> <p>Refer to the Discussion of Discount Rate section for additional information on the discount rate setting.</p>
Actuarial Cost Method	<p>Entry Age Normal Level Percentage of Pay; a method that allocates the actuarial present value of the projected benefits of each individual on a level basis over the earnings of the individual between entry age and assumed exit age(s).</p> <ul style="list-style-type: none"> • The portion allocated to a valuation year is called the Normal Cost. • The portion allocated to past periods is called the Actuarial Accrued Liability (AAL) or Total OPEB Liability (TOL).
Census Data	<p>Census information was provided by the Town as of June 30, 2022. We have reviewed it for reasonableness and no material modifications were made to the census data.</p>
Payroll Growth	<p>3.50% wage inflation based on the Town of Portsmouth pension actuarial valuation as of July 1, 2020.</p>
Mortality	<p>General Employees and Retirees: Pub-2010 General Employees/Retirees/Disabled/Contingent Survivors Headcount-Weighted Mortality Table projected fully generationally using Scale MP-2021</p> <p>Police and Fire Employees and Retirees: Pub-2010 Safety Employees/Retirees/Disabled/Contingent Survivors Headcount-Weighted Mortality Table projected fully generationally using Scale MP-2021</p> <p>Refer to the Appendix for sample rates.</p>
Termination	<p>Based on the Town's historical termination experience in 2011 through 2015. Refer to the Appendix for sample rates.</p>
Disability	<p>Refer to the Appendix for sample rates.</p>
Retirement	<p>Based on the Town's historical retirement experience in 2011 through 2015. Refer to the Appendix for the full rates.</p>

Participation Rate

100% of active employees who currently have coverage (medical, dental, and/or vision) are assumed to elect the corresponding coverage with the Town at retirement.

All active employees who currently decline coverage (medical, dental, and/or vision) are assumed not to elect the corresponding coverage with the Town at retirement. Participation in the Town's coverage at retirement is assumed independently between medical, dental, and vision. In other words, if the employee has medical coverage but declines dental and vision coverage, only medical liability is valued for him/her.

Active employees in Fire and PMEA bargaining units who currently decline medical coverage are assumed to receive buyback benefit at retirement.

Existing retirees who currently have coverage with the Town (medical, dental, and/or vision) are assumed to continue coverage until Medicare eligibility. Existing retirees who currently receive buyback benefit are assumed to continue receiving buyback benefit until Medicare eligibility.

Health Plan Election

The assumed health plan election at retirement is as shown below.

Groups	Plan Election at Retirement
Fire (including Dispatchers)	HM 0006 HDHP
PMEA, NUG, Police, and Public Works (DPW)	HM 0002/7/9 Ded

Existing retirees are assumed to remain in the same health plan option they are currently enrolled in until Medicare eligibility, at which time they will dis-enroll from the Town's health plans.

Spousal Election

For future retirees, 95% of Police and Fire employees and 85% of all other employees are assumed to elect spousal coverage at retirement. Husbands are assumed to be three years older than wives.

For existing retirees, spousal coverage and age are based on actual data.

Dependent Election

None.

Medicare Eligibility

All future and existing retirees (including disabled retirees) are assumed to be eligible for Medicare at age 65.

Per Capita Costs

The valuation projects health care costs for employees who remain enrolled in the Town's benefit plans after retirement. In accordance with Actuarial Standards of Practice No. 6 (ASOP 6), the actuarial development of health care costs should preferably use the health plan experience that is considered the best predictor of future claims experience assuming it is sufficiently credible. In the absence of credible health plan experience data, the actuary may use other methods such as premiums and normative databases to develop the per capita costs.

As medical/prescription drug costs generally vary by age, age-specific costs should be used in the development of initial per capita costs and projection of future benefit costs, except in very limited circumstances defined in ASOP 6 Section 3.7.7(c). The development of the age-specific costs should be based on the demographics of the group being valued and the group's total expected claims or premiums.

Retiree healthcare costs are, on average, significantly higher than active employees and if the Town charges blended premium rates (determined using active employees and retiree claims experience) to the retirees, the Town is providing an implicit subsidy for these retirees. Under GASB 75, the implicit subsidy must be included in the post-employment medical benefit obligation. Separate costs should be developed for Medicare-eligible participants due to Medicare being the primary payer for these retirees, which leads to a reduction to the Plan Sponsor's health plan costs.

