

DANZIGER &
MARKHOFF LLP
A t t o r n e y s a t L a w

Joel Danziger
Harris Markhoff
Joshua S. Levine
Robert B. Danziger
Michael Markhoff
Gregory R. Tapfar
Andrew E. Roth
Jay Fenster
David P. Gesser
Mark Hamilton

Christopher Miehle
Robert B. Larson

COUNSEL
Irwin N. Rubin

ENROLLED ACTUARIES
William Miller
Aileen T. Palazzo
Edward A. Echeverria
Timothy O'Connell
Andrea L. Abolafia
Steven I. Alin
Alexander P. Nahoum

April 12, 2019

EMAIL

Mr. Robert Baxter
Controller
Warwick Public Schools
69 Draper Ave
Warwick, RI 02889

Dear Mr. Baxter:

This report was prepared to provide management with the disclosures for the City of Warwick (the Employer) for GASB #75 for the fiscal year ended June 30, 2018. This report contains results for the "SCHOOL" only. Results for the "CITY" are provided in a separate report.

Our results and accompanying disclosures reflect plan provisions in effect for the plan year ended June 30, 2018.

In conducting the valuation, we relied on information supplied to us by the City of Warwick. This information included participant data, the terms of the written and unwritten plan, premium rates and other policies and practices of plan. We relied on this information as accurate, and applied estimates as necessary.

GASB #75 requires results be presented on your financial statements based on actual rates as of your year-end (reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of June 30, 2018 is 2.98%). The Main valuation has been performed based on a 2.98% discount rate, with sensitivity results at both 1.98% and 3.98%. Since there is no OPEB Trust, the Index will apply.

————— SERVING CLIENTS SINCE 1960 —————

To the best of our knowledge and belief, this valuation was conducted in accordance with generally accepted actuarial principles and practices and in accordance with our understanding of GASB #75 and the implementation guidelines published by the Government Accounting Standards Board. The employer may modify the presentation of these disclosures as needed. I am an Enrolled Actuary who satisfies the Qualifications Standards for Actuaries of the American Academy of Actuaries that became effective January 1, 2008.

Very truly yours,

A handwritten signature in cursive script, appearing to read 'A. Abolafia', written in dark ink.

Digitally signed by
Andrea L. Abolafia

Andrea L. Abolafia, FSA, EA, MAAA
Senior Actuary

CITY OF WARWICK

"SCHOOL PORTION"

RETIREE MEDICAL ACTUARIAL
VALUATION

REPORT ON COMPLIANCE WITH
GOVERNMENT ACCOUNTING STANDARDS BOARD
STATEMENT #75
ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYER
FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS
FOR THE FISCAL YEAR ENDING JUNE 30, 2018

PREPARED: April 2019

WARWICK PUBLIC SCHOOL SYSTEM
RETIREE HEALTH VALUATION UNDER GASB #75

Changes in Net OPEB Liability FYE 2018

Discount Rate (Proj.) 2.98% FYE 6/30/2018
Investment Return Rate (Proj.) N/A; Index will apply

	Total OPEB <u>Liability</u>	Plan Fiduciary <u>Net Position</u>	Net OPEB <u>Liability</u>
Balances at 7/1/2017	53,197,522	0	53,197,522
Change	249,016	0	249,016
Balances at 6/30/2018	53,446,538	0	53,446,538

TOTAL GASB #75 Expense for FYE 2018

A) GASB #75 Regular Expense

Service Cost	2,069,696
Interest Cost	1,573,178
Experience (Gain)/Loss Amort	(322,657)
Investment Loss Amort	0
 GASB #75 Annual OPEB Cost <u>Regular</u> Expense	 3,320,217

B) Prior Period Adjustment at 7/1/2017 (to Update to GASB #75)

Net OPEB Liability 7/1/2017	53,197,522
(Less) OPEB Obligation as of 6/30/2017 - GASB #45	(22,565,504)
Prior Period Adjustment at 7/1/2017	30,632,018

