

# **Town of Narragansett**

## **Presentation of Retiree Health GASB 45 Results Fiscal Year Ending June 30, 2015**

*February 2016*

# Agenda!

- 1 . **Changes since Prior Valuations**
- 2 . **Deeper Look at Liabilities**
- 3 . **Projected Retiree Health Care Costs**
- 4 . **Options to Manage Risks**
- 5 . **Upcoming GASB 74/75 changes**

# Changes since Prior Valuations

- Updated mortality assumption
  - Change was made to follow actuarial standard of practice and uses most current information.
  - Impact:
    - Liability increase for the Town, hardly any change for the School
    - Town has a larger impact because of its post-Medicare subsidies.
- Health care trend assumption
  - We continually re-evaluate this look-forward assumption and decided to reset it back to an initial 9% trend increase for the coming year.

# Deeper Look At Liabilities

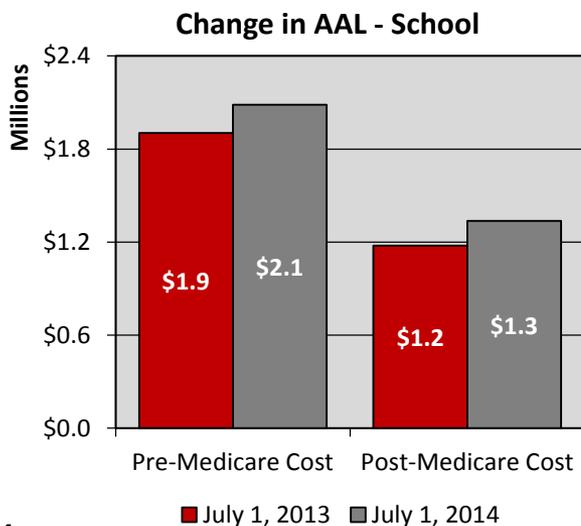
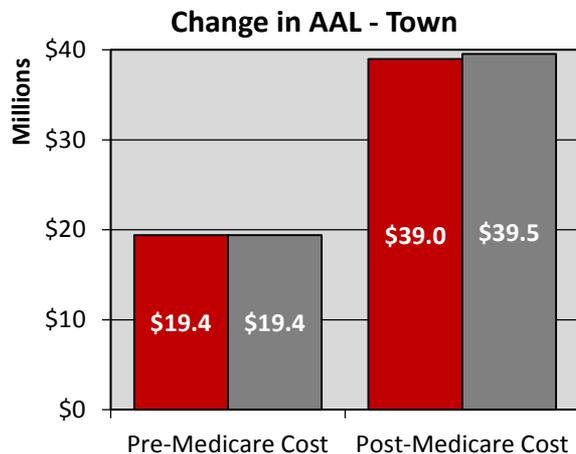


## Why Liabilities Changed?

*Results shown in thousands*

	<b>School</b>		<b>Town</b>	
Expected Actuarial Accrued Liability (AAL) as of July 1, 2014	\$	3,127	\$	60,605
Change due to experience	\$	109	\$	(3,220)
Losses from provisions/assumption changes		187		1,561
Net Change	\$	296	\$	(1,659)
<b>Final Actuarial Accrued Liability (AAL) as of July 1, 2014</b>	<b>\$</b>	<b>3,423</b>	<b>\$</b>	<b>58,946</b>

