



80 Lambertson Road  
Windsor, CT 06095  
USA

Main +1 860 687 2110  
Fax +1 860 687 2111

milliman.com

November 8, 2012

**PERSONAL & CONFIDENTIAL**

Mr. Theodore Przybyla  
Finance Director  
Town of Coventry  
1670 Flat River Road  
Coventry, RI 02816

Re: Town of Coventry Police Officers Retirement Plan  
Funding Improvement Plan Report

Dear Ted:

Enclosed is the Funding Improvement Plan report for the Town of Coventry Police Officers Retirement Plan.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steve A. Lemanski".

Steve A. Lemanski, F.S.A., F.C.A.  
Consulting Actuary

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Enclosure

**TOWN OF COVENTRY POLICE  
OFFICERS RETIREMENT PLAN**

**FUNDING IMPROVEMENT PLAN**

*TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN*

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*FUNDING IMPROVEMENT PLAN  
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# *TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN*

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## *FUNDING IMPROVEMENT PLAN*

### **Executive Summary**

In accordance with Rhode Island General Laws Section 45-65-6, the Town is submitting this Funding Improvement Plan (Plan) to the Locally-Administered Pension Plans Study Commission. The Town had completed an actuarial valuation and an experience study as of July 1, 2011. Based on these results the funded status of the pension system is 11.3% and therefore, considered in critical status.

In the pages that follow, we describe our plans for increasing this ratio to the point that the plan is no longer considered in critical status. This will be accomplished through increased funding and negotiating pension benefit reductions with the members of the retirement system. We expect to achieve the goal of emerging from critical status in 20 years.

This funding improvement plan includes future funding projections (prepared by Milliman, Inc., the Town's actuary for the plan) under seven scenarios, as summarized on Exhibits A through G of the Appendix. Exhibit A shows the projected results under the current plan provisions, and Exhibits B through G summarize the results reflecting proposed benefit provision changes. The proposed benefit changes outlined in this improvement plan are Town proposals, and are subject to collective bargaining.

### **Current Funding**

The Town has accepted the recommendations of our actuary for modifications to the actuarial assumptions. Based on these results, the actuary is recommending a FY 2013 pension contribution of \$4,784,700 to the trust based on a 22 year amortization with payments increasing 3.75% per year. The Town has budgeted \$2,274,700 for FY 2013, or 47.5% of the recommended contribution. This also represents 2.5% of our revenue.

### **Future Funding**

The Town has agreed to adopt a "phase-in" approach to contributing the Annual Required Contribution ("ARC") for the DB plan, with the phase-in starting in FY 2014. Under the phase-in approach, the Town's actual contribution to the DB plan increases such that the portion of the ARC actually contributed increases by 20 percentage points each year until it reaches 100% of the ARC by FY 2016.

In addition, the period for amortizing the unfunded accrued liability will be reset to 26 years (closed period) for the July 1, 2012 actuarial valuation (which will be used to determine the ARC for FY 2014), with a 3.75% growth assumption for the amortization payment.

**Exhibit A** shows the forecast of key values under this approach based on the actuarial assumptions adopted and new participants entering the plan to replace those retiring. This forecast reflects the current benefit provisions for the defined benefit plan.

The Town generally was contributing approximately \$2,275,000 per year for the past several years. In order to support the substantial expected increase in funding contributions for the system, the Town must make changes to other line items in its budget, increase its revenue, and make changes to the current pension plan benefits.

*FUNDING IMPROVEMENT PLAN*

**Budget Reductions and Revenue Enhancements**

The Town of Coventry focuses on cost savings opportunities and will aggressively pursue these savings. Staffing levels will continue to be evaluated and efficiencies implemented wherever possible. Employee health care is a significant benefit cost that continues to increase. The Town, through its relationship with other communities in the WB collaborative, has been somewhat successful in its efforts to control annual cost increases. Energy audits of municipal and school properties have recently been completed. The resulting recommendations, including upgrading of equipment to more energy efficient technology, are being evaluated and sources of funding identified. The Town has also focused on alternative energy, including the recent installation of solar panels on a municipal building. The Town has signed a contract with a wind turbine developer for the installation of a turbine on Town owned property. Both of these projects will stabilize a portion of the Town's future electricity costs through long term electricity purchase contracts.

The Town's administration is very mindful of the extraordinary burden local property taxes continue to place upon the taxpayers. The attached revenue projections include tax increases only to fund increasing pension costs for this plan. Otherwise, the current operating budget is assumed to be level funded for the foreseeable future.

**TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN**

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**FUNDING IMPROVEMENT PLAN**

**Plan Changes**

Town Proposal 1

The Town proposes to make the following changes to Plan Provisions, subject to negotiations and collective bargaining:

- Freeze longevity pay increases
- Change to a five year final average earnings definition.
- Increase the employee contribution rate to 20%.
- Change retirement eligibility to age 55 with 25 years of service and change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.
- Eliminate future COLAs for all participants (including current retirees).
- Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing a 100% match of the employee contribution, up to a maximum of 10% of the employee's gross wages. Our actuary estimates that some new hires will not elect to make the maximum contribution into the defined contribution plan, such that the average employer contribution is 7% of compensation into that plan.

**Exhibit B** illustrates the forecast for Town Proposal 1. Under this proposal, the period for amortizing the unfunded accrued liability will be reset to 25 years (closed period) for the July 1, 2012 actuarial valuation (which will be used to determine the ARC for FY2014), with level dollar amortization.

Our actuary has projected that for FY 2014, the changes to the Plan Provisions outlined in Town Proposal 1 will reduce the costs, liabilities and the Town's projected contributions. In addition, the variability of the Town's projected contributions will be reduced over time, as new hires are covered by a defined contribution plan. The estimated FY 2014 results are as follows:

	<b>Current Plan Provisions</b>	<b>Proposed Plan Provisions</b>
Employer Normal Cost	\$993,800	\$432,700*
Employee Normal Cost	277,700	646,600
Net Employer Normal Cost	699,900	(213,900)
Accrued Liability	69,979,500	45,495,300
Actuarial Value of Assets	6,897,900	6,897,900
Unfunded Accrued Liability	63,081,600	38,597,400
Funded Ratio	9.9%	15.2%
ARC (FY 2014)	4,532,400	3,132,000*
Town Contributions	3,061,300	2,117,500*

\*Includes \$6,400 in expected employer contributions to proposed defined contribution plan

Alternative proposals have also been reviewed (Town Proposals 2 through 6):

**TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN**

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**FUNDING IMPROVEMENT PLAN**

Town Proposal 2 (Alternative Proposal)

The Town proposes to make the following changes to Plan Provisions, subject to negotiations and collective bargaining:

- Freeze longevity pay increases
- Change to a five year final average earnings definition.
- Increase the employee contribution rate to 20%.
- Change retirement eligibility to age 55 with 25 years of service and change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.
- Eliminate future COLAs for all participants (including current retirees).
- Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing 10% of the employee's gross wages.

**Exhibit C** illustrates the forecast for Town Proposal 2. Under this proposal, the period for amortizing the unfunded accrued liability will be reset to 25 years (closed period) for the July 1, 2012 actuarial valuation (which will be used to determine the ARC for FY2014), with level dollar amortization.

