

The logo for nyhart, featuring the word "nyhart" in a lowercase, sans-serif font. The text is white and is positioned inside a dark grey rectangular box that is part of a larger vertical bar on the left side of the page.

***Town of Cumberland, RI  
Police Retirement Plan***

***Actuarial Valuation Report  
July 1, 2014***

nyhart

## Table of Contents

	Page
Highlights .....	1
Actuary's Opinion .....	3
<b>Section 1: Assets</b>	
1.1 Reconciliation of Plan Assets .....	4
1.2 Summary of Assets .....	5
1.3 Actuarial Value of Assets .....	5
1.4 Average Rates of Return on Assets .....	6
<b>Section 2: Contribution Alternatives</b>	
2.1 Annual Required Contribution .....	7
2.2 Actuarial Recommended Funding Contribution .....	7
<b>Section 3: Basis for the Valuation</b>	
3.1 Plan Participants .....	8
3.2 Information about Participants .....	9
3.3 Summary of Plan Provisions .....	10
3.4 Actuarial Assumptions .....	12
3.5 Valuation Procedures .....	13
<b>Exhibits</b>	
Exhibit 1 – Unfunded Actuarial Liability .....	14
<b>Appendices</b>	
Appendix A - Financial Reporting for Statement No. 25/27	

## Highlights

### Purpose of the Valuation

This report summarizes actuarial information regarding the plan's liabilities and benefit obligations as compared to assets available for benefits on the valuation date. The report was prepared by Nyhart to:

- determine the acceptable range of employer contributions;
- determine the plan's funded status; and
- measure values of plan benefits and obligations under governmental financial accounting standards.

Principal results of actuarial valuations are shown in the following sections.

Plan Year Beginning	07/01/14	07/01/13	07/01/12
<b>Employer Contributions</b>			
Total payroll	\$ 2,633,451	\$ 2,651,185	\$ 2,511,260
Annual Required Contribution	\$ 1,997,828	\$ 1,980,631	\$ 1,986,232
As percent of payroll	75.9%	74.7%	79.1%
Actuarial Recommended Funding Contribution	\$ 1,997,828	NA	NA
As percent of payroll	75.9%	NA	NA
Employer contribution	NA	\$ 2,064,871	\$ 1,650,000
Total as percent of payroll	NA	77.9%	65.7%
<b>Plan Assets</b>			
Fair market value	\$ 12,224,387	\$ 10,308,869	\$ 9,017,099
Actuarial value for funding	\$ 11,630,376	\$ 9,981,864	\$ 9,182,768
<b>Funded Status</b>			
Actuarial Accrued Liability	\$ 31,046,330	\$ 29,585,610	\$ 28,794,861
Unfunded Accrued Liability	\$ 19,415,954	\$ 19,603,746	\$ 19,612,093
<b>Funded Ratio</b>			
Market Value Basis	39.4%	34.8%	31.3%
Actuarial Value Basis	37.5%	33.7%	31.9%

**Highlights** – Continued

Plan Year Beginning	07/01/14	07/01/13	07/01/12
<b>Participants</b>			
Number of participants:			
Active	43	43	45
Inactive with deferred benefits	0	1	1
Inactive receiving benefits	<u>72</u>	<u>68</u>	<u>64</u>
Total in valuation	115	112	110
Active participant averages:			
Age nearest birthday	37.4	38.2	38.1
Years of employment to date	9.1	10.0	10.0
Compensation for benefits	\$ 61,243	\$ 61,655	\$ 55,806

**Changes Since the Last Valuation**

**Although reflected in the July 1, 2013 valuation, the following plan changes became effective during the 2013-2014 plan year:**

*Police Officers hired on or before 7/1/2013:*

- *Benefit Formula* – Prior to the change, the benefit formula was 2.75% of average pay for the first 20 years plus 1.00% of average pay for the next 5 years. Benefits earned through 7/1/2013 are protected under the original formula. For service after 7/1/2013, the benefit formula is changed to 2.50% of average pay for the first 20 years plus 1.00% for the next 10 years. The maximum retirement benefit is 60% of average pay.

Note: Officers retiring between 7/1/2013 and 6/30/2014 may retire under the benefit formula prior to the change (2.75% of average pay for the first 20 years plus 1.00% of average pay for the next 5 years).