# Deeper Look At Liabilities

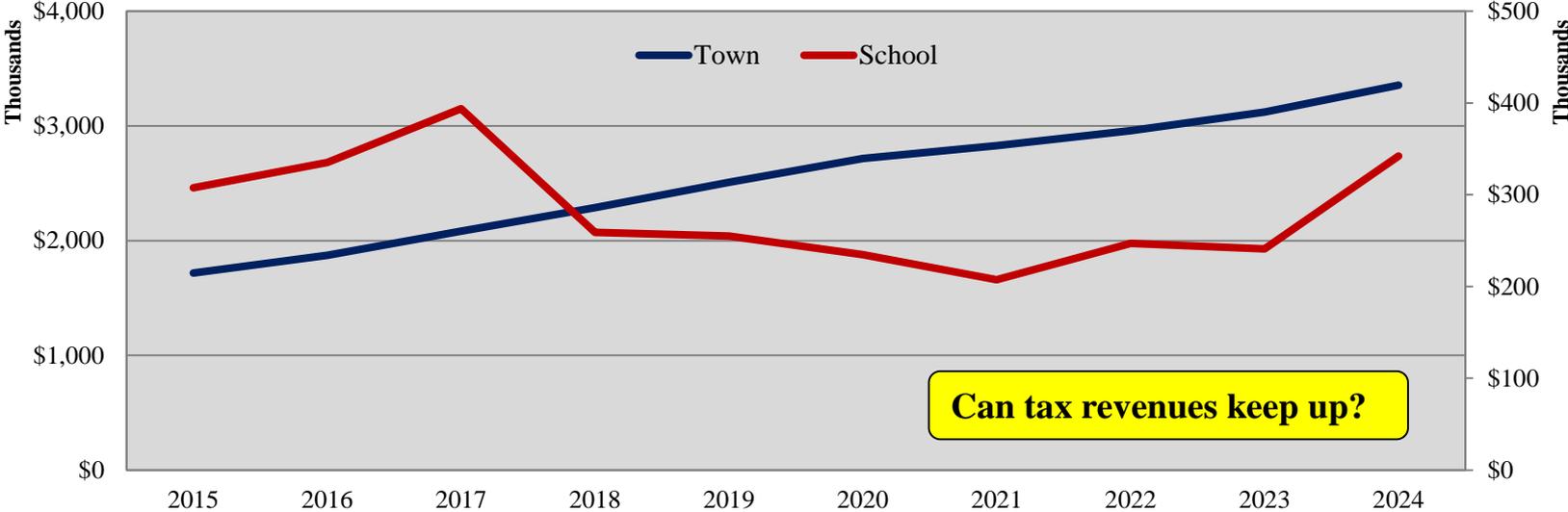


## Breakdown of Liabilities

<i>Results shown in thousands</i>				
	Town		School	
Actuarial Liability as of	7/1/2013	7/1/2014	7/1/2013	7/1/2014
<b>Active Employees</b>	\$ 17,568	\$ 19,887	\$ 2,569	\$ 2,557
Pre-Medicare coverage	9,054	10,243	1,566	1,579
Post-Medicare coverage	8,514	9,644	1,003	978
<b>Retired Employees</b>	\$ 41,378	\$ 38,494	\$ 854	\$ 523
Pre-Medicare coverage	10,360	9,168	520	324
Post-Medicare coverage	31,018	29,326	334	199
<b>Total Liability</b>	\$ 58,946	\$ 58,381	\$ 3,423	\$ 3,080

# Projected Retiree Health Care Costs

Projected Pay-Go Costs



FYE	2015	2016	2017	2018	2019
Town	\$1,719	\$1,873	\$2,081	\$2,288	\$2,510
School	\$307	\$335	\$394	\$259	\$255

FYE	2020	2021	2022	2023	2024
Town	\$2,717	\$2,828	\$2,960	\$3,122	\$3,356
School	\$235	\$207	\$247	\$241	\$342



# Options to Manage Risks

- Continue to evaluate plan design and costs
- Trend towards cost shifting to retirees
  - Transition to High Deductible plans for pre-Medicare retirees
  - Transition to Medicare Advantage plans for Medicare retirees
- Prudent management is to set aside assets
- Develop a plan for the OPEB Trust
- Avoid surprises with long-term projections of liabilities and assets



# GASB 74/75 Impact

**Narragansett FYE 2017 is the implementation year for new standard.**

Areas	Current Standard	New Standard
Balance Sheet OPEB Liability	OPEB Liability is based on Net OPEB Obligation (NOO)	OPEB liability will be based on Actuarial Accrued Liability (AAL) reduced by any Trust assets
Notes to Financial Statements	<ul style="list-style-type: none"> <li>➤ Brief summary of plan, assets, and assumptions</li> <li>➤ Three year history on key results</li> </ul>	<ul style="list-style-type: none"> <li>➤ Expanded descriptive information of plan, assets, and assumptions.</li> <li>➤ Must disclose date of last experience study</li> <li>➤ 10-year history on key results</li> </ul>
Discount Rate Assumption	Based on underlying assets and expected return	Changed to tax-exempt, high quality municipal bond rates (applicable to unfunded plans and partially funded plans whose assets are insufficient to pay for projected benefit payments)
Cost Method	Any of six actuarial cost methods available	Must use Entry Age Normal (EAN) level % of Salary
Timing	Full valuation required every 2 years	Full valuation required every 2 years