Our actuary has projected that for FY 2014, the changes to the Plan Provisions outlined in Town Proposal 2 will reduce the costs, liabilities and the Town's projected contributions. In addition, the variability of the Town's projected contributions will be reduced over time, as new hires are covered by a defined contribution plan. The estimated FY 2014 results are as follows:

	<b>Current Plan Provisions</b>	<b>Proposed Plan Provisions</b>
Employer Normal Cost	\$993,800	\$435,500*
Employee Normal Cost	277,700	646,600
Net Employer Normal Cost	699,900	(211,100)
Accrued Liability	69,979,500	45,495,300
Actuarial Value of Assets	6,897,900	6,897,900
Unfunded Accrued Liability	63,081,600	38,597,400
Funded Ratio	9.9%	15.2%
ARC (FY 2014)	4,532,400	3,134,800*
Town Contributions	3,061,300	2,120,300*

\*Includes \$9,200 in expected employer contributions to proposed defined contribution plan

**TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN**

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**FUNDING IMPROVEMENT PLAN**

Town Proposal 3 (Alternative Proposal)

The Town proposes to make the following changes to Plan Provisions, subject to negotiations and collective bargaining:

- Freeze longevity pay increases
- Change to a five year final average earnings definition.
- Increase the employee contribution rate to 20%.
- Change retirement eligibility to age 55 with 25 years of service and change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.
- Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing a 100% match of the employee contribution, up to a maximum of 10% of the employee's gross wages. Our actuary estimates that some new hires will not elect to make the maximum contribution into the defined contribution plan, such that the average employer contribution is 7% of compensation into that plan.

**Exhibit D** illustrates the forecast for Town Proposal 3. Under this proposal, the period for amortizing the unfunded accrued liability will be reset to 25 years (closed period) for the July 1, 2012 actuarial valuation (which will be used to determine the ARC for FY2014), with a 3.75% growth assumption for the amortization payment.

Our actuary has projected that for FY 2014, the changes to the Plan Provisions outlined in Town Proposal 3 will reduce the costs, liabilities and the Town's projected contributions. In addition, the variability of the Town's projected contributions will be reduced over time, as new hires are covered by a defined contribution plan. The estimated FY 2014 results are as follows:

	<b>Current Plan Provisions</b>	<b>Proposed Plan Provisions</b>
Employer Normal Cost	\$993,800	\$566,400*
Employee Normal Cost	277,700	646,600
Net Employer Normal Cost	699,900	(80,200)
Accrued Liability	69,979,500	59,831,400
Actuarial Value of Assets	6,897,900	6,897,900
Unfunded Accrued Liability	63,081,600	52,933,500
Funded Ratio	9.9%	11.5%
ARC (FY 2014)	4,532,400	3,163,700*
Town Contributions	3,061,300	2,138,900*

\*Includes \$6,400 in expected employer contributions to proposed defined contribution plan



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**FUNDING IMPROVEMENT PLAN**

Town Proposal 4 (Alternative Proposal)

The Town proposes to make the following changes to Plan Provisions, subject to negotiations and collective bargaining:

- Freeze longevity pay increases
- Change to a five year final average earnings definition.
- Increase the employee contribution rate to 20%.
- Change retirement eligibility to age 55 with 25 years of service and change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.
- Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing 10% of the employee's gross wages.

**Exhibit E** illustrates the forecast for Town Proposal 4. Under this proposal, the period for amortizing the unfunded accrued liability will be reset to 25 years (closed period) for the July 1, 2012 actuarial valuation (which will be used to determine the ARC for FY2014), with a 3.75% growth assumption for the amortization payment.

Our actuary has projected that for FY 2014, the changes to the Plan Provisions outlined in Town Proposal 4 will reduce the costs, liabilities and the Town's projected contributions. In addition, the variability of the Town's projected contributions will be reduced over time, as new hires are covered by a defined contribution plan. The estimated FY 2014 results are as follows:

	<b>Current Plan Provisions</b>	<b>Proposed Plan Provisions</b>
Employer Normal Cost	\$993,800	\$569,200*
Employee Normal Cost	277,700	646,600
Net Employer Normal Cost	699,900	(77,400)
Accrued Liability	69,979,500	59,831,400
Actuarial Value of Assets	6,897,900	6,897,900
Unfunded Accrued Liability	63,081,600	52,933,500
Funded Ratio	9.9%	11.5%
ARC (FY 2014)	4,532,400	3,166,500*
Town Contributions	3,061,300	2,141,700*

\*Includes \$9,200 in expected employer contributions to proposed defined contribution plan

**TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN**

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**FUNDING IMPROVEMENT PLAN**

Town Proposal 5 (Alternative Proposal)

The Town proposes to make the following changes to Plan Provisions, subject to negotiations and collective bargaining:

- Freeze longevity pay increases
- Change to a five year final average earnings definition.
- Increase the employee contribution rate to 20%.
- Change retirement eligibility to age 55 with 25 years of service and change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.

**Exhibit F** illustrates the forecast for Town Proposal 5. Under this proposal, the period for amortizing the unfunded accrued liability will be reset to 26 years (closed period) for the July 1, 2012 actuarial valuation (which will be used to determine the ARC for FY2014), with a 3.75% growth assumption for the amortization payment.

Our actuary has projected that for FY 2014, the changes to the Plan Provisions outlined in Town Proposal 5 will reduce the costs, liabilities and the Town's projected contributions. The estimated FY 2014 results are as follows:

	<b>Current Plan Provisions</b>	<b>Proposed Plan Provisions</b>
Employer Normal Cost	\$993,800	\$572,700
Employee Normal Cost	277,700	664,900
Net Employer Normal Cost	699,900	(92,200)
Accrued Liability	69,979,500	59,831,500
Actuarial Value of Assets	6,897,900	6,897,900
Unfunded Accrued Liability	63,081,600	52,933,600
Funded Ratio	9.9%	11.5%
ARC (FY 2014)	4,532,400	3,069,700
Town Contributions	3,061,300	2,073,300

**TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN**

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**FUNDING IMPROVEMENT PLAN**

Town Proposal 6 (Alternative Proposal)

The Town proposes to make the following changes to Plan Provisions, subject to negotiations and collective bargaining:

- Freeze longevity pay increases
- Change to a five year final average earnings definition.
- Increase the employee contribution rate to 20%.
- Eliminate future COLAs for all participants (including current retirees).
- Change retirement eligibility to age 55 with 25 years of service and change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.

**Exhibit G** illustrates the forecast for Town Proposal 6. Under this proposal, the period for amortizing the unfunded accrued liability will be reset to 25 years (closed period) for the July 1, 2012 actuarial valuation (which will be used to determine the ARC for FY2014), with level dollar amortization.

Our actuary has projected that for FY 2014, the changes to the Plan Provisions outlined in Town Proposal 6 will reduce the costs, liabilities and the Town's projected contributions. The estimated FY 2014 results are as follows:

	<b>Current Plan Provisions</b>	<b>Proposed Plan Provisions</b>
Employer Normal Cost	\$993,800	\$435,900
Employee Normal Cost	277,700	664,900
Net Employer Normal Cost	699,900	(229,000)
Accrued Liability	69,979,500	45,495,300
Actuarial Value of Assets	6,897,900	6,897,900
Unfunded Accrued Liability	63,081,600	38,597,400
Funded Ratio	9.9%	15.2%
ARC (FY 2014)	4,532,400	3,116,300
Town Contributions	3,061,300	2,104,800

**Exhibit H** provides the same forecast as Exhibit B (Town Proposal 1), except that actual return on investment is 0.5% less than the 7.0% assumption.

**Exhibit I** contains a summary of the actuarial assumptions. Please note that "proposed assumptions" have been adopted, and are consistent with those summarized on pages 7 through 9 of Milliman's March 21, 2012 Experience Study report.

**Exhibit J** contains a summary of the current plan provisions, as well as proposed plan changes.

The Town commissioned an analysis (**Exhibit K**) by Gabriel, Roeder, Smith & Company (GRS), actuary for the State Retirement Board. Upon review of the projected cost of the transition to MERS, the Town has determined that this option is unfeasible.