- *Employee Contribution Rate* – Rate is increased from 7% of pay to 8% effective 7/1/2013.

*Police Officers hired after 7/1/2013:*

- *Benefit Formula* – Members earn 2% of pay for each year of service up to 30 years. Pay is averaged over the member's career.
- *Retirement Age* – Age 55 with 25 Years of Service
- *Pay Definition* – Pensionable earnings include base salary, longevity and holiday
- *Early Retirement* – Eliminated
- *Employee Contribution Rate* – Rate is increased to 11% of pay

## Actuary's Opinion

This report provides information regarding the actuarial valuation prepared for

### Town of Cumberland, RI Police Retirement Plan

The actuarial valuation was prepared as of July 1, 2014 using information which has been reconciled and reviewed for reasonableness.

- employee census information was provided by the plan administrator; and
- asset information was provided by the plan administrator.

Our review was not performed at the source, and we therefore do not accept responsibility for the accuracy or completeness of the data on which the information is based.

Actuarial values have been prepared in accordance with generally accepted actuarial principles and practice and to the best of our knowledge these values fairly reflect our best estimate of anticipated experience under the plan provisions which are summarized in Section 3.3 of this report.

Information has been prepared in accordance with applicable governmental standards of financial reporting for defined benefit pension plans.

Nyhart

Valuation prepared by:



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Matt Sherertz, ASA, EA

Valuation reviewed by:



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Tayt V. Odom, FSA, EA, MAAA

September 30, 2014

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Date

## Section 1 - Assets

### 1.1 Reconciliation of Plan Assets

Transaction activity is summarized in Section A and market value of assets is reconciled in Section B for the period 07/01/2013 through 06/30/2014 as follows:

#### A. Net income (loss):

(1) Contributions:			
From town	\$ 2,064,871		
From participants	185,877		
Other	<u>0</u>	\$ 2,250,748	
(2) Interest and Dividends		324,383	
(3) Realized Gains/(Losses)		181,718	
(4) Unrealized Gains/(Losses)		870,003	
(5) Other income		9,794	
(6) Disbursements:			
Benefit payments	\$ 1,656,011		
Administrative/Other expenses	<u>65,117</u>	1,721,128	
(7) Net income (loss) = (1) + (2) + (3) + (4) + (5) - (6)		\$ 1,915,518	

#### B. Reconciliation of market value of assets:

(1) Market value of assets as of 06/30/2013	\$ 10,308,869
(2) Net income (loss) from A(7)	1,915,518
(3) Market value of assets as of 06/30/2014 = (1) + (2)	\$ 12,224,387

**Section 1 – Continued****1.2 Summary of Assets**

(1) Cash and Cash Equivalents			\$	405,765
(2) General investments:				
Equities	\$	7,214,028	(59%)	
Fixed Income		3,843,851	(31%)	
Government Securities		575,940	(5%)	
Others		<u>143,280</u>	(1%)	
				11,777,099
(3) Receivables:				
Employer contributions	\$	0		
Income		<u>41,523</u>		41,523
(4) Prepaid Expenses				0
(5) Liabilities:				
Due to Other Funds	\$	0		
Internal Balances		0		
Accounts Payable & Accrued Expenses		<u>0</u>		0
(6) Total assets = (1) + (2) + (3) + (4) – (5)				\$ 12,224,387

**1.3 Actuarial Value of Assets**

The market value of plan assets has been adjusted for valuation purposes to smooth the effects of appreciation and/or depreciation in assets over a 5-year period. Determination of the actuarial value of plan assets is detailed below.

(1) Fair market value of assets as of 06/30/2014				\$ 12,224,387
(2) Five-year smoothing of gains/(losses):				
2013-2014	\$	525,716	x 80%	= \$ 420,573
2012-2013	\$	305,870	x 60%	= \$ 183,522
2011-2012	\$	(430,767)	x 40%	= \$ (172,307)
2010-2011	\$	811,114	x 20%	= \$ 162,223
				\$ 594,011
(3) Actuarial value of assets = (1) – (2)				\$ 11,630,376

**Section 1** – Continued

**1.4 Average Rates of Return**

Average rates of investment return have been determined using the formula

Two times (I) divided by (A + B – I), where

I is the dollar amount of earnings (including unrealized appreciation or depreciation of plan assets) for the plan year;

A is the value of assets at the beginning of the plan year; and

B is the value of assets at the end of the plan year

Under this formula, all transactions are assumed to occur in the middle of the year, therefore, rates of return determined in this manner are estimates and should be used only for comparison with actuarial assumptions.

