



ACTUARIAL VALUATION REPORT

JULY 1, 2024

THE CITY OF NEWPORT, RHODE ISLAND POLICE PENSION SYSTEM

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Report Prepared By:

Steve A. Lemanski
Partner | Vice President, Senior Consulting Actuary
860.856.2073
steve.lemanski@usi.com

Robert P. Lessard
Consulting Actuary
860.856.2106
rob.lessard@usi.com

Laura Tingley
Senior Actuarial Analyst
860.856.2059
laura.tingley@usi.com

Executive Summary

| | July 1, 2024 | July 1, 2023 |
|------------------------------------------------------------|--------------|--------------|
| Number of members | | |
| Active employees | 43 | 47 |
| Terminated vested members | 1 | 1 |
| Retired, disabled and beneficiaries | 139 | 137 |
| Total | 183 | 185 |
| Covered employee payroll | 4,138,581 | 4,389,462 |
| Average plan salary | 96,246 | 93,393 |
| Actuarial present value of future benefits | 130,799,755 | 131,909,806 |
| Actuarial accrued liability | 122,512,118 | 122,444,718 |
| Plan assets | | |
| Market value of assets | 93,738,049 | 90,312,702 |
| Actuarial value of assets | 97,534,458 | 95,422,549 |
| Unfunded accrued liability | 24,977,660 | 27,022,169 |
| Funded ratio | 79.6% | 77.9% |
| Actuarially determined employer contribution (ADEC) | | |
| Fiscal year ending | 2026 | 2025 |
| ADEC | 4,872,837 | 4,810,345 |

Valuation Results and Highlights

Purpose of the Valuation

The purpose of the valuation is to develop the Actuarially Determined Employer Contribution (ADEC). The ultimate cost of a pension plan is based primarily on the level of benefits promised by the plan. The pension fund's investment earnings serve to reduce the cost of plan benefits and expenses. Thus,

$$\text{Ultimate cost} = \text{Benefits Paid} + \text{Expenses Incurred} - \text{Investment Return} - \text{Employee Contributions}$$

The actuarial cost method distributes this ultimate cost over the working lifetime of current plan participants. By means of this budgeting process, costs are allocated to both past and future years, and a cost is assigned to the current year. The current year's allocated cost, or normal cost, is the building block upon which the actuarially determined employer contribution is developed. The July 1, 2024 valuation produces the contribution for the fiscal year ending 2026.

Information Available in the Valuation Report

The Executive Summary is intended to emphasize the notable results of the valuation from the perspective of the Plan Sponsor. Supporting technical detail is documented in Results of the Valuation, Supporting Exhibits and Description of Actuarial Methods and Assumptions. A concise summary of the principal provisions of the Plan is outlined in Summary of Plan Provisions.

Changes Reflected in the Valuation

None.

Cash Contribution for Fiscal Year Ending 2026

| | |
|-------------------|------------------|
| The City cost is: | 2026 Fiscal Year |
| | \$4,872,837 |

Liability Experience During Period Under Review

The plan experienced a net actuarial gain on liabilities of approximately \$1,798,000 since the prior valuation. The main driver of this gain was due to retiree COLAs.

Asset Experience During Period Under Review

The plan's assets provided the following rates of return during the past fiscal year:

| | |
|-----------------------|------------------|
| | 2024 Fiscal Year |
| Market Value Basis | 7.3% |
| Actuarial Value Basis | 5.6% |

The Actuarial Value of assets, rather than the Market Value, is used to determine plan contributions. The Actuarial Value spreads the asset volatility over 5 years, thereby smoothing out fluctuations that are inherent in the Market Value.

Assessment and Measurement of Risks

Financial Significance of Plan

It is important to understand the size of the pension plan compared to the size of the sponsor of that plan. Additional pension contributions may be required at inopportune times for the plan sponsor. In general, a plan sponsor with assets or revenue that are much larger than the liabilities in its pension plans will be better able to withstand increases in required pension contributions.

Plan Maturity Measurements

| | July 1, 2024 | July 1, 2023 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Actuarial accrued liability for members currently in pay status as a percentage of the total actuarial accrued liability | 79.1% | 79.1% |
| <ul style="list-style-type: none"> • A lower percentage results in greater volatility as the investment return assumption changes. • A higher percentage results in greater demand on cash due to a proportionately higher percentage of benefits being in pay status. | | |

| | July 1, 2024 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|
| Duration of benefit payments using an investment rate of return of 6.75% | 13.2 years |
| <ul style="list-style-type: none"> • A higher duration will occur if the plan's percentage of members in pay status decreases. A plan with a higher duration will have a liability that is more sensitive to changes in the investment return assumption. | |

| | July 1, 2024 | July 1, 2023 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Ratio of market value of assets to covered payroll | 22.6 | 20.6 |
| <ul style="list-style-type: none"> • A higher ratio is more typical of relatively mature plans with a larger percentage of inactive members and may cause more potential contribution volatility as pension fund assets fluctuate. | | |

Risks to Assess

Overriding Minimum Contribution

| | Fiscal Year Ending 2026 |
|-----------------------------------------------------|------------------------------------|
| Actuarially determined employer contribution (ADEC) | 4,872,837 |
| Overriding minimum contribution (OMC)* | <u>3,002,325</u> |
| Surplus (deficit) - ADEC vs. OMC | 1,870,512 |

- A deficit suggests that a plan's current funding policy contribution approach may result in little to no progress being made towards: (1) reducing the plan's unfunded liability; and (2) increasing the plan's funded ratio in the near-term.

* As defined in "Public Pension Plan Funding Policy" (Society of Actuaries, 2010).

