



A N G E L L

September 1, 2015

PERSONAL & CONFIDENTIAL

Mr. Theodore J. Przybyla
Office of the Treasurer
Town of Scituate
P.O. Box 127
195 Danielson Pike
North Scituate, RI 02857

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Re: Town of Scituate Retirement Plan for the Police Department Employees

Dear Mr. Przybyla:

Enclosed please find the Actuarial Valuation Report as of April 1, 2015, which outlines the funding requirements and summarizes the current position of the above-referenced plan.

This valuation includes the plan provisions included in the Collective Bargaining Agreement through June 30, 2012 and the Arbitration Agreement. If changes are made in the Collective Bargaining Agreement in effect July 1, 2012 through June 30, 2015 which affect the plan provisions as described in the June 30, 2012 agreement, this report will need to be revised to reflect such changes. Please forward a copy of the June 30, 2015 agreement when signed.

As requested the valuation report has been prepared using a discount rate of 7.50%.

It is our understanding that the Town of Scituate should provide a copy of this valuation to the State of Rhode Island by September 30, 2015 as required by the Rhode Island Retirement Security Act of 2011.

If you have any questions regarding the enclosed material, please call me at extension 186.

Sincerely,

Richard M. Rosenfeld, QPA, QKA
Senior Pension Account Administrator
rosenfeld@angellpensiongroup.com
admlet4012015.doc/a1261a/rmr

Enclosures

**TOWN OF SCITUATE RETIREMENT PLAN
FOR THE POLICE DEPARTMENT EMPLOYEES
VALUATION AS OF APRIL 1, 2015**

Based on a Discount Rate of 7.50%

Prepared By:

**The Angell Pension Group, Inc.
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September 2015

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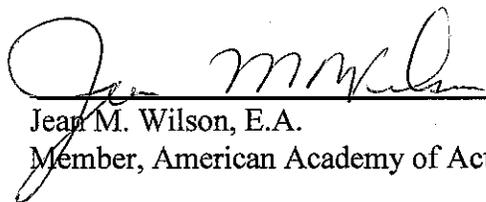
I. INTRODUCTION

This report presents the results of the actuarial valuation as of April 1, 2015 of the Town of Scituate Retirement Plan for the Police Department Employees. The purpose of this report is to illustrate the current position of the plan and to present information which will assist the Town of Scituate in determining the contribution levels which are sufficient to meet accruing liabilities and to maintain the plan on a sound actuarial basis.

The major provisions of the plan upon which this valuation is based are outlined in Section III. The valuation reflects the terms of the Collective Bargaining Agreement which is effective from July 1, 2011 through June 30, 2012 and the Arbitration Agreement. If changes are made in the Collective Bargaining Agreement in effect July 1, 2012 through June 30, 2015 which affect the plan provisions as described in the June 30, 2012 agreement and Arbitration Agreement, this report will need to be revised to reflect such changes. Please forward a copy of the June 30, 2015 agreement when signed.

This valuation is based on a discount rate of 7.50%.

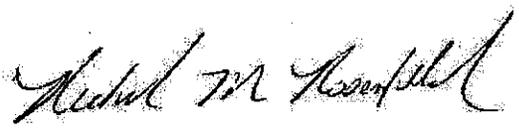
This valuation was prepared on the basis of information submitted to The Angell Pension Group, Inc. in the form of payroll and asset data, as well as ancillary material pertaining to the plan. We have not independently verified, nor do we make any representations as to, the accuracy of such information.



Jean M. Wilson, E.A.
Member, American Academy of Actuaries

9/1/2015

Date



Richard M. Rosenfeld, QPA, QKA
Senior Pension Account Administrator

II. SUMMARY OF PLAN CONTRIBUTIONS

1.	Accrued Liability		
	a.	Actives	\$3,495,716
	b.	Disabled Participants	\$1,331,584
	c.	Retirees	<u>\$8,393,033</u>
	d.	Total	\$13,220,333
2.	Plan Assets		\$4,771,187
3.	Unfunded Accrued Liability [(1d) - (2)]		\$8,449,146
4.	Normal Cost		
	a.	Retirement	\$168,333
	b.	Death	\$ 3,404
	c.	Disability	<u>\$ 19,769</u>
	d.	Total	\$191,506
5.	22 Year Amortization of (3) (Payments assumed to increase by 4% per year)		\$531,857
6.	Interest on (4d) and (5) (Assumes Mid-Year Payment on October 1, 2015)		\$27,126
7.	22 Year Amortization Contribution payable October 1, 2015 [(4d) + (5) + (6)]		\$750,489*

* Town of Scituate's portion of the contribution for the fiscal year beginning April 1, 2015 will be the \$750,489 reduced by the actual amount of employee contributions.

