



nyhart
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GASB 74/75 ACTUARIAL VALUATION

Fiscal Year Ending June 30, 2021

TOWN OF WESTERLY POLICE

CONTACT

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December 6, 2021

Dyann Baker
Town of Westerly Police
45 Broad Street
Westerly, RI 2891

This report summarizes the GASB actuarial valuation for the Town of Westerly Police 2020/21 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 74 (Financial Reporting for Post-Employment Benefit Plans Other Than Pension Plans) and GASB Statement No. 75 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). This report may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in this report and participant information furnished to us by the Plan Sponsor. We have reviewed the employee census provided by the Plan Sponsor for reasonableness when compared to the prior information provided but have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based. When relevant data may be missing, we may have made assumptions we feel are neutral or conservative to the purpose of the measurement. We are not aware of any significant issues with and have relied on the data provided.

The discount rate, other economic assumptions, and demographic assumptions have been selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All calculations have been made in accordance with generally accepted actuarial principles and practice.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period); and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.



Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report. Our professional work is in full compliance with the American Academy of Actuaries "Code of Professional Conduct" Precept 7 regarding conflict of interest. The undersigned meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Should you have any questions please do not hesitate to contact us.

A handwritten signature in black ink that reads "Rosemary Howell".

Rosemary Howell, FSA, EA, MAAA
Actuary

A handwritten signature in black ink that reads "Cody Kocher".

Cody Kocher, ASA, MAAA
Actuary

Executive Summary

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

Presented below is the summary of GASB 75 results for the fiscal year ending June 30, 2021 compared to the prior fiscal year as shown in the Town's Notes to Financial Statement.

	As of June 30, 2020	As of June 30, 2021
Total OPEB Liability	\$ 18,719,415	\$ 18,063,949
Actuarial Value of Assets	\$ (6,142,908)	\$ (7,785,220)
Net OPEB Liability	\$ 12,576,507	\$ 10,278,729
Funded Ratio	32.8%	43.1%

	FY 2019/20	FY 2020/21
OPEB Expense	\$ (1,271,663)	\$ (1,749,968)
Annual Employer Contributions	\$ 1,252,893	\$ 1,258,061
Actuarially Determined Contribution	\$ 1,252,893	\$ 1,275,774

	As of June 30, 2020	As of June 30, 2021
Discount Rate	7.00%	7.00%
Expected Return on Assets	7.00%	7.00%

	As of June 30, 2021
Total Active Participants	47
Total Retiree Participants	55

The active participants' number above may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

Executive Summary

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Summary of Results

Below is a breakdown of total GASB 75 liabilities allocated to past and current service compared to the prior year. The table below also provides a breakdown of the Total OPEB Liability allocated to pre- and post- Medicare eligibility. The liability shown below includes explicit (if any) and implicit subsidies. Refer to the Substantive Plan Provisions section for complete information on the Plan Sponsor's GASB subsidies.

Present Value of Future Benefits	As of June 30, 2020	As of June 30, 2021
Active Employees	\$ 5,351,259	\$ 5,048,031
Retired Employees	14,895,400	14,733,474
Total Present Value of Future Benefits	\$ 20,246,659	\$ 19,781,505

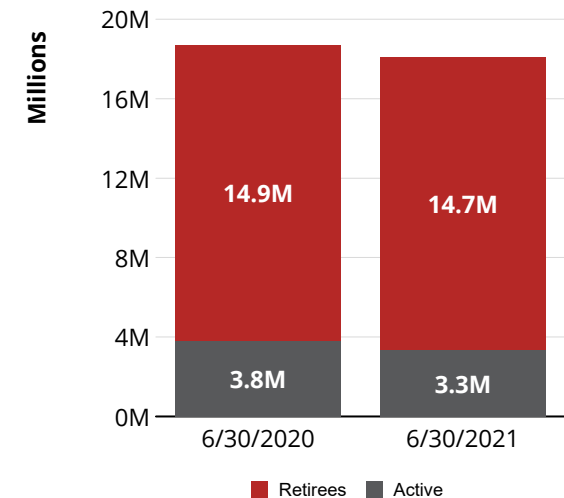
Total OPEB Liability	As of June 30, 2020	As of June 30, 2021
Active Pre-Medicare	\$ 3,603,240	\$ 3,122,041
Active Post-Medicare	220,775	208,434
Active Liability	\$ 3,824,015	\$ 3,330,475

Retiree Pre-Medicare	\$ 5,267,605	\$ 4,255,630
Retiree Post-Medicare	9,627,795	10,477,844
Retiree Liability	\$ 14,895,400	\$ 14,733,474

Total OPEB Liability	\$ 18,719,415	\$ 18,063,949
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	As of June 30, 2020	As of June 30, 2021
Discount Rate	7.00%	7.00%

Changes In Total OPEB Liability



Present Value of Future Benefits (PVFB) is the amount needed as of June 30, 2021 and June 30, 2020, to fully fund the Town's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

Total OPEB Liability is the portion of PVFB considered to be accrued or earned as of June 30, 2021 and June 30, 2020. This amount is a required disclosure in the Required Supplementary Information section.

GASB Disclosures

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Schedule of Changes in Net OPEB Liability and Related Ratios

