

Providence Water Docket 4406

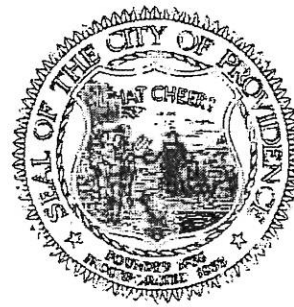
**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

DIV 1-18. Please provide a copy of the Union Contract supporting the Union Combined Benefits and Union Pension pro forma expense amounts shown on Schedule HJS-S6.

Answer: Please see attached excerpted copy of the Union contract article XX. Please also see the attached email from the Payroll Supervisor of the City of Providence and the Preferred Schedule.

In reviewing the backup data for this response, we realized that the Union Combined benefit should not have been increased from the test year. We misread the email that the Union Combined benefit was increasing each year by \$.05, when it was just a one-time increase of \$.05 above the contract amount of \$1.72. Therefore, a 0% increase should have been used, instead of the 4.23% included in the rate filing.

We have also reviewed the Union Pension calculation and have made a minor adjustment to the test year weighted average rate. The increase should have been 37.7% over the test year, not the 41.21% included in the rate filing. Please see attached.



AGREEMENT

between

CITY OF

PROVIDENCE, RHODE ISLAND

and

RHODE ISLAND LABORERS' DISTRICT COUNCIL

on behalf of

PUBLIC EMPLOYEES' LOCAL UNION 1033

of the

LABORERS' INTERNATIONAL UNION

OF NORTH AMERICA, AFL-CIO

Effective: July 1, 2011 to June 30, 2015

specified in Section 1 and in lieu thereof.. Should a change in carrier occur, the Employer shall then conduct all necessary and required educational and informational seminars.

Section 3. Upon presentation of proof of alternative dental care coverage pursuant to a non-Employer paid plan satisfactory to the Employee's Benefit Coordinator, employees eligible for paid dental benefits under this Agreement may choose not to be covered under the Employer's group dental insurance policy. Eligible employees enrolled in a family plan making this choice shall receive \$500.00 for each full contract year in which they are not covered for family coverage and for those dropping individual coverage, the compensation shall be \$250.00 for each full contract year of non-coverage by an Employer plan. The parties understand and agree that employees whose spouses are employed by the Employer and those who have chosen not to be covered by Employer policies shall not be eligible for this benefit. For each year in which the employee opts out under this section, he shall receive no coverage pursuant to this Article, except that employees may opt back into the Plan in the event of a major life event causing loss of alternative and equivalent coverage, such as death or loss of employment of a spouse. Proof of loss of said alternative coverage or equivalent coverage may be required by the Employer before the employee is re-enrolled. Payments to employees under this provision shall be made at the end of each year, in arrears for the period of October to September with payment made in September. If an employee has opted back into Employer coverage during the course of a contract year, he shall not be entitled to any payment under this section for that year.

ARTICLE XX

UNION BENEFIT TRUST FUNDS

Section 1. In order to provide each employee covered by this Agreement and their dependents with the benefits described below and which are provided through Union Benefit Trust Funds, the Employer agrees to contribute \$2.76 per hour for each straight-time hour each employee covered by this Agreement is paid. The above language notwithstanding, the

Employer's contribution shall be paid for the full day [seven (7) or eight (8) hours] for every day that the employee receives pay, including days of holiday and leave, or a contribution is otherwise due under Section 3 below. Of said \$2.76 per hour, \$1.04 shall be paid to the LIUNA National (Industrial) Pension Fund and \$1.72 per hour shall be paid the RI Public Employees' Benefits Fund.

Effective July 1, 2011, the parties elect to participate in the preferred schedule as codified in the Funding Rehabilitation Plan of the Laborers' International Union of North America National (Industrial) Pension Fund and the Employer's contributions to the LIUNA National (Industrial) Pension Fund shall be increased according to said Preferred Schedule. The Employer's contribution to the RI Public Employees' Benefits Fund shall remain at \$1.72 per straight-time hour that each employee covered by this Agreement is paid.

Section 2. Said contributions will be paid to the Fund no later than the fifteenth (15th) day of each month and shall be based on the preceding month's payroll.

Section 3. An employee receiving Workers' Compensation benefits shall be considered to be working his normal and regular workweek.

Section 4. In addition to all other Employer contributions required herein, the Employer shall also pay to the Rhode Island Public Employees' Health Services Fund, no later than January 15, an amount equal to the one-half ($\frac{1}{2}\%$) percent wage assignment as required in the parties' May 26, 1994, Memorandum of Agreement. The parties acknowledge that this amount is not an additional Employer contribution but rather is an assignment of a portion of the July 1, 1994, wage increase. The contribution due January 2004 shall be paid January 2009.

Section 5. Each employee covered by this Agreement and their dependents shall be provided prescription drug benefits, vision care benefits, life insurance, and a Wellness Benefit Program from the "Rhode Island Public Employees' Health Services Fund", established by

Declaration of Trust dated July 1, 1979. Said fund shall be administered by a Board of Trustees selected and appointed under the provisions of the Trust Agreement executed by the Union.

Section 6. Each employee covered by this Agreement shall receive retirement benefits from the Laborers' International Union of North America National (INDUSTRIAL) Pension Fund based upon the Trust Fund document and Rules and Regulations of said Fund. The Union and the Employer have signed an Agreement and Declaration of Trust of the Laborers' International Union of North America National (INDUSTRIAL) Pension Fund.

Section 7. Each employee covered by this Agreement and their dependents shall be provided with assistance in defraying the cost of legal counsel through the "Rhode Island Public Service Employees' Legal Services Fund", established by a Declaration of Trust dated September 20, 1974. The Fund is administered by a Board of Trustees selected and appointed under the provisions of the Trust Agreement executed by the Union. The Fund shall not be used to provide benefits which defray any expenses for disputes, grievances, or legal proceedings between employee-participant, his spouse, or dependents and the Employer, the Union or any of its members, their agents, or any legal entity of which they are a part.

Section 8(A). Employees covered by this Agreement shall be offered necessary educational, vocational, specialty and safety related training through the "Rhode Island Public Service Employees' Training Fund", established by a Declaration of Trust executed by the Union and from the New England Health and Safety Fund.

Section 8(B). The Employer shall establish a bargaining unit position of Training Coordinator, the primary duty of which shall be designating required training for employees covered by this Agreement and coordinating the development and implementation of said training with the aforestated Funds. Said position shall enjoy wage parity with the position of Employee Benefits Coordinator. This position shall be staffed by an individual nominated by the Rhode Island Public Service Employees' Training Fund.

DIV 1-18 C.

Mary Deignan-White - Fwd: RE: Union Benefit deductions for employees

From: Jeanne Bondarevskis
To: Alicia Mignanelli; Deignan-White, Mary
Date: 10/22/12 2:42 PM
Subject: Fwd: RE: Union Benefit deductions for employees

I questioned the amount the City was charging us for the Union Benefit. Here is information that is in addition to the Contract. It should be used for the Budget and Rate filing.

Jeanne

>>> "Lazzareschi, Lori" <Lori.Lazzareschi@ppsd.org> 10/22/12 2:39 PM >>>
Jeanne:



The Union had a long standing claim against the City for processing Workers Compensation claims through the Fund and not reimbursing the fund. The City has been ordered to pay 5 cents over the CBA amount .

(see Arbitration Award of Tim Bornstein dated June 30, 2010)

MOA

The City shall, effective July 1, 2010, and for all subsequent periods in which this agreement and any successor agreement is applicable, contribute to the Rhode Island Public Employees' Benefit Trust Fund Administrative Account, pursuant, to Article XX Section 1, the sum of \$2.81 per hour. Said sum represents an additional five (5¢) cents per hour employer contribution and is mutually intended to be in addition to the existing and any future negotiated contribution rate and for the purpose of compensating the Fund for the costs of oral prescription medicine described above.

Therefore, based on the above, the UNBN is always going to be 5 cents over the amount stated in the contract.

Labors

As far as the LIUNA (Laborer's Pension) is concerned, that is correct also. The preferred schedule is 1.27 for July 1, 2012; 1.40 for July 1, 2013 and 1.54 for July 1, 2014 and will continue with a 10% increase each July 1, rounded up to next .01 per hour.

Let me know if anyone needs anything else.

Lori

Lori Lazzareschi, Payroll Supervisor
City of Providence &
Providence School Department
797 Westminster Street
Providence, RI 02903
Office - (401) 456-9313
Fax - (401) 456-1780

	Pen	Ben	
7/1/12	1.27	1.77	= 3.04
7/1/13	1.40	1.82	3.22
7/1/14	1.54	1.87	3.41
7/1/15	1.69	1.70	
Next year 6/30/12	1.04	+ 1.77	= 2.81

From: D'Antuono, Michael
Sent: Friday, October 19, 2012 3:24 PM
To: Lazzareschi, Lori
Subject: Fwd: Union Benefit deductions for employees

Please respond and CC me.

Thank you

Sent from my iPad

Begin forwarded message:

From: Jeanne Bondarevskis <jbondarevskis@provwater.com>
Date: October 18, 2012 12:23:16 PM EDT
To: Michael D'Antuono <michael.d'antuono@ppsd.org>
Subject: Union Benefit deductions for employees

Michael,

What is the rate/hour that the City is deducting for the Union Benefit? When I look at deduction code UNBN, it appears to be \$1.77/hour, yet Article XX of the Union Contract states that it will remain at \$1.72/hour. Is too much being deducted and paid to the Union?