III. SUMMARY OF PLAN PROVISIONS

- Eligibility Requirements:* All regular or permanent police of the Town of Scituate, Rhode Island, following completion of a six month waiting period.
- Normal Retirement Date:* For participants hired on or prior to June 30, 2000, upon completion of 20 Years of Service, the participant is eligible for normal retirement. Alternatively, a participant may continue in service beyond 20 years. For participants hired on or after July 1, 2000, upon completion of 25 Years of Service the participant is eligible for normal retirement.
- Normal Retirement Benefit:* For participants hired on or prior to June 30, 2000, a benefit equal to 2.5% of base annual pay times the first 20 years of service, plus 2% of base annual pay times years of service in excess of 20 years. Maximum benefit is 60% of base annual pay. For participants hired on or after July 1, 2000, a benefit equal to 2.4% of the base annual pay times the first 25 years of service. Maximum benefit is 60% of base annual pay.
- Optional Retirement Date:* A participant may retire upon the completion of ten years of service or the attainment of age 56, whichever is later.
- Normal Form of Benefit:* Life annuity for single participants and an unreduced 67.5% Joint and Survivor Annuity for married participants.
- Pre-Retirement Death Benefit:* In the event of death of a member, while employed, benefits shall be according to the state law as to Police Pensions.
- Upon death of a member due to occupational causes:
- (a) Total contributions.
 - (b) A spouse's benefit equal to 50% of salary plus 10% of salary for each child under the age of 18 subject to a 66 $\frac{2}{3}$ % of salary maximum.

Upon death of a member due to non-occupational causes:

- (a) A payment of \$800 for each year of service up to \$16,000. Minimum Lump Sum: \$4,000
- (b) A spouse's benefit equal to 30% of salary, plus 10% of salary for each child under the age of 18, subject to a 50% of salary maximum.

Post Retirement Death Benefit:

For married participants 67.5% of the participant's accrued benefit at retirement.

The pre-retirement lump sum death benefit reduced 25% for each year in retirement subject to a minimum benefit of \$4,000.

Disability:

Upon becoming disabled due to occupational causes, a benefit equal to 66 $\frac{2}{3}$ % of the rate of compensation at the date of disability. Upon becoming disabled due to non-occupational causes after completing 7 years of service, a benefit equal to 1 $\frac{2}{3}$ % of annual salary for each year of credited service, but not less than 25% and not greater than 50%.

Termination of Employment:

With less than ten years of service, a refund of employee contributions. A member who terminates after ten years of service will be eligible to receive a pension commencing at age 56 equal to his or her accrued benefit.

Funding:

Effective July 1, 2000, the members of the plan and the Town of Scituate shall each contribute 10% of the salary earned by each member.

Any increases in the cost of providing benefits shall be borne equally between the members of the plan and the Town of Scituate.

Cost of Living Adjustment:

For retirees prior to July 1, 2003 the Cost of Living Adjustment is equal to the negotiated rate of salary increase times 30% compounded annually. For retirees on or after July 1, 2003, the Cost of Living Adjustment is equal to 3% of the initial retirement benefit (non-compounded).

IV. ACTUARIAL COST METHODS

A. Actuarial Cost Method

Costs have been computed in accordance with the Entry Age Normal Cost Method.

The normal cost is the sum of the normal costs for all participants. For a current participant, the individual normal cost is the participant's normal cost accrual rate multiplied by the participant's current compensation. The normal cost accrual rate equals (a) the present value of future benefits as of the participant's entry age divided by (b) the present value of future compensation as of the participant's entry age. For other than a current participant, the normal cost equals \$0.

The accrued liability is the sum of the individual accrued liabilities for all participants. The individual accrued liability is equal to the present value of future benefits less the normal cost accrual rate multiplied by the present value of future compensation.

B. Asset Valuation Method

The assets used to determine plan costs are equal to the current market value, as of March 31, 2015 reduced by benefits payable to retired officers.