OPEB Liability	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18
Total OPEB Liability				
Total OPEB Liability - beginning of year	\$ 18,719,415	\$ 17,918,314	\$ 26,904,189	\$ 30,748,509
Service cost	167,514	166,945	298,837	341,151
Interest	1,292,683	1,238,966	1,100,334	1,106,276
Change of benefit terms	0	0	0	0
Changes in assumptions	266,810	0	(8,040,490)	(2,185,085)
Differences between expected and actual experience	(1,527,984)	179,938	(1,605,924)	(2,380,680)
Benefit payments	(854,489)	(784,748)	(738,632)	(725,982)
Net change in total OPEB liability	\$ (655,466)	\$ 801,101	\$ (8,985,875)	\$ (3,844,320)
Total OPEB Liability - end of year	\$ 18,063,949	\$ 18,719,415	\$ 17,918,314	\$ 26,904,189
Plan Fiduciary Net Position				
Plan fiduciary net position - beginning of year	\$ 6,142,908	\$ 5,399,574	\$ 4,189,894	\$ 2,800,049
Contributions - employer	1,258,061	1,252,893	1,535,800	1,912,794
Contributions - active employees	0	0	0	0
Net investment income	1,290,874	325,129	447,825	239,784
Benefit payments	(854,489)	(784,748)	(738,632)	(725,982)
Trust administrative expenses	(52,134)	(49,940)	(35,575)	(37,013)
Net change in plan fiduciary net position	\$ 1,642,312	\$ 743,334	\$ 1,209,418	\$ 1,389,583
Plan fiduciary net position - end of year	\$ 7,785,220	\$ 6,142,908	\$ 5,399,312	\$ 4,189,632
Net OPEB Liability - end of year	\$ 10,278,729	\$ 12,576,507	\$ 12,519,002	\$ 22,714,557
Plan fiduciary net position as % of total OPEB liability	43.1%	32.8%	30.1%	15.6%
Covered employee payroll	\$ 3,911,875	\$ 3,603,494	\$ 3,463,796	\$ 3,778,768
Net OPEB liability as % of covered payroll	262.8%	349.0%	361.4%	601.1%

GASB Disclosures

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Schedule of Employer Contributions

The Actuarially Determined Contributions (ADC) shown below are based on the Annual Required Contribution (ARC) calculated in prior GASB 45 actuarial valuations as shown in the Town's financial statements.

	FY 2020/21	FY 2019/20	FY 2018/19	FY 2017/18	FY 2016/17
Actuarially Determined Contribution (ADC)	\$ 1,275,774	\$ 1,252,893	\$ 1,365,184	\$ 1,501,065	\$ 1,912,794
Contributions in relation to the ADC	1,258,061	1,252,893	1,535,800	1,912,794	400,000
Contribution deficiency/(excess)	\$ 17,713	\$ 0	\$ (170,616)	\$ (411,729)	\$ 1,512,794
Covered employee payroll	\$ 3,911,875	\$ 3,603,494	\$ 3,463,796	\$ 3,778,768	\$ 3,668,707
Contribution as a % of covered payroll	32.2%	34.8%	44.3%	50.6%	10.9%

	FY 2015/16	FY 2014/15	FY 2013/14	FY 2012/13	FY 2011/12
Actuarially Determined Contribution (ADC)	\$ 2,784,810	\$ 936,800	\$ 966,300	\$ 922,800	\$ 907,530
Contributions in relation to the ADC	386,000	429,600	429,600	467,920	685,328
Contribution deficiency/(excess)	\$ 2,398,810	\$ 507,200	\$ 536,700	\$ 454,880	\$ 222,202
Covered employee payroll	\$ 3,406,417	\$ 3,307,201	\$ 3,384,654	\$ 3,039,511	\$ 2,847,036
Contribution as a % of covered payroll	11.3%	13.0%	12.7%	15.4%	24.1%

GASB Disclosures

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

OPEB Expense

OPEB Expense	FY 2020/21	FY 2019/20
Discount Rate		
Beginning of year	7.00%	7.00%
End of year	7.00%	7.00%
Service cost	\$ 167,514	\$ 166,945
Interest	1,292,683	1,238,966
Change of benefit terms	0	0
Projected earnings on OPEB plan investments	(442,096)	(392,360)
Reduction for contributions from active employees	0	0
OPEB plan administrative expenses	52,134	49,940
Current period recognition of deferred outflows / (inflows) of resources		
Differences between expected and actual experience	\$ (1,001,445)	\$ (619,449)
Changes in assumptions	(1,637,560)	(1,704,263)
Net difference between projected and actual earnings on OPEB plan investments	(181,198)	(11,442)
Total current period recognition	\$ (2,820,203)	\$ (2,335,154)
Total OPEB expense	\$ (1,749,968)	\$ (1,271,663)

GASB Disclosures

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources

Deferred Outflows / (Inflows) of Resources represents the following items that have not been recognized in the OPEB Expense:

1. Differences between expected and actual experience of the OPEB plan
2. Changes of assumptions
3. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)

The initial amortization period for the first two items noted above is based on expected future service lives while the difference between the projected and actual earnings in OPEB plan investment is amortized over five years. All balances are amortized linearly on a principal only basis and new bases will be created annually for each of the items above.

Differences between expected and actual experience for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2018	\$ (2,380,680)	6	\$ (396,780)	\$ (793,560)
June 30, 2019	\$ (1,605,924)	6	\$ (267,654)	\$ (802,962)
June 30, 2020	\$ 179,938	4	\$ 44,985	\$ 89,968
June 30, 2021	\$ (1,527,984)	4	\$ (381,996)	\$ (1,145,988)

Changes in assumptions for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2018	\$ (2,185,085)	6	\$ (364,181)	\$ (728,361)
June 30, 2019	\$ (8,040,490)	6	\$ (1,340,082)	\$ (4,020,244)
June 30, 2020	\$ 0	N/A	\$ 0	\$ 0
June 30, 2021	\$ 266,810	4	\$ 66,703	\$ 200,107

GASB Disclosures

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Deferred Outflows / (Inflows) of Resources (Continued)

Net Difference between projected and actual earnings in OPEB plan investments for FYE	Initial Balance	Initial Amortization Period	Annual Recognition	Unamortized Balance as of June 30, 2021
June 30, 2018	\$ 4,171	5	\$ 834	\$ 835
June 30, 2019	\$ (128,608)	5	\$ (25,722)	\$ (51,442)
June 30, 2020	\$ 67,231	5	\$ 13,446	\$ 40,339
June 30, 2021	\$ (848,778)	5	\$ (169,756)	\$ (679,022)

As of fiscal year ending June 30, 2021	Deferred Outflows	Deferred Inflows
Differences between expected and actual experience	\$ 89,968	\$ (2,742,510)
Changes in assumptions	200,107	(4,748,605)
Net difference between projected and actual earnings in OPEB plan investments	0	(689,290)
Total	\$ 290,075	\$ (8,180,405)

Annual Amortization of Deferred Outflows / (Inflows)

The balances as of June 30, 2021 of the deferred outflows / (inflows) of resources will be recognized in OPEB expense in the future fiscal years as noted below.