Estimated Impact of a 5% Reduction in Market Value of Assets

| | Fiscal Year Ending 2026 |
|-----------------------------------------------------------------|------------------------------------|
| Increase in actuarially determined employer contribution (ADEC) | 103,731 |

- Plans would generally be subject to a larger amortization payment if the market value of assets were 5% smaller. As a result, the ADEC would generally be higher for up to 15 years.

Due to the asset smoothing method, the ADEC will additionally increase by the same amount in each of the next few years. Each of these additional contributions will continue for up to 15 years.

Estimated Impact of a 1-Year Increase in Life Expectancies

| | Fiscal Year Ending 2026 |
|-----------------------------------------------------------------|------------------------------------|
| Increase in actuarially determined employer contribution (ADEC) | 290,031 |

- If members live longer than expected, it generally results in larger benefits and/or additional benefit payments made. As a result, the ADEC would generally be higher for up to 15 years.

Low-Default-Risk Obligation Measure

| | July 1, 2022 |
|-----------------------------------------------------------|--------------------|
| Low-default-risk obligation measure (LDROM)* | 176,444,614 |
| Total actuarial accrued liability (AAL) for all members** | <u>122,512,118</u> |
| Difference between LDROM and AAL | 53,932,496 |

- This exhibit illustrates the impact on the ongoing funding liability if the plan decided to invest completely in low-default-risk securities.

* The LDROM discount rate is 3.93%. The discount rate used for this purpose is equal to the published Bond Buyer GO 20-Bond Municipal Index effective as of June 30, 2024. Other than the discount rate, the assumptions and methods are consistent with those used in the actuarial valuation. The disclosure of the LDROM is for illustrative purposes and does not necessarily imply that the associated discount rate should be used for funding purposes.

** The discount rate used in the valuation is 6.75%.

Historical Results

| Valuation Year Beginning | Investment Return Assumption | Annual Effective Rate of Return on Market Value of Assets | Market Value of Assets as a % of Actuarial Accrued Liability | Benefit Payments as a % of Market Value of Assets |
|--------------------------|------------------------------|-----------------------------------------------------------|--------------------------------------------------------------|---------------------------------------------------|
| 2024 | 6.75% | N/A | 76.5% | N/A |
| 2023 | 6.75% | 7.3% | 73.8% | 8.1% |
| 2022 | 6.75% | 10.0% | 74.8% | 8.4% |
| 2021 | 6.75% | -18.5% | 94.7% | 6.1% |
| 2020 | 7.00% | 38.3% | 72.8% | 7.9% |
| 2019 | 7.25% | 0.8% | 73.9% | 7.7% |
| 2018 | 7.25% | 7.1% | 70.8% | 8.0% |
| 2017 | 7.25% | 12.7% | 64.5% | 8.7% |

Implications of Contribution Allocation Procedure or Funding Policy

I have assessed the impact of the funding policy on the anticipated employer contributions and the plan's funded status. The funding policy is described in the Description of Actuarial Methods section of this report.

I have estimated the approximate length of time before the unfunded accrued liability, if any, will become fully amortized. The period is estimated to be 8 years. Subsequent to the end of this period, the future anticipated employer contributions will be the corresponding annual normal costs.

I have assessed whether the funding policy will be sufficient to cover future benefit payments and administrative expenses. The current funding policy is anticipated to cover these costs indefinitely.

Certification

This report presents the results of the July 1, 2024 Actuarial Valuation for The City of Newport, Rhode Island Police Pension System (the Plan) for the purpose of estimating the funded status of the Plan and determining the Actuarially Determined Employer Contribution (ADEC) for the fiscal year ending June 30, 2026. This report may not be appropriate for any other purpose.

The valuation has been performed in accordance with generally accepted actuarial principles and practices. It is intended to comply with all applicable Actuarial Standards of Practice.

I certify that the actuarial assumptions and methods that were selected by me and represent my best estimate of anticipated actuarial experience under the Plan. The combined effect of the actuarial assumptions and methods is not expected to contain significant bias, meaning it is not overly optimistic or pessimistic.

In preparing this valuation, I have relied on employee data provided by the Plan Sponsor, and on asset and contribution information provided by the Trustee. I have audited neither the employee data nor the financial information, although I have reviewed them for reasonableness.

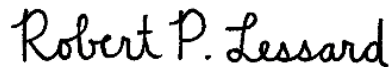
The results in this valuation report are based on the Plan as summarized in the *Summary of Plan Provisions* section of this report and the actuarial assumptions and methods detailed in the *Description of Actuarial Methods and Assumptions* section of this report.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as, but not limited to, the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

I have no relationship with the employer or the Plan that would impair, or appear to impair, my objectivity in performing the work presented in this report. I am a member of the American Academy of Actuaries and meet its Qualification Standards to render the actuarial opinion contained herein.