Exhibit A

Town of Coventry, RI  
Police Pension Projection (Current Benefit Provisions)

Values as of Valuation Date

Costs Projected to Following Fiscal Year

Valuation Year	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Costs for FYE	Amort Period	Part Cost	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Admin Expense Load	Interest	Total Employer ARC	Assumed Employer Contribution % of ARC	Employer Contribution as % of ARC	Payroll	Benefit Payments	Revenue Forecast	Contribution as Share of Revenue
2011	67,351,300	7,599,100	59,752,200	11.3%	2013	22	1,683,900	1,004,600	261,200	743,400	44,300	313,100	4,784,700	2,274,700	47.5%	3,246,600	3,259,000	89,677,900	2.5%
2012	69,979,500	6,897,900	63,081,600	9.9%	2014	26	3,473,900	993,800	277,700	716,100	46,000	296,400	4,532,400	3,061,300	67.5%	3,149,100	3,176,400	90,464,500	3.4%
2013	72,383,000	6,153,000	66,230,000	8.5%	2015	25	3,742,700	983,500	283,600	699,900	47,000	314,200	4,803,800	4,205,300	87.5%	3,221,100	3,686,400	91,508,500	4.6%
2014	74,745,100	6,351,700	68,393,400	8.5%	2016	24	3,971,900	954,500	292,800	662,100	48,000	327,700	5,009,700	5,009,700	100.0%	3,261,000	3,876,200	92,412,900	5.4%
2015	76,992,600	7,520,000	69,472,600	9.8%	2017	23	4,153,400	967,300	303,900	663,400	49,000	340,600	5,206,400	5,206,400	100.0%	3,290,300	4,013,400	92,609,600	5.6%
2016	79,656,000	9,341,500	70,314,500	11.8%	2018	22	4,310,800	992,000	316,300	675,700	50,000	352,500	5,389,000	5,389,000	100.0%	3,318,100	4,155,500	92,792,200	5.8%
2017	81,881,600	11,379,000	70,502,600	14.0%	2019	21	4,472,400	1,011,000	325,800	685,200	52,000	364,900	5,574,400	5,574,400	100.0%	3,310,700	4,271,500		
2018	83,955,000	13,613,400	70,341,600	16.2%	2020	20	4,649,800	1,053,600	341,200	712,400	54,000	378,500	5,785,700	5,785,700	100.0%	3,349,200	4,407,900		
2019	86,368,000	16,070,900	70,297,100	18.6%	2021	19	4,814,700	1,097,400	341,100	708,300	56,000	390,500	5,969,300	5,969,300	100.0%	3,384,500	4,588,900		
2020	88,820,900	18,729,600	70,091,300	21.1%	2022	18	4,997,000	1,146,700	351,300	716,400	58,000	404,000	6,175,400	6,175,400	100.0%	3,397,900	4,819,000		
2021	91,189,900	21,535,000	69,654,900	23.6%	2023	17	5,184,700	1,091,100	361,900	729,200	62,000	418,200	6,392,100	6,392,100	100.0%	4,004,800	4,963,700		
2022	93,578,500	24,609,600	68,968,900	26.3%	2024	16	5,378,000	1,120,300	372,100	748,200	62,000	433,200	6,621,400	6,621,400	100.0%	4,132,200	5,120,100		
2023	96,009,900	27,969,000	68,040,900	29.1%	2025	15	5,579,500	1,128,600	377,100	751,500	64,000	447,800	6,842,800	6,842,800	100.0%	4,204,800	5,326,400		
2024	98,403,400	31,591,300	66,812,100	32.1%	2026	14	5,796,900	1,168,500	389,400	779,100	66,000	464,300	7,096,300	7,096,300	100.0%	4,333,800	5,486,800		
2025	100,842,100	35,540,800	65,301,300	35.2%	2027	13	6,004,300	1,176,400	399,600	785,800	68,000	480,100	7,338,200	7,338,200	100.0%	4,444,500	5,705,700		
2026	103,229,900	39,801,700	63,428,200	38.6%	2028	12	6,230,500	1,191,200	399,100	798,100	70,000	496,900	7,595,500	7,595,500	100.0%	4,544,500	5,982,300		
2027	105,572,500	44,340,100	61,232,400	42.0%	2029	11	6,464,000	1,240,400	407,800	822,600	72,000	515,900	7,884,500	7,884,500	100.0%	4,652,600	6,137,800		
2028	107,881,800	49,300,100	58,581,700	45.7%	2030	10	6,701,800	1,256,700	412,600	844,200	74,000	533,300	8,153,300	8,153,300	100.0%	4,767,700	6,309,400		
2029	110,187,100	54,791,700	55,455,400	49.7%	2031	9	6,948,800	1,255,400	410,400	845,000	76,000	550,800	8,420,600	8,420,600	100.0%	4,871,600	6,589,400		
2030	112,430,500	60,548,400	51,882,100	53.9%	2032	8	7,206,600	1,204,600	391,600	813,000	78,000	566,800	8,664,400	8,664,400	100.0%	4,987,000	6,938,400		
2031	114,406,200	66,624,800	47,781,400	58.2%	2033	7	7,473,500	1,203,200	387,200	816,000	80,000	585,900	8,955,400	8,955,400	100.0%	5,081,700	7,356,600		
2032	116,038,800	72,980,700	43,072,100	62.9%	2034	6	7,744,500	1,219,600	389,600	820,000	82,000	606,000	9,262,500	9,262,500	100.0%	5,133,200	7,576,600		
2033	117,549,300	79,834,700	37,714,600	67.9%	2035	5	8,015,200	1,264,400	402,800	861,600	84,000	627,200	9,588,000	9,588,000	100.0%	5,244,700	7,731,400		
2034	119,015,800	87,337,800	31,678,000	73.4%	2036	4	8,289,600	1,255,000	399,800	855,200	87,000	646,200	9,878,000	9,878,000	100.0%	5,350,500	7,943,000		
2035	120,424,500	95,477,800	24,926,700	79.3%	2037	3	8,566,500	1,250,500	397,300	853,200	90,000	665,700	10,175,300	10,175,300	100.0%	5,476,900	8,214,600		
2036	121,561,500	104,201,000	17,360,500	85.7%	2038	2	8,814,100	1,255,100	398,200	856,900	93,000	683,500	10,447,500	10,447,500	100.0%	5,488,700	8,416,100		
2037	122,599,900	113,631,800	8,968,100	92.7%	2039	1	8,968,100	1,263,400	400,200	863,200	95,000	694,900	10,622,300	10,622,300	100.0%	5,493,400	8,609,700		
2038	123,501,600	123,802,900	(301,300)	100.2%	2040	1	(301,400)	1,302,600	412,400	890,200	99,000	48,100	736,000	736,000	100.0%	5,456,600	8,710,900		
2039	124,367,400	134,771,700	(10,404,300)	108.4%	2041	1	(10,404,300)	1,339,700	424,000	915,700	102,000	(557,100)			100.0%	5,469,000	8,787,100		
2040	125,261,800	136,206,200	(10,944,400)	108.7%	2042	1	(10,944,300)	1,363,600	431,600	932,000	105,000	(693,500)			100.0%	4,799,000	8,869,900		
2041	126,169,200	136,898,500	(10,729,300)	108.5%	2043	1	(10,729,000)	1,389,700	439,600	950,100	108,000	(677,000)			100.0%	4,867,300	8,904,900		
2042	127,047,100	137,545,600	(10,498,500)	108.3%	2044	1	(10,498,600)	1,385,000	438,300	946,700	111,000	(660,900)			100.0%	4,993,600	9,073,400		
2043	127,906,200	138,121,600	(10,215,400)	108.0%	2045	1	(10,215,400)	1,399,700	442,500	957,200	114,000	(640,100)			100.0%	4,912,200	9,187,700		
2044	128,684,900	138,620,800	(9,935,900)	107.7%	2046	1	(9,935,900)	1,424,400	450,200	974,200	117,000	(619,100)			100.0%	4,997,800	9,219,900		
2045	129,517,600	139,126,600	(9,609,000)	107.4%	2047	1	(9,609,000)	1,441,500	455,600	985,900	121,000	(595,100)			100.0%	5,081,700	9,261,400		
2046	130,372,400	139,636,200	(9,253,800)	107.1%	2048	1	(9,253,800)	1,455,900	450,000	995,900	125,000	(569,300)			100.0%	5,133,200	9,306,700		

Includes reset of amortization period to 26 years for July 1, 2012 actuarial valuation.