Plan Year Ending	06/30/14	06/30/13	06/30/12
Based on average market value:			
Earnings after expenses	12.5%	10.9%	3.0%
Based on actuarial value:			
Earnings after expenses	10.3%	5.4%	2.6%

## Section 2 – Contribution Alternatives

### 2.1 Annual Required Contribution

The contribution required under GASB #27 is shown for the current and prior plan years.

<b>Fiscal Year Ending</b>	<b>06/30/15</b>	<b>06/30/14</b>	<b>06/30/13</b>
(1) Employer normal cost	\$ 397,279	\$ 421,838	\$ 474,853
(2) Net amortization payment (Exhibit 1)	1,461,166	1,420,609	1,372,805
(3) Interest at valuation rate on (1) + (2)	139,383	138,184	138,574
(4) Annual required contribution (1) + (2) + (3)	\$ 1,997,828	\$ 1,980,631	\$ 1,986,232

### 2.2 Actuarial Recommended Funding Contribution

<b>Plan Year Ending</b>	<b>06/30/15</b>	<b>06/30/14</b>	<b>06/30/13</b>
(1) Employer normal cost	\$ 397,279	NA	NA
(2) Net amortization payment (Exhibit 1)	1,461,166	NA	NA
(3) Interest at valuation rate on (1) + (2)	139,383	NA	NA
(4) Actuarial recommended funding contribution (1) + (2) + (3)	\$ 1,997,828	NA	NA

## Section 3 – Basis for the Valuation

### 3.1 Plan Participants

Participant information provided by the plan administrator is summarized in the following table.

	Active	Inactive Participants Benefits Deferred	Receiving Benefits	Total
Participants at 06/30/13	43	1	68	112
Retired	(4)	0	4	0
Rehires	0	0	0	0
Deaths without survivor	0	0	0	0
Deaths with survivor benefits	0	0	(2)	(2)
Disabled	0	0	0	0
Beneficiary added	0	0	2	2
Vested terminations	0	0	0	0
Nonvested terminations	0	0	0	0
Add alternate payees	0	0	0	0
Benefits paid in full	0	(1)	0	(1)
Data corrections	0	0	0	0
New participants during the plan year	4	0	0	4
Participants as of 06/30/14	43	0	72	115

**Section 3** – Continued**3.2 Information about Participants****Active Participants**

Total Number accruing benefits	43
Number eligible for normal retirement benefits	0
Number with non-vested benefits	34
Number not yet eligible for retirement benefits	9
Average age for valuation	37.4
Average years of employment	9.1
Average pay	\$ 61,243

**Inactive Participants with Deferred Retirement Benefits**

Number of former participants with deferred retirement benefits	0
Average age for valuation	NA
Total deferred monthly benefits	NA
Average deferred monthly benefit	NA

**Inactive Participants Due Return of Contributions**

Number of former participants due return of contributions	0
Average age for valuation	NA
Total employee contributions (without interest)	NA
Average employee contribution amount (without interest)	NA

**Retired Participants and Beneficiaries**

Number of retired pensioners	51
Number of disabled pensioners	6
Number of beneficiaries	11
Number of alternate payees	4
Total monthly benefits	\$ 146,798
Average monthly benefit	\$ 2,039

### Section 3 – Continued

#### 3.3 Summary of Plan Provisions

**Name of plan**

Town of Cumberland, RI Police Retirement Plan

**Effective date**

July 1, 1958. Amended and Restated on October 20, 2004.

**Participation**

All full-time Police Officers are eligible to participate in the Plan.

**Normal retirement benefit**

Police Officers hired on or before 7/1/2013:

For Credited Service prior to 7/1/2013, 2.75% of Average Annual Earnings for the first 20 years plus 1.00% for the next 5 years. For Credited Service after 7/1/2013, 2.50% of Average Annual Earnings for the first 20 years plus 1.00% for the next 10 years. The maximum retirement benefit is 60% of Average Annual Earnings.