C) TOTAL GASB #75 Expense for FYE 2018 33,952,235

WARWICK PUBLIC SCHOOL SYSTEM
RETIREE HEALTH VALUATION UNDER GASB #75

Sensitivity - Discount Rate

	1% Decrease <u>1.98%</u>	Discount Rate <u>2.98%</u>	1% Increase <u>3.98%</u>
Net OPEB Liability 6/30/2018	59,317,614	53,446,538	47,575,463
Regular Expense	3,610,000	3,320,217	3,040,000
Prior Period Adjustment	36,680,000	30,632,018	24,760,000
TOTAL GASB #75 Expense for FYE 2018	40,290,000	33,952,235	27,800,000

Sensitivity - Health Care Trend Rate

	1% Decrease <u>(7.0% decreasing</u> <u>to 4.0%)</u>	Healthcare Trend Rates <u>(8.0% decreasing</u> <u>to 5.0%)</u>	1% Increase <u>(9.0% decreasing</u> <u>to 6.0%)</u>
Net OPEB Liability 6/30/2018	44,581,657	53,446,538	64,154,894
Regular Expense	2,990,000	3,320,217	3,710,000
Prior Period Adjustment	21,770,000	30,632,018	41,340,000
TOTAL Projected Expense for FYE 2018	24,760,000	33,952,235	45,050,000

NOTES

Have used a 2.98% discount rate, with sensitivity at 1.98% and 3.98%.

The S&P 20 AA Municipal Bond Index (an appropriate index for GASB #75 purposes) was 2.98% on 6/30/2018, the Measurement Date.

Due to the small OPEB Trust level vs. Liabilities, the plan is not projected to have a Plan Fiduciary Net position in excess of benefit payments for any year, so the 2.98% Municipal Bond Rate will apply.

Net OPEB Liability is the GASB #75 term now used for Unfunded Accrued Liability.

Membership Counts (at 6/30/2018)

	<u>Active</u>	<u>Retired</u>	<u>Total</u>
Total	1295	62	1357

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City of Warwick recognized OPEB expense of \$3,320,217. At June 30, 2018, the City of Warwick reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected And actual experience	\$ 0	\$ (2,258,597)
Changes of assumptions	0	0
Net difference between projected and Actual earnings of OPEB plan Investments	0	0
Total	<u>\$ 0</u>	<u>\$ (2,258,597)</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	(\$322,657)
2020	(\$322,657)
2021	(\$322,657)
2022	(\$322,657)
2023	(\$322,657)
Annually Thereafter (2 years)	(\$322,657)

WARWICK PUBLIC SCHOOL SYSTEM
Required Supplementary Information
Schedule of Changes In the Net OPEB Liability and Related Ratios
FYE 6/30/2018
Last 10 Fiscal Years

	2018	
Total OPEB liability		
Service cost	\$ 2,069,696	
Interest	1,573,178	
Changes of benefit terms	-	
Difference between expected and actual experience	(2,581,254)	
Changes in assumptions	-	
Benefit payments	(812,604)	
Net change in total OPEB liability	249,016	
Total OPEB liability - beginning	53,197,522	
Total OPEB liability - ending (a)	\$ 53,446,538	
Plan Fiduciary net position		
Contributions - employer	812,604	
Net investment income	-	
Benefit payments	(812,604)	
Administrative expense	-	
Net change in plan fiduciary net position	-	
Plan fiduciary net position - beginning	-	
Plan fiduciary net position - ending (b)	\$ -	
District's net OPEB liability - ending (a) - (b)	\$ 53,446,538	
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	
Covered-employee payroll	\$ 95,717,334	
District's net OPEB liability as a percentage of covered - employee payroll	55.84%	

Notes to Schedule:

Benefit changes - None

Implied Subsidy of approximately \$280,000 is included in Benefit Payments Contributions.