This projection is based on the actuarial assumptions from the 2011 Experience Study and data used in the July 1, 2011 valuation. The explanatory notes contained in those reports, including statements of reliance and limitations on use, continue to apply. This projection assumes new members enter the system.

This work product was prepared solely for the Town of Coventry, RI for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Interest Rate Assumption	7.00%
Actual Return on MVA	7.00%
Payroll Growth Rate	3.75%
Amortization	3.75% growth



Exhibit C

Town of Coventry, RI Police Pension Projection (Proposed Changes for DB Plan - 10% Employer Contribution) and New Hires Covered by DC Plan - 10% Employer Contribution)

Values as of Valuation Date Actuarial

Valuation Year	Accrued Liability	Value of Assets	Funded Ratio	Costs FYE	Average Period	Future Service Cost	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Admin Expense	Interest	Total Employer ABC	Assumed Employer Contribution % of ABC	DB Plan Payroll	Benefit Payments	DB Plan Excess	Employer Contribution	Total Employer Contribution	Revenue Forecast	Contribution as % of Revenue
2011	67,331,300	7,998,100	11.3%	2013	22	3,693,900	1,004,600	261,200	743,400	44,300	313,100	4,784,700	47.5%	91,700	3,259,900	3,246,600	0	2,274,700	89,677,900	2.5%
2012	45,495,300	6,997,400	15.2%	2014	25	3,095,400	456,200	646,600	(220,300)	(202,900)	204,500	3,125,600	67.5%	91,700	3,148,600	3,180,700	9,200	2,230,300	89,677,900	2.4%
2013	46,936,900	6,374,600	14.7%	2015	24	3,256,400	444,600	674,100	(229,500)	47,000	215,200	3,289,900	87.5%	103,300	3,317,600	3,317,600	10,300	2,889,500	90,447,100	3.2%
2014	48,198,300	7,025,100	14.6%	2016	23	3,413,300	469,900	697,400	(236,500)	48,000	225,200	3,450,500	100.0%	123,300	3,431,700	3,431,700	12,300	3,462,800	91,020,400	3.8%
2015	49,625,300	7,899,500	15.9%	2017	22	3,525,300	476,200	708,300	(232,100)	49,000	234,000	3,576,400	100.0%	141,900	3,546,800	3,546,800	14,200	3,580,600	91,148,200	3.9%
2016	51,095,800	9,195,600	18.0%	2018	21	3,633,900	469,200	717,000	(247,800)	50,000	239,100	3,655,200	100.0%	237,600	3,501,200	3,554,700	23,700	3,678,900	91,256,500	4.0%
2017	52,574,000	10,607,400	20.2%	2019	20	3,702,300	484,200	740,900	(257,900)	52,000	244,900	3,742,400	100.0%	263,300	3,578,000	3,647,700	26,300	3,768,700		
2018	54,110,100	12,142,000	22.4%	2020	19	3,794,900	502,300	762,100	(259,900)	54,000	251,200	3,840,100	100.0%	298,900	3,578,000	3,786,300	29,900	3,870,000		
2019	55,620,900	13,799,100	24.8%	2021	18	3,888,400	507,600	763,100	(259,900)	56,000	258,900	3,947,200	100.0%	330,300	3,578,000	3,813,300	33,000	3,933,500		
2020	57,196,800	15,523,700	27.1%	2022	17	3,999,100	492,200	765,200	(275,000)	58,000	268,000	4,038,300	100.0%	362,600	3,578,000	3,777,500	36,200	4,085,300		
2021	58,712,900	17,339,300	29.5%	2023	16	4,093,200	496,100	762,100	(266,000)	60,000	272,100	4,159,300	100.0%	395,100	3,578,000	3,777,500	39,500	4,180,000		
2022	60,229,600	19,214,000	31.9%	2024	15	4,208,200	480,900	756,700	(275,800)	62,000	279,700	4,274,500	100.0%	427,600	3,578,000	3,777,500	42,700	4,347,000		
2023	61,681,300	21,180,600	34.3%	2025	14	4,328,100	464,400	757,000	(272,900)	64,000	288,200	4,350,100	100.0%	460,100	3,578,000	3,777,500	46,000	4,443,000		
2024	63,048,600	23,188,000	36.8%	2026	13	4,457,300	444,300	713,200	(270,900)	66,000	297,700	4,407,400	100.0%	492,600	3,578,000	3,777,500	49,200	4,584,000		
2025	64,288,700	25,246,100	39.3%	2027	12	4,593,900	432,900	695,700	(262,000)	68,000	308,300	4,477,000	100.0%	525,100	3,578,000	3,777,500	52,500	4,729,000		
2026	65,435,600	27,384,300	41.9%	2028	11	4,742,400	405,000	669,500	(264,600)	70,000	318,200	4,550,100	100.0%	557,600	3,578,000	3,777,500	55,700	4,884,000		
2027	66,499,900	29,609,900	44.6%	2029	10	4,903,300	362,200	642,900	(259,000)	72,000	330,100	4,645,700	100.0%	590,100	3,578,000	3,777,500	59,000	5,049,000		
2028	67,479,800	31,942,900	47.4%	2030	9	5,076,600	362,200	616,200	(254,200)	74,000	343,100	4,754,200	100.0%	622,600	3,578,000	3,777,500	62,200	5,229,000		
2029	68,220,100	34,423,000	50.5%	2031	8	5,269,600	360,200	615,900	(255,700)	76,000	357,000	4,886,200	100.0%	655,100	3,578,000	3,777,500	65,500	5,424,000		
2030	69,033,100	37,180,200	53.9%	2032	7	5,482,700	354,000	608,500	(254,500)	78,000	374,300	5,039,000	100.0%	687,600	3,578,000	3,777,500	68,700	5,635,000		
2031	69,949,800	40,236,300	57.6%	2033	6	5,806,100	338,200	586,200	(248,000)	80,000	394,600	5,219,000	100.0%	720,100	3,578,000	3,777,500	72,000	5,866,000		
2032	70,969,600	43,603,300	61.8%	2034	5	6,146,400	312,300	551,600	(239,500)	82,000	419,200	5,428,000	100.0%	752,600	3,578,000	3,777,500	75,200	6,115,000		
2033	71,099,300	47,331,700	66.6%	2035	4	6,557,800	296,000	526,600	(230,300)	84,000	448,800	5,666,000	100.0%	785,100	3,578,000	3,777,500	78,500	6,384,000		
2034	71,482,400	51,553,600	72.1%	2036	3	7,096,400	271,600	487,400	(215,800)	87,000	487,800	5,944,000	100.0%	817,600	3,578,000	3,777,500	81,700	6,684,000		
2035	71,659,900	56,553,000	78.6%	2037	2	7,910,800	250,200	454,000	(203,900)	90,000	545,800	6,270,000	100.0%	850,100	3,578,000	3,777,500	85,000	7,025,000		
2036	71,619,700	61,953,600	86.5%	2038	1	9,666,100	239,400	435,500	(198,100)	93,000	609,400	6,666,000	100.0%	882,600	3,578,000	3,777,500	88,200	7,416,000		
2037	71,161,000	68,774,500	96.4%	2039	1	2,886,500	218,100	397,700	(179,600)	96,000	675,200	7,141,200	100.0%	915,100	3,578,000	3,777,500	91,500	7,856,000		
2038	70,792,300	77,856,500	110.0%	2040	1	(7,095,600)	175,000	322,100	(147,100)	99,000	(699,800)	6,441,400	100.0%	947,600	3,578,000	3,777,500	94,700	8,349,000		
2039	69,663,000	79,567,100	114.2%	2041	1	(9,904,200)	132,700	246,300	(113,800)	102,000	(694,100)	5,747,300	100.0%	980,100	3,578,000	3,777,500	98,000	8,896,000		
2040	68,298,100	78,565,000	114.7%	2042	1	(10,646,900)	92,700	172,800	(80,100)	105,000	(702,600)	5,044,700	100.0%	1,012,600	3,578,000	3,777,500	101,200	9,449,000		
2041	66,353,100	76,874,900	115.9%	2043	1	(10,541,800)	50,300	93,300	(43,000)	108,000	(733,400)	4,311,300	100.0%	1,045,100	3,578,000	3,777,500	104,500	9,996,000		
2042	64,107,700	75,083,200	117.1%	2044	1	(10,975,800)	26,100	48,000	(21,900)	111,000	(762,000)	3,549,300	100.0%	1,077,600	3,578,000	3,777,500	107,700	10,544,000		
2043	61,977,900	73,106,800	118.0%	2045	1	(11,169,000)	14,900	27,600	(12,700)	114,000	(774,700)	2,774,600	100.0%	1,110,100	3,578,000	3,777,500	111,000	11,093,000		
2044	59,643,600	71,036,000	119.1%	2046	1	(11,292,400)	8,800	16,300	(7,500)	117,000	(789,800)	2,000,800	100.0%	1,142,600	3,578,000	3,777,500	114,200	11,642,000		
2045	57,319,600	68,911,000	120.2%	2047	1	(11,591,700)	2,900	5,300	(2,400)	121,000	(803,100)	1,217,000	100.0%	1,175,100	3,578,000	3,777,500	117,500	12,192,000		
2046	54,895,800	66,745,300	121.6%	2048	1	(11,849,700)	0	0	0	125,000	(820,700)	517,300	100.0%	1,207,600	3,578,000	3,777,500	120,700	12,742,000		

