

# City of Warwick

## Retiree Health Care Plan

GASB Statements No. 74 and No. 75, Accounting and Financial  
Reporting for Postemployment Benefits Other Than Pensions

Fiscal Year Ending June 30, 2023





January 16, 2024

Mr. Peder Schaefer  
Finance Director  
City of Warwick  
3275 Post Road  
Warwick, RI, 02886

Dear Mr. Schaefer:

This report provides information on behalf of the City of Warwick Retiree Health Care Plan in connection with the Governmental Accounting Standards Board (GASB) Statements No. 74 and No. 75. GASB Statement No. 74 is the accounting standard, which applies to other postemployment benefits (OPEB) plans that are administered through trusts or equivalent arrangements. GASB Statement No. 75 establishes accounting and financial reporting requirements for state and local government employers that provide their employees with postemployment benefits other than pensions.

The calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statements No. 74 and No. 75. The calculation of the plan's liability for this report is not applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statements No. 74 and No. 75 may produce significantly different results. This report may be provided to parties other than City of Warwick only in its entirety and only with the permission of the City. GRS is not responsible for unauthorized use of this report.

This report complements the actuarial valuation report prepared as of July 1, 2022, and information herein should be considered along with the information from that report, especially for additional information related to participant data, benefit provisions and actuarial assumptions.

This report is based upon information, furnished to us by the City, concerning other postemployment benefits (OPEB), active members, deferred vested members, retirees and beneficiaries, and financial data. This information was checked for internal consistency, but it was not audited.

Based on the available data, the information contained in this report is accurate and fairly represents the actuarial position of the City of Warwick Retiree Health Care Plan as of the reporting date. All calculations have been made in conformity with generally accepted actuarial principles and practices as well as the Actuarial Standards of Practice. The assumptions used for the measurements are reasonable and appropriate for the purposes for which they have been used. If you have reason to believe that the information provided in this report is inaccurate, or is in any way incomplete, or if you need further information in order to make an informed decision on the subject matter of this report, please contact the author of the report prior to making such decision.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation and has no material limitations or known weaknesses. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

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; and changes in plan provisions or applicable law.

The signing individuals are independent of the plan sponsor.

Mr. Newton and Mr. Orth are members of the American Academy of Actuaries (MAAA) and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

Respectfully submitted,

**Gabriel, Roeder, Smith & Company**



Joseph P. Newton, FSA, FCA, EA, MAAA



Blake Orth, FSA, EA, MAAA



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## SECTION A

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### **EXECUTIVE SUMMARY**

Auditor's Note – This information is intended to assist in preparation of the financial statements of the City of Warwick Retiree Health Care Plan. Financial statements are the responsibility of management, subject to the auditor's review. Please let us know if the auditor recommends any changes.

# Executive Summary

Actuarial Valuation Date	July 1, 2022
Measurement Date of the Net OPEB Liability	June 30, 2023
Employer's Fiscal Year Ending Date	June 30, 2023

## Membership\*

Number of	
- Retirees and Beneficiaries	813
- Inactive, Nonretired Members	0
- Active Members	705
- Total	1,518
Covered Payroll	\$ 55,849,057

## Net OPEB Liability

Total OPEB Liability	\$ 296,210,098
Plan Fiduciary Net Position	498,931
Net OPEB Liability	\$ 295,711,167
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.17 %
Net OPEB Liability as a Percentage of Covered Payroll	529.48 %

## Development of the Single Discount Rate

Single Discount Rate	6.00 %
Long-Term Expected Rate of Investment Return	6.00 %
Long-Term Municipal Bond Rate**	3.86 %

<b>Total OPEB Expense</b>	<b>\$ 3,668,390</b>
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## Balances of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience, liability	\$ 59,039,462	\$ 5,827,772
Changes in assumptions	12,564,738	164,451,046
Difference between expected and actual experience, assets	15,458	0
<b>Total</b>	<b>\$ 71,619,658</b>	<b>\$ 170,278,818</b>

\* The membership counts provided above are as of the valuation date.

\*\* Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in the Fidelity "20-Year Municipal GO AA Index" as of June 30, 2023.