WARWICK PUBLIC SCHOOL SYSTEM
Required Supplementary Information
Schedule of Contributions and Assumptions
FYE 6/30/2018
Last 10 Fiscal Years

	2018
Actuarial determined contribution [SC + 20 yr amort NOL]	\$ 5,638,795
Contributions in relating to the actuarially determined contribution	812,604
Contribution Excess/(deficiency)	<u>\$ (4,826,191)</u>
Covered-employee payroll	\$ 95,717,334
Contributions as a percentage of covered-employee payroll	0.85%

Notes to Schedule:

Valuation date:	7/1/2017
Census date:	6/30/2018

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	N/A
Amortization period	N/A
Asset valuation method	Market
Inflation	3.00%
Healthcare cost trend rates	8% decr to 5% ultimate
Salary increases	3.00%
Investment rate of return	2.98%
Retirement age	Classified: Later of age 60 or 1 year after attained age Professional: Later of age 55 or 1 year after attained age
Mortality	RP 2014 w/MP2016 proj
Participation at Retirement	Classified: 15% of retiring employees will elect the benefit Professional: 97% of retiring employees will elect the benefit

WARWICK PUBLIC SCHOOL SYSTEM
RETIREE HEALTH VALUATION UNDER GASB #75

RESULTS AND DISCLOSURES

DEVELOPMENT OF CHANGES IN OPEB LIABILITY, PLAN FIDUCIARY
NET POSITION, AND RELATED RATIOS
(THE LAST SIX YEARS ILLUSTRATED)

Year	GASB #75			Change in
<u>Ended</u>	<u>Net OPEB</u>	<u>Regular</u>	<u>Contributions</u>	<u>Net OPEB</u>
	<u>Liability</u>	<u>Expense</u>	<u>plus Earnings</u>	<u>Liability</u>
6/30/2013		\$3,654,601	\$2,637,067	\$1,017,534
6/30/2014		\$3,526,052	\$1,443,740	\$2,082,312
6/30/2015		\$3,832,606	\$1,709,076	\$2,123,530
6/30/2016		\$4,317,345	\$1,271,934	\$3,045,411
6/30/2017		\$4,601,317	\$1,518,339	\$3,082,978
6/30/2018	\$ 53,446,538	\$3,320,217	\$812,604	\$249,016

*Pre-FYE 2018 reflects GASB #45 OPEB Cost, etc., FYE 2018 Contributions
include projected OPEB Trust Earnings (N/A)*

WARWICK PUBLIC SCHOOL SYSTEM
RETIREE HEALTH VALUATION UNDER GASB #75

RESULTS AND DISCLOSURES

DEVELOPMENT OF CHANGES IN OPEB LIABILITY, PLAN FIDUCIARY
NET POSITION, AND RELATED RATIOS

Actuarial Valuation <u>Date</u>	Fiduciary Net Position	Total OPEB Liability	Net OPEB Liability	Fiduciary Net Position as a % of Total OPEB Liability	Covered Payroll	Net OPEB Liability as a % of Covered Payroll
7/1/2012	\$0	\$39,359,679	\$39,359,679	0.0%	N/A	N/A
7/1/2013	\$0	\$35,979,047	\$35,979,047	0.0%	N/A	N/A
7/1/2014	\$0	\$40,139,099	\$40,139,099	0.0%	N/A	N/A
7/1/2015	\$0	\$47,656,754	\$47,656,754	0.0%	N/A	N/A
7/1/2016	\$0	\$52,306,217	\$52,306,217	0.0%	N/A	N/A
7/1/2017	\$0	\$53,197,522	\$53,197,522	0.0%	\$95,717,334	55.6%

*Pre-FYE 2018 reflects GASB #45 OPEB Cost, etc., FYE 2018 Contributions
include projected OPEB Trust Earnings (N/A)*

WARWICK PUBLIC SCHOOL SYSTEM
Required Supplementary Information
Schedule of Investment Returns
FYE 6/30/2018
Last 10 Fiscal Years

2018

Annual money-weighted rate of return,
net of investment expense

N/A

No OPEB Trust

Index will apply for discount rate purposes

WARWICK PUBLIC SCHOOL SYSTEM
Required Supplementary Information
Investment Target Allocation
June 30, 2018

Asset Class

Target Allocation

N/A, no OPEB Trust

WARWICK PUBLIC SCHOOL SYSTEM
Required Supplementary Information
Investment Rate of Return Assumption
June 30, 2018

To value the 6/30/2018 Total OPEB Liability under GASB 75
the S&P Municipal Bond 20 year High Grade Bond index rate of 2.98% (6/30/2018) was utilized.