The same section has the LIUNA pension at \$1.04/hour and it will increase to the preferred schedule. What is that amount per hour? Deduction codes 1244 and 1344 appear to be \$1.27 per hour.

thanks,
Jeanne B

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1-18c.

**LABORERS' INTERNATIONAL UNION OF NORTH AMERICA
NATIONAL (INDUSTRIAL) PENSION FUND
905 16th Street, N.W.
Washington, DC 20006-1765
Tel. No. (800) 544-7422 or (202) 737-1664**

**FUNDING REHABILITATION PLAN
(Adopted July 26, 2010)**

I. Introduction

The Pension Protection Act of 2006 (PPA) amended federal pension law to impose stricter funding standards on multiemployer pension plans, including the Laborers' National (Industrial) Pension Fund. The PPA requires every plan's actuary to annually certify to the plan trustees and the federal government the plan's funding zone status based on the new standards.

For the 2010 plan (calendar) year, the Pension Fund's actuary determined that the Fund's funding status places it in the "critical" zone ("red zone"). Under the Funding Improvement Plan adopted by the Board of Trustees in 2008, the Pension Fund was on track for long-term financial security until the triple disasters of 2008-2009: the investment market crash, the deep economic recession, and the continuing unemployment crisis. These extraordinary national events unexpectedly disrupted the investment and funding programs of virtually all pension plans, regardless of how well managed they are. One consequence is that the Pension Fund's funding status slipped from the "yellow zone" to the "red zone" under the PPA's stricter funding rules.

Certification of the "red zone" status for 2010 was submitted to the Pension Fund's Board of Trustees and the Internal Revenue Service on March 31, 2010, and a notice of that certification was distributed to all participants, beneficiaries in pay status, contributing employers, and participating unions in April 2010.

The PPA requires the board of trustees of a "red zone" plan to develop and adopt a "rehabilitation plan" to restore the plan's financial health over a period of 10 to 12 years or even longer under some circumstances. A rehabilitation plan must comply with certain rules and standards set by the PPA. Effective implementation of a rehabilitation plan requires cooperation among the contributing employers, the participating unions, and the Pension Fund.

In general, a rehabilitation plan provides one or more "schedules" of contribution rate increases and/or benefit program changes. The parties to each collective bargaining agreement must adopt a schedule authorized under the rehabilitation plan that will apply with regard to employees (participants) covered by the bargaining agreement. The parties may re-open their current collective bargaining agreement to adopt a schedule, or may wait until the current agreement is renegotiated in the normal course to adopt a schedule. The PPA provides for imposition of a "default schedule" after the current agreement expires if the parties are unable to agree on an authorized schedule.

The Board of Trustees, assisted by actuarial and other professional advice, has developed and adopted the Rehabilitation Plan described herein. The Board's aim and reasonable expectation is that the Pension Fund will emerge from the "red zone" within 10 plan years from January 1, 2013,

Contribution Rate prior to adoption of Schedule	Accrual Rate for benefits earned on or after effective date of Preferred Schedule	Contribution Rate for each Year after Effective Date of Preferred Schedule									
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
0.64	14.08	0.71	0.79	0.87	0.96	1.06	1.17	1.29	1.42	1.57	1.73
0.65	14.30	0.72	0.80	0.88	0.97	1.07	1.18	1.30	1.43	1.58	1.74
0.66	14.52	0.73	0.81	0.90	0.99	1.09	1.20	1.32	1.46	1.61	1.78
0.67	14.74	0.74	0.82	0.91	1.01	1.12	1.24	1.37	1.51	1.67	1.84
0.68	14.96	0.75	0.83	0.92	1.02	1.13	1.25	1.38	1.52	1.68	1.85
0.69	15.18	0.76	0.84	0.93	1.03	1.14	1.26	1.39	1.53	1.69	1.86
0.70	15.40	0.77	0.85	0.94	1.04	1.15	1.27	1.40	1.54	1.70	1.87
0.71	15.62	0.79	0.87	0.96	1.06	1.17	1.29	1.42	1.57	1.73	1.91
0.72	15.84	0.80	0.88	0.97	1.07	1.18	1.30	1.43	1.58	1.74	1.92
0.73	16.06	0.81	0.90	0.99	1.09	1.20	1.32	1.46	1.61	1.78	1.96
0.74	16.28	0.82	0.91	1.01	1.12	1.24	1.37	1.51	1.67	1.84	2.03
0.75	16.50	0.83	0.92	1.02	1.13	1.25	1.38	1.52	1.68	1.85	2.04
0.76	16.72	0.84	0.93	1.03	1.14	1.26	1.39	1.53	1.69	1.86	2.05
0.77	16.94	0.85	0.94	1.04	1.15	1.27	1.40	1.54	1.70	1.87	2.06
0.78	17.16	0.86	0.95	1.05	1.16	1.28	1.41	1.56	1.72	1.90	2.09
0.79	17.38	0.87	0.96	1.06	1.17	1.29	1.42	1.57	1.73	1.91	2.11
0.80	17.60	0.89	0.98	1.08	1.19	1.31	1.45	1.60	1.76	1.94	2.14
0.81	17.82	0.90	0.99	1.09	1.20	1.32	1.46	1.61	1.78	1.96	2.16
0.82	18.04	0.91	1.01	1.12	1.24	1.37	1.51	1.67	1.84	2.03	2.24
0.83	18.26	0.92	1.02	1.13	1.25	1.38	1.52	1.68	1.85	2.04	2.25
0.84	18.48	0.93	1.03	1.14	1.26	1.39	1.53	1.69	1.86	2.05	2.26
0.85	18.70	0.94	1.04	1.15	1.27	1.40	1.54	1.70	1.87	2.06	2.27
0.86	18.92	0.95	1.05	1.16	1.28	1.41	1.56	1.72	1.90	2.09	2.30
0.87	19.14	0.96	1.06	1.17	1.29	1.42	1.57	1.73	1.91	2.11	2.33
0.88	19.36	0.97	1.07	1.18	1.30	1.43	1.58	1.74	1.92	2.12	2.34
0.89	19.58	0.98	1.08	1.19	1.31	1.45	1.60	1.76	1.94	2.14	2.36
0.90	19.80	1.00	1.10	1.21	1.34	1.48	1.63	1.80	1.98	2.18	2.40
0.91	20.02	1.01	1.12	1.24	1.37	1.51	1.67	1.84	2.03	2.24	2.47
0.92	20.24	1.02	1.13	1.25	1.38	1.52	1.68	1.85	2.04	2.25	2.48
0.93	20.46	1.03	1.14	1.26	1.39	1.53	1.69	1.86	2.05	2.26	2.49
0.94	20.68	1.04	1.15	1.27	1.40	1.54	1.70	1.87	2.06	2.27	2.50
0.95	20.90	1.05	1.16	1.28	1.41	1.56	1.72	1.90	2.09	2.30	2.53
0.96	21.12	1.06	1.17	1.29	1.42	1.57	1.73	1.91	2.11	2.33	2.57
0.97	21.34	1.07	1.18	1.30	1.43	1.58	1.74	1.92	2.12	2.34	2.58
0.98	21.56	1.08	1.19	1.31	1.45	1.60	1.76	1.94	2.14	2.36	2.60
0.99	21.78	1.09	1.20	1.32	1.46	1.61	1.78	1.96	2.16	2.38	2.62
1.00	22.00	1.10	1.21	1.34	1.48	1.63	1.80	1.98	2.18	2.40	2.64
1.01	22.22	1.12	1.24	1.37	1.51	1.67	1.84	2.03	2.24	2.47	2.72
1.02	22.44	1.13	1.25	1.38	1.52	1.68	1.85	2.04	2.25	2.48	2.73
1.03	22.66	1.14	1.26	1.39	1.53	1.69	1.86	2.05	2.26	2.49	2.74
1.04	22.88	1.15	1.27	1.40	1.54	1.70	1.87	2.06	2.27	2.50	2.75
1.05	23.10	1.16	1.28	1.41	1.56	1.72	1.90	2.09	2.30	2.53	2.79
1.06	23.32	1.17	1.29	1.42	1.57	1.73	1.91	2.11	2.33	2.57	2.83
1.07	23.54	1.18	1.30	1.43	1.58	1.74	1.92	2.12	2.34	2.58	2.84
1.08	23.76	1.19	1.31	1.45	1.60	1.76	1.94	2.14	2.36	2.60	2.86
1.09	23.98	1.20	1.32	1.46	1.61	1.78	1.96	2.16	2.38	2.62	2.89
1.10	24.20	1.21	1.34	1.48	1.63	1.80	1.98	2.18	2.40	2.64	2.91
1.11	24.42	1.23	1.36	1.50	1.65	1.82	2.01	2.22	2.45	2.70	2.97
1.12	24.64	1.24	1.37	1.51	1.67	1.84	2.03	2.24	2.47	2.72	3.00
1.13	24.86	1.25	1.38	1.52	1.68	1.85	2.04	2.25	2.48	2.73	3.01
1.14	25.08	1.26	1.39	1.53	1.69	1.86	2.05	2.26	2.49	2.74	3.02
1.15 X	25.30	1.27	1.40	1.54	1.70	1.87	2.06	2.27	2.50	2.75	3.03
1.16	25.52	1.28	1.41	1.56	1.72	1.90	2.09	2.30	2.53	2.79	3.07
1.17	25.74	1.29	1.42	1.57	1.73	1.91	2.11	2.33	2.57	2.83	3.12
1.18	25.96	1.30	1.43	1.58	1.74	1.92	2.12	2.34	2.58	2.84	3.13
1.19	26.18	1.31	1.45	1.60	1.76	1.94	2.14	2.36	2.60	2.86	3.15
1.20	26.40	1.32	1.46	1.61	1.78	1.96	2.16	2.38	2.62	2.89	3.18
1.21	26.62	1.34	1.48	1.63	1.80	1.98	2.18	2.40	2.64	2.91	3.21
1.22	26.84	1.35	1.49	1.64	1.81	2.00	2.20	2.42	2.67	2.94	3.24
1.23	27.06	1.36	1.50	1.65	1.82	2.01	2.22	2.45	2.70	2.97	3.27
1.24	27.28	1.37	1.51	1.67	1.84	2.03	2.24	2.47	2.72	3.00	3.30

