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August 20, 2021

EMAIL

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

Re: City of Warwick (CITY PORTION)
Retiree Medical Actuarial Valuation under GASB #75
For the Year Ending June 30, 2021

Dear Mr. Schaefer:

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, 2021. This report contains results for the "CITY" only. Results for the "SCHOOL" will be provided in a separate report.

Our results and accompanying disclosures reflect plan provisions in effect for the plan year ended June 30, 2021. For FYE 2021, a mid-cycle valuation was performed on the program, as permitted in accordance with GASB #75.

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, 2021 is 2.18%). The Main valuation has been performed based on a 2.18% discount rate, with sensitivity results at both 1.18% and 3.18%. Since there is no OPEB Trust, the Index will apply. [For FYE 2021 Expense, the June 30, 2020 index of 2.66% applied.]

————— 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,

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

CITY OF WARWICK

"CITY 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, 2021**

PREPARED: August 2021

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

Changes in Net OPEB Liability FYE 2021

Discount Rate (Proj.)	6/30/2020 rate	2.66% FYE 6/30/2021 Expense
	6/30/2021 rate	2.18% FYE 6/30/2021 Disclosures
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 Beginning of Year	383,266,763	0	383,266,763
Change	22,379,903	0	22,379,903
Balances at End of Year	405,646,666	0	405,646,666

GASB #75 Expense for FYE 2021

Service Cost	10,717,987
Interest Cost	10,009,065
Experience & Assumption (Gain)/Loss Amort	3,215,144
Investment (Gain)/Loss Amort	0
GASB #75 Annual OPEB Cost Expense	23,942,196

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

Sensitivity - Discount Rate

	1% Decrease <u>1.18%</u>	Discount Rate <u>2.18%</u>	1% Increase <u>3.18%</u>
Net OPEB Liability 6/30/2021	442,233,161	405,646,666	369,060,173
GASB #75 Expense for FYE 2021	25,530,000	23,942,196	22,310,000

Sensitivity - Health Care Trend Rate

	1% Decrease <u>(7.0% decreasing to 4.0%)</u>	Healthcare Trend Rates <u>(8.0% decreasing to 5.0%)</u>	1% Increase <u>(9.0% decreasing to 6.0%)</u>
Net OPEB Liability 6/30/2021	350,948,902	405,646,666	469,855,677
Projected Expense for FYE 2021	22,030,000	23,942,196	26,260,000

NOTES

Have used a 2.18% discount rate, with sensitivity at 1.18% and 3.18%.

The S&P 20 AA Municipal Bond Index (an appropriate index for GASB #75 purposes) was 2.18% on 6/30/2021, the Measurement Date.

Due to the small OPEB Trust level (\$0) vs. Liabilities, the plan is not projected to have a Plan Fiduciary Net position in excess of benefit payments for any year, so the 2.18% Municipal Bond Rate will apply.

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

Membership Counts (at 6/30/2020)

	<u>Active</u>	<u>Retired</u>	<u>Total</u>
Total	675	964	1639

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75
Schedule of OPEB Related Deferred Outflows/(Inflows) of Resources
FYE 6/30/2021

<u>Initial Setup</u> <u>Year</u>	<u>Description</u>	<u>Original</u> <u>Deferred</u> <u>Outflow</u>	<u>Original</u> <u>Deferred</u> <u>Inflow</u>	<u>Original</u> <u>Amortization</u> <u>Period</u>	<u>Remaining</u> <u>Amortization</u> <u>Period</u>	<u>Amortization</u>	<u>Current</u> <u>Deferred</u> <u>Outflow</u>	<u>Current</u> <u>Deferred</u> <u>Inflow</u>
6/30/2018	Experience		14,109,697	8.00	5.00	(1,763,712)	-	7,054,849
6/30/2019	Experience		3,523,060	8.00	6.00	(440,383)	-	2,201,911
6/30/2019	Assumption Change	5,992,743		8.00	6.00	749,093	3,745,464	-
6/30/2020	Experience	7,774,043		6.00	5.00	1,295,674	5,182,695	-
6/30/2020	Assumption Change	4,621,734		6.00	5.00	770,289	3,081,156	-
6/30/2021	Experience		1,928,670	6.00	6.00	(321,445)	-	1,607,225
6/30/2021	Assumption Change	17,553,766		6.00	6.00	2,925,628	14,628,138	-
Totals						3,215,144	26,637,453	10,863,985

Summary of Deferred Outflows of Resources and inflows of Resources Related to OPEB from the Following Sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	5,182,695	10,863,985
Changes of assumptions	21,454,758	-
Net difference between projected and actual earnings of OPEB plan investments	-	-
Total	<u>\$26,637,453</u>	<u>\$10,863,985</u>

Amounts Recognized in OPEB Expense as Follows:

Year ended June 30:	
2022	3,215,144
2023	3,215,144
2024	3,215,144
2025	3,215,142
2026	2,912,894

CITY OF WARWICK
Required Supplementary Information
Schedule of Changes In the Net OPEB Liability and Related Ratios
FYE 6/30/2021
Last 10 Fiscal Years

	2021	2020	2019	2018
Total OPEB liability				
Service cost	\$ 10,717,987	\$ 10,622,337	\$ 10,159,859	\$ 10,631,235
Interest	10,009,065	9,953,310	10,320,288	10,463,940
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(1,928,670)	7,774,043	(3,523,060)	(14,109,697)
Changes in assumptions	17,553,766	4,621,734	5,992,743	-
Benefit payments	(13,972,245)	(12,908,231)	(12,129,308)	(11,482,709)
Net change in total OPEB liability	22,379,903	20,063,193	10,820,522	(4,497,231)
Total OPEB liability - beginning	383,266,763	363,203,570	352,383,048	356,880,279
Total OPEB liability - ending (a)	\$ 405,646,666	\$ 383,266,763	\$ 363,203,570	\$ 352,383,048
Plan Fiduciary net position				
Contributions - employer	13,972,245	12,908,231	12,129,308	11,482,709
Net investment income	-	-	-	-
Benefit payments	(13,972,245)	(12,908,231)	(12,129,308)	(11,482,709)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	\$ -	\$ -	\$ -	\$ -
Net OPEB liability - ending (a) - (b)	\$ 405,646,666	\$ 383,266,763	\$ 363,203,570	\$ 352,383,048
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 52,560,591	\$ 52,396,661	\$ 51,864,261	\$ 49,203,459
Net OPEB liability as a percentage of covered - employee payroll	771.77%	731.47%	700.30%	716.18%

Notes to Schedule:

Benefit changes - None

Implied Subsidy - Approximately \$2,665,000 is included in Benefit Payments/Contributions.

CITY OF WARWICK
Required Supplementary Information
Schedule of Contributions and Assumptions
FYE 6/30/2021
Last 10 Fiscal Years

	2021	2020	2019	2018
Actuarial determined contribution [SC + 20 yr amort NOL]	\$ 35,676,543	\$ 34,563,861	\$ 33,801,747	\$ 34,574,848
Contributions in relating to the actuarially determined contribution	13,972,245	12,908,231	12,129,308	11,482,709
Contribution Excess/(deficiency)	<u>\$ (21,704,298)</u>	<u>\$ (21,655,630)</u>	<u>\$ (21,672,439)</u>	<u>\$ (23,092,139)</u>
Covered-employee payroll	\$ 52,560,591	\$ 52,396,661	\$ 51,864,261	\$ 49,203,459
Contributions as a percentage of covered-employee payroll	26.58%	24.64%	23.39%	23.34%

Notes to Schedule:

Valuation date:	7/1/2020	7/1/2019	7/1/2018	7/1/2017
Census date:	6/30/2020	6/30/2020	6/30/2018	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
Participation at Retirement	100%
Inflation	3.00%
Healthcare cost trend rates	8% decreasing to 5% ultimate
Salary increases	3.00%
Retirement age	General: Later of age 61 or 1 year after attained age Uniformed: Later of age 55 or 1 year after attained age
Mortality	RP 2006 w/ MP2019 projection
Investment rate of return	2.18% 2.66% 2.79% 2.98%

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

RESULTS AND DISCLOSURES

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

<u>Year</u> <u>Ended</u>	<u>GASB #75</u> <u>Net OPEB</u> <u>Liability</u>	<u>Regular</u> <u>Expense</u>	<u>Contributions</u> <u>plus Earnings</u>	<u>Change in</u> <u>Net OPEB</u> <u>Liability</u>
6/30/2017		\$23,713,917	\$8,004,053	\$15,709,864
6/30/2018	\$352,383,048	\$19,331,463	\$11,482,709	(\$4,497,231)
6/30/2019	\$363,203,570	\$19,025,145	\$12,129,308	\$10,820,522
6/30/2020	\$383,266,763	\$21,186,608	\$12,908,231	\$20,063,193
6/30/2021	\$405,646,666	\$23,942,196	\$13,972,245	\$22,379,903

Pre-FYE 2018 reflects GASB #45 OPEB Cost, etc.[N/A]; Post-FYE 2017 Contributions include projected OPEB Trust Earnings (N/A)

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

RESULTS AND DISCLOSURES

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

Actuarial Valuation Date	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
7/1/2016	\$0	290,730,265	290,730,265	0.0%	N/A	N/A
7/1/2017	\$0	356,880,279	356,880,279	0.0%	49,203,459	725%
7/1/2018	\$0	352,383,048	352,383,048	0.0%	51,864,261	679%
7/1/2019	\$0	363,203,570	363,203,570	0.0%	52,396,661	693%
7/1/2020	\$0	383,266,763	383,266,763	0.0%	52,560,591	729%