C. Changes

Effective with the April 1, 2013 valuation, the amortization of the unfunded accrued liability is over a 25 year period that declines by one each year effective back to April 1, 2012. The amortization period as of April 1, 2015 is 22 years.

V. ACTUARIAL ASSUMPTIONS

Actuarial Assumptions are estimates as to the occurrence of future events affecting the costs of the plan such as mortality rates, withdrawal rates, changes in compensation level, retirement ages, rates investment earnings, expenses, etc. The assumptions have been chosen to anticipate the long-range experience of the plan. The appropriateness of the assumptions should be viewed on an aggregate basis rather than individually, inasmuch as each interacts with the other.

The actuarial assumptions used to compute this year's plan costs are as follows:

- Investment Return: 7.50% per annum
- Pre and Post Retirement Mortality: RP-2014 Blue Collar Employee/Annuitant with MP-2014 Generational Projection (M/F).
- Disability Mortality: RP-2014 Disabled Annuitant with MP-2014 Generational Projection (M/F).
- Terminations: None
- Salary Increases: 4.00% per annum
- Occupational Disability: Occupational disability assumed to equal 3 times the 1974 Railroad Retirement Board Incidence
- Assumed Retirement Age: The completion of 25 Years of Service
- Spousal Death Benefit: 75% of active participants are assumed married with one child under age 18. Spouses are assumed to be 4 years younger than the participant.
- Cost-of-Living Increases: A 3.0% non-compounded COLA for active members who retire on or after July 1, 2003. For members who retired before July 1, 2003, 30% of the negotiated salary increase, compounded annually.
- Expenses: Assumed paid by the Town

**SECTION V (Cont.)
SELECTION OF ACTUARIAL ASSUMPTIONS**

Assumption	Entity Who Selects Assumption	Basis for Assumption Selection	Change in Assumption
Investment Return Interest Rate	Town of Scituate	"Chosen by plan sponsor." The investment return interest rate is developed based on the allocation of the Plan's assets by investment class and the capital market outlook for each investment class. This information is provided by the Plan's investment advisor.	None
Inflation Rate	The Angell Pension Group, Inc.	This assumption was set based on a review of experience under the plan.	None
Salary Scale	N/A	This assumption was set based on a review of experience under the plan.	None
Taxable Wage Base Increase	N/A	Plan benefits are frozen and do not depend on future taxable wage base.	None
IRC 415 and 401(a)(17) Limit Projection	N/A	Projected increases to benefit and pay limits are not applicable under the Actuarial Funding Method.	None
Pre-Retirement Mortality	Town of Scituate	"Chosen by plan sponsor." The Society of Actuaries published a study of retirement experience in October, 2014. The RP-2014 tables presented in the study represent the most current and complete benchmarks of U.S. private pension plan mortality experience. As recommended by the authors of the study, the mortality tables used for the Plan include generational projection of mortality improvements using the MP-2014 projection scale.	The mortality tables changed from the 2014 IRS Optional Combined (MIF) tables as of the prior measurement date, April 1, 2014. The change was made to reflect the best estimate of future experience under the plan. This change, together with the change in post-retirement mortality, increased the liabilities as of the current measurement date, April 1, 2015, by 1.17%.
Post-Retirement Mortality	Town of Scituate	"Chosen by plan sponsor." The Society of Actuaries published a study of retirement experience in October, 2014. The RP-2014 tables presented in the study represent the most current and complete benchmarks of U.S. private pension plan mortality experience. As recommended by the authors of the study, the mortality tables used for the Plan include generational projection of mortality improvements using the MP-2014 projection scale.	The mortality tables changed from the 2014 IRS Optional Combined (MIF) tables as of the prior measurement date, April 1, 2014. The change was made to reflect the best estimate of future experience under the plan. This change, together with the change in pre-retirement mortality, increased the liabilities as of the current measurement date, April 1, 2015, by 1.17%.
Disability Mortality	The Angell Pension Group, Inc.	This assumption was set based on a review of experience under the plan.	The mortality tables changed from the 2014 IRS Optional Combined (MIF) tables as of the prior measurement date, April 1, 2014. The change was made to reflect the best estimate of future experience under the plan. This change, together with the change in pre and post-retirement mortality, increased the liabilities as of the current measurement date, April 1, 2015, by 1.17%.
Disability Rates	The Angell Pension Group, Inc.	This assumption was set based on a review of experience under the plan.	None

SECTION V (Cont.)