Includes reset of amortization period to 25 years for July 1, 2012 actuarial valuation.

This projection is based on the actuarial assumptions from the 2011 Experience Study, proposed plan design changes (including no future COLAs) and data used in the July 1, 2011 valuation (assumed to be first reflected in the July 1, 2012 valuation). New hires are covered under a proposed DC plan, with a 10% employer contribution. The explanatory notes contained in those reports, including statements of reliance and limitations on use, continue to apply. This projection assumes new members are not covered by the current DB plan.

This work product was prepared solely for the Town of Coventry, RI for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Interest Rate Assumption 7.00%  
Actual Return on MVA 7.00%  
Amortization Level Dollar







**Exhibit F**  
**Police Pension Projection (Proposed Plan Changes, Retain Future COLAs - DB Plan Remains Open to New Hires)**  
**Town of Coventry, RI**

Values as of Valuation Date

DB Plan Costs Projected to Following Fiscal Year

Valuation Year	Actuarial		Funded Ratio	Costs for FYE	Amort. Period	Past Service Cost	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Admin Expense Load	Interest	Total Employer ABC	Assumed Employer Contribution as % of the ABC	DB Plan Payroll	Benefit Payments	Revenue Forecast	Contribution as Share of Revenue
	Accrued Liability	Value of Assets															
2011	67,331,300	7,598,100	11.3%	22	3,683,900	743,400	1,004,600	261,200	664,900	44,300	313,100	4,784,700	47.5%	3,246,600	3,259,900	89,677,900	2.5%
2012	59,831,500	6,897,900	11.5%	26	2,915,000	692,200	572,700	661,900	693,200	46,000	200,900	3,059,700	67.5%	3,272,400	3,150,400	89,677,900	2.3%
2013	61,389,400	6,891,100	11.2%	25	3,079,600	598,800	598,800	693,600	693,600	47,000	212,100	3,241,900	87.5%	3,420,900	3,220,400	90,442,600	3.1%
2014	65,969,800	7,027,600	11.2%	24	3,248,800	622,900	622,900	722,800	699,900	48,000	223,800	3,420,700	100.0%	3,555,100	3,290,500	91,025,300	3.8%
2015	64,634,500	7,879,400	12.2%	23	3,393,000	646,200	646,200	738,300	692,100	49,000	234,500	3,584,400	100.0%	3,688,600	3,393,900	91,189,600	3.9%
2016	66,378,900	9,172,000	13.8%	22	3,526,900	648,900	648,900	765,100	691,200	50,000	242,200	3,702,900	100.0%	3,776,800	3,504,700	91,307,500	4.1%
2017	68,118,300	10,636,700	15.6%	21	3,662,000	672,700	672,700	795,100	692,400	51,000	251,500	3,843,100	100.0%	3,913,000	3,581,500		
2018	69,940,500	12,276,000	17.6%	20	3,804,400	701,200	701,200	823,400	692,200	54,000	261,600	3,997,800	100.0%	4,085,200	3,675,000		
2019	71,779,700	14,105,600	19.7%	20	3,950,100	717,300	717,300	837,800	692,200	56,000	272,000	4,157,600	100.0%	4,203,900	3,818,900		
2020	73,660,500	16,087,300	21.8%	20	4,104,500	710,400	710,400	860,900	692,200	58,000	280,900	4,292,900	100.0%	4,351,800	3,957,300		
2021	75,483,000	18,251,600	24.2%	17	4,260,100	722,300	722,300	867,600	692,200	60,000	292,200	4,467,000	100.0%	4,392,500	4,109,800		
2022	77,363,800	20,554,600	26.6%	16	4,428,800	723,300	723,300	891,900	692,200	62,000	302,500	4,624,700	100.0%	4,404,500	4,266,100		
2023	79,162,500	23,060,400	29.1%	15	4,600,500	711,500	711,500	886,600	692,200	64,000	314,300	4,803,700	100.0%	4,558,000	4,456,300		
2024	80,917,300	25,700,200	31.8%	14	4,782,600	712,200	712,200	904,300	692,200	66,000	325,900	4,982,400	100.0%	4,549,000	4,658,300		
2025	82,552,500	28,517,400	34.5%	13	4,968,400	717,000	717,000	914,200	692,200	68,000	338,800	5,178,000	100.0%	4,608,400	4,849,000		
2026	84,117,800	31,527,500	37.5%	12	5,163,300	701,400	701,400	919,100	692,200	70,000	351,100	5,366,900	100.0%	4,628,100	5,048,500		
2027	85,549,400	34,747,200	40.6%	11	5,363,000	698,200	698,200	925,800	692,200	72,000	364,300	5,569,700	100.0%	4,686,600	5,235,500		
2028	86,884,400	38,199,300	44.0%	10	5,572,700	702,000	702,000	947,100	692,200	74,000	378,400	5,779,700	100.0%	4,734,600	5,415,400		
2029	88,100,700	41,936,500	47.6%	9	5,784,500	731,300	731,300	995,900	692,200	76,000	392,400	5,997,000	100.0%	4,831,600	5,528,100		
2030	89,278,200	46,065,200	51.6%	8	6,002,400	731,300	731,300	1,011,700	692,200	78,000	407,100	6,223,000	100.0%	4,998,300	5,654,000		
2031	90,436,000	50,594,700	56.0%	7	6,231,600	737,900	737,900	1,032,600	692,200	80,000	422,600	6,460,400	100.0%	5,077,600	5,807,300		
2032	91,516,000	55,530,900	60.7%	6	6,469,500	732,100	732,100	1,055,600	692,200	82,000	438,700	6,706,500	100.0%	5,150,000	5,983,300		
2033	92,476,400	60,878,100	65.8%	5	6,715,400	741,700	741,700	1,082,200	692,200	84,000	455,500	6,963,800	100.0%	5,220,600	6,128,500		
2034	93,373,100	66,719,800	71.5%	4	6,974,700	742,100	742,100	1,099,500	692,200	87,000	473,500	7,237,900	100.0%	5,236,500	6,295,200		
2035	94,160,200	73,068,000	77.6%	3	7,248,700	750,100	750,100	1,056,800	692,200	90,000	492,200	7,524,300	100.0%	5,291,300	6,437,600		
2036	94,825,800	80,011,700	84.4%	2	7,521,300	765,700	765,700	1,079,500	692,200	93,000	511,000	7,811,600	100.0%	5,387,300	6,534,900		
2037	95,443,500	87,657,400	91.8%	1	7,796,100	767,400	767,400	1,082,700	692,200	96,000	530,400	8,107,100	100.0%	5,493,000	6,666,700		
2038	96,025,700	95,959,700	100.0%	1	26,000	750,300	750,300	1,062,200	692,200	99,000	(13,100)	8,107,100	0	5,473,300	6,871,300		
2039	96,421,900	104,995,500	108.9%	2041	(8,573,600)	741,200	741,200	1,050,600	692,200	102,000	(614,700)	0	0	5,331,100	7,061,100		
2040	96,643,700	106,018,800	109.7%	2042	(9,375,100)	728,300	728,300	1,031,400	692,200	105,000	(670,100)	0	0	5,306,700	7,234,600		
2041	96,731,400	106,911,100	110.5%	2043	(10,179,700)	722,400	722,400	1,020,400	692,200	108,000	(725,900)	0	0	5,179,900	7,401,700		
2042	96,589,500	107,678,500	111.5%	2044	(11,089,000)	733,000	733,000	1,004,100	692,200	111,000	(789,500)	0	0	5,140,000	7,472,600		
2043	96,266,100	108,457,300	112.6%	2045	(12,171,200)	750,400	750,400	1,058,200	692,200	114,000	(865,600)	0	0	5,275,700	7,479,100		
2044	95,927,400	109,264,200	113.9%	2046	(13,336,900)	769,800	769,800	1,085,000	692,200	117,000	(947,500)	0	0	5,400,400	7,469,800		
2045	95,603,200	110,183,300	115.3%	2047	(14,580,100)	781,600	781,600	1,100,000	692,200	121,000	(1,034,400)	0	0	5,524,700	7,474,800		
2046	95,207,700	111,173,100	116.8%	2048	(15,965,400)	801,200	801,200	1,126,000	692,200	125,000	(1,131,600)	0	0	5,583,400	7,444,600		