In developing the per capita costs, we have used the premium rates effective on July 1, 2022, aging factors based on "Health Care Costs – From Birth to Death" research report authored by Dale H. Yamamoto, and the Town's enrollments for active employees and retirees.

Per Capita Costs (Cont'd) The following table shows the sample initial per capita costs at select ages for 2022/23 period used in the valuation. These costs are assumed to increase with health care trend rates.

Age	HM 0002/7/9 Ded		HM 0001/7		HM 0002/4/9	
	Male	Female	Male	Female	Male	Female
40	\$4,936	\$8,150	\$5,213	\$8,609	\$5,408	\$8,930
45	\$6,198	\$8,702	\$6,546	\$9,191	\$6,791	\$9,534
50	\$8,028	\$9,957	\$8,479	\$10,517	\$8,796	\$10,909
55	\$10,491	\$11,593	\$11,081	\$12,245	\$11,495	\$12,702
60	\$13,531	\$13,639	\$14,292	\$14,406	\$14,825	\$14,944
64	\$16,334	\$15,722	\$17,253	\$16,607	\$17,897	\$17,226

Age	HM 0005/6 HDHP		Classic 0007/9	
	Male	Female	Male	Female
40	\$3,649	\$6,026	\$7,186	\$11,867
45	\$4,583	\$6,434	\$9,024	\$12,669
50	\$5,936	\$7,362	\$11,688	\$14,497
55	\$7,757	\$8,572	\$15,274	\$16,879
60	\$10,005	\$10,085	\$19,700	\$19,858
64	\$12,078	\$11,625	\$23,782	\$22,891

The annual initial per capita costs for dental and vision benefits are based on the annualized premium rates which are as shown below. These costs are assumed to increase with dental/vision trend rates.

Benefit	Single	Family
Dental Police and Fire	\$360	\$970
Dental Public Works (DPW)	\$380	\$1,024
Dental PMEA and NUG	\$373	\$1,014
Vision	\$266	\$532

Trend Rates

Historically, health care costs have increased more rapidly than the rate of inflation. In estimating the value of retiree health benefits, assumptions must be made on future increases in healthcare costs. The health care trend rates assumption used in this valuation is based on the Getzen Model of Long-Run Medical Cost Trends, which was first designed by T.E. Getzen for the Society of Actuaries (SOA) in 2007. The model is designed to make long-run forecasts and typically used to select medical trend assumptions for retiree medical valuations to present liabilities disclosed under the appropriate accounting standards, or to determine contributions under a funding policy. The long-run baseline projection and input variables were developed under the guidance of the SOA Project Oversight Group. The model is updated annually along with updated documentation and recommended input variables by the author of the model.

The baseline assumptions used in the Getzen model is as shown in the table below.

Inflation Rate	2.5%
Real GDP Per Capita Growth	1.4%
Excess Medical Cost Growth	1.0%
Health Share of GDP Resistance Point	25.0%
Year for Limiting Cost Growth to GDP Growth	2075

The output of the Getzen Model of Long-Run Medical Cost Trend Model used in the valuation is as shown below.

Year	Medical/Rx	Year	Medical/Rx
2022	7.00%	2040	4.81%
2023	6.50%	2050	4.64%
2024	6.00%	2060	4.54%
2025	5.50%	2070	4.20%
2030	5.01%	2075+	3.94%
2035	4.97%		

Dental and vision costs are assumed to increase by 3.50% and 2.50% for all future years respectively.

Buyback benefit amounts are not assumed to increase in the future.

Discussion of Discount Rates

Under GASB 74/75, the discount rate used in valuing OPEB liabilities as of the Measurement Date is a single rate that reflects:

1. The long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments, to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are expected to be invested using a strategy that will achieve that return.
2. A yield or index rate 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), when the conditions in (1) above are not met.

For the current year's valuation:

1. The expected long-term real rate of return of the OPEB Trust is 5.00% as of June 30, 2022. This rate of return was determined using a building-block method in which best-estimate ranges of expected future real rates of return net of investment expense are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target allocation percentage. Below are the Plan Sponsor's expected future real rates of return by asset class.