Note: Officers retiring between 7/1/2013 and 6/30/2014 receive 2.75% of Average Annual Earnings for the first 20 years plus 1.00% for the next 5 years.

Police Officers hired after 7/1/2013:

2% of Average Annual Earnings for each year of Credited Service up to 30 total years.

**Normal retirement date**

Police Officers hired on or before 7/1/2013:

Participants may retire upon completion of 20 years of service regardless of age.

Police Officers hired after 7/1/2013:

Participants may retire upon reaching age 55 and the completion of 25 years of service.

**Average Annual Earnings**

Police Officers hired on or before 7/1/2013:

Average of final 36 months of base salary, overtime, holiday, shift differential, longevity and accreditation

Police Officers hired after 7/1/2013:

Average over working career of base salary, holiday, longevity

**Credited Service**

Full years and completed months from date of participation.

**Section 3** – Continued**3.3 Summary of Plan Provisions** – Continued**Pre-retirement death benefit**

If an active officer dies after 15 years of service and while married, the spouse will receive a monthly pension equal to the amount which would be payable if the Officer had retired with a 67.5% Joint & Survivor Annuity.

For those with less than 15 years of service, the beneficiary will receive a refund of the member's contributions with 5% interest.

**Postretirement death benefit**

A spouse's pension equal to 67.5% of the participant's pension is payable until the earlier of the spouse's death or remarriage, or to surviving dependent children under age 18.

**Disability Retirement**

Duty Related	66.67% of Average Compensation.
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Non Duty Related	Completed 12 years to 18 years. Accrued benefit subject to reduction as follows: At 12 years – 60%, increase by 5% for each year up to 17 years, 100% at 18 years.
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**Employee Contributions**

Police Officers hired on or before 7/1/2013: 8% of Annual Earnings effective 7/1/2013

Police Officers hired after 7/1/2013: 11% of Annual Earnings effective 7/1/2013

No interest is accrued.

**Cost of living adjustments**

3% non-compounded from age 57 for retirement on or after July 1, 1992. No COLA for retirement before July 1, 1992.

**Vesting**

Police Officers hired on or before 7/1/2013: 100% on completing 15 years of service.

Police Officers hired after 7/1/2013: 100% on completing 25 years of service.

**Normal form of payment**

The normal form of payment for a married participant is a monthly benefit payable for the participant's lifetime with 67.5% of such benefit continuing to a surviving spouse. The normal form of payment for an unmarried participant is a monthly benefit payable for the participant's lifetime with no further payments after the participant's death.

**Section 3** – Continued**3.4 Actuarial Assumptions**

Actuarial assumptions concerning future events are described below. Please see *Highlights* section for comments regarding changes in assumptions since the last valuation.

**Retirement Rates**

*Police Officers hired on or before 7/1/2013:*

<u>Service</u>	<u>Rate</u>
20	70%
21-24	10%
25	70%
26-29	10%
30	100%

*Police Officers hired after 7/1/2013:*

100% at age 55 with 25 years of service

<b>Mortality</b>	RP-2000 Combined Healthy Mortality Table for males and females with generational mortality projection per Scale AA.
<b>Disablement</b>	1985 Pension Disability Table. All Disability is assumed to be Duty related.
<b>Withdrawal</b>	None.
<b>Future salary increases</b>	3.5% compounded annually
<b>Valuation interest rate</b>	7.5%
<b>Eligible spouse</b>	100% of active members are assumed to be married with female spouse 4 years younger than husbands

**Section 3** – Continued**3.5 Valuation Procedures****Funding method****Actuarial Recommended Funding Contribution and Annual Required Contribution – Entry Age Normal Cost Method**

The actuarial cost method used in determining both the Actuarial Recommended Funding Contribution and Annual Required Contribution is the entry age normal cost method.

In determining both the Actuarial Recommended Funding Contribution and Annual Required Contribution, the excess of the entry age actuarial accrued liability over the actuarial value of plan assets is amortized over a closed 20-year period as a level % of pay. For this purpose, pay is assumed to grow at 3.5% annually.