Preferred Schedule

January 1, 2012 = 1.10
January 1, 2013 = 1.21
January 1, 2014 = 1.34
January 1, 2015 = 1.48

B. Preferred Schedule

The Preferred Schedule is the Schedule that the Board of Trustees believes will be best suited for most, if not all, employee groups and employers. The elements of this Schedule are:

1. Contribution Rate Increase: The current contribution rate shall be increased by 10% compounded annually for 10 years, rounded up to the next penny. The first 10% increase shall be effective on such date as the bargaining parties set, and the subsequent annual 10% increases shall be effective on the anniversaries of the initial effective date.

For example: Assume the employer's current contribution rate is \$1.00 per hour and that the bargaining parties adopt the Preferred Schedule effective April 1, 2011, the effective date of the collective bargaining agreement succeeding their current agreement. The contribution rate schedule would be as follows:

Effective June 1, 2010:	\$1.05 (\$1 + 5% Contribution Surcharge)
Effective January 1, 2011:	\$1.10 (\$1 + 10% Contribution Surcharge)
Effective April 1, 2011:	\$1.10 (Preferred Schedule)
Effective April 1 ^{January} , 2012:	\$1.21 (Preferred Schedule)
Effective April 1 ^{January} , 2013:	\$1.34 (Preferred Schedule) 9.68%
Effective April 1 ^{January} , 2014:	\$1.48 (Preferred Schedule)
(Etc. for the subsequent six years absent Schedule updates)	

Increases
10%
Every Jan 1st
for 10 years

2. Benefits: The Pension Fund's current plan of benefits for the group will remain unchanged, except as follows:
 - (a) As mandated by the PPA, the Fund will not be able to pay any lump sum benefits or pay any other benefit in excess of the monthly amount that would be payable to the pensioner under a single life annuity. This means that the Fund must suspend its Partial Lump Sum option, Social Security Level Income option, and Widow/Widower Lump Sum option under the regular program, as well as the lump-sum benefit option under the Employee Self-Contribution program.
 - (b) Notwithstanding paragraph (a), above, the Fund will continue to cash-out in a lump sum a participant or beneficiary whose entire benefit entitlement has an actuarial value of \$5,000 or less, and to pay the \$5,000 death benefit.
 - (c) Benefit accruals for periods after adoption of the Preferred Schedule will be based on the contribution rate in effect immediately before the Preferred Schedule goes into effect for the group. In other words, active employees would continue to accrue benefits for covered employment while the Preferred Schedule is in effect, but the contribution rate increases would not carry with them an increase in the benefit accrual rate.
 - (d) The Board of Trustees reserves its authority to amend the Rules & Regulations of the Pension Fund within the bounds of applicable law.
3. The Preferred Schedule is Addendum A of this document.

Providence Water
 Calculation of Union Pension increase

Test Year calculation				Pro-forma calculation			
Eff. Date	Rate	# of mos	Wt AvgTY	Eff. Date	Rate	# of mos	Wt Avg PE
7/1/11	\$ 1.04	9	12 \$ 0.7800	7/1/13	\$ 1.40	6	12 \$ 0.7000
4/8/12	\$ 1.15	3	12 \$ 0.2875	7/1/14	\$ 1.54	6	12 \$ 0.7700
			\$ 1.0675				\$ 1.4700
						Pro-Forma rate	\$ 1.4700
						Test Year rate	\$ 1.0675
						% Increase	137.7%
						TY Expense	\$ 331,312.00
						Pro-Forma adjusted	\$ 456,232.92
						\$ increase	\$ 124,920.92
						% increase	37.7%

Providence Water Docket 4406

**Data Requests of the
Division of Public Utilities and Carriers
Set 1**

DIV 1-19. Please provide a copy of the OPEB report supporting the pro forma GASB 43/45 Reserve Required shown on Schedule HJS-S6.

Answer: Attached is a copy of the most recent OPEB report. However, Providence Water has been contributing on a cash basis, as the City is, and estimated the amount for CY 2014 of \$480,000. The 5 year actual average was \$483,368. Attached is a recap of what we have expensed and recorded as payable to the City.

Providence Water
Opeb Recap

<u>FYE</u>	<u>Retiree OPEB Expense</u>	<u>Actual Cost Payable to City</u>	<u>Post Employment Benefits Liability</u>
6/30/08 \$	917,217.00	\$ (469,600.08)	\$ 447,616.92
6/30/09 \$	969,762.00	\$ (521,084.00)	\$ 896,294.92
6/30/10 \$	1,018,261.00	\$ (564,222.00)	\$ 1,350,333.92
6/30/11 \$	1,476,069.00	\$ (419,599.65)	\$ 2,406,803.27
6/30/12 \$	1,230,000.00	\$ (442,334.50)	\$ 3,194,468.77
	5 year Average	\$ (483,368.05)	

CITY OF PROVIDENCE

JULY 1, 2011

**ACTUARIAL VALUATION OF THE
POST RETIREMENT BENEFITS PLAN**

December 2012

[Revised 12/29/2012 for updated data information]

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SECTION I – EXECUTIVE SUMMARY and ACTUARIAL CERTIFICATION

Overview

The City of Providence, Rhode Island (the City) has engaged Buck Consultants to prepare an actuarial valuation of their post-retirement benefits plan as of July 1, 2011. The City provided census data, plan, asset and medical rates information. This report presents plan liabilities and costs calculated pursuant to Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43), and Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) of the Governmental Accounting Standards Board.

Post-Retirement Benefits Plan

The City's Post-Retirement Benefits Plan provides health benefits to retirees and their eligible dependents. Current employees are eligible for plan benefits if they meet retirement service and age eligibility requirements. Benefits are paid on a pay-as-you go basis, with a portion of the cost being paid for by member contributions. Subsidized prescription benefits and spouse coverage are generally only provided to Police & Fire (Class B) retirees, while other retirees enjoy these benefit features on what is intended to be an access-only basis (i.e. fully paid for by member contributions). Employer subsidized survivorship benefits are available to all Class B spouses, but only available to others if they had elected access-only coverage. The level of benefit coverage and member cost for participation are based on hire and retirement dates, as well as on the retiree's employment class.

Key Results

	<u>July 1, 2011</u>	<u>July 1, 2010</u>
Key Results (in \$1000s):		
Actuarial Accrued Liability (AAL)	\$1,149,115	\$1,212,615
Annual Required Contribution (ARC)	\$70,354	\$63,906

Cost savings for plan changes, such as an initiative to move eligible retirees into Medicare, were offset by other factors, including:

- A loss associated with the updated demographic assumptions adopted
- A loss related to updated healthcare assumptions for trend and an explicit measurement of the Cadillac tax
- Lowering the payroll growth assumption from 4.5% to 3.5% increased the ARC due to an increase in the amortization charge for the Unfunded AAL

Changes Since the Prior Valuation

An experience study of demographic assumptions was performed by Buck Consultants, the findings of which were communicated in the April 2, 2012 report titled *Employees' Retirement System of the City of Providence Experience Investigation for the Five Year Period Ending June 30, 2011*. It is our understanding that the assumptions proposed in that report have been adopted for use by the pension System to be reflected in the June 30, 2012 actuarial valuation, and have been applied in this valuation as well. In addition, this valuation reflects revisions to various healthcare related assumptions, including a revised healthcare cost trend rate and explicit measurement of the high cost plan excise tax (a/k/a Cadillac tax).

The City has taken steps to reduce the cost of the plan by implementing secondary payer status for the plan where possible. All classes of early retirees (those not yet Medicare eligible) who have health plans available through new employment or through their spouses are being moved to secondary status. Medicare-eligible retirees have been required to enroll in Medicare. The City has also eliminated subsidized retiree Medicare coverage completely for Union 1033 employees hired after July 1, 2008. The City has also increased premium sharing requirements for 1033 early retirees who retire after July 1, 2005, as well as for Police retirees pursuant to a phased schedule.