FYE	Balance
2022	\$ (2,820,202)
2023	\$ (2,821,036)
2024	\$ (2,079,338)
2025	\$ (169,754)
2026	\$ 0
Thereafter	\$ 0

GASB Disclosures

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Sensitivity Results

The following presents the Net OPEB Liability as of June 30, 2021, calculated using the discount rate assumed and what it would be using a 1% higher and 1% lower discount rate.

- The current discount rate is 7.00%.
- The 1% decrease in discount rate would be 6.00%.
- The 1% increase in discount rate would be 8.00%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 12,288,026
Current Discount Rate	\$ 10,278,729
1% Increase	\$ 8,440,866

The following presents the Net OPEB Liability as of June 30, 2021, using the health care trend rates assumed and what it would be using 1% higher and 1% lower health care trend rates.

- The current health care trend rate starts at an initial rate of 8.00%, decreasing to an ultimate rate of 4.50%.
- The 1% decrease in health care trend rates would assume an initial rate of 7.00%, decreasing to an ultimate rate of 3.50%.
- The 1% increase in health care trend rates would assume an initial rate of 9.00%, decreasing to an ultimate rate of 5.50%.

As of June 30, 2021	Net OPEB Liability
1% Decrease	\$ 8,489,074
Current Trend Rates	\$ 10,278,729
1% Increase	\$ 12,220,262

GASB Disclosures

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Asset Information

Asset Breakdown	FY 2019/20	FY 2020/21
Assets		
Cash and deposits	\$ 289,967	\$ 654,966
Securities lending cash collateral	0	0
Total cash	\$ 289,967	\$ 654,966
Receivables		
Contributions	\$ 0	\$ 0
Accrued interest	14,956	15,326
Total receivables	\$ 14,956	\$ 15,326
Investments		
Fixed income	\$ 2,815,014	\$ 2,889,372
Equities	3,219,763	4,444,424
Mutual Funds	0	0
Total investments	\$ 6,034,777	\$ 7,333,796
Total Assets	\$ 6,339,700	\$ 8,004,088
Liabilities		
Payables		
Investment management fees	\$ 0	\$ 0
Securities lending expense	(196,792)	(218,868)
Total liabilities	\$ (196,792)	\$ (218,868)
Net Position Restricted to OPEB	\$ 6,142,908	\$ 7,785,220

GASB Disclosures

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Asset Information (Continued)

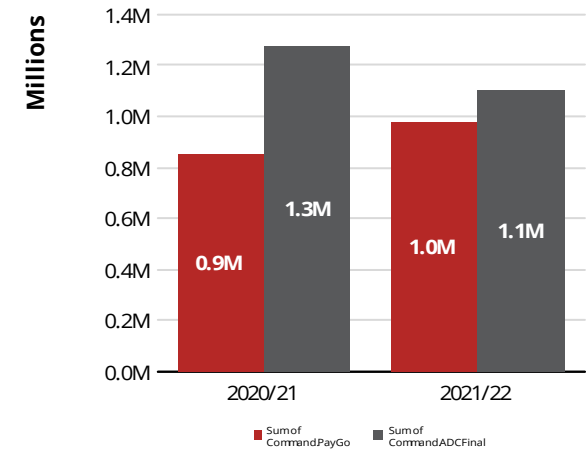
Asset Reconciliation	FY 2019/20	FY 2020/21
Additions		
Contributions Received		
Employer	\$ 1,252,893	\$ 1,258,061
Active employees	0	0
Total contributions	\$ 1,252,893	\$ 1,258,061
Investment Income		
Net increase in fair value of investments	\$ 326,221	\$ 1,176,403
Interest and dividends	(1,092)	114,471
Investment expense, other than from securities lending	0	0
Securities lending income	0	0
Securities lending expense	0	0
Net investment income	\$ 325,129	\$ 1,290,874
Total additions	\$ 1,578,022	\$ 2,548,935
Deductions		
Benefit payments	\$ 784,748	\$ 854,489
Administrative expenses	49,940	52,134
Other	0	0
Total deductions	\$ 834,688	\$ 906,623
Net increase in net position	\$ 743,334	\$ 1,642,312
Net position restricted to OPEB		
Beginning of year	\$ 5,399,574	\$ 6,142,908
End of year	\$ 6,142,908	\$ 7,785,220

Actuarially Determined Contributions

Town of Westerly Police GASB 74/75 Valuation For Fiscal Year Ending June 30, 2021

	FY 2020/21		FY 2021/22	
Discount rate (Funding)	7.00%		7.00%	
Payroll growth factor used for amortization	N/A		N/A	
Actuarial cost method	Entry Age Normal Level % of Salary		Entry Age Normal Level % of Salary	
Amortization type	Level Dollar		Level Dollar	
Amortization period (years)	24		23	
Actuarial Accrued Liability (AAL) - beginning of year	\$	18,719,415	\$	18,063,949
Actuarial Value of Assets (AVA) - beginning of year		(6,142,908)		(7,785,220)
Unfunded AAL - beginning of year	\$	12,576,507	\$	10,278,729
Normal Cost	\$	167,514	\$	180,480
Amortization of Unfunded AAL		1,024,798		852,212
Total normal cost plus amortization	\$	1,192,312	\$	1,032,692
Interest to end of year		83,462		72,288
Actuarially Determined Contribution - Preliminary	\$	1,275,774	\$	1,104,980
Expected Benefit Payments		854,489		978,446
Actuarially Determined Contribution - Final	\$	1,275,774	\$	1,104,980

Cash Vs Accrual Accounting



Actuarially Determined Contribution (ADC) is the target or recommended contribution to a defined benefit OPEB plan, which if paid on an ongoing basis, will provide sufficient resources to fund future costs for services to be earned and liabilities attributed to past services. This is typically higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

Projection of GASB Disclosures

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The Total OPEB Liability (TOL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the total OPEB liability and whether they increase or decrease the liability.