**Asset valuation method**

The actuarial value of assets is equal to the fair market value of assets on the valuation date adjusted for a 5-year phase-in of gains and losses on fair market value of assets.

**Other procedures**

Benefits projected to assumed retirement age for active participants have been limited so as not to exceed maximum benefit limits imposed by Code Section 415(b) and/or maximum compensation limits of Code Section 401(a)(17).

**Exhibit 1 – Unfunded Actuarial Liability****A. Unfunded Entry-Age Actuarial Accrued Liability**

(1)	Active participants	\$ 7,434,945
(2)	Inactive participants with deferred benefits	0
(3)	Participants/beneficiaries receiving benefits	23,611,385
(4)	Total entry-age actuarial accrued liability (1) + (2) + (3)	31,046,330
(5)	Actuarial value of assets as of 07/01/14	11,630,376
(6)	Unfunded actuarial liability as of 07/01/14 = (4) – (5), not less than zero	\$ 19,415,954

**B. Annual Required Contribution and Actuarial Recommended Funding Contribution Amortization Schedule**

	First Payment	Remaining Amortization Period (Years)	Outstanding Balance	Annual Payment
Charges:	07/01/2012	18	\$ 19,550,361	\$ 1,470,583
	07/01/2013	19	\$ (3,488)	\$ (253)
	07/01/2014	20	\$ (130,919)	\$ (9,164)
	Total		\$ 19,415,954	\$ 1,461,166

**Town of Cumberland, RI Police Retirement Plan**

**Appendix A**

**Governmental Accounting Standards Board**

**Financial Reporting for Statement No. 25/27**

**As Amended by Statement No. 50**

## Town of Cumberland, RI Police Retirement Plan

### Statement of Plan Net Assets as of June 30,

	2014	2013
<b>Assets</b>		
Cash and Cash Equivalents	\$ 405,765	\$ 146,178
Investments		
Equities	\$ 7,214,028	\$ 6,653,583
Fixed Income	3,843,851	2,852,112
Government Securities	575,940	504,218
Other	143,280	121,050
Total Investments	<u>\$ 11,777,099</u>	<u>\$ 10,130,963</u>
Receivables	\$ 41,523	\$ 31,728
Prepaid Expenses	\$ 0	\$ 0
<b>Liabilities</b>		
Due to Other Funds	\$ 0	\$ 0
Internal Balances	\$ 0	\$ 0
Accounts Payable and Accrued Expenses	\$ 0	\$ 0
<b>Net assets held in trust for pension benefits</b>	<b>\$ 12,224,387</b>	<b>\$ 10,308,869</b>

## Town of Cumberland, RI Police Retirement Plan

### Statement of Changes in Plan Net Assets for the years ended June 30,

	2014	2013
<b>Additions</b>		
Contributions		
Employer	\$ 2,064,871	\$ 1,650,000
Employee	185,877	189,235
Other	<u>0</u>	<u>0</u>
Total contributions	\$ 2,250,748	\$ 1,839,235
Investment income		
Interest and dividends	\$ 324,383	\$ 293,674
Net appreciation/depreciation in fair value of investments	<u>1,061,515</u>	<u>759,475</u>
Net investment income	\$ 1,385,898	\$ 1,053,149
Total additions	\$ 3,636,646	\$ 2,892,384
<b>Deductions</b>		
Benefits	\$ 1,656,011	\$ 1,540,612
Administrative and Other Expenses	<u>65,117</u>	<u>60,002</u>
Total deductions	\$ 1,721,128	\$ 1,600,614
<b>Net increase</b>	\$ 1,915,518	\$ 1,291,770
<b>Net assets held in trust for benefits</b>		
Beginning of year	\$ <u>10,308,869</u>	\$ <u>9,017,099</u>
End of year	\$ 12,224,387	\$ 10,308,869