Pre-FYE 2018 reflects GASB #45 OPEB Cost, etc. [N/A]; Post-FYE 2017 Contributions include projected OPEB Trust Earnings (N/A)

CITY OF WARWICK
Required Supplementary Information
Schedule of Investment Returns
FYE 6/30/2021
Last 10 Fiscal Years

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	[REDACTED]
Annual money-weighted rate of return, net of investment expense	N/A	N/A	N/A	N/A	
No OPEB Trust Index will apply for discount rate purposes					

CITY OF WARWICK
Required Supplementary Information
Investment Target Allocation
FYE 6/30/2021

Asset Class

Target Allocation

N/A, no OPEB Trust

CITY OF WARWICK
Required Supplementary Information
Investment Rate of Return Assumption
FYE 6/30/2021

To value the 6/30/2021 Total OPEB Liability under GASB 75 the S&P Municipal Bond 20 year High Grade Bond index rate of 2.18% was utilized.
[For FYE 2021 Expense, the index rate of 2.66% (6/30/2020) was utilized.]

There is no OPEB Trust.

CITY OF WARWICK
Required Supplementary Information
Long-Term Expected REAL Rate of Return
FYE 6/30/2021

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

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

RESULTS AND DISCLOSURES
RESULTS BY FUND
FYE 6/30/2021

	<u>General</u>	<u>Fire</u>	<u>Police</u>	<u>Total</u>
GASB #75 Expense	6,618,035	9,501,596	7,822,565	23,942,196
Total OPEB Liability EOY	115,556,972	157,929,525	132,160,169	405,646,666
EOY assets	0	0	0	0
Net OPEB Liability EOY	115,556,972	157,929,525	132,160,169	405,646,666

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 (2021/2022) retiree premium rates provided to us by the City include:

- a) MED Pre-age 65 Individual: Generally, \$745 to \$945 per month.
- b) MED Pre-age 65 Family: Generally, \$1,817 to \$2,312 per month.
- c) MED Post-age 65: Generally, \$174, \$196 or \$270 per month, per person.
- d) DENTAL Pre-age 65 Individual: Generally, \$27 to \$30 per month.
- e) DENTAL Pre-age 65 Family: Generally, \$86 to \$101 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** - Paid/Reimbursed by the City for Fire employees only if retired on or after 7/1/2002, generally at \$148.50/mo.

CITY OF WARWICK
RETIREE HEALTH VALUATION UNDER GASB #75

SUMMARY OF PLAN PROVISIONS

3. **ELIGIBILITY:**

a) General:

Date of Hire prior to 7/1/2012: An employee may retire after age 55 with at least 10 years of service.

Date of Hire after 7/1/2012: An employee may retire after age 59 with at least 10 years of service.

b) Uniformed (Police and Fire employees):

Date of Hire prior to 7/1/2012: An employee may retire after completion of at least 20 years of service (no age requirement).

Date of Hire after 7/1/2012: An employee may retire after completion of at least 25 years of service (no age requirement). Fire retirees must reach age 50.

c) Spousal benefit upon retiree's death: Continued

4. **CITY SUBSIDY:**

The City will generally contribute 100% of medical and dental premium equivalent amounts for both individual and dependent (spousal) coverage. [Note, only Police employees are eligible for dental coverage.] However, the City's cost is capped at the Blue Cross Plan 65 rate, thus participants selecting Blue Chip for Medicare will contribute anything over this amount (approximately 27%-36%).

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: 7/1/2020 (6/30/2020 census)
- 2. Discount Rate: 2.66% per annum (for FYE 2021 Expense)
 2.18% per annum (disclosures*)
 (1.18% and 3.18% are illustrated for
 sensitivity)
- 3. Salary Scale: 3% per annum (for EAN)
- 4. Mortality: RP-2006 mortality table with
 MP-2019 projection.

5. Withdrawal:

<u>Age</u>	<u>General</u>	<u>Uniformed</u>
20	.13130	.01500
25	.10120	.01500
30	.08330	.01460
35	.06780	.01220
40	.05960	.00280
45	.05130	.00030
50	.03230	.00030

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 6/30/2021 was 2.18%). 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) General	Retirement <u>Age</u> 61+	Retirement <u>Rates</u> 100.0%
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B) Uniformed	Retirement <u>Age (Svc)</u> 55+	Retirement <u>Rates</u> 100.0%
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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: 100% of eligible retirees are expected to participate in Medical and Dental Insurance plans.
11. Inflation Rate: 3% per annum.

ASSET VALUATION METHOD: Market value.

AMORTIZATION BASIS: Experience Gains/Losses: Average Expected Future Working Lifetime of the whole group.
Assumption Changes: Average Expected Future Working Lifetime of the whole group.