Valuation Cost Basis for Secondary Payer Initiatives

As the City is in the midst of implementing the significant changes noted above, there is no historical claims experience around the degree of cost savings that will actually be realized based on the changes being implemented at this point in time.

Initiative to Move Early Retirees to Secondary Status: To date, we understand that roughly 8% of early retirees have been moved to secondary status, with Providence providing coverage secondary to other coverage available to the retiree (either through another job by the retiree or through spouse coverage). We understand that a further 7% have been identified as having other coverage available, and will be moved when the paper work can be completed. While costs savings are certainly expected for these retirees, how much will be saved and how long they might remain on secondary status are not yet known. Consistent with the City's near-term budget projections, we have not reflected any savings in conjunction with this initiative in the valuation, nor have we assumed that any additional retirees (either now retired, or who would retire in the future) would move to secondary status in any subsequent period. To the extent that this initiative generates plan savings over time, the results presented herein should be considered conservative on this point.

Initiative to Move Medicare-eligible Retirees to Medicare: It is our understanding that Class A retirees eligible for Medicare have been moved to one of the Medicare plans: the Plan 65 Medicare Supplemental plan or the Medicare Advantage Blue Chip plan. Enrollment information provided by BC/BS RI indicated an increase of nearly 500 Medicare plan participants from June 2011 to December 2012, which is evidence of the success of this initiative. However, it is our understanding that Class B retirees continue to be tracked by BC/BS RI in commercial group plans. Police and Fire working rates for 2012/2013 reflect reductions over the prior year that have been used by the City to incorporate expected savings of this initiative into the City's near-term budgets. We understand that the budget rates assumed that 65% of retirees who are over age 65 were assumed to move into one of the Medicare plans, but otherwise, we were not provided with the assumptions that underlie the working rates provided. The actuaries have relied on the working rates provided which were used along with certain assumptions to develop expected costs of the program as outlined in Schedule A of this report.

Subsequent Events

In addition to the secondary payment initiatives discussed above, the City has reduced its benefits related costs by making certain changes to the pension benefits provided to retirees. Most notably, the City has eliminated cost of living adjustments (COLA) in pension amounts for a period of ten years, with further capping for individuals with relatively large pension income amounts. In addition, certain other changes were made to the underlying benefit calculations. We believe that these changes may result in individuals postponing their retirement. The impact of this COLA freeze was not reflected in the Experience Investigation referenced above, which is the source of the retirement rate assumptions used in this valuation. If actual retirements are delayed due to the COLA freeze, the obligations would tend to be lower than measured by this valuation.

The various benefit changes discussed above were the subject of litigation by the Police and Fire unions, originally filed in Fall 2011. We understand¹ that this litigation has only very recently been settled, with the unions agreeing to the changes reflected in this valuation. However, the City's website² indicates "The City will also provide funding to cover Medicare Part D prescription drug coverage." We cannot be certain that this drug benefit coverage was reflected in the working rates we were provided, or whether this had been added to the agreement after those rates had been determined. Our calculations only reflect what was reflected in the working rates provided.

¹ As reported in "Providence unions back key concessions", Portland Times, December 14, 2012, retrieved at http://www.pressherald.com/news/providence-unions-back-key-concessions_2012-12-15.html.

² Providence Police Vote to Approve Negotiated Pension Settlement, retrieved on December 19, 2012 from <http://www.providenceri.com/mayor/providence-police-vote-to-approve-negotiated>

**ACTUARIAL CERTIFICATION AND STATEMENT OF ACTUARIAL OPINION
DECEMBER 2012**

Buck Consultants, LLC (Buck) was retained by the City to complete the July 1, 2011 actuarial valuation of the City's Post-Retirement Benefit Plan. Key results of the valuation are presented in this report, which reflects plan liabilities and costs calculated pursuant to Statement No. 43 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43), and Statement No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (GASB 45) of the Governmental Accounting Standards Board.

Data Used

This valuation was performed using employee census data, enrollment data, working rates, asset information, medical self-insurance analysis, participant contributions, and plan provision information provided by personnel of the City and by BC/BS RI as directed by City personnel. Buck did not audit these data, although they were reviewed for reasonability. The results of the valuation are dependent on the accuracy of the data.

There were significant problems in collecting all of the information we had requested for the valuation. In particular,

- Census lacked Medicare eligibility indicator
- Census lacked an indicator to differentiate access only spouses from subsidized spouses
- Census lacked an indicator to differentiate state from city school retirees
- The July 1, 2011 active census lacked union code indicators
- Documentation of retiree health benefits available has not been summarized clearly. This is further complicated by census data that does not always contain indicators that allow for easy mapping to appropriate benefit offerings.

These issues result in uncertainty about the results of the valuation, which may also be affected by subsequent events noted in this report or otherwise. While the data resulted in uncertainties, we did not feel that the data were inadequate that they could not be used for the purpose of this analysis. Assumptions we made regarding missing information is outlined in Schedules A and C. These assumptions have been further refined for this revision of our valuation, based on additional information from the City.

Valuation Date

Census data was collected as of July 1, 2011, with working rates reviewed for the period July 1, 2009 through June 30, 2013. Results were calculated at July 1, 2011 and used for determination of the Annual Required Contribution (ARC) for fiscal 2012.

Scope

This valuation pertains to the City's Post-Retirement Benefit Plan. The City may offer other postemployment benefits that warrant measurement under GASB 45. However, the scope of this valuation is limited to the City's postretirement health and welfare benefit program as described in this report.

Purpose of This Report

This report has been prepared at the request of the City, for use in financial reporting. Buck's work product was prepared exclusively for the use or benefit of the City for purposes of the City's financial statements under GASB 45, and for use or benefit of the City's Postretirement Benefit plan for the plan's financial statements under GASB 43. The results may not be appropriate for other purposes, such as analyzing proposed design alternatives. It is a complex, technical analysis that assumes a high level of knowledge concerning the City's operations, and uses data provided by the City and others, which Buck has not audited. The undersigned actuaries are available to answer any questions regarding Buck's work product.

Actuarial Status of the Plan

The undersigned actuaries believe that the assumptions used in this valuation are reasonable for the purposes stated. Given the assumptions selected, the costs and actuarial exhibits presented in this report have been prepared in accordance with Generally Accepted Accounting Practices and the requirements of GASB 43 and GASB 45.

The undersigned actuaries have evaluated the demographic assumptions used in the valuation that are based on the assumptions used in the valuation of the Employees' Retirement System of the City of Providence, which were developed by other qualified actuaries at Buck Consultants based on recent experience of the System. The actuaries issuing this analysis have developed additional assumptions based on experience of the medical benefit arrangements valued, and feel that these additional assumptions are reasonable for this purpose.


While the actuaries believe that the assumptions are reasonable for financial reporting purposes, it should be understood that there is a range of assumptions that could be deemed reasonable that would yield different results. Moreover, while the actuaries consider the assumption set to be reasonable based on prior plan experience, it should be understood that future plan experience may differ considerably from what has been assumed. This is particularly the case, given the significant changes in the benefits provided that have yet to be implemented and significant uncertainties surrounding data and plan provisions used in this analysis.

Based on the foregoing, the cost results and actuarial exhibits presented here were determined on a consistent and objective basis in accordance with applicable Actuarial Standards of Practice and generally accepted actuarial procedures.

We are members of the American Academy of Actuaries and meet its Qualification Standards to render this actuarial opinion. We are available for questions regarding this report.

Respectfully Submitted,

Buck Consultants, LLC



Robin Simon, FSA, EA, MAAA, FCA

Principal

Health and Productivity Actuary

City of Providence

Post Retirement Medical Plan Analysis

July 1, 2011



Stephen R. Oates, ASA, EA, MAAA

Director

Health and Productivity Actuary

SECTION II – REQUIRED INFORMATION

(amounts in thousands)

Valuation Date	July 1, 2011	July 1, 2010
Funded Status of the Plan		
Actuarial Accrued Liability (AAL)	\$ 1,149,115	\$ 1,212,615
Actuarial Value of Assets	1,238	1,040
Unfunded AAL (UAAL)	\$ 1,147,877	\$ 1,211,575
Funded Ratio	0.1%	0.1%
Annual Covered Payroll	\$ 266,731	\$ 267,593
UAL as % of Annual Covered Payroll	430.4%	452.8%
Annual Required Contribution (ARC)		
Amortization of UAAL ¹	\$ 40,996	\$ 38,403
Normal Cost	27,272	25,503
Interest Cost	2,086	included above
Total ARC	\$ 70,354	\$ 63,906
Net OPEB Obligation (NOO)		
NOO at beginning of year	\$ 98,408	\$ 63,980
Annual OPEB Cost (AOC)		
ARC	\$ 70,354	\$ 63,906
Interest on NOO at beginning of year	3,936	2,559
ARC Adjustment	(3,655)	(2,028)
Total AOC	\$ 70,635	\$ 64,437
Expected City Contributions		
Pay-go Costs for year ²	\$ 32,252	\$ 30,009
Pre-Funding for year	\$0	\$0
Total State Contributions	\$ 32,252	\$ 30,009
NOO at end of year (<u>projected</u>)	\$ 136,791	\$ 98,408

¹ Amortization factor based on 4.5% salary growth for 2010 and 3.5% for 2011.