## Town of Cumberland, RI Police Retirement Plan

### Required Pension Disclosure Under GASB #27

#### Schedule of Funding Progress

Valuation Date	Valuation Assets	Accrued Liability*	Unfunded Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as % of Payroll
07/01/01	\$ 6,692,904	\$ 11,669,443	\$ 4,976,539	57.4%	\$ 1,978,122	251.6%
07/01/02	\$ 7,000,680	\$ 12,972,834	\$ 5,972,154	54.0%	\$ 2,149,341	277.9%
07/01/03	\$ 7,181,979	\$ 14,373,567	\$ 7,191,588	50.0%	\$ 2,345,598	306.6%
07/01/04	\$ 7,468,383	\$ 14,908,835	\$ 7,440,452	50.1%	\$ 2,376,349	313.1%
07/01/05	\$ 9,288,610	\$ 15,617,633	\$ 6,329,023	59.5%	\$ 2,321,689	272.6%
07/01/06	\$ 9,548,804	\$ 17,254,197	\$ 7,705,393	55.3%	\$ 2,445,466	315.1%
07/01/07	\$ 9,901,410	\$ 19,688,480	\$ 9,787,070	50.3%	\$ 2,580,899	379.2%
07/01/08	\$ 10,221,370	\$ 21,462,122	\$ 11,240,752	47.6%	\$ 2,586,734	434.6%
07/01/09	\$ 10,122,643	\$ 22,683,424	\$ 12,560,781	44.6%	\$ 2,873,991	437.1%
07/01/10	\$ 9,807,821	\$ 25,239,221	\$ 15,431,400	38.9%	\$ 2,839,887	543.4%
07/01/12	\$ 9,182,768	\$ 28,794,861	\$ 19,612,093	31.9%	\$ 2,511,260	781.0%
07/01/13	\$ 9,981,864	\$ 29,585,610	\$ 19,603,746	33.7%	\$ 2,651,185	739.4%
07/01/14	\$ 11,630,376	\$ 31,046,330	\$ 19,415,954	37.5%	\$ 2,633,451	737.3%

\* Determined under the Entry Age actuarial cost method as defined in Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 20-year closed period as a level % of pay.

## Town of Cumberland, RI Police Retirement Plan

### Required Pension Disclosure Under GASB #27

#### Schedule of Contributions from the Employer and Other Contributing Entities

Fiscal Year Ending	Annual Required Contribution*	Employer Funding Contributions	Percentage Contributed	Net Pension Obligation
06/30/02	\$ 759,668	\$ 475,993	62.7%	\$ 668,154
06/30/03	\$ 565,208	\$ 565,208	100.0%	\$ 668,154
06/30/04	\$ 672,572	\$ 1,340,726	199.3%	\$ 0
06/30/05	\$ 763,015	\$ 763,015	100.0%	\$ 0
06/30/06	\$ 806,797	\$ 811,871	100.6%	\$ (5,074)
06/30/07	\$ 737,697	\$ 737,697	100.0%	\$ (5,129)
06/30/08	\$ 923,078	\$ 923,078	100.0%	\$ (5,172)
06/30/09	\$ 1,135,722	\$ 1,135,722	100.0%	\$ (5,197)
06/30/10	\$ 1,315,293	\$ 211,425	16.1%	\$ 1,098,662
06/30/11	\$ 1,507,130	\$ 1,000,000	66.4%	\$ 1,604,013
06/30/12	\$ 1,650,489	\$ 1,400,000	84.8%	\$ 1,872,886
06/30/13	\$ 1,986,232	\$ 1,650,000	83.1%	\$ 2,222,648
06/30/14	\$ 1,980,631	\$ 2,064,871	104.3%	\$ 2,149,526
06/30/15	\$ 1,997,828	\$ NA	NA	\$ NA

\* Determined under the Entry Age actuarial cost method as defined in Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 20-year closed period as a level % of pay.

