The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island

Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 Accounting Valuation Report

as of June 30, 2020

This report has been prepared at the request of the Town of Portsmouth, RI to assist the Town in preparing their financial report for their liabilities associated with The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island. This valuation report may not otherwise be copied or reproduced in any form without the consent of the Town of Portsmouth, RI and may only be provided to other parties in its entirety. The measurements shown in this actuarial valuation may not be applicable for other purposes.

Segal

116 Huntington Avenue
8th Floor
Boston, MA 02116-5744
segalco.com
T 617.424.7300

November 19, 2020

Ms. Lisa Mills, Finance Director
Town of Portsmouth, Rhode Island
2200 East Main Road
Portsmouth, RI 02871

Dear Ms. Mills:

We are pleased to submit this Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 Accounting Valuation as of June 30, 2020 for The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island, a defined benefit pension plan. It contains the actuarial information that will need to be disclosed in order to comply with GASB 67 and 68. Except as otherwise noted, please refer to The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island Actuarial Valuation Report as of July 1, 2020, for the data, assumptions and plan of benefits underlying these calculations.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Town to assist the Town in preparing their financial report for their liabilities associated with The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island. The census and financial information on which our calculations were based were provided by the staff of the Town of Portsmouth, Rhode Island. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. 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; and changes in plan provisions or applicable law.

The actuarial calculations were completed under my supervision. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in my opinion, the assumptions as approved by the Town are reasonably related to the experience of and expectations for the Plan.

I look forward to reviewing this report with you and to answering any questions.

Sincerely,
Segal

Bridget P. Orr

Bridget P. Orr, ASA, MAAA, EA
Consulting Actuary

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Section 1: Actuarial Valuation Summary

Purpose

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board (GASB) Statements No. 67 and 68 as of June 30, 2020. This report is based on The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island Actuarial Valuation and Review as of July 1, 2020, which reflects:

- The benefit provisions of The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island, as administered by the Town;
- The characteristics of covered active employees, inactive employees, and retired employees and beneficiaries as of June 30, 2020;
- The assets of the Plan as of June 30, 2020;
- Economic assumptions regarding future salary increases and investment earnings; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc.

Significant issues

The following key findings were the result of this actuarial valuation:

1. It is important to note that this valuation is based on plan assets as of June 30, 2019. Due to the COVID-19 pandemic, market conditions have changed significantly since the valuation date. The Plan's actuarial status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the Plan Year.
2. The Net Pension Liability (NPL) is equal to the difference between the Total Pension Liability (TPL) and the Plan's Fiduciary Net Position. The Plan Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis. The NPL increased from $46.6 million as of June 30, 2019 to $56.8 million as of June 30, 2020 and the Plan's Fiduciary Net Position as a percent of the TPL decreased from 55.15% to 49.52%.
3. The NPL measured as of June 30, 2020 and June 30, 2019 was determined based upon the results of the actuarial valuations as of July 1, 2020 and July 1, 2019, respectively.
4. The discount rate used to measure the TPL and NPL was 6.40% as of June 30, 2020 and 6.75% as of June 30, 2019.

Important information about actuarial valuations

In order to prepare an actuarial valuation, Segal relies on a number of input items. These include:

Plan of Benefits:	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
Participant Data:	An actuarial valuation for a plan is based on data provided to the actuary by the Town of Portsmouth, Rhode Island. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets:	The valuation is based on the market value of assets as of the valuation date, as provided by the Town of Portsmouth, Rhode Island. The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island uses an "actuarial value of assets" that differs from market value to gradually reflect year-to-year changes in the market value of assets in determining the contribution requirements.
Actuarial Assumptions:	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan employees for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each employee for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The valuation is prepared at the request of the Town of Portsmouth, Rhode Island to assist the Town in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
Sections of this report may include actuarial results that are not rounded, but that does not imply precision.
If the Town of Portsmouth, Rhode Island is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Town of Portsmouth, Rhode Island should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island, it is not a fiduciary in its capacity as actuaries and consultants with respect to The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island.