SELECTION OF ACTUARIAL ASSUMPTIONS

Assumption	Entity Who Selects Assumption	Basis for Assumption Selection	Change in Assumption
Withdrawal Rates	The Angell Pension Group, Inc.	The incidence of Withdrawal under the plan is negligible.	None
Retirement Rates	The Angell Pension Group, Inc.	This assumption was set based on a review of experience under the Plan.	None
Administrative Expenses	The Angell Pension Group, Inc.	The expected return on assets is adjusted to recognize the effect of expenses being paid out of plan assets.	None
Percent Married	The Angell Pension Group, Inc.	This assumption was set based on a review of experience under the Plan.	None
Age of Spouse	The Angell Pension Group, Inc.	This assumption was set based on a review of experience under the Plan.	None

**VI. STATEMENT OF PLAN ASSETS, RECONCILIATION AND
NET RETURN AS OF APRIL 1, 2015**

Statement of Plan Assets

Wilmington Trust Company Acct. #71751	
Cash	(56,779)
Collective Funds	<u>4,844,703</u>
Total Wilmington Trust Company Assets	<u>\$4,787,924</u>
Benefits payable to retired officers as a result of the Arbitration Agreement	\$(16,737)
TOTAL VALUATION ASSETS	<u>\$4,771,187</u>

ASSET RECONCILIATION AND NET RETURN

Beginning of Year

1. Market value of assets	4,282,318
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Income

2. Employer contributions	728,868
3. Employee contributions	111,747
4. Earnings	364,549
5. Total income (2 through 4)	1,205,164

Expenses

6. Benefit payments	654,949
7. Fees	44,609
8. Total expenses (6 through 7)	699,558

End of Year

9. Market value of assets (1+5-8)	4,787,924
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Rate of Return

10. Rate of return on market value of assets	7.31%
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NOTE: The rates of return are computed using the formula $2I/(A+B-I)$ where A is the asset value at the beginning of the year, B is the asset value at the end of the year, and I is the net investment income for the year.

VII. ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS
As of April 1, 2015

	<u>Number</u>	<u>Vested</u>	<u>Non-Vested</u>	<u>Total Present Value</u>
Active	15	\$2,131,682	\$578,032	\$2,709,714
Disabled	3	1,331,584	0	1,331,584
Retired ¹	<u>18</u>	<u>8,373,484</u>	<u>0</u>	<u>8,373,484</u>
Total	36	<u>\$11,836,750</u>	<u>\$578,032</u>	<u>\$12,414,782</u>
Total Compensation ²		<u>\$ 821,754</u>		

¹ Includes two Alternate Payees under QDROs and one Beneficiary of a deceased disabled participant.

² Base pay as of April 1, 2015.

Basis of Determination

The actuarial assumptions used in calculating the Present Value of Accumulated Plan Benefits are described in Section V of this report, with the exception that no assumption for salary increases was used.

SECTION VIII

RECONCILIATION OF PLAN PARTICIPANTS

	Active	Disabled	Retired	Total
Participants included in the 04-01-2014 valuation	17	3	15	35
Data corrections	0	0	0	0
Terminated vested	0	0	0	0
Retired	-2	0	0	-2
Died with beneficiary	0	0	0	0
Died without beneficiary	0	0	0	0
Alternate Payee (QDRO)	0	0	3**	3
Lump sum	0	0	0	0
Terminated non-vested	0	0	0	0
Rehired	0	0	0	0
New participants	0	0	0	0
Participants included in the 04-01-2015 valuation	15	3	18*	36

*Includes two Alternate Payees under QDROs and one Beneficiary of a deceased participant.

**Includes one Alternate Payee under a QDRO.

SECTION IX

EXPECTED BENEFIT PAYMENTS IN FUTURE

<u>For plan year beginning in:</u>	<u>Payments</u>
2015	\$ 718,326
2016	762,880
2017	774,656
2018	786,125
2019	797,304
2020	808,232
2021	818,993
2022	870,354
2023	881,779
2024	933,820
2025	945,962
2026	1,090,888
2027	1,104,431
2028	1,117,684
2029	1,130,621

Note: The amounts shown above are the present values at the valuation date, and its anniversaries, of the benefits expected to be paid during the plan year.