Includes reset of amortization period to 26 years for July 1, 2012 actuarial valuation.

This projection is based on the actuarial assumptions from the 2011 Experience Study, proposed plan design changes and data used in the July 1, 2011 valuation (assumed to be first reflected in the July 1, 2012 valuation). The explanatory notes contained in these reports, including statements of reliance and limitations on use, continue to apply. This projection assumes new members continue to be covered by the DB plan.

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- Interest Rate Assumption 7.00%
- Actual Return on MVA 7.00%
- Payroll Growth Rate 3.75%
- Amortization 3.75% growth

**Town of Coventry, RI**  
**Police Pension Projection (Proposed Plan Changes, Eliminate Future COLAs - DB Plan Remains Open to New Hires)**

**Exhibit G**

Values as of Valuation Date

DB Plan Costs Projected to Following Fiscal Year

Valuation Year	Accrued Liability	Actuarial Value of Asset	Unfunded Liability	Funded Ratio	Costs for FYE	Amort. Period	Part Service Cost	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Admin Expense Load	Total Employer Interest	Assumed Employer Contribution % of the ARC	DB Plan Payroll	Benefit Payments	Revenue Forecast	Contribution as Share of Revenue
2011	67,351,300	7,598,100	59,753,200	11.3%	2013	22	3,683,900	1,004,600	261,200	743,400	44,300	313,100	2,274,700	3,246,600	3,246,600	89,677,900	2.5%
2012	45,495,300	6,897,900	38,597,400	15.2%	2014	25	3,095,400	455,900	664,900	(239,500)	46,000	203,900	2,104,800	3,148,000	3,148,000	89,677,900	2.3%
2013	46,846,900	6,893,600	39,953,300	14.7%	2015	24	3,253,600	455,900	695,600	(239,700)	47,000	214,400	2,869,000	3,420,900	3,420,900	90,442,100	3.2%
2014	48,220,900	7,065,200	41,155,700	14.7%	2016	23	3,412,200	474,200	722,800	(248,600)	48,000	224,800	3,436,400	3,555,100	3,555,100	91,009,500	3.8%
2015	48,663,500	7,953,600	41,709,900	16.0%	2017	22	3,524,100	492,000	738,300	(246,300)	49,000	232,900	3,559,700	3,776,800	3,776,800	91,132,800	3.9%
2016	51,153,500	9,269,800	41,883,700	18.1%	2018	21	3,612,500	494,400	765,100	(270,700)	50,000	237,500	3,629,300	3,913,000	3,913,000	91,202,400	4.0%
2017	52,663,000	10,719,300	41,943,700	20.4%	2019	20	3,700,200	512,700	795,100	(282,400)	52,000	242,900	3,712,700	4,085,200	4,085,200	91,202,400	
2018	54,239,100	12,291,800	41,947,300	22.7%	2020	19	3,793,000	534,400	823,400	(289,000)	51,000	249,100	3,807,100	4,203,900	4,203,900	91,202,400	
2019	55,821,700	13,991,000	41,830,700	25.1%	2021	18	3,886,600	547,000	837,800	(290,800)	56,000	255,700	3,907,300	4,350,100	4,350,100	91,202,400	
2020	57,422,300	15,772,000	41,650,300	27.5%	2022	17	3,987,000	547,000	860,900	(291,800)	58,000	260,800	3,987,600	4,500,000	4,500,000	91,202,400	
2021	59,098,800	17,662,800	41,436,000	29.9%	2023	16	4,090,500	551,800	867,600	(315,800)	60,000	268,300	4,103,000	4,658,000	4,658,000	91,202,400	
2022	60,608,600	19,617,100	40,991,500	32.4%	2024	15	4,206,200	552,100	891,900	(339,600)	62,000	275,000	4,203,600	4,819,500	4,819,500	91,202,400	
2023	62,168,300	21,693,000	40,475,300	34.9%	2025	14	4,325,400	543,500	886,600	(343,100)	64,000	283,200	4,329,500	5,000,000	5,000,000	91,202,400	
2024	63,651,600	23,816,700	39,834,900	37.4%	2026	13	4,454,500	544,600	904,300	(359,700)	66,000	291,100	4,451,900	5,186,300	5,186,300	91,202,400	
2025	65,042,800	26,034,000	39,008,800	40.0%	2027	12	4,590,000	548,700	914,200	(365,500)	68,000	300,400	4,592,900	5,370,000	5,370,000	91,202,400	
2026	66,367,700	28,351,700	38,016,000	42.7%	2028	11	4,738,000	537,300	919,100	(381,800)	70,000	309,900	4,736,100	5,563,000	5,563,000	91,202,400	
2027	67,601,100	30,784,000	36,817,100	45.5%	2029	10	4,899,000	533,300	925,800	(392,500)	72,000	320,500	4,899,000	5,760,000	5,760,000	91,202,400	
2028	68,768,100	33,346,700	35,421,400	48.3%	2030	9	5,079,600	537,700	947,100	(409,400)	74,000	332,200	5,076,400	6,000,000	6,000,000	91,202,400	
2029	69,890,100	36,125,300	33,764,800	51.7%	2031	8	5,284,600	552,600	977,300	(424,700)	76,000	345,500	5,281,400	6,250,000	6,250,000	91,202,400	
2030	71,044,000	39,199,000	31,845,000	55.2%	2032	7	5,522,400	560,100	995,800	(435,700)	78,000	361,500	5,526,300	6,510,000	6,510,000	91,202,400	
2031	72,250,100	42,602,700	29,647,400	59.0%	2033	6	5,813,000	565,000	1,011,700	(446,700)	80,000	381,300	5,827,600	6,780,000	6,780,000	91,202,400	
2032	73,514,300	46,372,600	27,141,700	63.2%	2034	5	6,163,800	560,000	1,015,600	(455,600)	82,000	405,200	6,195,400	7,060,000	7,060,000	91,202,400	
2033	74,449,400	50,559,600	23,889,800	67.9%	2035	4	6,591,600	567,000	1,032,800	(465,800)	84,000	434,600	6,644,400	7,350,000	7,350,000	91,202,400	
2034	75,398,400	55,310,100	20,083,300	73.4%	2036	3	7,153,900	567,100	1,039,500	(472,400)	87,000	473,800	7,242,300	7,650,000	7,650,000	91,202,400	
2035	76,251,900	60,716,900	15,515,000	78.7%	2037	2	8,019,800	573,000	1,036,800	(483,800)	90,000	533,800	8,159,900	8,000,000	8,000,000	91,202,400	
2036	76,923,500	67,019,600	9,903,900	87.1%	2038	1	9,903,900	584,700	1,079,500	(494,800)	93,000	665,100	10,167,300	8,250,000	8,250,000	91,202,400	
2037	77,477,500	74,666,400	2,811,100	96.4%	2039	1	2,811,100	585,800	1,082,700	(496,900)	96,000	168,700	2,578,900	8,500,000	8,500,000	91,202,400	
2038	77,825,700	84,825,900	(7,000,200)	109.0%	2040	1	(7,000,200)	572,600	1,062,200	(489,600)	99,000	(517,400)	0	8,750,000	8,750,000	91,202,400	
2039	77,717,800	87,647,100	(9,929,300)	112.8%	2041	1	(9,929,300)	565,200	1,050,600	(485,400)	102,000	(721,900)	0	9,000,000	9,000,000	91,202,400	
2040	77,502,200	87,832,300	(10,330,100)	113.3%	2042	1	(10,330,100)	554,900	1,031,400	(476,500)	105,000	(749,100)	0	9,250,000	9,250,000	91,202,400	
2041	76,806,500	87,880,600	(11,074,100)	114.4%	2043	1	(11,074,200)	549,900	1,020,400	(470,500)	108,000	(800,600)	0	9,500,000	9,500,000	91,202,400	
2042	76,006,500	87,802,900	(11,796,300)	115.5%	2044	1	(11,796,300)	557,700	1,034,100	(476,400)	111,000	(831,300)	0	9,750,000	9,750,000	91,202,400	
2043	75,417,100	87,718,100	(12,301,000)	116.3%	2045	1	(12,300,900)	570,800	1,038,200	(487,400)	114,000	(887,200)	0	10,000,000	10,000,000	91,202,400	
2044	74,816,500	87,703,800	(12,887,300)	117.2%	2046	1	(12,887,300)	585,400	1,085,000	(499,600)	117,000	(928,900)	0	10,250,000	10,250,000	91,202,400	
2045	74,219,900	87,785,500	(13,565,600)	118.3%	2047	1	(13,565,600)	594,100	1,100,000	(505,900)	121,000	(976,500)	0	10,500,000	10,500,000	91,202,400	
2046	73,434,200	87,942,700	(14,508,500)	119.8%	2048	1	(14,508,500)	609,000	1,126,000	(517,000)	125,000	(1,043,000)	0	10,750,000	10,750,000	91,202,400	