Asset Classes	Target Allocation	Expected L/T Real Rates of Return ⁸
US Equity Large Cap	43.88%	4.80%
US Equity Small/Mid Cap	2.95%	7.10%
International Equity	10.18%	4.30%
Emerging Market Equity	3.03%	7.40%
US Bonds ⁹	31.45%	-0.70%
US High Yield Bonds	4.78%	0.10%
TIPS	3.25%	-1.10%
Diversifying Strategies	0.48%	-0.30%
Total	100.00%	

2. The municipal bond index as of the prior and current Measurement Dates are as shown below:

Index	June 30, 2022	June 30, 2021
S&P Municipal Bond 20 Year High Grade Index	4.09%	2.19%

3. The final equivalent single discount rate used for accounting disclosure is 4.32% with the expectation that the Plan Sponsor will contribute in accordance with the Funding Policy described in Section 3. Under this Funding Policy, the OPEB Trust is expected to be depleted by the year ending 2037.

The discount rate used to calculate the Actuarially Determined Contribution for recommended funding contribution is 5.00%.

⁸ The assumed inflation rate of 2.50% is added to the weighted expected future real rate of return provided by the Plan's investment advisor to obtain the assumed discount rate.

⁹ Includes US Aggregate Bonds (26.80%) and US Short Gov/Credit (4.65%).

Section 8: Participant Summary

Active Employees

Actives with Medical Coverage	Single	Family	Total	Avg. Age	Avg. Svc	FY 2021/22 Salary
Healthmate 0002 Ded		13	13	50.0	11.8	\$ 804,325
Healthmate 0005 HDHP	15	17	32	38.3	9.8	\$ 2,359,747
Healthmate 0006 HDHP	2	1	3	37.3	5.7	\$ 153,710
Healthmate 0007 Ded	9	18	27	54.3	9.1	\$ 1,971,600
Healthmate 0008 Ded	9	17	26	37.5	10.3	\$ 2,006,701
Total actives with medical coverage	35	66	101	43.9	9.9	\$ 7,296,083

Actives without Medical Coverage	Total	Avg. Age	Avg. Svc	Total Salary
Public Works	2	43.9	4.0	\$ 114,124
Fire	10	40.5	6.4	\$ 681,740
NUG	4	54.9	3.3	\$ 344,223
PMEA	4	57.1	2.6	\$ 254,137
Police	11	31.9	5.6	\$ 736,747
Total actives without medical coverage	31	41.7	5.0	\$ 2,130,971

For the 14 active Fire and PMEA employees who currently have no medical coverage:

- All of them are assumed to receive the buyback benefit at retirement.
- 8 of them have dental and vision coverage – they are assumed to elect dental and vision coverage with the Town at retirement.
- 4 of them have vision coverage only – they are assumed to elect vision coverage only with the Town at retirement.
- 2 of them have no dental and vision coverage – they are assumed not to elect dental and vision coverage with the Town at retirement.

For the remaining 17 active employees who currently have no medical coverage:

- 13 of them have dental and vision coverage – they are assumed to elect dental and vision coverage with the Town at retirement.
- 4 of them have vision coverage only – they are assumed to elect vision coverage with the Town at retirement.

Active Age-Service Distribution

Age	Years of Service with the Town										Total	
	<1	1 – 4	5 – 9	10 – 14	15 – 19	20 – 24	25 – 29	30 – 34	35 – 39	40+		
<25		3										3
25 – 29	3	15	3									21
30 – 34		4	12	2								18
35 – 39		5	4	5	2							16
40 – 44	2	1	4	2	4							13
45 – 49		3	3	2	5	2						15
50 – 54	1	1	6	2	9	1	1					21
55 – 59		6	5		1							12
60 – 64		3	4			3						10
65+		1	1				1					3
Total	6	42	42	13	21	6	2	0	0	0		132