Expected Events

- Increases in TOL due to additional benefit accruals as employees continue to earn service each year
- Increases in TOL due to interest as the employees and retirees age
- Decreases in TOL due to benefit payments

Unexpected Events

- Increases in TOL when actual premium rates increase more than expected. A liability decrease occurs when the reverse happens.
- Increases in TOL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in TOL depending on whether benefits are improved or reduced.

Projection of Total OPEB Liability (TOL)	FY 2020/21	FY 2021/22
TOL as of beginning of year	\$ 18,719,415	\$ 18,063,949
Normal cost as of beginning of year	167,514	180,480
Exp. benefit payments during the year	(854,489)	(978,446)
Interest adjustment to end of year	1,292,683	1,243,444
Exp. TOL as of end of year	\$ 19,325,123	\$ 18,509,427
Actuarial Loss / (Gain)	(1,261,174)	TBD
Actual TOL as of end of year	\$ 18,063,949	\$ TBD

Discount rate as of beginning of year	7.00%	7.00%
Discount rate as of end of year	7.00%	TBD

Projection of Actuarial Value of Assets (AVA)	FY 2020/21	FY 2021/22
AVA as of beginning of year	\$ 6,142,908	\$ 7,785,220
Exp. employer contributions during the year	1,258,061	1,104,980
Exp. benefit payments during the year	(854,489)	(978,446)
Expected investment income	442,096	547,046
Exp. Trust administrative expenses	(52,134)	(66,072)
Exp. AVA as of end of year	\$ 6,936,442	\$ 8,392,728
Differences between expected and actual experience	848,778	TBD
AVA as of end of year	\$ 7,785,220	\$ TBD

Expected asset return as of beginning of year	7.00%	7.00%
Expected asset return as of end of year	7.00%	TBD

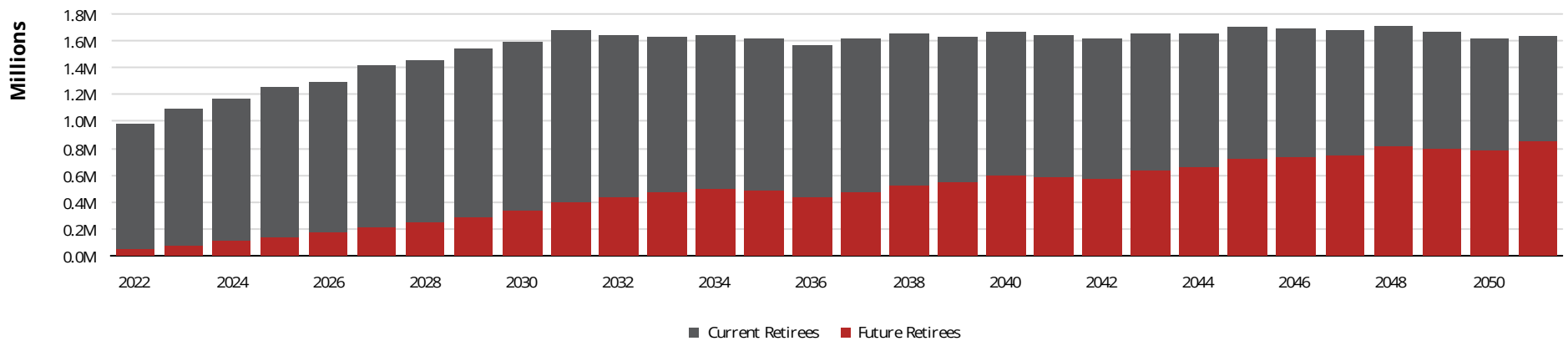
Cash Flow Projections

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The below projections show the actuarially estimated employer-paid contributions for retiree health benefits for the next thirty years. Results are shown separately for a closed group of current/future retirees. These projections include explicit and implicit subsidies.

FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total	FYE	Current Retirees	Future Retirees*	Total
2022	\$ 925,951	\$ 52,494	\$ 978,445	2032	\$ 1,208,055	\$ 434,578	\$ 1,642,633	2042	\$ 1,033,362	\$ 575,067	\$ 1,608,429
2023	\$ 1,012,948	\$ 79,973	\$ 1,092,921	2033	\$ 1,152,102	\$ 473,349	\$ 1,625,451	2043	\$ 1,017,534	\$ 630,073	\$ 1,647,607
2024	\$ 1,059,344	\$ 107,203	\$ 1,166,547	2034	\$ 1,140,680	\$ 497,125	\$ 1,637,805	2044	\$ 998,814	\$ 651,965	\$ 1,650,779
2025	\$ 1,114,490	\$ 137,690	\$ 1,252,180	2035	\$ 1,135,712	\$ 483,073	\$ 1,618,785	2045	\$ 977,198	\$ 719,115	\$ 1,696,313
2026	\$ 1,123,349	\$ 169,295	\$ 1,292,644	2036	\$ 1,132,834	\$ 434,390	\$ 1,567,224	2046	\$ 952,698	\$ 732,375	\$ 1,685,073
2027	\$ 1,198,911	\$ 213,134	\$ 1,412,045	2037	\$ 1,141,678	\$ 468,181	\$ 1,609,859	2047	\$ 925,346	\$ 750,125	\$ 1,675,471
2028	\$ 1,209,284	\$ 243,584	\$ 1,452,868	2038	\$ 1,119,711	\$ 526,375	\$ 1,646,086	2048	\$ 895,269	\$ 821,062	\$ 1,716,331
2029	\$ 1,248,135	\$ 288,521	\$ 1,536,656	2039	\$ 1,070,021	\$ 551,678	\$ 1,621,699	2049	\$ 862,591	\$ 796,101	\$ 1,658,692
2030	\$ 1,247,643	\$ 337,413	\$ 1,585,056	2040	\$ 1,062,583	\$ 601,937	\$ 1,664,520	2050	\$ 827,471	\$ 784,714	\$ 1,612,185
2031	\$ 1,274,526	\$ 400,936	\$ 1,675,462	2041	\$ 1,052,319	\$ 589,635	\$ 1,641,954	2051	\$ 790,072	\$ 853,979	\$ 1,644,051

Projected Employer Pay-go Cost



* Projections for future retirees do not take into account future new hires.