# Discussion

## Accounting Standard

For post-employment (OPEB) benefit plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,” replaces the requirements of GASB Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.” Similarly, GASB Statement No. 75 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose net OPEB liability, OPEB expense, and other information associated with providing OPEB to their employees (and former employees) on their financial statements.

GASB Statements No. 74 and No. 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report. As a result, the employer will be responsible for preparing and disclosing the non-actuarial information needed to comply with these accounting standards.

## Financial Statements

For plans that have formal trusts, GASB Statement No. 75 requires state and local government employers to recognize the net OPEB liability and the OPEB expense on their financial statements, along with the related deferred outflows and inflows of resources. The net OPEB liability is the difference between the total OPEB liability and the plan’s fiduciary net position. In traditional actuarial terms, the net OPEB liability is analogous to the actuarial accrued liability less the market value of assets.

GASB Statement No. 75 states the employer contributions made to the OPEB plan subsequent to the measurement date and before the end of the employer’s reporting period should be reported as a deferred outflow of resources.

The OPEB expense recognized each fiscal year is equal to the change in the net OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

GASB Statement No. 74 requires defined benefit OPEB plans which are administered as trusts or equivalent arrangements to present two financial statements: a statement of fiduciary net position and a statement of changes in fiduciary net position. The statement of fiduciary net position presents the assets and liabilities of the OPEB plan at the end of the OPEB plan’s reporting period. The statement of changes in fiduciary net position presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expense, and net increase or decrease in the fiduciary net position.



## Notes to Financial Statements

GASB Statement No. 75 requires the notes of the employer's financial statements to disclose the total OPEB expense, the OPEB plan's liabilities and assets, and deferred outflows of resources and inflows of resources related to OPEB.

GASB Statements No. 74 and No. 75 require the notes of the financial statements for employers and OPEB plans to include certain additional information. The list of disclosure items should include:

- The name of the OPEB plan, the administrator of the OPEB plan, and the identification of whether the OPEB plan is a single-employer, agent, or cost-sharing OPEB plan;
- A description of the benefits provided by the plan;
- A brief description of changes in benefit terms or assumptions that affected the measurement of the total OPEB liability since the prior measurement date;
- The number of plan members by category and if the plan is closed;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The OPEB plan's investment policies;
- The OPEB plan's fiduciary net position and the net OPEB liability;
- The net OPEB liability using +/- 1% on the discount rate;
- The net OPEB liability using +/- 1% on the healthcare trend rate;
- Significant assumptions and methods used to calculate the total OPEB liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

OPEB plans that are administered through trusts or equivalent arrangements are required to disclose additional information in accordance with GASB Statement No. 74. This information includes:

- The composition of the OPEB plan's Board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.

## Required Supplementary Information

GASB Statement No. 74 requires a 10-year fiscal history of:

- Sources of changes in the net OPEB liability.
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability and the net OPEB liability as a percent of covered-employee payroll.
- Comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy.
- For plans with an actuarially determined contribution, the schedule covering each of the 10 most recent fiscal years of the actuarially determined contribution, contributions to the OPEB plan and related ratios.





## Implicit Subsidy

GASB Statements No. 75 and No. 68 are conceptually very similar in terms of the liability which is recognized on the balance sheet, the expense calculation, and the corresponding deferred outflows and inflows of resources. The main differences between the standards are related to the differences between pension and health care benefits. One particular difference is a concept referred to as the “implicit subsidy”, which applies to health plans that utilize blended premiums, that has no counterpart in GASB Statement No. 68. The City’s health plan utilizes a “blended premium” structure. Said another way, the overall health care premiums for active employees and non-Medicare are stated in terms of a single “blended premium”. The difference between the underlying retiree claims and the blended overall health care premium is referred to as an “implicit” or “hidden” subsidy. Because the underlying claims costs for a non-Medicare retiree are on average higher than the blended premium, there is a positive implicit subsidy for the non-Medicare retirees.