Retired Employees

Retirees with Medical Coverage	Single	Family	Total	Avg. Age
Classic 0009		1	1	64.5
Healthmate 0001		2	2	60.4
Healthmate 0002	1		1	65.5
Healthmate 0002 Ded		1	1	55.6
Healthmate 0004		6	6	61.4
Healthmate 0005 HDHP		1	1	46.4
Healthmate 0006 HDHP		16	16	56.1
Healthmate 0007 Ded		4	4	66.1
Healthmate 0008 Ded		1	1	45.3
Healthmate 0009	2	9	11	59.1
Healthmate 0009 Ded	2	8	10	52.9
Total retirees with medical coverage	5	49	54	57.6

Age	Retirees ¹⁰
<50	7
50 – 54	13
55 – 59	13
60 – 64	15
65 – 69	6
70 – 74	1
75 – 79	
80 – 84	
85 – 89	
90+	
Total	55

All retirees with medical coverage have dental and vision coverage as well.

In addition to the above, there is one retiree who is receiving buyback benefit. Buyback liability is valued for him until Medicare eligibility.

¹⁰ No liability is valued for retirees who are over the age of 65 as of the Valuation Date. The enrollments above include one retiree receiving buyback benefit.

Comparison of Participant Summary

Below is a comparison of participant summary included in the current valuation and the prior full valuation.

	As of June 30, 2022	As of June 30, 2021
Number of Participants		
Active employees	132	135
Retired employees ¹¹	55	57
Total	187	192
Averages		
Active average age	43.3	42.7
Active average service	8.7	8.1
Inactive average age	57.5	57.1

¹¹ The enrollments above include retirees only and exclude spouses and/or dependents who are covered under the Town's health plans.

Appendix – Sample Decrement Rates

Mortality Rates

Mortality rates used in the valuation are based on the Pub-2010 General Employees/Retirees/Disabled/Contingent Survivors Headcount-Weighted Mortality Table and Safety Employees/Retirees/Disabled/Contingent Survivors Headcount-Weighted Mortality Table projected fully generationally using Scale MP-2021. Sample Pub-2010 General Headcount-Weighted base mortality rates before application of mortality improvement scale are as shown below.

Attained Ages	Employees		Retirees		Disabled Retirees		Contingent Survivors	
	Male	Female	Male	Female	Male	Female	Male	Female
20	0.00039	0.00014	0.00039	0.00014	0.00412	0.00233	0.00039	0.00014
25	0.00035	0.00013	0.00035	0.00013	0.00318	0.00177	0.00035	0.00013
30	0.00045	0.00019	0.00045	0.00019	0.00405	0.00270	0.00045	0.00019
35	0.00059	0.00028	0.00059	0.00028	0.00522	0.00407	0.00059	0.00028
40	0.00081	0.00043	0.00081	0.00043	0.00723	0.00629	0.00081	0.00043
45	0.00118	0.00065	0.00118	0.00065	0.01094	0.00985	0.00635	0.00309
50	0.00177	0.00097	0.00503	0.00388	0.01700	0.01484	0.00730	0.00449
55	0.00261	0.00142	0.00634	0.00400	0.02228	0.01742	0.00903	0.00559
60	0.00376	0.00210	0.00808	0.00465	0.02722	0.02040	0.01146	0.00750
65	0.00543	0.00327	0.01125	0.00682	0.03390	0.02457	0.01569	0.01095
70	0.00815	0.00528	0.01822	0.01161	0.04338	0.03151	0.02347	0.01587
75	0.01275	0.00861	0.03102	0.02009	0.05721	0.04354	0.03617	0.02449
80	0.02027	0.01405	0.05391	0.03549	0.08069	0.06428	0.05711	0.03958
85	0.09385	0.06473	0.09385	0.06473	0.11775	0.09913	0.09206	0.06761
90	0.15781	0.12123	0.15781	0.12123	0.16957	0.14492	0.14705	0.11912

Mortality Rates (Continued)

Sample Pub-2010 Safety Headcount-Weighted base mortality rates before application of mortality improvement scale are as shown below.