Discussion of Discount Rates

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Under GASB 74, the discount rate used in valuing OPEB liabilities for funded plans as of the Measurement Date must be based on the long-term expected rate of return on OPEB plan investments that are expected to be used to finance future benefit payments to the extent that (a) they are sufficient to pay for the projected benefit payments and (b) the OPEB plan assets are invested using a strategy that will achieve that return. When the OPEB plan investments are insufficient to cover future benefit payments, a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA /Aa or higher (or equivalent quality on another rating scale) must be used.

For the current valuation:

1. The long-term expected rate of return on OPEB plan investment is assumed to be 7.00%. The expected future real rates of return are shown below. Inflation is expected to be 2.00%. The best estimates of arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of June 30, 2021 are summarized in the following table.
2. The discount rate used when the OPEB plan investments are insufficient to pay for future benefit payments are selected from the range of indices as shown in the table below, where the range is given as the spread between the lowest and highest rate shown.

Asset Class	Target Allocation	L/T Expected Real ROR
US Large Cap Equity	40%	4.10%
US Mid/Small Cap Equity	20%	4.50%
Int'l Developed Equity	5%	6.50%
Int'l Emerging Equity	5%	7.20%
Core Fixed Income	20%	2.10%
High Yield Fixed Income	8%	5.00%
REITs	1%	1.50%
Cash & Cash Equivalents	1%	1.10%

Yield as of	July 1, 2020	June 30, 2021
Bond Buyer Go 20-Bond Municipal Bond Index	2.21%	2.16%
S&P Municipal Bond 20-Year High Grade Rate Index	2.66%	2.19%
Fidelity 20-Year Go Municipal Bond Index	2.45%	1.94%
Bond Index Range	2.21% - 2.66%	1.94% - 2.19%

3. With the expectation that the Town will contribute the actuarially determined contribution annually, the Trust is expected to be sufficient to pay for all future projected benefit payments and there will not be a cross-over point. As such, the final equivalent single discount rate used for this year's valuation is 7.00% as of June 30, 2021.

Summary of Plan Participants

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Active Employees

Actives with coverage	Single	Non-Single	Total	Avg. Age	Avg. Svc	Salary
HDHP Plan (Post-7/1/1993)	8	29	37	40.5	13.2	\$ 3,265,385
Total actives with coverage	8	29	37	40.5	13.2	\$ 3,265,385

Actives without coverage	Total	Avg. Age	Avg. Svc	Salary
Total actives without coverage	10	28.4	4.9	\$ 646,490

Active employees who currently have no coverage are assumed not to elect coverage at retirement. They have been excluded from the GASB valuation. Enrollment information above is for full-time employees who are eligible for retiree health care benefits only. Single enrollment shown above includes those with EE + Child(ren) coverage.

Active Age-Service Distribution

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25		3									3
25 to 29	2	7	1								10
30 to 34		1	4	4							9
35 to 39			2	3	2						7
40 to 44				3		1					4
45 to 49					3	3					6
50 to 54			1		3	2		1			7
55 to 59											0
60 to 64						1					1
65 to 69											0
70 & up											0
Total	2	11	8	10	8	7	0	1	0	0	47

Summary of Plan Participants

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Retirees

Retirees with coverage	Single	Non-Single	Total	Avg. Age
BCBS Plan (pre-7/1/1993)	31	21	52	63.9
Total retirees with coverage	31	21	52	63.9

Retirees with coverage above includes 6 surviving spouses.

Retirees with coverage	Single	Non-Single	Total	Avg. Age
Premium/claim reimbursement (pre-7/1/1993)	5	0	5	60.7
Up to \$6,000 reimbursement (post-7/1/1993)	8	0	8	53.3
Total retirees with reimbursement	13	0	13	56.1

Retiree Age Distribution

Age	Retirees
< 45	4
45 to 49	16
50 to 54	5
55 to 59	5
60 to 64	10
65 to 69	5
70 to 74	7
75 to 79	2
80 to 84	1
85 to 89	
90 & up	
Total	55

Substantive Plan Provisions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Eligibility

Police officers are eligible for retiree health benefits once they have met the following requirements:

- Officers hired prior to July 1, 2010 may retire with completion of 20 years of service.
- Officers hired on/after July 1, 2010 but before July 1, 2013 may retire with completion of 25 years of service.
- Officers hired on/after July 1, 2013 may retire after completion of 25 years of service and attainment of age 52.

Additional requirements to be eligible for retiree health benefits:

- Each retiree who is eligible for medical insurance coverage at retirement must provide to the Town on / before July 1 of each year proof that he / she is not eligible for Medicare / Medicaid coverage, Plan 65 coverage, or medical insurance coverage under any plan whether offered by another employer, through a spouse's coverage or otherwise.
- Members who are eligible for such coverage (i.e. Medicare / Medicaid, Plan 65, or coverage under another plan offered by another employer or through a spouse's coverage) shall not reject, deny, or forgo such coverage if made available to him / her.
- Should the member be required to make any monthly contributions to said medical coverage in excess of any dollar contribution he / she would be required to make for Town coverage, he / she shall be entitled to reimbursement on a quarterly basis from the Town for such excess contribution.
- Should a retired member subsequent to retirement lose said alternate coverage, the Town will pick up the full cost of medical insurance coverage.

Spouse Benefit

Spousal coverage continues to surviving spouses of retirees for life, if hired prior to July 1, 1993, or until age 65, if hired on/after July 1, 1993. Surviving spouses of active employees are eligible for COBRA coverage.

Medicare Part B Reimbursement

The Town reimburses Medicare Part B premium for employees who retired prior January 1, 2017 when they turn 65 and only if they elect coverage with the Town. The monthly Medicare Part B reimbursement assumed for valuation purposes is \$148.50.

There is no subsidized Medicare Part B benefit for anyone retiring on/after January 1, 2017.

Substantive Plan Provisions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Medical Benefits

Same benefits are available to retirees as active employees. Pre-65 health plans are self-insured and partially experience-rated. The post-65 health plan is fully-insured. The monthly premium rates by plan effective on July 1, 2021 are as shown below.