GASB defines the employer provided OPEB benefit as the difference between the underlying claims costs and the premium contributions made by retirees. As a result, the employer’s portion of the blended health care premium is not what GASB considers the employer benefit. In order to account for the employer provided OPEB benefit, as it’s defined by GASB, the explicit premium subsidies need to be adjusted to reflect the implicit subsidy (the difference between the estimated retiree claims and the overall premiums).

For plans that use a blended premium structure, Illustrations B1-1 and B1-2 of Implementation Guide No. 2017-3 describe how a portion of the payments made on behalf of the active employees should be reclassified as benefit payments for retiree health care to reflect the retirees’ underlying claims costs. Adjusting the explicit health care costs for active employees and retirees by the implicit subsidy estimates provided in this report is equivalent to the reclassification described in the Implementation Guide. **It’s important to note that the implicit subsidy is considered an employer contribution and any employer contributions related to OPEB need to include the implicit subsidy.** This report provides the estimated implicit subsidy for the measurement period and a factor that can be used to determine the implicit subsidy for the purpose of the deferred outflow of resources related to benefit payments made after the measurement date.

To summarize, because the health plan utilizes blended premiums, the benefit payments for GASB Statement No. 75 purposes need to include an adjustment for the implicit subsidy. This adjustment reflects the underlying cost of the benefits provided to retirees, which is how GASB defines the employer’s OPEB benefit/liability. This adjustment is needed for the benefits during the measurement period and also for the purpose of the deferred outflow related to the benefits paid after the measurement date.

## Timing and Frequency of the Actuarial Valuation

An actuarial valuation to determine the total OPEB liability is required to be performed at least every two years. For the employer’s financial reporting purposes, the total OPEB liability and OPEB expense should be measured as of the employer’s “measurement date” which may not be earlier than the employer’s prior fiscal year end-date. If the actuarial valuation used to determine the total OPEB liability is not calculated as of the measurement date, the total OPEB liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total OPEB liability shown in this report is based on an actuarial valuation performed as of July 1, 2022. Update procedures were used to roll forward the total OPEB liability to the measurement date of June 30, 2023.



## Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.00%; the municipal bond rate is 3.86% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"); and the resulting Single Discount Rate is 6.00%.

The City's current statute requires contributions into the OPEB trust based on an aggregate contribution growth of pension and OPEB costs. Once the total aggregate contribution is determined, any excess after required contributions are made to each of the pension plans and premiums are paid for the retiree medical plan are contributed into the OPEB trust. Based on this funding policy, the City is anticipated to make a contribution into the OPEB trust in excess of \$3 million in FY2024 and if the funding policy is followed going forward the OPEB plan's fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

## Actuarial Assumptions

The demographic assumptions are based on the assumptions that were developed for the defined benefit plans in which the City participates. The demographic assumptions that are specific to OPEB are based on the plan's individual experience and are revisited during each full valuation. The healthcare trend assumption is based on the framework developed in the Society of Actuaries' Getzen Model.

## Future Uncertainty or Risk

Future results may differ from those anticipated in this valuation. Reasons include, but are not limited to:

- Actual medical trend differing from expected;
- Changes in the healthcare plan designs offered to active and retired members; and
- Participant behavior or experience differing from expected;
  - Elections at retirement;
  - One-person versus two-person coverage elections;
  - Time of retirement or termination;
  - Catastrophic claims.

## Benefits Valued

The benefit provisions are the same as those used in the valuation report as of July 1, 2022.

## Effective Date and Transition

GASB Statements No. 74 and No. 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively.



## SECTION B

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### PLAN FINANCIAL STATEMENTS

## Statement of Fiduciary Net Position

	<u>June 30, 2023</u>
<b>Assets</b>	
Investments	
Equities	<u>498,931</u>
Total Investments	<u>\$ 498,931</u>
<b>Total Assets</b>	<u>\$ 498,931</u>
<b>Liabilities</b>	
<b>Total Liabilities</b>	<u>\$ 0</u>
<b>Net Position Restricted for OPEB</b>	<u><u>\$ 498,931</u></u>