Attained Ages	Employees		Retirees		Disabled Retirees		Contingent Survivors	
	Male	Female	Male	Female	Male	Female	Male	Female
20	0.00043	0.00016	0.00043	0.00016	0.00146	0.00053	0.00043	0.00016
25	0.00043	0.00020	0.00043	0.00020	0.00146	0.00065	0.00043	0.00020
30	0.00048	0.00028	0.00048	0.00028	0.00163	0.00089	0.00048	0.00028
35	0.00054	0.00039	0.00054	0.00039	0.00185	0.00121	0.00054	0.00039
40	0.00067	0.00054	0.00067	0.00054	0.00229	0.00166	0.00067	0.00054
45	0.00092	0.00075	0.00180	0.00111	0.00314	0.00229	0.00635	0.00309
50	0.00133	0.00103	0.00275	0.00186	0.00455	0.00317	0.00730	0.00449
55	0.00195	0.00143	0.00375	0.00311	0.00644	0.00545	0.00903	0.00559
60	0.00300	0.00198	0.00625	0.00519	0.00938	0.00873	0.01146	0.00750
65	0.00480	0.00273	0.01031	0.00868	0.01415	0.01245	0.01569	0.01095
70	0.00880	0.00533	0.01736	0.01451	0.02220	0.01892	0.02347	0.01587
75	0.01615	0.01040	0.03149	0.02425	0.03634	0.03229	0.03617	0.02449
80	0.02963	0.02030	0.05703	0.04054	0.06044	0.05323	0.05711	0.03958
85	0.10313	0.06842	0.10313	0.06842	0.10313	0.08139	0.09206	0.06761
90	0.16904	0.11815	0.16904	0.11815	0.16904	0.12602	0.14705	0.11912

Termination Rates

This assumption is used to project terminations (voluntary and involuntary) prior to meeting the minimum eligibility requirements to retire. Sample termination rates at select ages are as shown below.

Age	Police / Fire	All Others
20	0.03807	0.09938
25	0.03704	0.09674
30	0.03547	0.09303
35	0.03289	0.08706
40	0.02452	0.07754
45	0.01238	0.06354
50	0.00283	0.04225
55	0.00000	0.01549

Disability Rates

Sample disability rates applicable to Police and Fire employees are as shown below.

Age	Rates
20	0.00060
25	0.00085
30	0.00110
35	0.00147
40	0.00220
45	0.00360
50	0.00606
55	0.01009

Retirement Rates

Retirement rates used in the valuation are based on the Town’s historical retirement experience in 2011 through 2015.

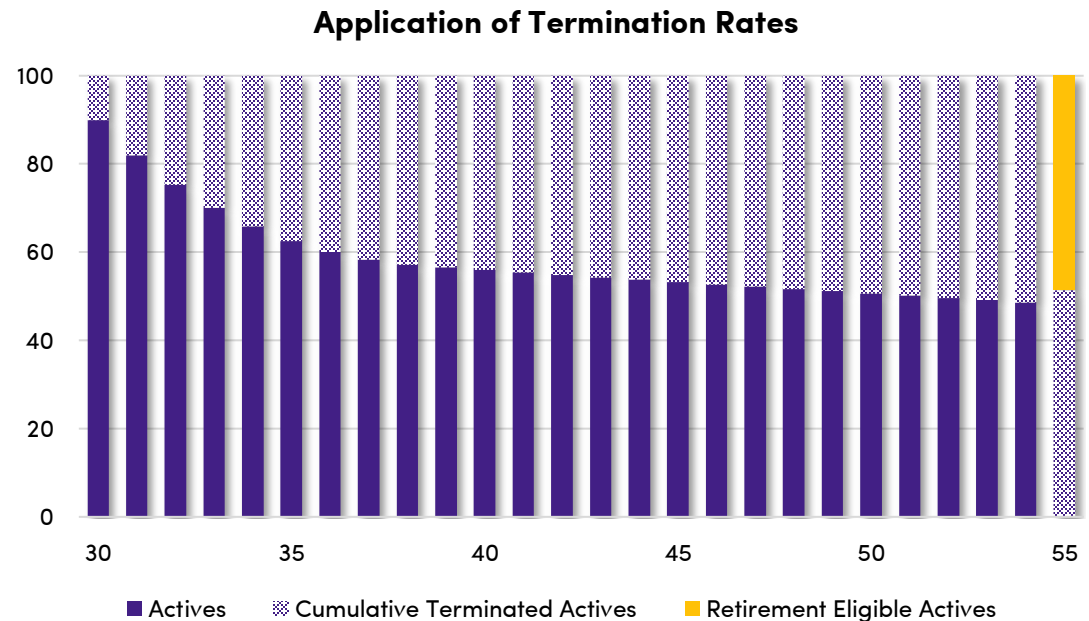
Age	All Others
55 – 56	0.05
57 – 61	0.10
62	0.15
63 – 64	0.10
65 – 66	0.40
67+	1.00