	EE	EE + Sp
BCBS Plan (Pre-7/1/1993)	\$ 1,038.47	\$ 2,596.36
HDHP Plan (Post-7/1/1993)	\$ 800.18	\$ 1,995.33

	Rate/person	Admin/person
Plan 65 (post-65)	\$ 634.72	\$ 184.08

Refer to Appendix D for a brief summary of benefit descriptions for all health plans effective on January 1, 2021.

Dental Benefits

Monthly premium rates by plan effective on July 1, 2021 are as shown below.

	EE	EE + Sp
Dental (Pre-7/1/1993)	\$ 36.50	\$ 123.59
Dental (Post-7/1/1993)	\$ 36.50	\$ 123.59

Substantive Plan Provisions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Retiree Contributions

Employees hired prior to July 1, 1993 and who retire before 2007 have free insurance for retiree/spouse/survivor for life.

Employees hired prior to July 1, 1993 and who retire after 2007 must pay 10% of the cost of insurance for retiree/spouse/survivor for life.

Employees hired after July 1, 1993 and who retire between 1995 and 2004 are not eligible for post-retirement benefits.

Employees hired after July 1, 1993 and who retire between 2004 and 2013 must pay 15% of the cost and can be reimbursed for \$6,000 per year for any excess for life.

Employees hired after July 1, 1993 and who retire after 2013 must pay 17.5% for a single plan and can be reimbursed for \$6,000 per year until age 65. Upon reaching age 65, the retiree no longer receives benefits.

Employees hired on/after July 1, 2019 must pay 17.5% for single coverage and the full incremental cost for additional coverages. No coverage after age 65.

There are six grandfathered retirees who are eligible to receive lifetime reimbursements for the difference between their current insurance cost and what the Town would have paid for health care coverage. They are also reimbursed for out of pocket medical expenses on a quarterly basis.

There is no benefit for employees who decline health care coverage with the Town at retirement.

The subsidized dental benefit for officers hired on/after July 1, 1993 is only available to anyone who retired prior to January 1, 2017.

Actuarial Methods and Assumptions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and Town experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There are changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending June 30, 2019. Refer to Actuary's Notes section for complete information on these changes. For the current year GASB valuation, we have also updated the per capita costs. We expect to update discount rate, health care trend rates, mortality table, and per capita costs again in the next full GASB valuation, which will be for the fiscal year ending June 30, 2023.

Measurement Date

For fiscal year ending June 30, 2021, a June 30, 2021 measurement date was used.

Actuarial Valuation Date

June 30, 2021 with no adjustments to get to the June 30, 2021 measurement date. Liabilities as of July 1, 2020 are based on an actuarial valuation date of June 30, 2019 projected to July 1, 2020 on a "no loss / no gain" basis.

Discount Rate

7.00% as of June 30, 2020 and June 30, 2021 for accounting disclosure purposes.
7.00% as of June 30, 2020 and June 30, 2021 for funding disclosure purposes (in calculating the Actuarially Determined Contribution).

Refer to the Discussion of Discount Rates section for more information on selection of the discount rate.

Payroll Growth

2.00% per year for general wage inflation plus merit / productivity increases as shown below.

YOS	Rates
0	13.00%
5	7.00%
10	3.25%
15	2.25%

Inflation Rate

2.0% per year

Actuarial Methods and Assumptions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Cost Method

Allocation of Actuarial Present Value of Future Benefits for services prior and after the Measurement Date was determined using Entry Age Normal Level % of Salary method where:

- Service Cost for each individual participant, payable from date of employment to date of retirement, is sufficient to pay for the participant's benefit at retirement; and
- Annual Service Cost is a constant percentage of the participant's salary that is assumed to increase according to the Payroll Growth.

Census Data

Census information was provided by the Town in October 2021. We have reviewed it for reasonableness and no material modifications were made to the census data.

Asset Method

Market Value of Assets; prior valuation used Actuarial Value of Assets with 5-year smoothing of asset gain/loss for Actuarially Determined Contribution calculation; Fair Market Value of Assets for Net OPEB Liability disclosure

Employer Funding Policy

Fund the Actuarially Determined Contribution annually.

Mortality

Healthy Police Retirees: SOA Pub-2010 Public Safety Headcount Weighted Table fully generational using Scale MP-2020

Surviving Spouses: SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2020

Turnover Rates

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. Based on the Town of Westerly Police Pension Experience Study as of July 1, 2021, all actives are assumed to stay with the company until they attain retirement eligibility.

YOS	Rates
0	0.00%
5	0.00%
10	0.00%
15	0.00%
16+	0.00%

Actuarial Methods and Assumptions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Disability None

Retirement Rates Annual rates of retirement are as shown below.

YOS	Hired on/before 7/1/2010	Hired after 7/1/2010
<20	0%	0%
20-22	30%	0%
23	20%	0%
24	30%	0%
25-27	30%	30%
28	100%	20%
29	100%	30%
30	100%	40%
31+	100%	100%

Health Care Trend Rates Annual trend rates by benefit are as shown below:

FYE	Medical / Rx	Part B
2022	8.00%	5.00%
2023	7.50%	5.00%
2024	7.00%	5.00%
2025	6.50%	5.00%
2026	6.00%	5.00%
2027	5.50%	5.00%
2028	5.00%	5.00%
2029+	4.50%	5.00%

The initial trend rate was based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Retiree Contributions Retiree contributions are assumed to increase according to health care trend rates.

Actuarial Methods and Assumptions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Health Care Coverage Election Rate

Active employees with current coverage: 100%
Active employees with no coverage: 0%

Inactive employees with current coverage: 100%
Inactive employees with no coverage: 0%

Spousal Coverage

Spousal coverage for current retirees is based on actual data.

70% of male employees and 60% of female employees are assumed to be married at retirement. Husbands are assumed to be three years older than wives.

Per Capita Costs

Annual per capita costs were calculated based on premium rates as of July 1, 2021, actuarially increased using health index factors and substitute enrollment assumed to represent the demographic make-up of the Town's risk pool. The costs are assumed to increase with health care trend rates. Annual per capita costs are as shown below:

Age	BCBS (pre-7/1/1993)		HDHP (post-7/1/1993)	
	Male	Female	Male	Female
<55	\$ 13,300	\$ 15,300	\$ 10,200	\$ 11,800
55 – 59	\$ 18,000	\$ 17,400	\$ 13,900	\$ 13,400
60 – 64	\$ 23,600	\$ 21,300	\$ 18,200	\$ 16,400

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Annual dental per capita costs are assumed to be \$438, increasing with dental trend rates.

