

**TOWN OF SCITUATE RETIREMENT PLAN  
FOR THE POLICE DEPARTMENT EMPLOYEES  
VALUATION AS OF APRIL 1, 2011**

**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**

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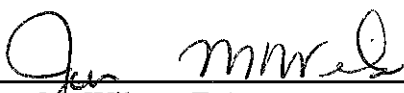
## I. INTRODUCTION

This report presents the results of the actuarial valuation as of April 1, 2011 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.

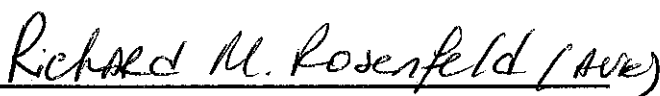
The major provisions of the plan upon which this valuation is based are outlined in Section III. The valuation reflects the terms of the contract which is effective from July 1, 2010 through June 30, 2011.

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.

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

8/25/2011  
\_\_\_\_\_  
Date

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

## II. SUMMARY OF PLAN CONTRIBUTIONS

1.	Accrued Liability		
	a.	Actives	\$3,747,609
	b.	Disabled Participants	\$1,911,851
	c.	Retirees	<u>\$5,689,307</u>
	d.	Total	\$11,348,767
2.	Plan Assets		\$3,122,375
3.	Unfunded Accrued Liability [(1d) - (2)]		\$8,226,392
4.	Normal Cost		
	a.	Retirement	\$207,935
	b.	Death	\$ 7,947
	c.	Disability	<u>\$ 20,277</u>
	d.	Total	\$236,159
5.	25 Year Amortization of (3) (Payments assumed to increase by 4% per year)		\$475,850
6.	Interest on (4d) and (5) (Assumes Mid-Year Payment on October 1, 2011)		\$26,700
7.	25 Year Amortization Contribution [(4d) + (5) + (6)]		\$738,709

### 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 60% of the base annual pay after completing 25 or more years of service.
- 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:* The normal form of benefit is a life annuity increased by 30% of any dollar increase that may be granted in retiree's rank or position held at retirement.
- 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:*

In the event of death of a member who is retired, payments shall be according to the state law as to Police Pensions.

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%.

*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:*

Effective July 1, 2003, any member who is eligible to retire after completing 20 years of service or more shall be entitled to a 3 percent (3%) non-compounded cost of living adjustment (COLA) annually. This does not apply to any past retirees.

## 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 participant. 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, 2011

### C. Changes

Effective with the April 1, 2001 valuation, the method for amortizing the unfunded accrued liability has been changed from a level dollar method to a level percentage method. The level percentage method is designed to produce amortization payments that increase each year by the rate of assumed salary increases (currently 4%).

## 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-2000 Male/Female Combined Healthy
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:	2.0% per annum
Expenses:	Assumed paid by the Town

## VI. STATEMENT OF PLAN ASSETS AS OF APRIL 1, 2011

### Description

Wilmington Trust Company Acct. #71751

Cash and Equivalents	\$ (32,198)
Collective Funds	<u>3,154,573</u>

Total Wilmington Trust Company Assets	<u>\$3,122,375</u>
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TOTAL VALUATION ASSETS	<u>\$3,122,375</u>
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## VII. ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

As of April 1, 2011

	<u>Number</u>	<u>Vested</u>	<u>Non-Vested</u>	<u>Total Present Value</u>
Active	17	\$2,745,603	\$166,042	\$2,911,645
Vested Disabled	4	1,911,851	0	1,911,851
Retired	<u>12</u>	<u>5,689,307</u>	<u>0</u>	<u>5,689,307</u>
Total	33	<u>\$10,346,761</u>	<u>\$166,042</u>	<u>\$10,512,803</u>
Total Compensation <sup>1</sup>		<u>\$ 917,936</u>		

<sup>1</sup> Base pay plus longevity as of April 1, 2011.

### 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.

**TOWN OF SCITUATE RETIREMENT PLAN FOR THE POLICE DEPARTMENT EMPLOYEES**  
**Exhibit 1 - Required Supplementary Information - GASB 25**  
**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/01/1988	\$ 1,033,369	\$ 1,431,870	\$ 398,501	72.2%	\$ 314,903	126.5%
12/01/1990	1,236,212	1,984,928	748,716	62.3%	342,888	218.4%
06/01/1992	1,340,360	2,610,632	1,270,272	51.3%	456,704	278.1%
07/01/1995	1,533,972	2,958,781	1,424,809	51.8%	505,011	282.1%
04/01/1997	1,794,877	3,546,865	1,751,988	50.6%	506,724	345.7%
04/01/1999	2,155,671	4,136,913	1,981,242	52.1%	573,718	345.3%
04/01/2000	2,081,018	4,734,888	2,653,870	44.0%	580,562	457.1%
04/01/2001	1,903,828	5,415,026	3,511,198	35.2%	611,402	574.3%
04/01/2003	1,675,040	5,978,449	4,303,409	28.0%	756,930	568.5%
04/01/2005	2,510,044	6,778,751	4,268,707	37.0%	727,658	586.6%
04/01/2007	3,264,495	7,779,343	4,514,848	42.0%	857,060	526.8%
04/01/2009	2,286,905	9,768,342	7,481,437	23.4%	898,737	832.4%
04/01/2011	3,122,375	11,348,767	8,226,392	27.5%	917,936	896.2%

Notes: AAL is based on the Entry Age Normal Actuarial Cost Method  
Allocation is based on earnings  
No aggregation is used  
Entry age based on date of hire  
Discounting assumption is 7.50%  
The most recent valuation performed was as of April 1, 2011.