Service	Police / Fire
20	0.40
21 – 22	0.05
23 – 24	0.25
25	1.00

Decrements Illustration

The table below illustrates how decrements are applied in the valuation and how the decrements affect the liabilities valued. Assuming the Plan Sponsor has 100 employees aged 30 as of the valuation date, only 48.6 employees will be projected to be employed at age 55 (assumed retirement eligibility age) using the assumed illustrative termination rates.

Age	# Actives BOY	Annual Termination %	# Terminated Actives / Year
30	100.0	10%	10.0
31	90.0	9%	8.1
32	81.9	8%	6.6
33	75.3	7%	5.3
34	70.1	6%	4.2
35	65.9	5%	3.3
36	62.6	4%	2.5
37	60.1	3%	1.8
38	58.3	2%	1.2
39	57.1	1%	0.6
40	56.5	1%	0.6
41	56.0	1%	0.6
42	55.4	1%	0.6
43	54.9	1%	0.5
44	54.3	1%	0.5
45	53.8	1%	0.5
46	53.2	1%	0.5
47	52.7	1%	0.5
48	52.2	1%	0.5
49	51.6	1%	0.5
50	51.1	1%	0.5
51	50.6	1%	0.5
52	50.1	1%	0.5
53	49.6	1%	0.5
54	49.1	1%	0.5
55	48.6	0%	0.0



Notes:

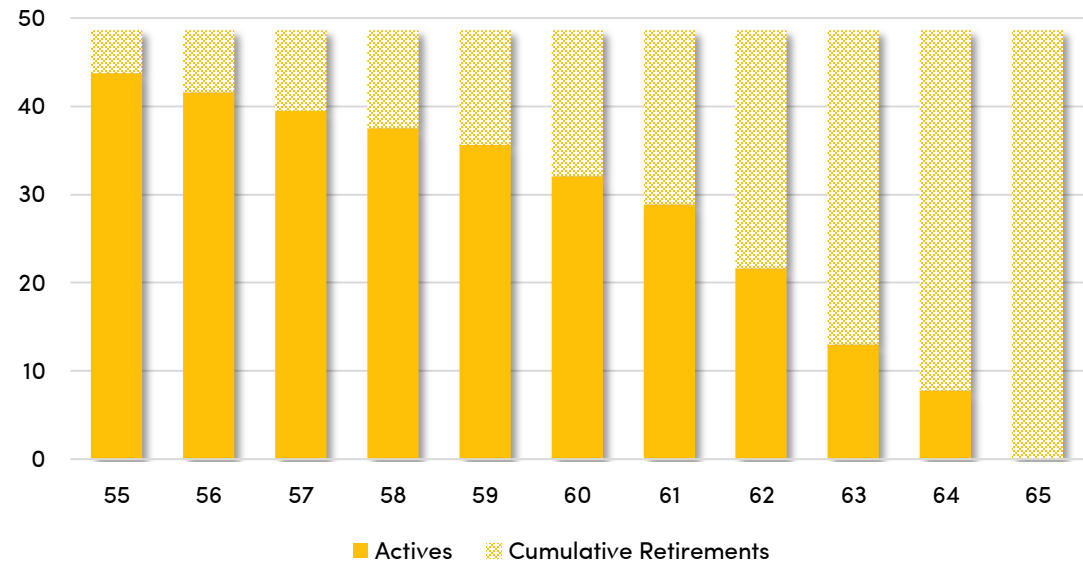
1. The annual termination percentages shown in the table are for illustrative purposes only, not the actual termination rates used in the valuation.
2. For simplification, only termination decrement is assumed to be applicable while actively employed. Actuarial valuation typically applies pre-retirement death decrement during employment as well.

Decrements Illustration (Continued)

The table below illustrates the number of active employees assumed to retire at each age based on the illustrative retirement rates.