Post-65 per capita costs are assumed to equal the premium rate plus admin fee. There is no implicit subsidy assumed for post-65 coverage.

For the six grandfathered retirees receiving reimbursement, pre and post-65 premium reimbursements are assumed to equal \$4,800 annually, increasing with medical / rx trend rates. Medical out-of-pocket expenses reimbursements are assumed to be \$1,100 annually with no future increases.

Actuarial Methods and Assumptions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Explicit Subsidy

The difference between (a) the premium rate and (b) the retiree contribution. Below is an example of the monthly explicit subsidies for a police officer hired on/after July 1, 1993 enrolled in HDHP plan.

	Premium Rate	Retiree Contribution ¹	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 800.18	\$ 140.03	\$ 660.15
Spouse	\$ 1,195.15	\$ 695.15	\$ 500.00

Implicit Subsidy

The difference between (a) the per capita cost and (b) the premium rate. Below is an example of the monthly implicit subsidies for a male retiree age 60 with spouse of the same age enrolled in the HDHP plan.

	Per Capita Cost	Premium Rate	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 1,516.67	\$ 800.18	\$ 716.49
Spouse	\$ 1,366.67	\$ 1,195.15	\$ 171.52

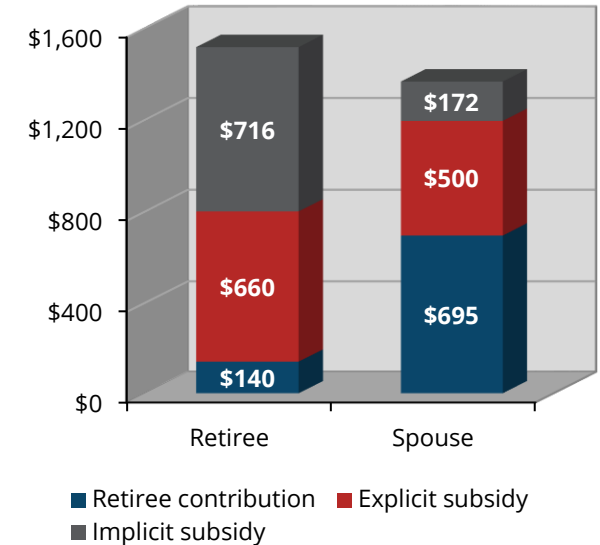
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for Medicare plans using a true community-rated premium rate.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 75 monthly total cost for a male retiree age 60 hired on/after July 1, 1993 and his spouse of the same age enrolled in the HDHP plan.

	Retiree	Spouse
Retiree contribution	\$ 140.03	\$ 695.15
Explicit subsidy	\$ 660.15	\$ 500.00
Implicit subsidy	\$ 716.49	\$ 171.52
Total monthly cost	\$ 1,516.67	\$ 1,366.67

GASB Subsidy Breakdown



¹ Limited to premium rates for illustration purposes.

APPENDIX

The background features a complex geometric design. The top half is a solid dark gray. Below this, there are several overlapping, semi-transparent shapes. On the left, there are white and light gray shapes. On the right, there are large, solid red shapes that overlap with the lighter gray ones. The overall effect is a modern, minimalist aesthetic.

Appendix

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Comparison of Participant Demographic Information

The active participants' number below may include active employees who currently have no health care coverage. Refer to Summary of Participants section for an accurate breakdown of active employees with and without coverage.

	As of June 30, 2019	As of June 30, 2021
Active Participants	44	47
Retired Participants	48	55
Averages for Active		
Age	39.5	37.9
Service	13.0	11.4
Averages for Inactive		
Age	62.2	63.2

Appendix

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

Detailed Actuary's Notes

The following assumptions have been updated:

1. Mortality table has been updated from SOA Pub-2010 Public Safety Headcount Weighted Table fully generational using Scale MP-2019 to Scale MP-2020 for healthy police retirees and SOA Pub-2010 Continuing Survivor Headcount Weighted Mortality Table fully generational using Scale MP-2019 to Scale MP-2020 for surviving spouses. The impact of this change was a slight decrease in the Town's liability.
2. Health care trend rates for medical/rx benefits have been changed to an initial rate of 8.0% decreasing by 0.50% annually to an ultimate rate of 4.5%. This change caused an increase in the Town's liability.
3. Termination rates were updated to reflect the most recent Town of Westerly Police Pension Experience Study as of June 30, 2021. This change resulted in a slight decrease in liabilities.
4. The inflation rate was updated from 3% to 2%. This change caused a slight increase in liabilities.

GLOSSARY

The background features a complex geometric design. The top half is a solid dark gray. Below this, several overlapping triangles in various shades of gray and white create a layered, three-dimensional effect. A prominent bright red triangle is located in the bottom right corner, overlapping the other shapes.