**TOWN OF SCITUATE RETIREMENT PLAN FOR THE POLICE DEPARTMENT EMPLOYEES**  
**Exhibit 2 - Development of NPO - GASB 27**  
**April 1, 2000 through March 31, 2011**

	FYE 03/31/2001	FYE 03/31/2002	FYE 03/31/2003	FYE 03/31/2004	FYE 03/31/2005	FYE 03/31/2006	FYE 03/31/2007	FYE 03/31/2008	FYE 03/31/2009	FYE 03/31/2010	FYE 03/31/2011
Annual Required Contribution (ARC)	\$ 338,183	\$ 334,856	\$ 334,856	\$ 414,630	\$ 414,630	\$ 410,834	\$ 410,834	\$ 472,897	\$ 472,897	\$ 683,831	\$ 738,709
Interest on NPO	130,123	141,325	154,808	166,607	171,320	175,816	179,760	183,515	190,495	180,615	184,121
Adjustment to ARC	(135,034)	(104,265)	(114,212)	(122,917)	(126,394)	(129,711)	(132,621)	(135,391)	(140,540)	(141,425)	(146,784)
Annual Pension Cost	333,272	371,916	375,452	458,320	459,556	456,939	457,973	521,021	522,852	723,021	776,046
Contributions made	(208,800)	(222,109)	(244,346)	(405,962)	(409,596)	(413,113)	(416,256)	(443,466)	(450,185)	(457,344)	(484,283)
Increase in NPO	124,472	149,807	131,106	52,358	49,960	43,826	41,717	77,555	72,667	265,677	311,763
NPO beginning year	1,445,807	1,570,279	1,720,086	1,851,192	1,903,550	1,953,510	1,997,336	2,039,053	2,116,608	2,189,275	2,454,952
NPO end of year	\$ 1,570,279	\$ 1,720,086	\$ 1,851,192	\$ 1,903,550	\$ 1,953,510	\$ 1,997,336	\$ 2,039,053	\$ 2,116,608	\$ 2,189,275	\$ 2,454,952	\$ 2,766,715

**Amortization Method and Period:**

FYE 03/31/11 and after: Discount rate changed from 8.25% to 7.50%.  
 FYE 03/31/10 and after: Discount rate changed from 9.00% to 8.25% and the amortization factor is now an end of year factor.  
 FYE 03/31/02 and after: Level percent open, 25 years  
 FYE 03/31/01 and prior: Level dollar open, 25 years

**Inflation:**

FYE 03/31/02 and after: 4%  
 FYE 03/31/01 and prior: Not Applicable

- <sup>1</sup> FYE 3/31/2005 contributions were revised to include a \$250,000 supplemental Town contribution
- <sup>2</sup> FYE 3/31/2006 consists of \$ 81,556.41 town's match contribution, \$ 81,556.41 employees' contribution, and \$ 250,000 supplemental town contribution
- <sup>3</sup> FYE 3/31/2007 consists of \$ 83,128.06 town's match contribution, \$ 83,128.06 employees' contribution, and \$ 250,000 supplemental town contribution
- <sup>4</sup> FYE 3/31/2008 consists of \$ 96,732.80 town's match contribution, \$ 96,732.80 employees' contribution, and \$ 250,000 supplemental town contribution
- <sup>5</sup> FYE 3/31/2009 consists of \$100,092.55, town's match contribution, \$100,092.55 employees' contribution, and \$250,000 supplemental town contribution
- <sup>6</sup> FYE 3/31/2010 consists of \$103,672.15, town's match contribution, \$103,672.15 employees' contribution, and \$250,000 supplemental town contribution
- <sup>7</sup> FYE 3/31/2011 consists of \$105,240.98, town's match contribution, \$105,240.98 employees' contribution, and \$250,000 supplemental town contribution

**TOWN OF SCITUATE RETIREMENT PLAN FOR THE POLICE DEPARTMENT EMPLOYEES**  
**Exhibit 3 - Schedule of Employer Contributions - GASB 25**  
**April 1, 2000 through March 31, 2011**

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Employer Contribution</u>	<u>Percentage Contributed</u>
03/31/2011	\$ 738,709	\$ 464,283	62.85%
03/31/2010	\$ 683,831	\$ 457,344	66.88%
03/31/2009	\$ 472,897	\$ 450,185	95.20%
03/31/2008	\$ 472,897	\$ 443,466	93.78%
03/31/2007	\$ 410,834	\$ 416,256	101.32%
03/31/2006	\$ 410,834	\$ 413,113	100.55%
03/31/2005	\$ 414,630	\$ 409,596	98.79%
03/31/2004	\$ 414,630	\$ 405,962	97.91%
03/31/2003	\$ 334,856	\$ 244,346	72.97%
03/31/2002	\$ 334,856	\$ 222,109	66.33%
03/31/2001	\$ 338,183	\$ 208,800	61.74%

Annual Required Contribution determined using a 7.50% discount rate as of 3/31/2011