Steve A. Lemanski, FSA, FCA, MAAA
Enrolled Actuary 23-05506



Robert P. Lessard, ASA, FCA, MAAA
Enrolled Actuary 23-08801

October 8, 2024

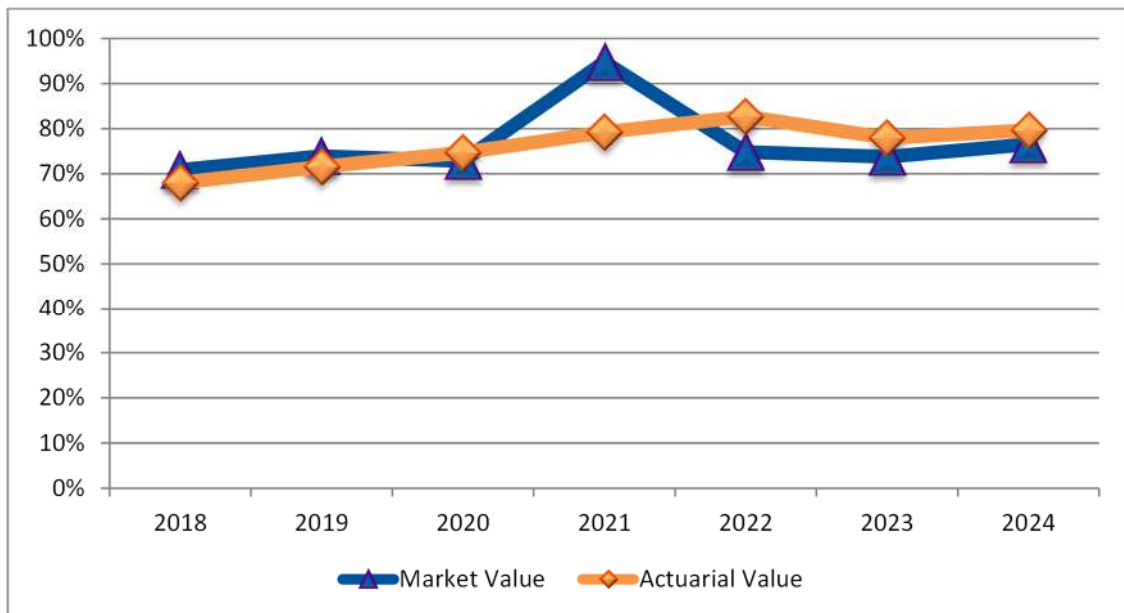
Development of Unfunded Accrued Liability and Funded Ratio

| | July 1, 2024 | July 1, 2023 |
|--------------------------------------------------|--------------|--------------|
| Actuarial accrued liability for inactive members | | |
| Retired, disabled and beneficiaries | \$96,898,464 | \$96,812,935 |
| Terminated vested members | 265,565 | 562,541 |
| Total | 97,164,029 | 97,375,476 |
| Actuarial accrued liability for active employees | 25,348,089 | 25,069,242 |
| Total actuarial accrued liability | 122,512,118 | 122,444,718 |
| Actuarial value of assets | 97,534,458 | 95,422,549 |
| Unfunded accrued liability | 24,977,660 | 27,022,169 |
| Funded ratio | 79.6% | 77.9% |