Includes reset of amortization period to 25 years for July 1, 2012 actuarial valuation.

This projection is based on the actuarial assumptions from the 2011 Experience Study, proposed plan design changes (and elimination of future COLAs) and data used in the July 1, 2011 valuation (assumed to be first reflected in the July 1, 2012 valuation). The explanatory notes contained in those reports, including statements of reliance and limitations on use, continue to apply. This projection assumes new members are covered by the current DB plan.

This work product was prepared solely for the Town of Coventry, RI for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

Interest Rate Assumption 7.00%  
 Actual Return on MVA 7.00%  
 Payroll Growth Rate 3.75%  
 Amortization Level Dollar



**TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN**

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**FUNDING IMPROVEMENT PLAN  
EXHIBIT I**

**Summary of Actuarial Assumptions**

The current actuarial assumptions used in the original July 1, 2011 Town of Coventry Police Officers Retirement Plan valuation plus the proposed changes in actuarial assumptions (consistent with pages 7 through 9 of Milliman's March 21, 2012 Experience Study report) are as follows:

	<b>Current Assumption</b>		<b>Proposed Assumption</b>	
<b>Consumer Price Inflation</b>	2.75% per year.		No change.	
<b>Salary Scale</b>	<u>Age</u>	<u>Rate*</u>	<u>Service</u>	<u>Rate**</u>
	20	8.60%	1	9.75%
	25	7.68%	2	6.15%
	30	7.07%	3	13.55%
	35	6.61%	4	2.75%
	40	6.22%	5	7.75%
	45	5.89%	6-9	3.75%
	50	5.62%	10	7.15%
	55	5.38%	11-14	3.75%
			15	5.15%
			16-19	3.75%
			20	3.75%
			21-24	3.75%
			25	3.75%
			26-on	3.75%
<b>Cost of Living Adjustment</b>	1 ½% (compounded) for officers retired prior to July 1, 1986.		No change.	
	2 ½% (compounded) for officers retired after July 1, 1986 (and hired prior to January 1, 1994).			
	2 ¾% (non-compounded) for officers hired on or after January 1, 1994.			
<b>Investment Return</b>	7.50% per year, net of investment expenses.		7.00% per year, net of investment expenses.	

\* Employees hired prior to 1994 receive an additional 20% salary increase the year before retirement.

\*\* Employees hired prior to 1994 receive an additional 60% salary increase the year before retirement.

*TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN*

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*FUNDING IMPROVEMENT PLAN  
EXHIBIT I*

	<b>Current Assumption</b>	<b>Proposed Assumption</b>
<b>Turnover</b>	None Assumed	No change.
<b>Retirement</b>	Employees hired prior to January 1, 1994: 50% assumed to retire when first eligible 10% assumed to retire in the years thereafter 100% assumed to retire at 30 years of service	Employees hired prior to January 1, 1994: 50% assumed to retire when first eligible 30% assumed to retire in the three years thereafter 15% assumed to retired in the six years thereafter 100% assumed to retire at 30 years of service
	Employees hired on or after January 1, 1994: 75% assumed to retire when first eligible 20% assumed to retire in the years thereafter 100% assumed to retire at 30 years of service	No change.
<b>Mortality</b>	RP-2000 Combined Healthy Mortality Table projected to 2005 with Scale AA, with separate male and female tables.	RP-2000 Combined Healthy Mortality Table with generational projection per Scale AA with separate male and female tables.
<b>Disability</b>	1987 Commissioner's Group Disability Table, six month elimination period, separately for males and females.	No change.
<b>Percent Married</b>	75% of active members are assumed to be married, with husbands 3 years older than their spouses.	No change.
<b>Asset Valuation Method (Actuarial Value)</b>	The total value of the plan assets is adjusted by phasing in recognition of the difference between the expected return on market value and the actual return on market value over a five-year period at 20% per year.	No change.
<b>Actuarial Cost Method</b>	Entry Age Normal actuarial cost method.	No change.
<b>Payroll Growth Rate</b>	4.00%	3.75%

**TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN**

**FUNDING IMPROVEMENT PLAN  
EXHIBIT J**

**Summary of Current Plan Provisions and Proposed Plan Changes**

<b>Current Provision</b>	<b>Town Proposal 1</b>	<b>Town Proposal 2</b>
<b>Normal Retirement Benefit</b>	Amount: 50% of Compensation.	Change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.
<b>Final Average Earnings</b>	Last year of Compensation	Longevity increases frozen. Change to five year final average earnings.
<b>Member Contributions</b>	Members hired on or after January 1, 1994 contribute 9% of compensation. Members hired before January 1, 1994 contribute 8% of compensation.	All active participants contribute 20% of compensation.
<b>Eligibility</b>	Eligible members who have received their appointment participate on their date of hire.	Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing a 100% match of the employee contribution, up to a maximum of 10% of the employee's gross wages. Our actuary estimates that some new hires will not elect to make the maximum contribution into the defined contribution plan, such that the average employer contribution is 7% of compensation into that plan.
<b>Cost of Living Adjustments</b>	1 1/2% (compounded) for officers retired prior to July 1, 1986. 2 1/2% (compounded) for officers retired after July 1, 1986 (and hired prior to January 1, 1994). For officers hired on or after January 1, 1994, there will be an annual non-compounded cost-of-living adjustment (COLA) equal to the greater of (a) 1.50%, or (b) the Consumer Price Index (CPI-W) as published by the Bureau of Labor Statistics (BLS).	No future Cost of Living Adjustments.

**TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN**

**FUNDING IMPROVEMENT PLAN  
EXHIBIT J**

	<b>Current Provision</b>	<b>Town Proposal 3</b>	<b>Town Proposal 4</b>
<b>Normal Retirement Benefit</b>	Amount: 50% of Compensation.	Change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.	Change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.
<b>Final Average Earnings</b>	Last year of Compensation	Longevity increases frozen. Change to five year final average earnings.	Longevity increases frozen. Change to five year final average earnings.
<b>Member Contributions</b>	Members hired on or after January 1, 1994 contribute 9% of compensation.  Members hired before January 1, 1994 contribute 8% of compensation.	All active participants contribute 20% of compensation.	All active participants contribute 20% of compensation.
<b>Eligibility</b>	Eligible members who have received their appointment participate on their date of hire.	Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing a 100% match of the employee contribution, up to a maximum of 10% of the employee's gross wages. Our actuary estimates that some new hires will not elect to make the maximum contribution into the defined contribution plan, such that the average employer contribution is 7% of compensation into that plan.	Close the defined benefit plan to all new entrants and implement a defined contribution plan for new hires with the Town contributing 10% of the employee's gross wages.
<b>Cost of Living Adjustments</b>	1 1/2% (compounded) for officers retired prior to July 1, 1986.  2 1/2% (compounded) for officers retired after July 1, 1986 (and hired prior to January 1, 1994).  For officers hired on or after January 1, 1994, there will be an annual non-compounded cost-of-living adjustment (COLA) equal to the greater of (a) 1.50%, or (b) the Consumer Price Index (CPI-W) as published by the Bureau of Labor Statistics (BLS).	Retain current Cost of Living Adjustment provisions.	Retain current Cost of Living Adjustment provisions.

**TOWN OF COVENTRY POLICE OFFICERS RETIREMENT PLAN**

**FUNDING IMPROVEMENT PLAN  
EXHIBIT J**

<b>Current Provision</b>	<b>Town Proposal 5</b>	<b>Town Proposal 6</b>
<b>Normal Retirement Benefit</b>	Amount: 50% of Compensation.	Change the benefit formula to 50% of final average earnings at 25 years of service plus 2% each year thereafter, up to a maximum of 60% of final average earnings.
<b>Final Average Earnings</b>	Last year of Compensation	Longevity increases frozen. Change to five year final average earnings.
<b>Member Contributions</b>	Members hired on or after January 1, 1994 contribute 9% of compensation. Members hired before January 1, 1994 contribute 8% of compensation.	All active participants contribute 20% of compensation.
<b>Eligibility</b>	Eligible members who have received their appointment participate on their date of hire.	No change (defined benefit plan remains open to new hires).
<b>Cost of Living</b>	1 1/2% (compounded) for officers retired prior to July 1, 1986.  2 1/2% (compounded) for officers retired after July 1, 1986 (and hired prior to January 1, 1994).  For officers hired on or after January 1, 1994, there will be an annual non-compounded cost-of-living adjustment (COLA) equal to the greater of (a) 1.50%, or (b) the Consumer Price Index (CPI-W) as published by the Bureau of Labor Statistics (BLS).	No future Cost of Living Adjustments.





Gabriel Roeder Smith & Company  
Consultants & Actuaries

5605 N. MacArthur Blvd.  
Suite 870  
Irving, TX 75038-2631

469.524.0000 phone  
469.524.0003 fax  
www.gabrielroeder.com

## Exhibit K

August 7, 2012

Mr. Ted Przybyla  
Finance Director  
Town of Coventry  
[tprzybyla@town.coventry.ri.us](mailto:tprzybyla@town.coventry.ri.us)

Dear Mr. Przybyla:

**Subject: Actuarial Analysis - Extending MERS Coverage to member of the Town of Coventry Police Officers Retirement Plan**

As requested, we have determined the initial employer contribution rate that the Town will be charged if the Town of Coventry elects coverage for the Town's police employees under MERS (Rhode Island's Municipal Employees' Retirement System), effective July 1, 2012.

### Background and Proposal

We have been provided data on 52 employees, 74 retirees, and 1 vested terminated member of the Town of Coventry Police Officers Retirement Plan who would be covered under MERS. The analysis assumes all prior service will be granted to the members for both benefit calculations and for eligibility purposes. The analysis is performed under two scenarios: with the optional COLA C provision or without it. By statute, the member contribution rate for the unit will be 7.00% if no COLA is elected and 8.00% if COLA C is elected.

### Analysis

The table below shows the employer contribution rate and other information:

Assumes no Asset Transfer		
Item	Without any Optional Provision	With Optional COLA C Provision
1. Projected unfunded actuarial accrued liability as of June 30, 2012	\$47,000,000	\$52,600,000
2. Total normal cost rate	14.79%	15.74%
3. Member contribution rate	7.00%	8.00%
4. Employer normal cost rate (2. - 3.)	7.79%	7.74%
5. Amortization rate	89.78%	100.66%
<b>6. Total employer contrib. rate (4. + 5.)</b>	<b>97.57%</b>	<b>108.40%</b>
7. Projected FY 2013 payroll	\$3,225,000	\$3,225,000
<b>8. Projected FY 2013 employer contrib.</b>	<b>\$3,150,000</b>	<b>\$3,500,000</b>

The Town would not participate in a MERS actuarial valuation until after the Town had participated in MERS for a full year. Therefore, the first MERS actuarial valuation in which the Town would be a participant would be the June 30, 2013 valuation which would set the FY2016 contribution rates. Thus, the contribution rates shown above would be effective from the July 1, 2012 effective date through June 30, 2015. After that, contributions will be determined by the annual valuations for MERS.

#### **Impact of Additional Contributions**

The employer contribution rates and amounts shown above are based on the assumption that no extra assets are transferred into MERS. If extra assets are transferred, then for each \$1,000,000 contributed to MERS, the employer contribution rate will be reduced by 191 basis points (1.91%). For example, by contributing an additional \$10,000,000 to MERS when the plan is established, the Town would reduce the contribution rate shown above by 19.1% percentage points, or from 108.4% to 89.3% if the optional COLA C provision is adopted. This amounts to a savings of \$61,600 in the annual employer contribution for each \$1,000,000 contributed.

#### **Member Data**

Member data on the fifty two police members provided by Frank Karpinski, the Executive Director for ERSRI, in electronic format. As of June 30, 2011, the active members are 37.9 years old on average, they have an average of 11.2 years of service, and their current average salary is \$59,791.

#### **Other Comments**

Our analysis was prepared based on actuarial assumptions and methods used in preparing the June 30, 2011 actuarial valuation report, the most recently completed one.

If you have any questions about our analysis, please do not hesitate to call or write. A copy of our invoice is attached.

Sincerely,



Joseph P. Newton  
Senior Consultant

cc: Mr. Frank J. Karpinski, Executive Director, ERSRI