² Source: 2011 pay-go expected per valuation, 2010 pay-go from 2011 CAFR.

Revised 12/23/2012 for updated asset information and 12/29/2012 for updated data information.

SECTION III - MEMBERSHIP DATA AND ANNUAL REQUIRED CONTRIBUTION

Number of participants included in the valuation

	<u>General</u>	<u>School</u>	<u>Water</u>	<u>Total</u>
Actives	1,803	3,064	242	5,109
Inactive:				
Individual	1,138	960	74	2,172
Family	<u>974</u>	<u>463</u>	<u>22</u>	<u>1,459</u>
Total	2,112	1,423	96	3,631
Grand Total	3,915	4,487	338	8,740

Number of participants included in the valuation by department

	<u>General</u>					<u>School</u>	<u>Water</u>	<u>Total</u>	
	<u>Class A</u>	<u>Fire</u>	<u>Police</u>						
Actives	938	398	467			3,064	242	5,109	
Inactive:	<u>Pre 1985</u>	<u>1985-1995</u>	<u>Post 1995</u>			<u>Pre 1995</u>	<u>Post 1995</u>		
Individual	70	192	464	219	193	320	640	74	2,172
Family	<u>21</u>	<u>114</u>	<u>31</u>	<u>403</u>	<u>405</u>	<u>209</u>	<u>254</u>	<u>22</u>	<u>1,459</u>
Total	91	306	495	622	598	529	894	96	3,631
Grand Total	91	306	1,433	1,020	1,065	529	3,958	338	8,740

An additional 130 participants with deferred vested benefits have been included.

Revised 12/23/2012 for updated asset information and 12/29/2012 for updated data information.

SECTION III - MEMBERSHIP DATA AND ANNUAL REQUIRED CONTRIBUTION

Development of ARC and AOC by Division

Division	(amounts in thousands)			Total
	General	School	Water	
Funded Status of the Plan				
Actuarial Accrued Liability (AAL)				
Active	\$ 352,304	\$ 131,373	\$ 9,857	\$ 493,534
Retiree	572,746	77,563	5,272	655,581
Total AAL	\$ 925,050	\$ 208,936	\$ 15,129	\$ 1,149,115
Actuarial Value of Assets ¹	997	225	16	1,238
Unfunded AAL (UAAL)	\$ 924,053	\$ 208,711	\$ 15,113	\$ 1,147,877
Annual Required Contribution (ARC)				
Amortization of UAAL	\$ 33,002	\$ 7,454	\$ 540	\$ 40,996
Normal Cost	16,477	10,150	645	27,272
Interest Cost	1,437	608	41	2,086
Total ARC	\$ 50,916	\$ 18,212	\$ 1,226	\$ 70,354
Annual OPEB Cost (AOC)				
ARC	\$ 50,916	\$ 18,212	\$ 1,226	\$ 70,354
Interest on NOO at beginning of year ¹	3,169	716	51	3,936
ARC Adjustment ¹	(2,942)	(665)	(48)	(3,655)
Total AOC	\$ 51,143	\$ 18,263	\$ 1,229	\$ 70,635
Expected Net Benefit Payments	\$ 27,113	\$ 4,833	\$ 306	\$ 32,252

¹ Allocated by AAL weighting.

Revised 12/23/2012 for updated asset information and 12/29/2012 for updated data information.

SECTION IV – MONTHLY MEDICAL PREMIUM

FYE 2013 SAMPLE BLENDED RATES

	<u>City</u>	<u>Fire</u>	<u>Police</u>	<u>School</u>
INDIVIDUAL				
Classic	\$615.14	\$789.63	\$792.97	\$801.26
HealthMate C2C	\$640.23	\$624.56	\$609.13	\$538.30
Plan 65	\$156.24	\$156.24	\$156.24	\$156.24
Blue Chip 65	\$145.00	\$145.00	\$145.00	\$145.00
 FAMILY				
Classic	\$1,533.23	\$2,036.08	\$2,043.69	\$2,069.55
HealthMate C2C	\$1,697.23	\$1,655.33	\$1,607.48	\$1,388.65

*Provided by the City in the file "2008 through 2012 Working Rates"

Rates are blended across enrollment (w/o Rx unless Police and Fire)

**2013 working rates used in development of plan costs, with timing adjustment.

SECTION V – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

Amounts in thousands

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b) - (a) Unfunded AAL (UAL)	(a) / (b) Funded Ratio	(c) Covered Payroll	[(b)-(a)]/(c) UAL as Percentage of Covered Payroll
07/01/2011	\$ 1,238	\$ 1,149,115	\$ 1,147,877	0.11%	\$ 266,731	430.35%
07/01/2010	\$ 1,040	\$ 1,212,615	\$ 1,211,575	0.09%	\$ 267,593	452.77%
07/01/2009	\$ 1,040	\$ 1,498,491	\$ 1,497,451	0.07%	\$ 268,871	556.94%
07/01/2008	\$ 1,035	\$ 593,903	\$ 592,868	0.17%	\$ 274,827	215.72%

*The July 1, 2008 results are based on an 8.5% discount rate. Other years use 4.0%.
Revised 12/23/2012 for updated asset information and 12/29/2012 for updated data information.

SECTION V – REQUIRED SUPPLEMENTARY INFORMATION

Amounts in thousands

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation are as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	AOC as % of Covered Payroll
June 30 ,2012	\$ 70,635	47.9%	\$ 135,200	\$ 266,731	26.48%
June 30 ,2011	\$ 64,437	46.6%	\$ 98,408	\$ 267,593	24.08%
June 30 ,2010	\$ 79,688	36.1%	\$ 63,980	\$ 268,871	29.64%

*FYs 2008 and 2009 used an 8.5% discount rate. Subsequent years use 4.0%

Annual OPEB Cost and Net OPEB Obligations	7/1/2009 <u>6/30/2010</u> Total	7/1/2010 <u>6/30/2011</u> Total	7/1/2011 <u>6/30/2012</u> Total
	4.00%	4.00%	4.00%
1. Annual Required Contribution (ARC)	\$79,580	\$63,906	\$70,354
2. Interest on net OPEB Obligation	521	2,559	3,936
3. Adjustment to ARC	<u>(413)</u>	<u>(2,028)</u>	<u>(3,655)</u>
4. Annual OPEB Cost (Expense)	79,688	64,437	70,635
5. Contribution made*	<u>28,753</u>	<u>30,009</u>	<u>33,843</u>
6. Increase in OPEB Obligation	50,935	34,428	36,792
7. Net OPEB Obligation - beginning of year	<u>13,045</u>	<u>63,980</u>	<u>98,408</u>
8. Net OPEB Obligation - end of year**	63,980	98,408	135,200

* YE 2012 amount taken from the Medical Self Insurance Analysis for FYE June 30, 2012.

** YE 2010 NOO restated for opening balance used in YE 2011 CAFR.

Revised 12/23/2012 for updated asset information and 12/29/2012 for updated data information.

SCHEDULE A – ACTUARIAL ASSUMPTIONS AND METHODS

CITY OF PROVIDENCE, ALL GROUPS

Interest: 4.00% per year, net of investment expenses. Current funding practice has virtually all benefits provided directly out of the general assets of the City. Higher interest rate assumptions would be available if the City were to make substantial pre-funding contributions to the assets of the plan.

Data: July 1, 2011 census data was used.

Administrative Expense: Included in premium rates.

Actuarial Cost Method: Projected Unit Credit with benefits attributed from date of hire until date that the employee becomes eligible for retirement benefits.

Asset Valuation Method: Market value.

Healthcare Cost Trend:

Year	<u>Rate</u>
2011	7.50%
2012	7.50%
2013	7.50%
2014	7.00%
2015	6.50%
2016	6.00%
2017	5.75%
2018	5.50%
2019	5.25%
2020	5.00%
2021	4.75%
2022 & after	4.50%

The healthcare cost trend rate reflects an overall average assumed increase in per capita costs for both non-Medicare and Medicare coverages, including net impact of future migration and different levels of Medicare Part B late enrollment penalties that would be expected to apply over time. Consideration was also given to various fees that will apply in the next few years due to implementation of various aspects of the Patient Protection and Affordable Care Act (national healthcare reform legislation).

Amortization method: 30-year open basis level % of pay with 3.5% payroll growth.

Marital status:

For actives in Class B departments, it was assumed that 80% of both males and females would have a covered spouse at retirement. Wives are assumed to be three years younger than their husbands. Spouses of future Class A retirees are not eligible to receive subsidized retiree medical coverage.

Coverage:

It is assumed that 100% of current active employees will elect subsidized retiree medical coverage.

Census Assumptions:

In instances where census data lacked indicators for access only spouse status, we relied on our understanding of the plan provisions around class, retirement date, or hire date (as applicable) to determine when spouses are eligible for subsidized medical coverage.

In instances where census data lacked indicators to differentiate State vs. City School retirees, we assumed the lower retiree premium contribution applied.

The data received to perform this valuation did not have an associated 1033 union code for active participants. We relied on data used to perform the previous valuation for this purpose, except as noted below. This issue relates to 1033 plan changes that eliminate Medicare coverage and increased early retiree premium contribution rates.

Police and Fire active employees who were reported in Class A were assumed to be in union 1033.

