



A N G E L L

September 12, 2013

**PERSONAL & CONFIDENTIAL**

Ms. Sharon Johnson  
Office of the Treasurer  
Town of Scituate  
P.O. Box 127  
195 Danielson Pike  
North Scituate, RI 02857

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88 Boyd Avenue  
East Providence, Rhode Island 02914  
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***Re: Town of Scituate Retirement Plan for the Police Department Employees***

Dear Ms. Johnson:

Enclosed please find the Actuarial Valuation Report as of April 1, 2013, 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. If changes are made in the Collective Bargaining Agreement in effect July 1, 2012 through June 30, 2013 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, 2013 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, 2013 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  
admlet4012013.doc/a1261a/rmr

Enclosures

**TOWN OF SCITUATE RETIREMENT PLAN  
FOR THE POLICE DEPARTMENT EMPLOYEES  
VALUATION AS OF APRIL 1, 2013**

**Based on a Discount Rate of 7.50%**

**Prepared By:**

**The Angell Pension Group, Inc.  
88 Boyd Avenue  
East Providence, RI 02914  
Telephone (401) 438-9250**

**September 2013**

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## I. INTRODUCTION

This report presents the results of the actuarial valuation as of April 1, 2013 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.

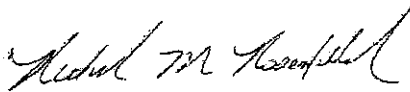
The major provisions of the plan upon which this valuation is based are outlined in Section III. The valuation reflects the terms of the Collective Bargaining Agreement which is effective from July 1, 2011 through June 30, 2012. If changes are made in the Collective Bargaining Agreement in effect July 1, 2012 through June 30, 2013 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, 2013 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

9/12/2013  
\_\_\_\_\_  
Date



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

## II. SUMMARY OF PLAN CONTRIBUTIONS

1.	Accrued Liability		
	a. Actives	\$3,845,880	
	b. Disabled Participants	\$1,374,064	
	c. Retirees	<u>\$6,633,584</u>	
	d. Total		\$11,853,528
2.	Plan Assets		\$3,566,679
3.	Unfunded Accrued Liability [(1d) - (2)]		\$8,286,849
4.	Normal Cost		
	a. Retirement	\$203,918	
	b. Death	\$ 3,612	
	c. Disability	<u>\$ 23,974</u>	
	d. Total		\$231,504
5.	24 Year Amortization of (3) (Payments assumed to increase by 4% per year)		\$492,212
6.	Interest on (4d) and (5) (Assumes Mid-Year Payment on October 1, 2013)		\$27,139
7.	24 Year Amortization Contribution payable October 1, 2013 [(4d) + (5) + (6)]		\$750,855*

\* Town of Scituate's portion of the contribution for the fiscal year beginning April 1, 2013 will be the \$750,855 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 66⅔% 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, 2013 and include a receivable of \$9,884 due to benefit distribution adjustments.

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, 2013 is 24 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: IRS 2013 P.V. Optional Combined Table for males and females (1.430(h)(3)-1). This optional table is a combination of annuitant and non-annuitant mortality tables. Mortality improvements for the annuitant table are projected 7 years beyond the valuation date. Mortality improvements for the non-annuitant table are projected 15 years beyond the valuation date.

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

## VI. STATEMENT OF PLAN ASSETS AS OF APRIL 1, 2013

### Description

Wilmington Trust Company Acct. #71751

Mutual Funds	\$ 186,163
Cash	1
Collective Funds	<u>3,370,631</u>

Total Wilmington Trust Company Assets \$3,556,795

Net receivables due to distribution overpayments/underpayments \$9,884

TOTAL VALUATION ASSETS \$3,566,679

**VII. ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS**  
**As of April 1, 2013**

	<u>Number</u>	<u>Vested</u>	<u>Non-Vested</u>	<u>Total Present Value</u>
Active	17	\$2,959,558	\$166,267	\$3,125,825
Disabled	3	1,374,064	0	1,374,064
Retired <sup>1</sup>	<u>16</u>	<u>6,614,784</u>	<u>0</u>	<u>6,614,784</u>
Total	36	<u>\$10,948,406</u>	<u>\$166,267</u>	<u>\$11,114,673</u>
Total Compensation <sup>2</sup>		<u>\$ 916,057</u>		

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

<sup>2</sup> Base pay as of April 1, 2013.

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 04-01-2011 valuation	17	4	12	33
Data corrections	0	0	0	0
Terminated vested	0	0	0	0
Retired	-1	0	1	0
Died with beneficiary	0	-1	1	0
Died without beneficiary	0	0	0	0
Alternate Payee (QDRO)	0	0	2	2
Lump sum	0	0	0	0
Terminated non-vested	-1	0	0	-1
Rehired	0	0	0	0
New participants	2	0	0	2
Participants included in the 04-01-2013 valuation	17	3	16*	36

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

**SECTION IX**

**EXPECTED BENEFIT PAYMENTS IN FUTURE**

<b><u>For plan year beginning in:</u></b>	<b><u>Payments</u></b>
2013	\$ 557,605
2014	607,176
2015	663,059
2016	748,184
2017	760,882
2018	773,321
2019	785,497
2020	797,472
2021	809,314
2022	864,057
2023	876,756
2024	932,390
2025	945,935
2026	1,099,925
2027	1,115,026

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.