## Statement of Changes in Fiduciary Net Position

	<u>June 30, 2023</u>
<b>Additions</b>	
Contributions	
Employer	\$ 13,290,419
Total Contributions	<u>\$ 13,290,419</u>
Investment Income	
Net Appreciation in Fair Value of Investments	\$ 27,502
Net Investment Income	<u>\$ 27,502</u>
<b>Total Additions</b>	<u>\$ 13,317,921</u>
 <b>Deductions</b>	
Benefit Payments	\$ 13,040,419
OPEB Plan Administrative Expense	1,408
<b>Total Deductions</b>	<u>\$ 13,041,827</u>
 <b>Net Increase in Net Position</b>	 \$ 276,094
 <b>Net Position Restricted for OPEB</b>	
Beginning of Year	<u>\$ 222,837</u>
End of Year	<u><u>\$ 498,931</u></u>

Consistent with the requirements of GASB Statements No. 74 and No. 75, employer contributions include “amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets.” The employer contributions of \$13,290,419 consist of a trust contribution of \$250,000 and benefit payments of \$13,040,419, which were paid by the City using its own assets. Please see page C-1 for the development of the benefit payments amount.



## SECTION C

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### FINANCIAL SCHEDULES

## Schedule of Changes in Net OPEB Liability

### Fiscal Year Ending June 30, 2023

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
<b>Beginning balance</b>	\$ 397,385,397	\$ 222,837	\$ 397,162,560
Service cost	12,960,086		12,960,086
Interest on the total OPEB liability	14,662,039		14,662,039
Changes of benefit terms	0		0
Difference between expected and actual experience	(18,449)		(18,449)
Changes of assumptions	(115,738,556)		(115,738,556)
Employer contributions		13,290,419	(13,290,419)
Net investment income		27,502	(27,502)
Benefit payments	(13,040,419)	(13,040,419)	0
Administrative expense		(1,408)	1,408
Other		0	0
<b>Net changes</b>	<u>(101,175,299)</u>	<u>276,094</u>	<u>(101,451,393)</u>
<b>Ending balance</b>	<u>\$ 296,210,098</u>	<u>\$ 498,931</u>	<u>\$ 295,711,167</u>

Ending balances are as of the measurement date, June 30, 2023.

Changes of assumptions reflect a change in the Single Discount Rate from 3.69% as of June 30, 2022 to 6.00% as of June 30, 2023.

Consistent with the requirements of GASB Statements No. 74 and No. 75, employer contributions include "amounts for OPEB as the benefits come due that will not be reimbursed to the employer using OPEB plan assets." The employer contributions of \$13,290,419 consist of a trust contribution of \$250,000 and benefit payments of \$13,040,419, which were paid by the City using its own assets.

The benefit payments during the measurement period were determined as follows:

a. Explicit benefit payments	\$ 10,867,016	(data provided by the City)
b. Implicit benefit payments	2,173,403	(explicit benefit payments * 0.200)
c. Total benefit payments	<u>\$ 13,040,419</u>	

The 0.200 factor equals the ratio of the expected implicit subsidy to the expected explicit costs.



## Recognition of Deferred Outflows and Deferred Inflows of Resources

Differences between expected and actual experience and changes in assumptions are recognized in OPEB expense using a systematic and rational method over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

The expected remaining service lives of all active employees in the plan was approximately 7,818 years. Additionally, the total plan membership (active employees and inactive employees) was 1,518. As a result, the average of the expected remaining service lives for purposes of recognizing the applicable deferred outflows and inflows of resources established in the current measurement period is 5.1501 years.

Additionally, differences between projected and actual earnings on OPEB plan investments should be recognized in OPEB expense using a systematic and rational method over a closed five-year period. For this purpose, the deferred outflows and inflows of resources are recognized in the OPEB expense as a level dollar amount over the closed period identified above.

## Statement of Outflows and Inflows Arising from Current Reporting Period

	Recognition Period (or amortization years)	Total (Inflow) or Outflow	2023 Recognized in current OPEB expense	Deferred (Inflow) or Outflow in future expense
<b><u>Due to Liabilities:</u></b>				
Differences in expected and actual experience	5.1501	\$ (18,449)	\$ (3,582)	\$ (14,867)
Assumption changes	5.1501	\$ (115,738,556)	\$ (22,473,070)	\$ (93,265,486)
<b><u>Due to Assets:</u></b>				
Excess Investment Returns	5.0000	\$ (6,674)	\$ (1,335)	\$ (5,339)
Total		\$ (115,763,679)	\$ (22,477,987)	\$ (93,285,692)

This table is provided to document sources of the new deferred inflows and outflows resulting from the current reporting year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on page C-4.