SCHEDULE A - ACTUARIAL ASSUMPTIONS AND METHODS

CITY OF PROVIDENCE, ALL GROUPS

Medical Plan Costs:

Per capita costs were developed from the City developed retiree monthly costs and adjusted by age-based morbidity. Actives have different rates. Working rates for 2012-13 were used to develop the per capita costs and were adjusted for trend to the valuation date. An estimate of the City's budgeted savings associated with the initiative to move Police and Fire retirees into Medicare were included in the 2012-13 working rates. As the census did not include a Medicare eligibility indicator and the working rates did not distinguish expectations for those with and without Medicare, our analysis relied on the City's blended working rates and enrollment information to isolate the estimated savings reflected in the projected Age 65 costs. While the City's working rates blend costs across all ages, our approach isolated pre-65 rates using the 2011-12 rates and the enrollments provided and assumed that all of the expected savings (reflected by reduced blended rates at 2012-13) would be expected for the Age 65 rates due to Medicare initiative. Estimated blended gross per capita incurred claim costs at ages 64 and 65 are as follows:

	<u>Age 64</u>	<u>Age 65</u>
<i>Class A</i>		
Plan 65 Requirement (no Rx)	\$5,430	\$1,376
No Plan 65 requirement (no Rx)	\$5,430	\$5,631
<i>Water</i> (No Rx)	\$5,275	\$1,376
<i>School</i> (No Rx)	\$6,585	\$1,376
<i>Fire</i>		
Plan 65 Requirement (no Rx in Plan 65)	\$10,370	\$1,376
No Plan 65 requirement	\$10,370	\$9,356
<i>Police</i>	\$11,128	\$9,347

Where "No Rx" is indicated, retirees have the option to enroll in an Rx plan, but on an access-only basis. The valuation assumes the access-only rates charged are sufficient to cover the plan costs of providing this benefit.

* All future Class A retirees are assumed Medicare-eligible at age 65 and switch to Plan 65.

Age-based Morbidity:

Per capita costs are adjusted to reflect expected cost increases related to age. The increase in the net incurred claims was assumed to be:

Annual Increase	
<u>Age</u>	<u>Retiree</u>
40-44	2.50%
45-59	2.60%
50-54	3.20%
55-59	3.40%
60-64	3.70%
65-69	3.20%
70-74	2.40%
75-79	1.80%
80-84	1.30%

IBNR Claims: We do not include any reserve for Incurred But Not Reported claims.

SCHEDULE A – ACTUARIAL ASSUMPTIONS AND METHODS

GENERAL EMPLOYEES AND SCHOOL EMPLOYEES

Representative values of the assumed annual rates of withdrawal and vesting, disability, death and service retirement are as follows:

Age	Retirement		Disability	Withdrawal
	<10 YOS	≥10 YOS		
20			0.0002	0.1400
25			0.0003	0.1150
30			0.0005	0.0900
35			0.0008	0.0650
40	0.0200	0.0450	0.0010	0.0500
45	0.0325	0.0700	0.0018	0.0375
50	0.0450	0.0950	0.0022	0.0250
55	0.0700	0.1200	0.0028	0.0125
60	0.1000	0.1250	0.0036	0.0000
65	0.1500	0.2000	0.0050	
70	0.1500	0.2000	0.0050	
75	1.0000	1.0000	0.0000	

Age	Healthy Mortality		Disability Mortality	
	Male	Female	Male	Female
50	0.0015	0.0012	0.0057	0.0029
55	0.0024	0.0023	0.0069	0.0049
60	0.0048	0.0046	0.0110	0.0085
65	0.0095	0.0087	0.0182	0.0138
70	0.0162	0.0151	0.0304	0.0230
75	0.0281	0.0237	0.0521	0.0376
80	0.0521	0.0396	0.0897	0.0625
85	0.0956	0.0683	0.1506	0.1073
90	0.1686	0.1236	0.2337	0.1704
95	0.2565	0.1865	0.3153	0.2239
100	0.3374	0.2325	0.3830	0.2660

The healthy mortality rates reflect the RP-2000 Combined Mortality Table projected to 2021 with Scale AA.

It is assumed for the general employees that 67% of all disabilities are ordinary (33% are service connected).

SCHEDULE A – ACTUARIAL ASSUMPTIONS AND METHODS

POLICE, FIRE AND OTHER HAZARDOUS DUTY

Representative values of the assumed annual rates of disability, death and service retirement are as follows:

Age	Retirement	Disability	Withdrawal
20		0.0008	0.0250
25		0.0013	0.0190
30		0.0019	0.0140
35		0.0025	0.0090
40	0.0550	0.0037	0.0055
45	0.0575	0.0066	0.0035
50	0.0700	0.0114	0.0015
55	0.1000	0.0164	
60	0.5000	0.0228	
65	1.0000		

Age	Healthy Mortality		Disability Mortality	
	Male	Female	Male	Female
50	0.0016	0.0014	0.0057	0.0029
55	0.0028	0.0024	0.0069	0.0049
60	0.0059	0.0045	0.0110	0.0085
65	0.0116	0.0094	0.0182	0.0138
70	0.0195	0.0168	0.0304	0.0230
75	0.0321	0.0261	0.0521	0.0376
80	0.0571	0.0422	0.0897	0.0625
85	0.0993	0.0732	0.1506	0.1073
90	0.1671	0.1283	0.2337	0.1704
95	0.2488	0.1846	0.3153	0.2239
100	0.3374	0.2325	0.3830	0.2660

The healthy mortality rates reflect the RP-2000 Combined Mortality Table with blue collar adjustment projected to 2021 with Scale AA.

For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).

SCHEDULE B – CONSIDERATION OF HEALTH CARE REFORM

Summary of Effects of Selected Provisions

Early Retiree Reinsurance Program – Effective 6/1/2010: Due to the short-term nature of the payments expected to be received under this program, we did not feel it would be appropriate to include the impact of this program on long-term GASB 45 liabilities.

Removal of Lifetime Maximum: The impact of elimination of the lifetime maximums is assumed to have already been reflected in the working rates provided.

Medicare Advantage Plans - Effective 1/1/2011: The law provides for reductions to the amounts that would be provided to Medicare Advantage plans starting in 2011. The City does offer a Medicare Advantage plan, Blue Chips. Due to the limited retirees electing the plan, we expect it would have a negligible impact.

Expansion of Child Coverage to Age 26: The impact of covering retiree children to age 26 is assumed to have already been reflected in the working rates provided.

Medicare Part D Subsidy - Shrinking Medicare Prescription Drug “Donut Hole”- Starting 1/1/2011– RDS payments are not reflected as an ongoing offsetting item in GASB 45 valuations, and so no direct impact is reflected.

Excise Tax on High-Cost Employer Health Plans (aka Cadillac Tax) - Effective 1/1/2018 As we get closer to 2018, the significance of the tax gets larger. Favorable plan experience in the Federal Employee Health Plan Standard Blue Cross Blue Shield option has resulted in lower assumed adjustment to the initial tax limits, which further increases the significance of the tax. We performed a projection of the calculation on the City’s plans using a CPI of 3.0%, blending non-Medicare and Medicare retiree coverage for testing purposes and have adjusted future payments according to when we project the tax to apply by plan. Additional commentary on this issue can be found on the following page.

Other Revenue Raisers: The Health Care Reform legislation includes a variety of other revenue raisers that involve additional costs on employers, providers (such as medical device manufacturers) and insurers. We considered these factors when developing the trend assumption used.

Other: We have not identified any other specific provision of health care reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

High Cost Plan Excise Tax: The Health Care Reform legislation added a new High Cost Plan Excise Tax (also known as the “Cadillac Tax”) starting in calendar year 2018. For valuation purposes, we assumed that the value of the tax will be passed back to the City in higher ASO rates.

The tax is 40% of the excess of a) the cost of coverage over b) the limit. We modeled the cost of the tax by calculating “a” (the cost of coverage) using the working rates projected with trend. We calculated “b” (the limit) starting with the statutory limits (\$10,200 single and \$27,500 family), adjusted for the following:

- Limits will increase from 2018 to 2019 by 4.0% (CPI plus 1%);
- Limits will increase after 2019 by 3.0% (CPI); and
- For retirees over age 55 but not on Medicare, the limit is increased by an additional dollar amount of \$1,650 for single coverage, \$3,450 for family coverage³.

We also examined the possibility that the limits would be increased due to excess trend. An estimate of trend for the period from 2010 through 2018 for the federal standard Blue Cross/Blue Shield option (using actual increase rates from 2010 to 2013 and the valuation trend from 2013 to the valuation 2018) is compared to the statutory “assumed” 55% trend, with trend in excess of 55% applied on the base amount before the additional amount for “early” retirees. However, it appears due to favorable experience in the federal standard Blue Cross/Blue Shield plan that there will not be any excess trend.

Using our model, we projected expected additional increase in cost by plan included in this valuation, blending increases in cost between single and family coverage.

³ These additional amounts are available at other ages for plans sponsored by an employer where the majority of employees are engaged in high risk professions including law enforcement officers and fire fighters. Since only a minority of the retirees included in this valuation are police and fire, we are assuming that this exception would not apply.