Actuarial Accrued Liability vs. Actuarial Value of Assets



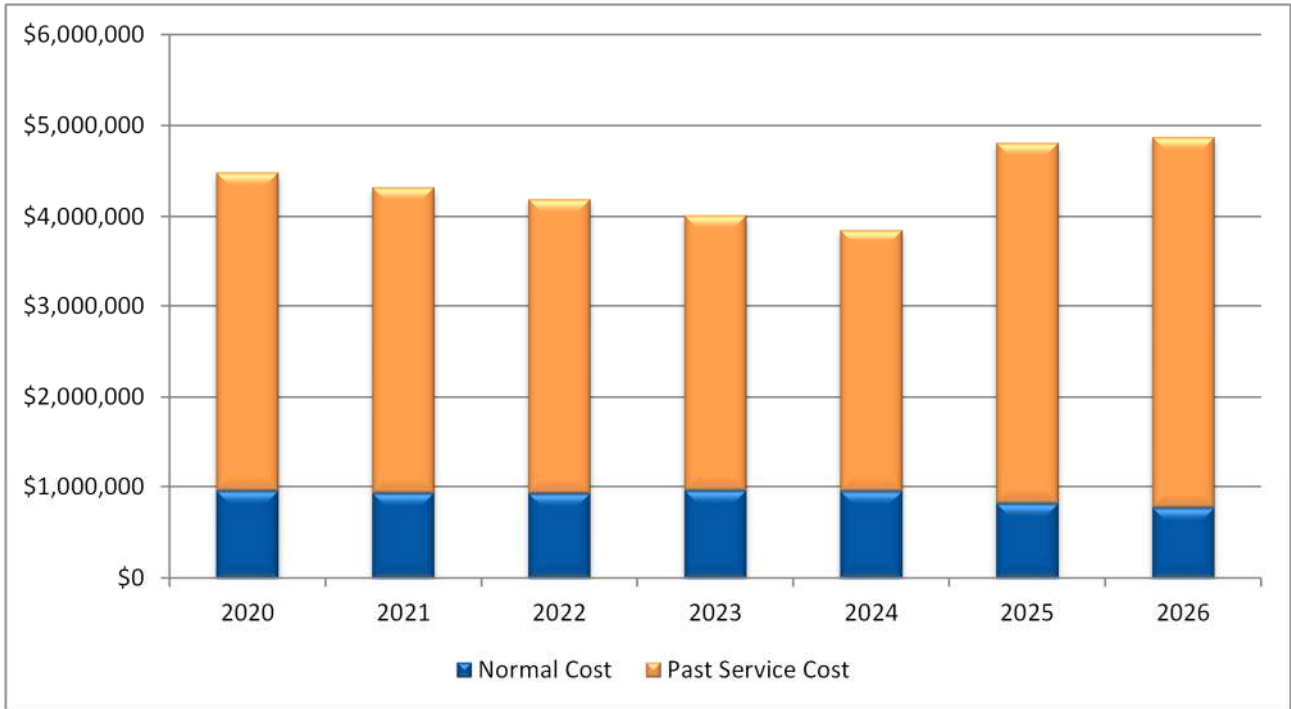
Funded Ratio



Determination of Normal Cost and Actuarially Determined Employer Contribution

| | July 1, 2024 | | July 1, 2023 | |
|-------------------------------------------------------------------------------------|--------------|--------------------|--------------|--------------------|
| | Cost | Percent of payroll | Cost | Percent of payroll |
| Gross normal cost | \$1,018,412 | 25.4% | \$1,083,312 | 25.5% |
| Estimated employee contributions | (320,448) | -8.0% | (339,874) | -8.0% |
| Estimated administrative expenses | 59,738 | 1.5% | 58,138 | 1.4% |
| City's normal cost | 757,702 | 18.9% | 801,576 | 18.9% |
| Amortization of unfunded accrued liability | 4,000,928 | 99.9% | 3,896,027 | 91.7% |
| Contribution before adjustment as of the valuation date | 4,758,630 | 118.8% | 4,697,603 | 110.6% |
| Estimated valuation year payroll for actives not yet at 100% assumed retirement age | 4,005,599 | | 4,248,419 | |
| Fiscal year ending | 2026 | | 2025 | |
| Adjustment for interest and inflation | 114,207 | | 112,742 | |
| Actuarially determined employer contribution | 4,872,837 | | 4,810,345 | |

Actuarially Determined Employer Contribution



Determination of Actuarial Gain/Loss

The Actuarial Gain/Loss is the difference between the expected unfunded accrued liability and the actual unfunded accrued liability, without regard to any changes in actuarial methods, actuarial assumptions or plan provisions. This can also be referred to an Experience Gain/Loss, since it reflects the difference between what was expected and what was actually experienced.

| Actuarial Gain / Loss | |
|---------------------------------------------------------------------------------------------------------------|------------------|
| Expected unfunded accrued liability July 1, 2024 | |
| Expected unfunded accrued liability July 1, 2024 | |
| Unfunded accrued liability July 1, 2023 | \$27,022,169 |
| Gross normal cost July 1, 2023 | 1,141,450 |
| City and employee contributions for 2023-2024 | (4,204,287) |
| Interest at 6.75% to July 1, 2024 | 1,639,435 |
| Expected unfunded accrued liability July 1, 2024 | 25,598,767 |
| Actuarial (gain) / loss July 1, 2024 | (621,107) |
| Actual unfunded accrued liability July 1, 2024, prior to plan provision, assumption and method changes | 24,977,660 |
| Sources of (gain) / loss | |
| Assets | 1,177,000 |
| Liabilities | (1,798,000) |
| Total (gain) / loss (rounded to nearest \$1,000) | (621,000) |

Development of Asset Values

| Summary of Fund Activity | | |
|--------------------------------------------------|--------------|-----------------|
| | Market Value | Actuarial Value |
| 1. Beginning value of assets July 1, 2023 | | |
| Trust assets | \$90,360,668 | \$95,470,515 |
| Accrued contribution | 0 | 0 |
| Benefits payable | 0 | 0 |
| Administrative expenses payable | (47,966) | (47,966) |
| Net total | 90,312,702 | 95,422,549 |
| 2. Contributions | | |
| City contributions during year | 3,853,840 | 3,853,840 |
| Employee contributions during year | 350,447 | 350,447 |
| Change in accrued contribution | 0 | 0 |
| Total for plan year | 4,204,287 | 4,204,287 |
| 3. Disbursements | | |
| Benefit payments during year | 7,297,771 | 7,297,771 |
| Administrative expenses during year | 59,738 | 59,738 |
| Change in benefits payable | 0 | 0 |
| Change in administrative expenses payable | 2,827 | 2,827 |
| Total for plan year | 7,360,336 | 7,360,336 |
| 4. Net investment return | | |
| Interest and dividends | 0 | N/A |
| Change in accrued income | 0 | N/A |
| Realized and unrealized gain / (loss) | 6,730,362 | N/A |
| Expected return | N/A | 6,095,814 |
| Recognized gain / (loss) | N/A | (827,856) |
| Required adjustment due to corridor | N/A | 0 |
| Reversal of prior year required adjustment | N/A | 0 |
| Investment-related expenses | (148,966) | N/A |
| Total for plan year | 6,581,396 | 5,267,958 |
| 5. Ending value of assets July 1, 2024 | | |
| Trust assets | 93,788,842 | 97,585,251 |
| Accrued contribution | 0 | 0 |
| Benefits payable | 0 | 0 |
| Administrative expenses payable | (50,793) | (50,793) |
| Net total: (1) + (2) - (3) + (4) | 93,738,049 | 97,534,458 |
| 6. Approximate rate of return | 7.3% | 5.6% |

Relationship of Actuarial Value to Market Value

| | |
|---------------------------------------------------------------------------|--------------|
| 1. Market value 7/1/2024 | \$93,738,049 |
| 2. Gain / (loss) not recognized in actuarial value 7/1/2024 | (3,796,409) |
| 3. Preliminary actuarial value 7/1/2024: (1) - (2) | 97,534,458 |
| 4. Preliminary actuarial value as a percentage of market value: (3) ÷ (1) | 104.1% |
| 5. Gain / (loss) recognized for corridor minimum / maximum | N/A |
| 6. Actuarial value 7/1/2024 after corridor minimum / maximum: (3) + (5) | 97,534,458 |
| 7. Actuarial value as a percentage of market value: (6) ÷ (1) | 104.1% |

Development of Market Value Gain / Loss for 2023-2024 Plan Year

| | |
|------------------------------------------------------------------|--------------|
| 1. Market value 7/1/2023 | \$90,312,702 |
| 2. City contributions | 3,853,840 |
| 3. Employee contributions | 350,447 |
| 4. Benefit payments | 7,297,771 |
| 5. Administrative expenses | 62,565 |
| 6. Expected return at 6.75% | 6,095,814 |
| 7. Expected value 7/1/2024: (1) + (2) + (3) - (4) - (5) + (6) | 93,252,467 |
| 8. Market value 7/1/2024 | 93,738,049 |
| 9. Market value gain / (loss) for 2023-2024 plan year: (8) - (7) | 485,582 |