Section 2: GASB Information

Exhibit 1 – Net Pension Liability

	June 30, 2020	June 30, 2019
Components of the Net Pension Liability		
Total Pension Liability	$112,486,446	$103,976,616
Plan Fiduciary Net Position	55,706,800	57,341,324
Net Pension Liability	56,779,646	46,635,292
Plan Fiduciary Net Position as a percentage of the Total Pension Liability*	49.52%	55.15%

* These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

Actuarial assumptions. The total pension liability as of June 30, 2020 was measured by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Salary Increases:	3.50% per year
Wage Inflation:	2.75%
Net Investment Return:	6.40% (previously, 6.75%), net of pension plan investment expense, including inflation
Cost of Living Adjustment:	Cost-of-living increases for pensioners whose COLAs were based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit from which the employee retired or whose COLAs were based on the annual CPI adjustment are assumed to be 2% annually. Cost-of-living increases for all other pensioners were provided by the Town.
Mortality Rates:	*Pre-Retirement:* RP-2006 White Collar Employee Mortality Table projected generationally using Scale MP-2019. *Healthy Retiree:* RP-2006 White Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2019. *Disabled Retiree:* RP-2006 White Collar Healthy Annuitant Mortality Table set forward 5 years and projected generationally using Scale MP-2019.

Target asset allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. The target allocation (approved by the Town) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	37.70%	6.15%
International Developed Markets Equity	13.00%	6.78%
International Emerging Markets Equity	9.10%	8.65%
Core Fixed Income	28.00%	1.11%
High-Yield Fixed Income	7.00%	3.51%
Real Estate	5.20%	4.33%
Total	100.00%	

Note: Some asset classes included in the pension plan's target asset allocation have been combined.

Discount rate. The discount rate used to measure the Total Pension Liability (TPL) was 6.40% as of June 30, 2020 and 6.75% as of June 30, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan Fiduciary Net Position (FNP) was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2020 and June 30, 2019.

Discount rate sensitivity

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability (NPL) of The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island as of June 30, 2020 calculated using the discount rate of 6.40%, as well as what The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.40%) or 1-percentage-point higher (7.40%) than the current rate.

Net Pension Liability	1% Decrease (5.40%)	Current Discount Rate (6.40%)	1% Increase (7.40%)
The Retirement Plan for Employees of the Town of Portsmouth, Rhode Island's net pension liability as of June 30, 2020	$72,631,073	$56,779,646	$43,948,140

Exhibit 2 – Schedule of Changes in Net Pension Liability – Last Two Fiscal Years

	June 30, 2020	June 30, 2019
Total Pension Liability		
Service cost	$1,091,474	$1,153,715
Interest	6,903,374	6,507,380
Change of benefit terms	0	0
Differences between expected and actual experience	682,436	1,525,148
Changes of assumptions	5,424,302	2,358,787
Benefit payments	-5,591,756	-5,640,660
Net change in Total Pension Liability	$8,509,830	$5,904,370
Total Pension Liability – beginning	103,976,616	98,072,246
Total Pension Liability – ending	$112,486,446	$103,976,616
Plan Fiduciary Net Position		
Contributions – employer	$4,484,385	$4,324,436
Contributions – employee	246,659	271,175
Net investment income	-773,812	1,706,305
Benefit payments	-5,591,756	-5,640,660
Administrative expense	0	-36,000
Net change in Plan Fiduciary Net Position	-$1,634,524	$625,256
Plan Fiduciary Net Position – beginning	57,341,324	56,716,068
Plan Fiduciary Net Position – ending	$55,706,800	$57,341,324
Net Pension Liability – ending	$56,779,646	$46,635,292
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	49.52%	55.15%
Covered employee payroll[1]	$7,260,027	$7,750,088
Plan Net Pension Liability as percentage of covered employee payroll	782.09%	601.74%

[1] Covered employee payroll for 2020 and 2019 as estimated in the July 1, 2020 and July 1, 2019 funding valuations, respectively.