## Town of Cumberland, RI Police Retirement Plan

### Required Pension Disclosure Under GASB #27

#### Trend Information

Fiscal Year Ending	Annual Pension Cost*	Employer Funding Contributions	Percentage Contributed	Net Pension Obligation
06/30/02	\$ 757,229	\$ 475,993	62.9%	\$ 668,154
06/30/03	\$ 565,208	\$ 565,208	100.0%	\$ 668,154
06/30/04	\$ 672,572	\$ 1,340,726	199.3%	\$ 0
06/30/05	\$ 763,015	\$ 763,015	100.0%	\$ 0
06/30/06	\$ 806,797	\$ 811,871	100.6%	\$ (5,074)
06/30/07	\$ 737,642	\$ 737,697	100.0%	\$ (5,129)
06/30/08	\$ 923,035	\$ 923,078	100.0%	\$ (5,172)
06/30/09	\$ 1,135,697	\$ 1,135,722	100.0%	\$ (5,197)
06/30/10	\$ 1,315,284	\$ 211,425	16.1%	\$ 1,098,662
06/30/11	\$ 1,505,351	\$ 1,000,000	66.4%	\$ 1,604,013
06/30/12	\$ 1,668,873	\$ 1,400,000	83.9%	\$ 1,872,886
06/30/13	\$ 1,999,762	\$ 1,650,000	82.5%	\$ 2,222,648
06/30/14	\$ 1,991,749	\$ 2,064,871	103.7%	\$ 2,149,526

\* Determined under the Entry Age actuarial cost method as defined in Statement #27 of the Governmental Accounting Standards Board. Under this method, the excess of the entry-age actuarial accrued liability over the actuarial value of plan assets is amortized over a 20-year closed period as a level % of pay.

## Town of Cumberland, RI Police Retirement Plan

### Required Pension Disclosure Under GASB #27

#### Annual Pension Cost and Net Pension Obligation

	Year Ending 06/30/2008	Year Ending 06/30/2009	Year Ending 06/30/2010	Year Ending 06/30/2011	Year Ending 06/30/2012	Year Ending 06/30/2013	Year Ending 06/30/2014
Annual Required Contribution (ARC)	\$ 923,078	\$ 1,135,722	\$ 1,315,293	\$ 1,507,130	\$ 1,650,489	\$ 1,986,232	\$ 1,980,631
Interest on Net Pension Obligation (NPO)	(423)	(414)	(416)	87,893	128,321	140,466	166,699
Adjustment to ARC	<u>(380)</u>	<u>(389)</u>	<u>(407)</u>	<u>89,672</u>	<u>109,937</u>	<u>126,936</u>	<u>155,581</u>
Annual Pension Cost	\$ 923,035	\$ 1,135,697	\$ 1,315,284	\$ 1,505,351	\$ 1,668,873	\$ 1,999,762	\$ 1,991,749
Actual Contributions	<u>923,078</u>	<u>1,135,722</u>	<u>211,425</u>	<u>1,000,000</u>	<u>1,400,000</u>	<u>1,650,000</u>	<u>2,064,871</u>
Increase/decrease in NPO	\$ (43)	\$ (25)	\$ 1,103,859	\$ 505,351	\$ 268,873	\$ 349,762	\$ (73,122)
NPO Beginning of Year	<u>(5,129)</u>	<u>(5,172)</u>	<u>(5,197)</u>	<u>1,098,662</u>	<u>1,604,013</u>	<u>1,872,886</u>	<u>2,222,648</u>
NPO End of Year	\$ (5,172)	\$ (5,197)	\$ 1,098,662	\$ 1,604,013	\$ 1,872,886	\$ 2,222,648	\$ 2,149,526
Interest Rate	8.00%	8.00%	8.00%	8.00%	8.00%	7.50%	7.50%
Amortization Years	19	18	17	22	21	20	20
Rate of Payment Increase						3.50%	3.50%

September 30, 2014

Mr. Brian Silvia  
Finance Director  
Town of Cumberland, RI  
45 Broad Street  
Cumberland, RI 02864

Re: Town of Cumberland, RI Police Retirement Plan  
Certification of Plan's Funding Status

Dear Brian:

As you are aware, recent Rhode Island legislation (specifically, 2011-H6319) discusses the requirement for actuarial certification of the funded status for locally administered plans, such as the Town of Cumberland, RI Police Retirement Plan. The plan's actuary must certify whether or not the plan is in "critical status."

Per Section 45-65-4(3) of the above legislation:

**"Critical status" means that, as determined by its actuary, as of the beginning of the plan year, a plan's funded percentage for such plan year is less than sixty percent (60%).**

As of July 1, 2014, the most recent actuarial valuation, the funded status was 37.5%. Therefore, the plan is considered to be in "critical status" as of July 1, 2014.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

**Nyhart**



Tayt Odom, FSA, EA, MAAA