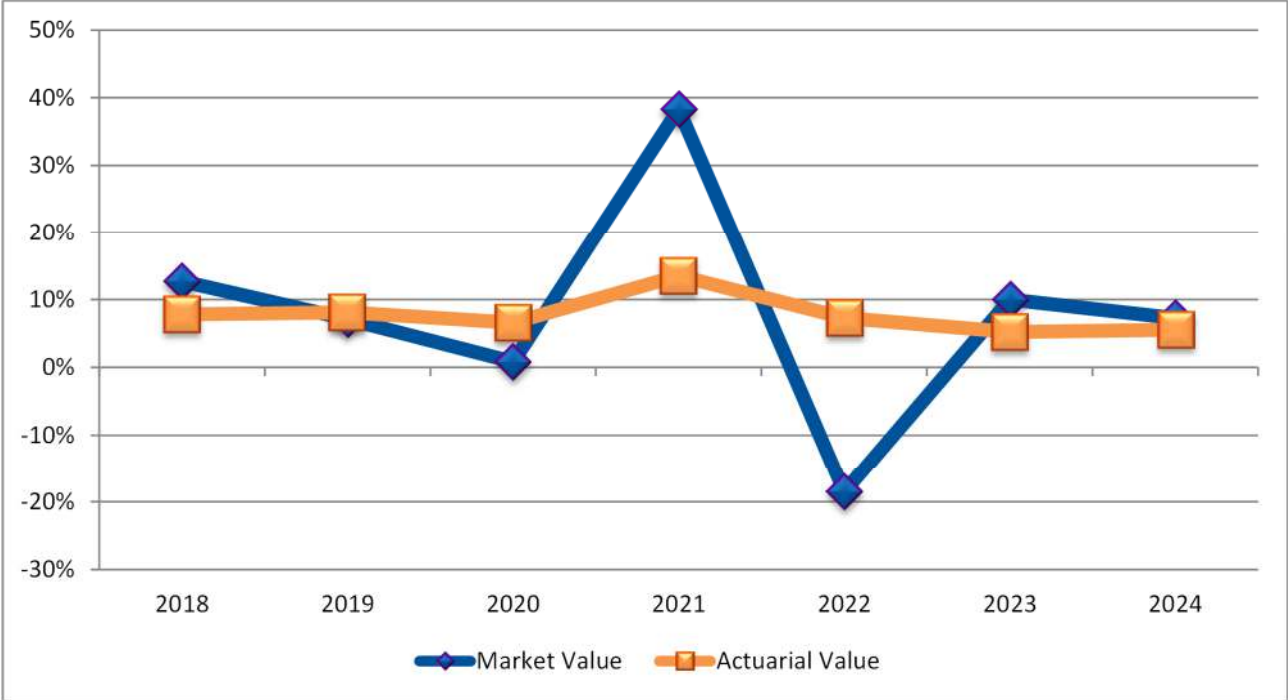
Recognition of Gain / Loss in Actuarial Value

| Year | (a) Gain / (loss) | (b) Total recognized as of 7/1/2023 | (c) Recognized in current year: 20% of (a) | (d) Total recognized as of 7/1/2024: (b) + (c) | (e) Not recognized as of 7/1/2024: (a) - (d) |
|-----------|----------------------|-------------------------------------------|-----------------------------------------------------|---------------------------------------------------------|-------------------------------------------------------|
| 2019-2020 | (\$5,091,214) | (\$4,072,972) | (\$1,018,242) | (\$5,091,214) | \$0 |
| 2020-2021 | 24,645,143 | 14,787,087 | 4,929,029 | 19,716,116 | 4,929,027 |
| 2021-2022 | (26,966,873) | (10,786,750) | (5,393,375) | (16,180,125) | (10,786,748) |
| 2022-2023 | 2,788,078 | 557,616 | 557,616 | 1,115,232 | 1,672,846 |
| 2023-2024 | 485,582 | 0 | 97,116 | 97,116 | 388,466 |
| Total | | | (827,856) | | (3,796,409) |

| Rate of Return on Market Value of Assets | | | | |
|-------------------------------------------------|------------------------------------------------|----------------|----------------|-----------------|
| Period Ending June 30 | Average Annual Effective Rate of Return | | | |
| | 1 Year | 3 Years | 5 Years | 10 Years |
| 2015 | 5.4% | 12.1% | N/A | N/A |
| 2016 | -1.7% | 7.1% | N/A | N/A |
| 2017 | 13.5% | 5.6% | 9.5% | N/A |
| 2018 | 12.7% | 7.9% | 9.5% | N/A |
| 2019 | 7.1% | 11.1% | 7.3% | N/A |
| 2020 | 0.8% | 6.8% | 6.3% | N/A |
| 2021 | 38.3% | 14.3% | 13.8% | N/A |
| 2022 | -18.5% | 4.3% | 6.5% | 8.0% |
| 2023 | 10.0% | 7.4% | 6.0% | 7.7% |
| 2024 | 7.3% | -1.3% | 6.0% | 6.6% |

| Rate of Return on Actuarial Value of Assets | | | | |
|----------------------------------------------------|------------------------------------------------|----------------|----------------|-----------------|
| Period Ending June 30 | Average Annual Effective Rate of Return | | | |
| | 1 Year | 3 Years | 5 Years | 10 Years |
| 2015 | N/A | N/A | N/A | N/A |
| 2016 | N/A | N/A | N/A | N/A |
| 2017 | 0.0% | N/A | N/A | N/A |
| 2018 | 7.8% | N/A | N/A | N/A |
| 2019 | 8.1% | 5.2% | N/A | N/A |
| 2020 | 6.6% | 7.5% | N/A | N/A |
| 2021 | 13.5% | 9.4% | 7.1% | N/A |
| 2022 | 7.3% | 9.1% | 8.6% | N/A |
| 2023 | 5.2% | 8.6% | 8.1% | N/A |
| 2024 | 5.6% | 6.0% | 7.6% | N/A |