Notes to schedule:

Changes in Actuarial Assumptions:	Effective July 1, 2019: • The retirement rate for employees with 20 years of service was increased from 50% to 60% for employees of the Police department and from 30% to 60% for employees of the Fire department. • For healthy and disabled employees, the mortality tables were changed from the RP-2006 Employee and Healthy Annuitant Mortality Tables to the RP-2006 White Collar Employee and Healthy Annuitant Mortality Tables, and the projection scale for future mortality improvement applied to the mortality tables was updated from the SSA-2014 2D scale to the MP-2019 scale. Effective July 1, 2020: • The investment return assumption was lowered from 6.75% to 6.40%. • The administrative expense assumption was eliminated since we were told by the Town that expenses are no longer paid from plan assets. • The retirement rate for employees with 20 years of service was increased from 60% to 80% for employees of the Police and Fire departments. • Disability rates were increased by 50% for all employees.
Changes in Plan Provisions:	Effective July 1, 2019: • None Effective July 1, 2020: • None

Exhibit 3 – Schedule of Contributions – Last Seven Fiscal Years

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered-Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	$3,677,200	$2,792,576	$884,624	$7,837,400	35.63%
2015	3,948,654	4,054,721	-106,067	7,969,261	50.88%
2016	3,623,290	3,623,290	0	8,073,529	44.88%
2017	3,955,207	3,955,207	0	8,356,102	47.33%
2018	4,322,591	4,322,591	0	7,820,129	55.28%
2019	4,324,436	4,324,436	0	7,750,088	55.80%
2020	4,484,385	4,484,385	0	7,260,027	61.77%

Notes to schedule:

Valuation date:	Actuarially determined contribution for 2020 was determined with the July 1, 2018 actuarial valuation.
Actuarial cost method:	Entry Age Normal Cost Method
Amortization method:	Level dollar closed
Remaining amortization period:	22 years from July 1, 2018.
Asset valuation method:	Market value of assets as reported by the Town less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual and expected return on a market value basis, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial assumptions:	
• Investment rate of return	6.75%
• Discount rate	6.75%
• Wage inflation rate	2.75%
• Projected salary increases	3.50% per year
• Cost of living adjustments	Cost-of-living increases for pensioners whose COLAs were based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit from which the employee retired or whose COLAs were based on the annual CPI adjustment are assumed to be 2% annually. Cost-of-living increases for all other pensioners were provided by the Town.

Plan membership:

• Retired employees and beneficiaries receiving benefits	179
• Inactive employees entitled to a return of their employee contributions	1
• Inactive employees with a vested right to a deferred or immediate benefit	9
• Active employees	143
• Total	332

Exhibit 4 – Pension Expense

Reporting Date for Employer under GASB 68	June 30, 2020	June 30, 2019
Measurement Date for Employer under GASB 68	**June 30, 2020**	**June 30, 2019**
Components of Pension Expense		
Service cost	$1,091,474	$1,153,715
Interest	6,903,374	6,507,380
Expensed portion of current-period benefit changes	0	0
Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability	227,478	381,287
Expensed portion of current-period changes of assumptions or other inputs	1,808,100	589,696
Member contributions	-246,659	-271,175
Projected earnings on plan investments	-3,841,490	-3,791,849
Expensed portion of current-period differences between actual and projected earnings on plan investments	923,062	417,108
Administrative expense	0	36,000
Recognition of beginning of year deferred outflows of resources as pension expense	2,930,507	2,838,114
Recognition of beginning of year deferred inflows of resources as pension expense	-559,586	-559,586
Pension Expense	**$9,236,260**	**$7,300,690**

Deferred outflows of resources and deferred inflows of resources

Reporting Date for Employer under GASB 68		June 30, 2020	June 30, 2019
Measurement Date for Employer under GASB 68		**June 30, 2020**	**June 30, 2019**
Deferred Outflows of Resources			
Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]		$0	$0
Changes of assumptions or other inputs		4,917,492	2,012,884
Net difference between projected and actual earnings on plan investments		4,318,145	1,204,348
Difference between expected and actual experience in the Total Pension Liability		1,712,151	2,338,077
Total Deferred Outflows of Resources		$10,947,788	$5,555,309
Deferred Inflows of Resources			
Changes in proportion and differences between employer's contributions and proportionate share of contributions[1]		$0	$0
Changes of assumptions or other inputs		0	0
Net difference between projected and actual earnings on plan investments		0	0
Difference between expected and actual experience in the Total Pension Liability		0	0
Total Deferred Inflows of Resources		$0	$0
Deferred outflows of resources and deferred inflows of resources related to pension will be recognized as follows:			
Reporting Date for Employer under GASB 68 Year Ended June 30:			
	2020	N/A	$2,370,921
	2021	$4,403,664	1,445,024
	2022	4,280,895	1,322,255
	2023	1,340,169	417,109
	2024	923,060	0
	Thereafter	0	0