## Statement of OPEB Expense under GASB Statement No. 75

### Fiscal Year Ending June 30, 2023

1. Service Cost	\$ 12,960,086
2. Interest on the Total OPEB Liability	14,662,039
3. Current-Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	0
5. Projected Earnings on Plan Investments (made negative for addition here)	(20,828)
6. OPEB Plan Administrative Expense	1,408
7. Other Changes in Plan Fiduciary Net Position	0
8. Recognition of Current Year Outflow/(Inflow) due to Liabilities	(22,476,652)
9. Recognition of Current Year Outflow/(Inflow) due to Assets	(1,335)
10. Amortization of Prior Year Outflow/(Inflow) due to Liabilities	(1,463,261)
11. Amortization of Prior Year Outflow/(Inflow) due to Assets	6,933
<b>12. Total OPEB Expense</b>	<b>\$ 3,668,390</b>

### Total OPEB Expense and Total OPEB Liability by Fund

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
Total OPEB Expense	8,249	2,664,980	995,161	3,668,390
Total OPEB Liability	72,810,082	123,164,367	100,235,649	296,210,098

## Balances of Deferred Outflows and Deferred Inflows of Resources Related to OPEB

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience, liability	\$ 59,039,462	\$ 5,827,772
Changes in assumptions	12,564,738	164,451,046
Difference between expected and actual experience, assets	15,458	0
<b>Total</b>	<b>\$ 71,619,658</b>	<b>\$ 170,278,818</b>

Employer contributions made subsequent to the measurement date of the total OPEB liability (June 30, 2023) and prior to the end of the employer's reporting period (June 30, 2023) should be reported by the employer as a deferred outflow related to OPEB. See paragraph 44 of GASB Statement No. 75 for single/agent employers that have formal assets.

Because the measurement date of the total OPEB liability is equal to the last day of the employer's fiscal year, there is no deferred outflow related to contributions made subsequent to the measurement date.

## Deferred Outflows and Deferred Inflows to be Recognized in Future OPEB Expense

<b>Year Ending June 30</b>	<b>Net Deferred Outflows (Inflows)</b>
2024	\$ (23,934,315)
2025	(23,934,317)
2026	(24,236,567)
2027	(23,180,216)
2028	(3,373,745)
Thereafter	0
<b>Total</b>	<b>\$ (98,659,160)</b>