Actual Rate of Return on Assets



Target Allocation and Expected Rate of Return July 1, 2024

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return* | Weighting |
|-----------------------------------|-------------------|-----------------------------------------|-----------|
| Large Cap Equity | 20.00% | 4.91% | 0.98% |
| Mid Cap Equity | 15.00% | 5.29% | 0.79% |
| Small Cap Equity | 15.00% | 5.29% | 0.79% |
| International Equity | 15.00% | 5.32% | 0.80% |
| Fixed Income | 20.00% | 2.42% | 0.48% |
| Real Estate and Timber | 15.00% | 3.79% | 0.57% |
| | 100.00% | | 4.41% |
| Long-Term Inflation Expectation | | | 2.40% |
| Long-Term Expected Nominal Return | | | 6.81% |

**Long-Term Real Returns are provided by USI Advisors. The returns are geometric means.*

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed. Best estimates of the real rates of return for each major asset class are included in the pension plan's target asset allocation.

The information above is based on geometric means and does not reflect additional returns through investment selection, asset allocation and rebalancing. An expected rate of return of 6.75% was used.

Amortization of Unfunded Liability

| Schedule of Amortization Bases | | | | | |
|--------------------------------|------------------|-----------------|--------------------------|-----------------|------------------------------------------------------------|
| | Date established | Original amount | Amortization installment | Years remaining | Present value of remaining installments as of July 1, 2024 |
| Initial base | July 1, 2018 | \$33,236,941 | \$3,924,749 | 7 | \$23,342,132 |
| 2019 base | July 1, 2019 | (2,044,069) | (221,433) | 10 | (1,573,388) |
| 2020 base | July 1, 2020 | (1,861,871) | (201,369) | 11 | (1,528,987) |
| 2021 base | July 1, 2021 | (2,317,812) | (250,480) | 12 | (2,016,261) |
| 2022 base | July 1, 2022 | (2,205,826) | (238,378) | 13 | (2,020,817) |
| 2023 base | July 1, 2023 | 9,021,450 | 974,924 | 14 | 8,655,474 |
| 2024 base | July 1, 2024 | 119,506 | 12,915 | 15 | 119,506 |
| Total | | | 4,000,928 | | 24,977,660 |

Equivalent single amortization period

8 years

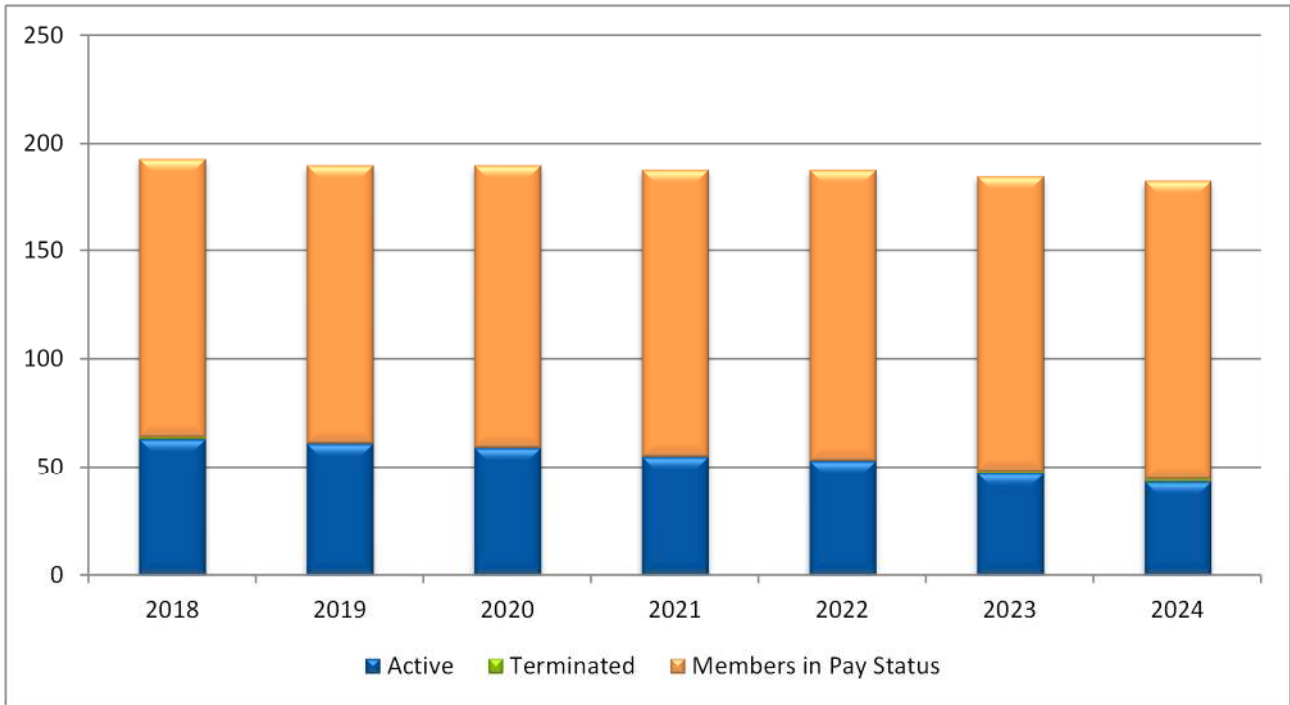
Member Data

The data reported by the Plan Sponsor for this valuation includes 43 active employees who met the Plan's minimum age and service requirements as of July 1, 2024.