There is no OPEB Trust

WARWICK PUBLIC SCHOOL SYSTEM
Required Supplementary Information
Long-Term Expected REAL Rate of Return
June 30, 2018

<u>Asset Class</u>	<u>Long-Term Expected REAL Rate of Return</u>
N/A, no OPEB Trust	

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

SUMMARY OF PLAN PROVISIONS

The following is a summary of the current major provisions of the retiree medical program.

1. **MEDICAL BENEFITS**

The Plan is a self- insured plan. Current (2017) retiree premium rates provided to us by the City include:

- a) Pre-age 65 Individual: Generally \$653 to \$701 per month.
- b) Pre-age 65 Family: Generally \$1,606 to \$1,850 per month.

Adjustments to these premium rates to reflect the difference between the active/retiree group (for which the current premium rates were based on) and the retiree-only group were required in accordance with ASOP 6. The retiree and the spouse are covered under the program.

2. **MEDICARE PART B PREMIUMS** - Not Applicable.

3. **ELIGIBILITY:**

- a) Classified (Non-Teaching):
An employee may retire after age 62 with at least 25 years of service.
- b) Professional (Teaching):
An employee may retire after completion of at least 20 years of service (no age requirement).
- c) Spousal benefit upon retiree's death: N/A

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

SUMMARY OF PLAN PROVISIONS

4. **CITY SUBSIDY:**

a) Classified (Non-Teaching):

The City will generally contribution 80% of the cost of coverage for both the retiree and spouse.

b) Professional (Teaching):

The City will contribution 80% of the cost of coverage for the retiree with more than 30 years of service at retirement and 40% for the retiree with 20-29 years of service at retirement.

Spouses of Teaching employees are not covered.

5. **LIFE INSURANCE:**

None.

6. **FUNDING POLICY:**

The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). The City has chosen not to pre-fund retiree medical benefit obligations in a Trust at this time.

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

ACTUARIAL BASIS

ACTUARIAL FUNDING METHOD:

Entry Age Normal, level % pay

ACTUARIAL ASSUMPTIONS

1. Valuation Date: 7/1/2017 (6/30/2018 census)
2. Discount Rate: 2.98% per annum*
(1.98% and 3.98% are illustrated for sensitivity)
3. Salary Scale: 3% per annum (for EAN)
4. Mortality: RP-2014 mortality table
MP-2016 projection.
5. Withdrawal:

<u>Age</u>	<u>Rate</u>
20	.13130
25	.10120
30	.08330
35	.06780
40	.05960
45	.05130
50	.03230

6. Disability: N/A

*GASB #75 requires results be presented on your financial statements based on actual rates as of your year-end (reflective of published municipal bond indices; the S&P Municipal Bond 20-year High Grade Rate Index as of 6/30/2018 was 2.98%). Since the plan is not pre-funded, the Index will apply.

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

ACTUARIAL BASIS

7. Retirement:

The following table illustrates the retirement rates:

A) Classified

Retirement	Retirement
<u>Age</u>	<u>Rates</u>
60+	100.0%

B) Professional

Retirement	Retirement
<u>Age (Svc)</u>	<u>Rates</u>
55+	100.0%

8. Health Care Cost
Trend Rate:

The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>Assumed Increase</u>
1	8.0%
2	7.5%
3	7.0%
4	6.5%
5	6.0%
6	5.5%
7+	5.0%

9. Marital - Actives:

Wife is assumed to be same age as the husband.
70% of males and 50% of females are assumed married.

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

ACTUARIAL BASIS

10. Participation Rate: 97% of eligible Professional retirees are expected to participate and 15% of eligible Classified retirees are expected to participate.
11. Inflation Rate: 3% per annum.

ASSET VALUATION METHOD: Market value.

AMORTIZATION BASIS: For experience gains/losses, over the average expected future working lifetime of the active group and the expected lifetime of the retiree group.