## Deferred Outflows and Inflows – Amortization Schedule

	Remaining Recognition Period	Outflow/(Inflow) at beginning of Fiscal Year (or created in current year)	Fiscal Year Ending							Outflow/(Inflow) at end of Fiscal Year	
			2023	2024	2025	2026	2027	2028	Thereafter		
Differences in Liability Experience											
2023	5.1501	(18,449)	(3,582)	(3,582)	(3,582)	(3,582)	(3,582)	(539)	0	(14,867)	
2022	4.1501	74,367,583	17,919,468	17,919,468	17,919,468	17,919,468	2,689,711	0	0	56,448,115	
2021	4.0000	(1,285,780)	(321,445)	(321,445)	(321,445)	(321,445)	0	0	0	(964,335)	
2020	3.0000	3,887,021	1,295,674	1,295,674	1,295,673	0	0	0	0	2,591,347	
2019	4.0000	(1,761,528)	(440,383)	(440,383)	(440,383)	(440,379)	0	0	0	(1,321,145)	
2018	3.0000	(5,291,137)	(1,763,712)	(1,763,712)	(1,763,713)	0	0	0	0	(3,527,425)	
Total			\$ 16,686,020	\$ 16,686,020	\$ 16,686,018	\$ 17,154,062	\$ 2,686,129	\$ (539)	\$ 0	\$ 53,211,690	
Assumption Changes											
2023	5.1501	(115,738,556)	(22,473,070)	(22,473,070)	(22,473,070)	(22,473,070)	(22,473,070)	(3,373,206)	0	(93,265,486)	
2022	4.1501	(93,783,433)	(22,597,873)	(22,597,873)	(22,597,873)	(22,597,873)	(3,391,941)	0	0	(71,185,560)	
2021	4.0000	11,702,510	2,925,628	2,925,628	2,925,628	2,925,626	0	0	0	8,776,882	
2020	3.0000	2,310,867	770,289	770,289	770,289	0	0	0	0	1,540,578	
2019	4.0000	2,996,371	749,093	749,093	749,093	749,092	0	0	0	2,247,278	
2018	3.0000	0	0	0	0	0	0	0	0	0	
Total			\$ (40,625,933)	\$ (40,625,933)	\$ (40,625,933)	\$ (41,396,225)	\$ (25,865,011)	\$ (3,373,206)	\$ 0	\$ (151,886,308)	
Investment Experience											
2023	5.0000	(6,674)	(1,335)	(1,335)	(1,335)	(1,335)	(1,334)	0	0	(5,339)	
2022	4.0000	27,730	6,933	6,933	6,933	6,931	0	0	0	20,797	
Total			\$ 5,598	\$ 5,598	\$ 5,598	\$ 5,596	\$ (1,334)	\$ 0	\$ 0	\$ 15,458	
Total Recognized in Future Expense					\$ (23,934,315)	\$ (23,934,317)	\$ (24,236,567)	\$ (23,180,216)	\$ (3,373,745)	\$ 0	\$ (98,659,160)

This table is provided to document sources of the outstanding deferred inflows and outflows from year to year. The table is not a required disclosure. The required disclosures regarding deferred inflows and outflows of resources related to OPEB are shown on the previous page.

# Actuarial Assumptions and Methods

**Valuation Date:** July 1, 2022

## Methods and Assumptions:

Actuarial Cost Method	Individual Entry-Age Normal
Single Discount Rate	6.00% as of June 30, 2023
Inflation	2.50%
Salary Increases	General: 0.00% to 4.00%, not including wage inflation of 3.00% Fire: 0.00% to 10.00%, not including wage inflation of 3.50% Police: 0.00% to 10.00%, not including wage inflation of 3.50%
Demographic Assumptions	Based on the pension valuations as of July 1, 2022, as conducted for the City of Warwick.
Mortality	For healthy retirees, the gender-distinct PubG-2010 Healthy Retiree tables by Occupation were used, with male rates multiplied by 115% and female rates multiplied by 111%. Those rates were projected on a fully generational basis using the ultimate mortality improvement rates from the MP-2016 table.
Healthcare Cost Trend Rates	Initial rate of 7.00% declining to an ultimate rate of 4.15% after 16 years
Participation Rates	100% for pre-65 and post-65 coverage; 100% for part B reimbursements (fire retirees only); 100% for dental (police retirees only)

## Other Information:

**Notes** The Single Discount Rate changed from 3.69% as of June 30, 2022 to 6.00% as of June 30, 2023.

## Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a Single Discount Rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the plan’s fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on OPEB plan investments is 6.00%; the municipal bond rate is 3.86% (based on the daily rate closest to but not later than the measurement date of the Fidelity “20-Year Municipal GO AA Index”); and the resulting Single Discount Rate is 6.00%.

The City’s current statute requires contributions into the OPEB trust based on an aggregate contribution growth of pension and OPEB costs. Once the total aggregate contribution is determined, any excess after required contributions are made to each of the pension plans and premiums are paid for the retiree medical plan are contributed into the OPEB trust. Based on this funding policy, the City is anticipated to make a contribution into the OPEB trust in excess of \$3 million in FY2024 and if the funding policy is followed going forward the OPEB plan’s fiduciary net position is expected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the Total OPEB Liability.

## Summary of Membership Information

The following table provides a summary of the number of participants in the plan as of July 1, 2022:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	813
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members	705
Total Plan Members	1,518

Note: Membership information should be disclosed as of the measurement date (June 30, 2023). Because valuations are performed biennially, GRS does not have the membership counts as of the measurement date. It is the responsibility of the plan sponsor to disclose the membership counts as of June 30, 2023.