| Member Data | | | | |
|-----------------------------------|--------|----------------------|--------------------------|-------|
| | Active | Terminated vested | Members in pay status | Total |
| Total members July 1, 2023 | 47 | 1 | 137 | 185 |
| Adjustments | 0 | 0 | 0 | 0 |
| Retirements | -2 | -1 | +3 | 0 |
| Disabilities | 0 | N/A | 0 | 0 |
| Terminations | | | | |
| Vested | -1 | +1 | N/A | 0 |
| Lump sum payments | -1 | 0 | N/A | -1 |
| Due contributions only | 0 | N/A | N/A | 0 |
| Deaths | | | | |
| With death benefit | 0 | 0 | -2 | -2 |
| Without death benefit | 0 | 0 | -1 | -1 |
| Transfers | 0 | 0 | N/A | 0 |
| Rehires | 0 | 0 | N/A | 0 |
| New beneficiaries | N/A | N/A | +2 | +2 |
| New entrants | 0 | N/A | N/A | 0 |
| Total members July 1, 2024 | 43 | 1 | 139* | 183 |

* Includes 6 alternate payees receiving benefits

Member Counts by Status



| Member Data | | | |
|---------------------------------|---------------|------------------------------|----------------------------------|
| | Active | Terminated vested | Members in pay status |
| Average age | | | |
| July 1, 2023 | 44.1 | 45.6 | 68.7 |
| July 1, 2024 | 45.1 | 35.4 | 68.9 |
| Average service | | | |
| July 1, 2023 | 16.2 | N/A | N/A |
| July 1, 2024 | 17.2 | N/A | N/A |
| Covered employee payroll | | | |
| July 1, 2023 | \$4,389,462 | N/A | N/A |
| July 1, 2024 | 4,138,581 | N/A | N/A |
| Total annual benefits | | | |
| July 1, 2023 | N/A | \$46,680 | \$7,175,293 |
| July 1, 2024 | N/A | 22,736 | 7,278,299 |

Active Member Count by Age and Years of Service

| Attained age | Completed Years of Credited Service | | | | | | | | | | All years |
|-----------------|-------------------------------------|--------|----------|-----------|-----------|-----------|----------|----------|----------|-------------|-----------|
| | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 and over | |
| Under 25 | | | | | | | | | | | |
| 25 to 29 | | | | | | | | | | | |
| 30 to 34 | | | | 2 | | | | | | | 2 |
| 35 to 39 | | | 1 | 9 | 1 | | | | | | 11 |
| 40 to 44 | | | 1 | 2 | 6 | | | | | | 9 |
| 45 to 49 | | | | 2 | 2 | 5 | | | | | 9 |
| 50 to 54 | | | | 1 | | 6 | | | | | 7 |
| 55 to 59 | | | | | | 2 | 1 | 1 | | | 4 |
| 60 to 64 | | | | | 1 | | | | | | 1 |
| 65 to 69 | | | | | | | | | | | |
| 70 & over | | | | | | | | | | | |
| All ages | | | 2 | 16 | 10 | 13 | 1 | 1 | | | 43 |

Description of Actuarial Methods

Asset Valuation Method

The Actuarial Value of assets used in the development of plan contributions phases in the recognition of differences between the actual return on Market Value and expected return on Market Value over a 5-year period at 20% per year.

Actuarial Cost Method

Changes in Actuarial Cost Method: None.

Description of Current Actuarial Cost Method: Entry Age Normal (level percentage of salary)

Normal Cost: Under this method, the total normal cost is the sum of amounts necessary to fund each active member's normal retirement benefit if paid annually from entry age to assumed retirement age. Entry age is the age at which the employee would have been first eligible for the plan, if it had always been in effect. The normal cost for each participant is expected to remain a level percentage of the employee's salary. The normal cost for the plan is the difference between the total normal cost for the year and the anticipated member contributions for that year.

Past Service Liability: The present value of future benefits that relates to service before the valuation date is the total past service liability. The unfunded past service liability is the difference between the total past service liability and any assets (including accumulated member contributions). Unfunded accrued liabilities as of July 1, 2018 were amortized over a closed 13-year period assuming a 2.40% amortization increase rate. Effective with the July 1, 2019 valuation, future changes in the unfunded accrued liability are amortized separately, assuming a new 15-year amortization each valuation with level dollar payments.

Experience Gains and Losses: All experience gains and losses (the financial effect of the difference between the actual experience during the prior period and the result expected by the actuarial assumptions for that prior period) appear directly in the past service liability and are amortized at the same rate the plan is amortizing the remaining unfunded past service liability.

Description of Actuarial Assumptions

Changes in Actuarial Assumptions

None.

Investment rate of return (net of investment-related and administrative expenses)

6.75%.

Rate of compensation increase (including inflation)

2.40% per year plus longevity increases of 3.00% after seventh year of employment and 0.50% for each year of employment thereafter through the thirty-first year of employment. No longevity increases are assumed after the thirty-first year of employment.

The assumption is based on input from the plan sponsor regarding future expectations, as well as our review of long-term inflation expectations.

Inflation

2.40.

This assumption is consistent with the Social Security Administration’s current best estimate of the ultimate long-term (75-year horizon) annual percentage increase in CPI, as published in the 2024 OASDI Trustees Report.

Mortality

Pub-2010 Public Retirement Plans Amount-Weighted Mortality Tables for Public Safety employees, for non-annuitants and annuitants, projected to the valuation date with Scale MP-2021.