Age	# Actives BOY	Annual Retirement %	# Retirements / Year
55	48.6	10%	4.9
56	43.8	5%	2.2
57	41.6	5%	2.1
58	39.5	5%	2.0
59	37.5	5%	1.9
60	35.6	10%	3.6
61	32.1	10%	3.2
62	28.9	25%	7.2
63	21.7	40%	8.7
64	13.0	40%	5.2
65	7.8	100%	7.8

Application of Retirement Rates



Notes:

1. The annual retirement percentages shown in the table are for illustrative purposes only, not the actual retirement rates used in the valuation.
2. For simplification, only retirement decrement is assumed to be applicable once the employee is retirement eligible. Actuarial valuation typically applies pre-retirement death decrement once an employee is eligible to retire.
3. The illustration above assumes that all active employees who are projected to be employed at age 55 elect health coverage with the Plan Sponsor at retirement.

| Appendix – Glossary

1. **Active Employees** – Individuals employed at the end of the reporting or measurement period, as applicable.
2. **Actuarial Cost Method** – A method to allocate the Actuarial Present Value of Future Benefits into portions attributed to past service (Total OPEB Liability) and future service (Normal Cost).
3. **Actuarial Present Value of Future Benefits** – Projected benefit payments estimated to be payable through the OPEB plan to current active and inactive employees as a result of their past service and their expected future service, discounted to reflect the expected effects of time value (present value) of money and the probabilities of payment (which is contingent on events such as death, termination, retirement, etc). In other words, this is the amount that would have been invested as of the Valuation Date so that it is sufficient to pay for benefit payments when due.
4. **Deferred Inflows** – Gains in the Total OPEB Liability and Fiduciary Net Position (for funded plan only) due to be recognized in the future.
5. **Deferred Outflows** – Losses in the Total OPEB Liability and Fiduciary Net Position (for funded plan only) due to be recognized in the future.
6. **Defined Benefit OPEB** – OPEB for which the benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The OPEB may be stated as (a) a specified dollar amount; (b) an amount that is calculated
7. **Entry Age Actuarial Cost Method** – A method that allocates the actuarial present value of the projected benefits of each individual on a level basis over the earnings or service of the individual between entry age and assumed exit age(s).
 - The portion allocated to a valuation year is called the Normal Cost.
 - The portion allocated to past periods is called the Total OPEB Liability.
 - The portion allocated to future periods after the valuation date is called the Present Value of Future Normal Costs.
8. **Fiduciary Net Position** – OPEB plan assets in a secure Trust that meet the following criteria:
 - Contributions from employers to the OPEB plan and earnings on those contributions are irrevocable.
 - OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
 - OPEB Plan assets are legally protected from the creditors of employers, OPEB plan administrator, and creditors of the plan members.
9. **Funded Ratio** – The value of the asset expressed as a percentage of the Total OPEB Liability.

10. **Healthcare Cost Trend Rates** – The rates of change in 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.
11. **Inactive Employees** – Individuals no longer employed by an employer in the OEPB plan or the beneficiaries of those individuals. Inactive employees also include individuals who have accumulated benefits under the terms of an OPEB plan but are not yet receiving benefit payments and individuals currently receiving benefits.
12. **Net OPEB Liability** – The difference between the Total OPEB Liability and the Fiduciary Net Position.
13. **Payroll Growth** – An actuarial assumption on the rate of future increase in the total coverage payroll attributable to wage inflation and productivity increase; used in the Actuarial Cost Method to determine the Total OPEB Liability.
14. **Plan Members** – Individuals covered by the terms of the OPEB plan, which would typically include employees in active service, terminated employees who have terminated service but are not yet receiving benefit payments, and retired employees who are currently receiving benefits.
15. **Other Postemployment Benefits (OPEB)** – Benefits such as death benefits, life insurance, disability, and long-term care, as well as healthcare benefits (medical, prescription drug, dental, vision, and other health-related benefits), that are paid in the period after employment and that are provided separately from a pension plan regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
16. **Service Cost (Normal Cost)** – The portion of actuarial present value of projected benefit payments that are attributed to a 12-month period after a valuation date as determined by the Actuarial Cost Method.
17. **Total OPEB Liability** – The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service as of the valuation date as determined by the Actuarial Cost Method.



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