## Rollforward Disclosure

The actuarial valuation was performed as of July 1, 2022. Update procedures were used to roll forward the total OPEB liability to June 30, 2023.

## Sample Disclosures and Required Supplementary Information (RSI)

Illustration 1 in Appendix C of GASB Statement No. 75 provides sample note disclosures and required supplementary information (RSI) for a single employer plan that is administered through a formal trust.



### Sensitivity of Net OPEB Liability to the Discount Rate Assumption

Regarding the sensitivity of the net OPEB liability to changes in the Single Discount Rate, the following presents the plan's net OPEB liability, calculated using a discount rate of 6.00%, as well as what the plan's net OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

<b>1% Decrease</b>	<b>Current Single Discount</b>	<b>1% Increase</b>
<b>5.00%</b>	<b>Rate Assumption</b>	<b>7.00%</b>
<b>\$ 338,385,780</b>	<b>\$ 295,711,167</b>	<b>\$ 261,269,688</b>

### Sensitivity of Net OPEB Liability to the Healthcare Cost Trend Rate Assumption

Regarding the sensitivity of the net OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's net OPEB liability, calculated using the assumed trend rates as well as what the plan's net OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

<b>1% Decrease</b>	<b>Current Healthcare Cost</b>	<b>1% Increase</b>
<b>Trend Rate Assumption</b>		
<b>\$ 255,617,712</b>	<b>\$ 295,711,167</b>	<b>\$ 346,301,149</b>

## SECTION D

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### REQUIRED SUPPLEMENTARY INFORMATION

## Schedule of Changes in Net OPEB Liability and Related Ratios

Fiscal year ending June 30,	2023	2022	2021	2020	2019	2018
<b>Total OPEB liability</b>						
Service cost	\$ 12,960,086	\$ 20,063,473	\$ 10,717,987	\$ 10,622,337	\$ 10,159,859	\$ 10,631,235
Interest on the total OPEB liability	14,662,039	8,918,466	10,009,065	9,953,310	10,320,288	10,463,940
Changes of benefit terms	0	0	0	0	0	0
Difference between expected and actual experience	(18,449)	92,287,051	(1,928,670)	7,774,043	(3,523,060)	(14,109,697)
Changes of assumptions	(115,738,556)	(116,381,306)	17,553,766	4,621,734	5,992,743	0
Benefit payments	(13,040,419)	(13,148,953)	(13,972,245)	(12,908,231)	(12,129,308)	(11,482,709)
<b>Net change in total OPEB liability</b>	<b>(101,175,299)</b>	<b>(8,261,269)</b>	<b>22,379,903</b>	<b>20,063,193</b>	<b>10,820,522</b>	<b>(4,497,231)</b>
<b>Total OPEB liability - beginning</b>	<b>397,385,397</b>	<b>405,646,666</b>	<b>383,266,763</b>	<b>363,203,570</b>	<b>352,383,048</b>	<b>356,880,279</b>
<b>Total OPEB liability - ending (a)</b>	<b>\$ 296,210,098</b>	<b>\$ 397,385,397</b>	<b>\$ 405,646,666</b>	<b>\$ 383,266,763</b>	<b>\$ 363,203,570</b>	<b>\$ 352,383,048</b>
<b>Plan fiduciary net position</b>						
Employer contributions	\$ 13,290,419	\$ 13,398,953	\$ 0	\$ 0	\$ 0	\$ 0
Nonemployer contributing entities contributions	0	0				
Employee contributions	0	0	0	0	0	0
OPEB plan net investment income	27,502	(27,163)	0	0	0	0
Benefit payments	(13,040,419)	(13,148,953)	0	0	0	0
OPEB plan administrative expense	(1,408)	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Net change in plan fiduciary net position</b>	<b>276,094</b>	<b>222,837</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Plan fiduciary net position - beginning</b>	<b>222,837</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 498,931</b>	<b>\$ 222,837</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Net OPEB liability - ending (a) - (b)</b>	<b>\$ 295,711,167</b>	<b>\$ 397,162,560</b>	<b>\$ 405,646,666</b>	<b>\$ 383,266,763</b>	<b>\$ 363,203,570</b>	<b>\$ 352,383,048</b>
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>	<b>0.17 %</b>	<b>0.06 %</b>	<b>0.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>
<b>Covered-employee payroll</b>	<b>\$ 55,849,057</b>	<b>\$ 50,771,462</b>	<b>\$ 52,560,591</b>	<b>\$ 52,396,661</b>	<b>\$ 51,864,261</b>	<b>\$ 49,203,459</b>
<b>Net OPEB liability as a percentage of covered-employee payroll</b>	<b>529.48 %</b>	<b>782.26 %</b>	<b>771.77 %</b>	<b>731.47 %</b>	<b>700.30 %</b>	<b>716.18 %</b>