Mortality Improvement

Projected to date of decrement using Scale MP-2021 (generational).

We have selected this mortality assumption because it is based on the latest published public retirement mortality study released by the Society of Actuaries.

Retirement rates

| Years of Credited Service | Rate |
|---------------------------|------|
| 20 | 10% |
| 21-24 | 2% |
| 25 | 50% |
| 26-29 | 10% |
| 30 | 50% |
| 31-34 | 20% |
| 35+ | 100% |

Termination prior to retirement

| Years of Credited Service | Rate |
|---------------------------|-------|
| 0 | 3.00% |
| 1 | 2.25% |
| 2 | 2.00% |
| 3 | 1.75% |
| 4 | 1.50% |
| 5 | 1.25% |
| 6 | 1.00% |
| 7 | 0.75% |
| 8 | 0.50% |
| 9 | 0.25% |
| 10+ | 0.00% |

Disability

| Sample Rates | |
|--------------|-------|
| Age | Rate |
| 25 | 0.17% |
| 35 | 0.29 |
| 45 | 0.72 |
| 55 | 1.21 |

90% of disabilities are assumed to be service related.

The actuarial assumptions in regards to rates of decrement shown above are based on standard tables modified for certain plan features such as eligibility for full and early retirement where applicable and input from the plan sponsor.

Administrative expenses

The estimate is based on actual administrative expenses paid from the trust in the prior year.

Cost of living increases

2.40% per year.

Amortization increase rate

2.40% per year.

Payroll growth

2.40% per year.

Percent of active employees married

75%.

Spouse's age

Husbands are assumed to be 3 years older than wives.

Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan. It is not intended to be, nor should it be interpreted as a complete statement of all plan provisions. To the extent that this summary does not accurately reflect the plan provisions, then the results of this valuation may not be accurate.

Plan identification

Single-employer pension plan.

Effective data

Most recent amendment: July 1, 2014.

Eligibility

All members of the police department who contribute to the pension fund and who were hired before July 1, 2014 (or enrolled in the Police Academy as of September, 2014). All other police hires on or after July 1, 2014 will be covered by the State of Rhode Island Municipal Employees' Retirement System.

In accordance with the 2020-2021 collective bargaining agreement for Police, members have the option to purchase service for attendance at the Police Academy. Purchased service is included as service for eligibility and benefit accrual purposes.

Retirement

Eligibility: Members who have completed 20 years of service may retire.

Benefit formula: The annual benefit at retirement is equal to the percentage of final annual salary specified in the table below, plus \$100 per year for each year of service over 25 (maximum \$1,000). For pension purposes, annual salary includes regular and longevity pay.

| Years of Service | Benefit as a Percentage of Final Annual Salary |
|------------------|------------------------------------------------|
| 20 | 50.0% |
| 21 | 52.5% |
| 22 | 55.0% |
| 23 | 57.5% |
| 24 | 60.0% |
| 25 | 65.0% |
| 26 | 66.0% |
| 27 | 67.0% |
| 28 | 68.0% |
| 29 | 69.0% |
| 30+ | 70.0% |

The benefit levels shown above payable at years of service 25 through 29 were increased as a result of negotiated benefit formula changes that became effective July 1, 2014.

Retirement (cont.)

Commencement date: Retirement benefits commence as of the first payroll period after retirement.

Form of payment: The annual benefit calculated in accordance with the formula above is payable monthly for the remainder of the retired member's life, with 67.5% of the member's benefit payable for the lifetime of the member's surviving spouse.

Vested termination

Eligibility: Upon termination of employment after 10 years of service, a member is eligible for a benefit deferred to retirement age.

Benefit formula: 2.5% of final annual salary multiplied by full years of service at termination.

Commencement date: 20th anniversary of employment.

Form of payment: The annual benefit calculated in accordance with the formula above is payable monthly for the remainder of the retired member's life, with 67.5% of the member's benefit payable for the lifetime of the member's surviving spouse.

Disability retirement

Eligibility:

Non-service related: No benefit prior to completion of 7 years of service. A member who is disabled with between 7 and 20 years of service is eligible to receive disability retirement benefits.

Service related: Retirement because of a job-related mental or physical incapacity.

Benefit formula:

Non-service related: 50% of final annual salary.

Service related: 66-2/3% of final annual salary.

Commencement date: Benefits commence as of first payroll period after disability.

Form of payment: The annual benefit calculated in accordance with the formula above is payable monthly for the remainder of the retired member's life, with 67.5% of the member's benefit payable for the lifetime of the member's surviving spouse.

Non-vested termination of employment

A member who leaves employment prior to completing 10 years of service will receive a lump sum payment of accumulated contributions.

Death before retirement – survivor annuity benefits

Eligibility: Death while actively employed.

Benefit formula: Surviving spouse (or, if none, dependent children) receives benefit of 67.5% of final annual salary, reduced pro rata if the deceased member had less than 20 years of service.

Commencement date: Benefits commence as of the first payroll period after death.

Form of payment: Monthly life annuity.

Retiree cost of living increase

For retirements before July 1, 2014: Pensions for retirees (but not disabled retirees or beneficiaries) are indexed to the negotiated pay increases for active police. Terminated vested members receive 3% annual increases after benefit commencement.

For retirements on or after July 1, 2014: Pensions for retirees with at least 20 years of service are indexed to the negotiated pay increases for active police. For retirees with 20 to 25 years of service, the indexing begins when the retiree would have attained 25 years of service. Retirements with less than 20 years of service do not get indexed except for job related disability retirements. Job related disability retirement benefits are indexed using the Bureau of Labor Statistics CPI for Northeast Urban Wage Earners, but will not exceed 3.00% nor be lower than 1.00% per year.

Employee contributions

8% of salary.