SCHEDULE C – SUMMARY OF PROGRAM PROVISIONS

Plan Provisions and Eligibility for Active Members

*City of Providence, Rhode Island
Summary of Eligibility and Cost Sharing Provisions*

*X = Provided by the City
EE Pay = employee-pay-all, access only*

*Vision - Employees have access to vision, but the cost is not paid by the City for any group
Dental - Employees have access to dental, but the cost is not paid by the City for any group
Life Insurance - Not provided to retirees
Medical - Self-insured plan*

*Benefits provided by the City were modeled in this valuation.
Access only benefits were not considered, with the exception of death benefits for retirees with access only spouses.
Benefits coverage provided upon retirement or disability.*

Active Participants¹

Pre-65 Med

Eligibility

		<i>(also includes Police and Fire employees reported in Class A)</i>	
Class A - General and City School Employees			
Hired before 7/1/1992		Age 55 or 25 YOS	Co-share (1% final avg salary), assumed to be \$400 annually with no future trend adjustment
Hired on or after 7/1/1992 & before 7/1/1995		Age 55 with 10 YOS or 25 YOS	Co-share (1% final avg salary), assumed to be \$400 annually with no future trend adjustment
Hired on or after 7/1/1995		Age 55 with 10 YOS or 30 YOS	Co-share (1% final avg salary), assumed to be \$400 annually with no future trend adjustment
Class A - State School Employees			
At least 10 YOS as of 7/1/2005		Age 60 with 10 YOS or 28 YOS	Co-share (1% final avg salary), assumed to be \$513 annually with no future trend adjustment
Less than 10 YOS as of 7/1/2005		Age 65 with 10 YOS or Age 59 and 29 YOS or Age 55 and 20 YOS	Co-share (1% final avg salary), assumed to be \$513 annually with no future trend adjustment
Class B - Fire			
Hired before 7/1/1992		Age 55 or 20 YOS	City pays for Coast to Coast
Hired on or after 7/1/1992 & before 7/1/1996		Age 55 with 10 YOS or 20 YOS	City pays for Coast to Coast
Hired on or after 7/1/1996		Age 55 with 10 YOS or 20 YOS	City pays for Coast to Coast
Class B - Police			
Hired before 7/1/1992		Age 55 or 20 YOS	X
Hired on or after 7/1/1992 & before 7/1/1998		Age 55 with 10 YOS or 20 YOS	X
Hired on or after 7/1/1998		Age 55 with 10 YOS or 20 YOS	X

Active Participants ¹	Spouse Coverage (Pre and Post 65)	Rx	Post-65 Med
<i>(also includes Police and Fire employees reported in Class A)</i>			
Class A - General and City School Employees			
Hired before 7/1/1992	not covered unless ret dies, and spouse is enrolled in access-only coverage	EE pay	City pays for Plan 65, with Co-share (1% final avg salary), assumed to be \$400 annually with no future trend adjustment
Hired on or after 7/1/1992 & before 7/1/1995	not covered unless ret dies, and spouse is enrolled in access-only coverage	EE pay	City pays for Plan 65, with Co-share (1% final avg salary), assumed to be \$400 annually with no future trend adjustment
Hired on or after 7/1/1995	not covered unless ret dies, and spouse is paying for access-only coverage	EE pay	City pays for Plan 65, with Co-share (1% final avg salary), assumed to be \$400 annually with no future trend adjustment
Class A - State School Employees			
At least 10 YOS as of 7/1/2005	not covered unless ret dies, and spouse is enrolled in access-only coverage	EE pay	City pays for Plan 65, with Co-share (1% final avg salary), assumed to be \$513 annually with no future trend adjustment
Less than 10 YOS as of 7/1/2005	not covered unless ret dies, and spouse is enrolled in access-only coverage	EE pay	City pays for Plan 65, with Co-share (1% final avg salary), assumed to be \$513 annually with no future trend adjustment
Class B - Fire			
Hired before 7/1/1992	City pays for Coast to Coast	X	if under age 65 3/9/2010, city pays for Plan 65 only
Hired on or after 7/1/1992 & before 7/1/1996	City pays for Coast to Coast	X	if under age 65 3/9/2010, city pays for Plan 65 only
Hired on or after 7/1/1996	not covered unless ret dies, and spouse is enrolled in access-only coverage	X	if under age 65 3/9/2010, city pays for Plan 65 only

Active Participants ¹	Spouse Coverage (Pre and Post 65)	Rx	Post-65 Med
Class B – Police			
Hired before 7/1/1992	X	X	not required to switch to Plan 65
Hired on or after 7/1/1992 & before 7/1/1998	X	X	not required to switch to Plan 65
Hired on or after 7/1/1998	not covered unless ret dies, and spouse is paying for access-only coverage	X	not required to switch to Plan 65

¹ Please see Schedule E for significant collective bargaining agreements / ordinances and other cost saving initiatives that are reflected in this valuation. The plan summary above incorporates provisions from our previous valuation.

SCHEDULE C – SUMMARY OF PROGRAM PROVISIONS

Plan Provisions and Eligibility for Inactive Members

Retired Participants ¹	Spouse Coverage (Pre and Post 65)		Rx	Post-65 Med
	Pre-65 Med	Post 65)		
Class A - General and All School Employees				
Retired before 7/1/1985	X	X	EE pay	not required to switch to Plan 65
Retired between 7/1/1985 and 9/2/1995	X	X	EE pay	City pays for Plan 65 only
Retired between 9/3/1995 and 1/1/2005	X	not covered unless ret dies, and spouse is enrolled in access-only coverage	EE pay	City pays for Plan 65 only
Retired on or after 1/1/2005	Co-share (1% final avg salary), assumed to be \$400 annually with no future trend adjustment	not covered unless ret dies, and spouse is enrolled in access-only coverage	EE pay	City pays for Plan 65, with Co-share (1% final avg salary), assumed to be \$400 annually for City, and \$513 annually for State School with no future trend adjustment
Class B - Fire				
Retired before 7/1/2001	X	X	X	not required to switch to Plan 65, if over age 65 3/9/2010
Retired between 7/1/2001 and 6/30/2004	City pays for Coast to Coast	City pays for Coast to Coast	X	not required to switch to Plan 65, if over age 65 3/9/2010
Retired between 7/1/2004 and 6/30/2006	X	X	X	not required to switch to Plan 65, if over age 65 3/9/2010
Retired on or after 7/1/2006	City pays for Coast to Coast	Coast to Coast, if hired before 7/1/1996	X	not required to switch to Plan 65, if over age 65 3/9/2010
Class B - Police				
Retired before 7/1/2006	X	X	X	not required to switch to Plan 65
Retired on or after 7/1/2006	X	covered if hired before 7/1/1998	X	not required to switch to Plan 65

¹ Please see Schedule E for significant collective bargaining agreements / ordinances and other cost saving initiatives that are reflected in this valuation. The plan summary above incorporates provisions from the previous valuation.

SCHEDULE D – GLOSSARY OF TERMS

Actuarial accrued liability

That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of OPEB benefits and expenses which is not provided for by future Normal Costs and therefore is the value of benefits already earned.

Actuarial assumptions

Assumptions as to the occurrence of future events affecting OPEB costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided OPEB benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.

Actuarial cost method

A procedure for determining the Actuarial Present Value of OPEB benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial experience gain or loss

A measure of the difference between actual experience and that expected based upon a set of Actuarial Assumptions, during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.

Amortization (of unfunded actuarial accrued liability)

That portion of the OPEB plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability or the Unfunded Frozen Actuarial Accrued Liability.

Annual OPEB cost

An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.

Annual required contributions of the employer (ARC)

The employer's periodic expense to a defined benefit OPEB plan, calculated in accordance with the parameters.

SCHEDULE D – GLOSSARY OF TERMS

Closed amortization period (closed basis)

A specific number of years that is counted from one date and, therefore, declines to zero with the passage of time. For example, if the amortization period initially is thirty years on a closed basis, twenty-nine years remain after the first year, twenty-eight years after the second year, and so forth. In contrast, an open amortization period (open basis) is one that begins again or is recalculated at each actuarial valuation date. Within a maximum number of years specified by law or policy (for example, thirty years), the period may increase, decrease, or remain stable.

Covered payroll

Annual compensation paid to active employees covered by an OPEB plan. If employees also are covered by a pension plan, the covered payroll should include all elements included in compensation on which contributions to the pension plan are based. For example, if pension contributions are calculated on base pay including overtime, covered payroll includes overtime compensation.

Defined benefit OPEB plan

An OPEB plan having terms that specify the benefits to be provided at or after separation from employment. The benefits may be specified in dollars (for example, a flat dollar payment or an amount based on one or more factors such as age, years of service, and compensation), or as a type or level of coverage (for example, prescription drugs or a percentage of healthcare insurance premiums).

Funded ratio

The actuarial value of assets expressed as a percentage of the actuarial accrued liability.

Funding policy

The program for the amounts and timing of contributions to be made by plan members, employer(s), and other contributing entities (for example, state government contributions to a local government plan) to provide the benefits specified by an OPEB plan.

Healthcare cost trend rate

The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Investment return assumption (discount rate)

The rate used to adjust a series of future payments to reflect the time value of money.