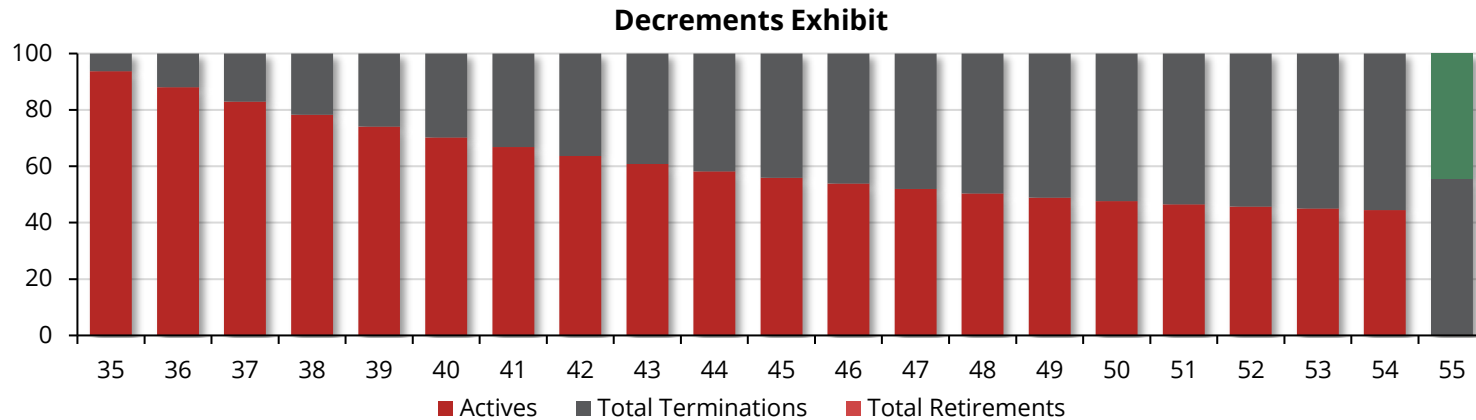
Glossary – Decrements Exhibit

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 44.43 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# of Terminations per Year ²	# of Retirements per Year	Total Decrements
35	100.000	6.276	0.000	6.276
36	93.724	5.677	0.000	5.677
37	88.047	5.136	0.000	5.136
38	82.911	4.648	0.000	4.648
39	78.262	4.209	0.000	4.209
40	74.053	3.814	0.000	3.814
41	70.239	3.456	0.000	3.456
42	66.783	3.131	0.000	3.131
43	63.652	2.835	0.000	2.835
44	60.817	2.564	0.000	2.564
45	58.253	2.316	0.000	2.316

Age	# Remaining Employees	# of Terminations per Year	# of Retirements per Year	Total Decrements
46	55.938	2.085	0.000	2.085
47	53.853	1.866	0.000	1.866
48	51.987	1.656	0.000	1.656
49	50.331	1.452	0.000	1.452
50	48.880	1.253	0.000	1.253
51	47.627	1.060	0.000	1.060
52	46.567	0.877	0.000	0.877
53	45.690	0.707	0.000	0.707
54	44.983	0.553	0.000	0.553
55	44.430	0.000	44.430	44.430



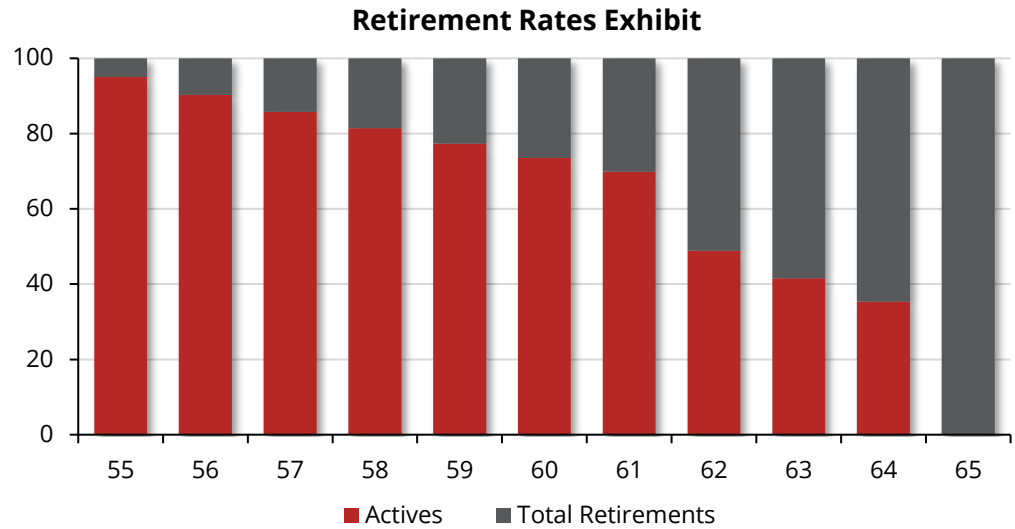
² The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Retirement Rates Exhibit

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per Year	Active Employees EOY
55	100.000	5.0%	5.000	95.000
56	95.000	5.0%	4.750	90.250
57	90.250	5.0%	4.513	85.738
58	85.738	5.0%	4.287	81.451
59	81.451	5.0%	4.073	77.378
60	77.378	5.0%	3.869	73.509
61	73.509	5.0%	3.675	69.834
62	69.834	30.0%	20.950	48.884
63	48.884	15.0%	7.333	41.551
64	41.551	15.0%	6.233	35.318
65	35.318	100.0%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.

Glossary – Definitions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

GASB 75 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care 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.
2. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of Future Benefits and expenses and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Service Cost and a Total OPEB Liability.
3. **Actuarially Determined Contribution** - A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in accordance with the parameters and in conformity with Actuarial Standards of Practice.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a. adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b. multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c. discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Deferred Outflow / (Inflow) of Resources** – represents the following items that have not been recognized in the OPEB Expense:
 - a. Differences between expected and actual experience of the OPEB plan
 - b. Changes in assumptions
 - c. Differences between projected and actual earnings in OPEB plan investments (for funded plans only)
6. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
7. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the Total OPEB Liability.

Glossary – Definitions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

8. **Healthcare Cost Trend Rate** – The rate of change in the 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.
9. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
10. **OPEB** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave.
11. **OPEB Expense** – Changes in the Net OPEB Liability in the current reporting period, which includes Service Cost, interest cost, changes of benefit terms, expected earnings on OPEB Plan investments, reduction of active employees' contributions, OPEB plan administrative expenses, and current period recognition of Deferred Outflows / (Inflows) of Resources.
12. **Pay-as-you-go** – A method of financing a benefit 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.
13. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
14. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
15. **Real Rate of Return** – the rate of return on an investment after adjustment to eliminate inflation.

Glossary – Definitions

Town of Westerly Police GASB 74/75 Valuation for Fiscal Year Ending June 30, 2021

16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Service Cost** – The portion of the Actuarial Present Value of projected benefit payments that are attributed to a valuation year by the Actuarial Cost Method.
18. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.
19. **Total OPEB Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of Future Benefits which is attributed to past periods of employee service (or not provided for by the future Service Costs).