**Notes to Schedule:**

Single Discount Rate	6.00%	3.69%	2.18%	2.66%	2.79%	2.98%
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Changes of assumptions reflect the effects of changes in the Single Discount Rate each period.





## SECTION E

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### GLOSSARY OF TERMS

# Glossary of Terms

<b>Accrued Service</b>	Service credited under the system that was rendered before the date of the actuarial valuation.
<b>Actuarial Assumptions</b>	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
<b>Actuarial Cost Method</b>	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the OPEB trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
<b>Actuarial Gain/(Loss)</b>	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
<b>Actuarial Valuation</b>	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total OPEB liability, and related actuarial present value of projected benefit payments for OPEB.
<b>Actuarial Valuation Date</b>	The date as of which an actuarial valuation is performed.
<b>Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)</b>	A calculated contribution into an OPEB plan for the reporting period, most often determined based on the funding policy of the plan. Typically, the Actuarially Determined Contribution has a normal cost payment and an amortization payment.
<b>Covered-Employee Payroll</b>	The payroll of employees that are provided with benefits through the OPEB plan.
<b>Deferred Inflows and Outflows</b>	The deferred inflows and outflows of OPEB resources are amounts used under GASB Statement No. 75 in developing the annual OPEB expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in the OPEB expense should be included in the deferred inflows or outflows of resources.

# Glossary of Terms

## Discount Rate

For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically:

1. The benefit payments to be made while the OPEB plans' fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and
2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

For plans that do not have formal assets, the discount rate will equal the prevailing municipal bond rate.

## Entry Age Actuarial Cost Method (EAN)

The EAN is a cost method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.

## Fiduciary Net Position

The fiduciary net position is the market value of the assets of the trust dedicated to the defined benefit provisions.

## GASB

The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

## Multiple-Employer Defined Benefit OPEB Plan

A multiple-employer plan is a defined benefit OPEB plan that is used to provide OPEB payments to the employees of more than one employer.

## Municipal Bond Rate

The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.

## Net OPEB Liability (NOL)

The NOL is the liability of employers and non-employer contributing entities to plan members for benefits provided through a defined benefit OPEB plan.



# Glossary of Terms

## **Non-Employer Contributing Entities**

Non-employer contributing entities are entities that make contributions to an OPEB plan that is used to provide OPEB payments to the employees of other entities. For purposes of the GASB accounting statements, plan members are not considered non-employer contributing entities.

## **Other Postemployment Benefits (OPEB)**

All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.

## **Real Rate of Return**

The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.

## **Service Cost**

The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.

## **Total OPEB Expense**

The total OPEB expense is the sum of the following items that are recognized at the end of the employer's fiscal year:

1. Service Cost
2. Interest on the Total OPEB Liability
3. Current-Period Benefit Changes
4. Employee Contributions (made negative for addition here)
5. Projected Earnings on Plan Investments (made negative for addition here)
6. OPEB Plan Administrative Expense
7. Other Changes in Plan Fiduciary Net Position
8. Recognition of Outflow (Inflow) of Resources due to Liabilities
9. Recognition of Outflow (Inflow) of Resources due to Assets

Note: Items 5, 7 and 9 are not applicable to unfunded plans.

## **Total OPEB Liability (TOL)**

The TOL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.