Level dollar amortization method

The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

SCHEDULE D – GLOSSARY OF TERMS

Level percentage of projected payroll amortization method

Amortization payments are calculated so that they are a constant percentage of the projected payroll of active plan members over a given number of years. The dollar amount of the payments generally will increase over time as payroll increases due to inflation; in dollars adjusted for inflation, the payments can be expected to remain level.

Net OPEB obligation

The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt. It will be included as a balance sheet entry on the financial statements.

Normal cost

That portion of the Actuarial Present Value of OPEB benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method. It is the value of benefits to be accrued in the valuation year by active employees.

OPEB-related debt

All long-term liabilities of an employer to an OPEB plan, the payment of which is not included in the annual required contributions of a sole or agent employer (ARC) or the actuarially determined required contributions of a cost-sharing employer. Payments generally are made in accordance with installment contracts that usually include interest. Examples include contractually deferred contributions and amounts assessed to an employer upon joining a multiple-employer plan.

Other postemployment benefits

Postemployment benefits other than pension benefits. Other postemployment benefits (OPEB) include postemployment healthcare benefits, regardless of the type of plan that provides them, and all postemployment benefits provided separately from a pension plan, excluding benefits defined as termination offers and benefits.

Pay-as-you-go

A method of financing an OPEB plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.

Required supplementary information (RSI)

Schedules, statistical data, and other information that are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Schedule E – Significant Collective Bargaining Agreements/Ordinances and Cost-Savings Initiatives

Group	CBA	Implications on Valuation
All Groups	<p>Ordinance No. 422 – Approved July 19, 2011</p> <p>“(1) As a condition of receiving or continuing to receive retirement payments and health benefits, all retired individuals and spouses of retired individuals shall enroll in Medicare immediately upon eligibility. Any health benefits provided by the city to Medicare-eligible individuals shall be secondary to Medicare benefits.</p> <p>(2) With the exception of Medicare supplement or gap coverage, the city shall not provide Medicare-eligible retirees or Medicare-eligible spouses of retirees with healthcare benefits. The cost of said Medicare supplement or gap coverage shall be paid by the city and/or retiree as otherwise provided by ordinance or contract.”</p>	<p>We reflected this ordinance in our valuation. It is our understanding that Class A retirees eligible for Medicare have been moved to one of the Medicare plans: the Plan 65 Medicare Supplemental plan or the Medicare Advantage Blue Chip plan. Enrollment information provided by BC/BS RI indicated an increase of nearly 500 Medicare plan participants from June 2011 to December 2012, which is evidence of the success of this initiative. However, it is our understanding that Class B retirees continue to be tracked by BC/BS RI in commercial group plans. Police and Fire working rates for 2012/2013 reflect reductions over the prior year that have been used by the City to incorporate expected savings of this initiative into the City’s near-term budgets. We understand that the budget rates assumed that 65% of retirees who are over age 65 were assumed to move into one of the Medicare plans, but otherwise, we were not provided with the assumptions that underlie the working rates provided. The actuaries have relied on the working rates provided which were used along with certain assumptions to develop expected costs of the program as outlined in Schedule A of this report. We assumed that all Medicare-eligible participants would enroll in Medicare. We used city working rates to incorporate the estimated savings.</p>

Group	CBA	Implications on Valuation
All Groups	<p>Coordination of Benefits Initiative</p> <p>It was communicated to us that all groups are following a coordination of benefit agreement. This agreement calls for participants who have access to medical coverage from a current employer to rely on that medical coverage as their “active plan”. The active plan is the primary policy that will pay medical claims. The City will pay the cost for what is not covered by the retiree’s current or active plan.</p>	<p>To date, roughly 8% of early retirees have been moved to secondary status, with Providence providing coverage secondary to other coverage available to the retiree (either through another job by the retiree or through spouse coverage). While costs savings are certainly expected for these retirees, how much will be saved and how long they might remain on secondary status are not yet known. Consistent with the City’s near-term budget projections, we have not reflected any savings in conjunction with this initiative in the valuation, nor have we assumed that any additional retirees (either now retired, or who would retire in the future) would move to secondary status in any subsequent period. To the extent that this initiative generates plan savings over time, the results presented herein should be considered conservative on this point.</p>
Fire	<p>City of Providence and Local 799, International Association of Firefighters, AFL-CIO – Agreement made June 28, 2011</p> <p>“D. Employees hired on or after July 1, 1996 shall receive City Blue Health care, either through individual or family coverage with Prescription Plan. Any employee hired on or after July 1, 1996 who retires from employment with the City, either on regular or disability, shall receive City Blue health care for individual coverage only. Retired employees will be allowed to purchase, at the retired employee’s expense, spousal coverage at the City’s rate, and the City will agree to pay any rate increase over and above the cost of the spousal portion in all years after the employee completes one year of retirement. Said coverage shall be the same plan in effect when the retiree was an active employee. The city agrees to provide, to the retiree’s spouse upon the death of the retiree, an individual plan at the same level of coverage as received by the retiree before his/her death.”</p>	<p>We reflected this agreement in our valuation. 25% of spouses were assumed to participate</p>

Group	CBA	Implications on Valuation
Fire	<p>City of Providence and Local 799, International Association of Firefighters, AFL-CIO – Agreement made June 28, 2011</p> <p>“K. For all firefighters who retire after March 12, 2012, and all retirees who have not yet attained the age of 65, health insurance coverage for retiree and / or spouse will automatically be converted to Plan 65, or whatever Medicare supplement plan is currently in effect for City retirees, or, at the option of the retiree, a Medicare – approved HMO with substantially equivalent benefits.”</p>	<p>This was previously reflected in the July 1, 2010 valuation, with a date of March 9, 2010, and not March 12, 2012. We have continued to use the prior date. We do not include Rx coverage for this group.</p>
Police	<p>July 1, 2007 – June 30, 2010 COLLECTIVE BARGAINING AGREEMENT and July 1, 2010 – June 30, 2012 COLLECTIVE BARGAINING AGREEMENT and July 1, 2012 – June 30, 2015 COLLECTIVE BARGAINING AGREEMENT <i>by and between</i> The Providence Lodge #3, FRATERNAL ORDER OF POLICE <i>and</i> The City of Providence, Rhode Island</p> <p>“2. Article XV, Section 1: “Blue Cross and Physician Service – Active Members”; and Section 2; “Blue Cross and Physician’s Service – Retirees”.</p> <ul style="list-style-type: none"> • The annual \$600.00 individual plan / \$1,200 family plan Healthcare Co-Payment/Co-Share shall increase to \$750.00 individual plan / \$1,500 family plan as of 7/1/12, if and only if the Members have received at least a 3% Salary Stipend effective as of 6/30/12 and paid as of 8/1/12. • As of 7/1/13, the Healthcare Co-Payment/Co-Share shall increase to \$900.00 individual plan / \$1,800 family plan, paid annually. • As of 7/1/14, the Healthcare Co-Payment/Co-Share shall increase to \$1,075.00 individual plan / \$2,150 family plan, paid annually. “ 	<p>We reflected this agreement in our valuation. We assumed all Police reported in Class B received at least a 3% salary stipend effective as of 6/30/12 and paid as of 8/1/12. We reflected this agreement in our valuation.</p>

Group	CBA	Implications on Valuation
Plan A – Local Union 1033	<p>Agreement between the CITY OF PROVIDENCE, RHODE ISLAND and RHODE ISLAND LABORERS’ DISTRICT COUNCIL on behalf of PUBLIC EMPLOYEES’ LOCAL UNION 1033 of the LABORERS’ INTERNATIONAL UNION OF NORTH AMERICA, AFL-CIO – signed December 14, 2011</p> <p>“Effective July 1, 2014, and thereafter, employees with annual base wages of \$50,000 or more shall co-share in the cost of healthcare insurance benefits provided in this Article through pre-tax weekly payroll deduction by the payment of 20% of the negotiated working rate. Employees with annual base wages that are less than \$50,000.00 shall co-share in the cost of healthcare insurance benefits provided in this Article through pre-tax weekly payroll deduction by the payment of 15% of the negotiated working rate.”</p>	<p>We reflected this agreement in our valuation. We assumed that all current active participants would retire with a base wage of \$50,000 or more. We assumed that 60% of current retirees retired with a base wage of \$50,000 or more. The data received to perform this valuation did not have an associated 1033 union code for active participants. We relied on data used to perform the previous valuation for this purpose, plus assumed that all active police and fire participants that were reported in Class A were assumed to be in union 1033.</p>
Plan A – Local Union 1033	<p>Agreement between the CITY OF PROVIDENCE, RHODE ISLAND and RHODE ISLAND LABORERS’ DISTRICT COUNCIL on behalf of PUBLIC EMPLOYEES’ LOCAL UNION 1033 of the LABORERS’ INTERNATIONAL UNION OF NORTH AMERICA, AFL-CIO – signed December 14, 2011</p> <p>“Employees hired on or after July 1, 2008, shall no longer receive Retiree Post Medicare health paid for by the employer; but the employer shall allow said employees to purchase Post Medicare eligible healthcare at the retiree’s cost and at the employer’s group rate.”</p>	<p>We reflected this agreement in our valuation. The data received to perform this valuation did not have an associated 1033 union code for active participants. We relied on data used to perform the previous valuation for this purpose, absent more current information, plus assumed that all active police and fire participants that were reported in Class A were assumed to be in union 1033.</p>