Note: Average expected remaining service life is 3 years as of June 30, 2020 and 4 years as of June 30, 2019.

[1] Calculated in accordance with Paragraphs 54 and 55 of GASB 68.

Section 3: Actuarial Valuation Basis

Exhibit I – Actuarial Assumptions, Cost Method and Models

Net Investment Return:	6.40% (previously, 6.75%). The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes as provided by Segal Marco Advisors, as well as the Plan's target asset allocation.
Salary Increases:	3.5% per year. The salary increase assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgement.
Payroll Growth:	Based on a closed group projection, except for School Management and employees eligible for a disability benefit only, for whom total payroll is projection to increase 2.75% per year.
Interest on Employee Contributions:	5.0%
Administrative Expenses:	The administrative expense assumption was eliminated since we were told by the Town that expenses are no longer paid from plan assets (previously, $37,500 per year).
Defined Contribution Account Balance:	Balances as of July 1, 2020 were provided by the Town of Portsmouth, RI and were assumed to earn 6.40% annually. Balances were converted to monthly benefits using valuation interest and mortality assumptions.
Cost-of-Living Adjustments:	Cost-of-living increases for pensioners whose COLAs were based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit from which the employee retired or whose COLAs were based on the annual CPI adjustment are assumed to be 2% annually. Cost-of-living increases for all other pensioners were provided by the Town of Portsmouth, RI.

Mortality Rates:

Pre-Retirement: RP-2006 White Collar Employee Mortality Table projected generationally using Scale MP-2019.

Healthy Retiree: RP-2006 White Collar Healthy Annuitant Mortality Table projected generationally using Scale MP-2019.

Disabled Retiree: RP-2006 White Collar Healthy Annuitant Mortality Table set forward 5 years and projected generationally using Scale MP-2019.

The underlying tables with generational projection to the ages of employees as of the measurement date reasonably reflect the mortality experience of the Plan as of the measurement date.

The mortality rates were based on historical and current demographic data, adjusted to reflect estimated future experience and professional judgment. As part of the analysis, a comparison was made between the actual number of deaths by age and the projected number based on the prior year's assumption over the most recent five years. These mortality tables were then adjusted to future years using the generational projection to reflect future mortality improvement between the measurement date and those years.

Termination Rates before Retirement:

	Fire and Police Rate (%)							
			Disability[2]					
	Mortality[1]		Current		Previous		Withdrawal	
Age	Male	Female	Male	Female	Male	Female	Male	Female
20	0.04	0.02	0.13	0.08	0.09	0.05	9.87	14.87
25	0.04	0.02	0.19	0.13	0.13	0.09	6.87	9.87
30	0.03	0.02	0.27	0.22	0.18	0.15	4.87	6.87
35	0.04	0.03	0.38	0.34	0.25	0.23	3.87	4.87
40	0.05	0.04	0.52	0.40	0.35	0.27	2.65	3.65
45	0.08	0.06	0.71	0.66	0.47	0.44	1.50	2.50
50	0.14	0.10	1.02	1.00	0.68	0.66	0.16	1.16
55	0.21	0.15	1.72	1.59	1.14	1.06	- -	- -
60	0.35	0.24	2.58	1.85	1.72	1.23	- -	- -

[1] Mortality rates do not reflect generational projection.
[2] 100% of the disability rates shown represent accidental disability.

	School, Public Works and Town Rate (%)							
			Disability[2]					
	Mortality[1]		Current		Previous		Withdrawal	
Age	Male	Female	Male	Female	Male	Female	Male	Female
20	0.04	0.02	0.02	0.02	0.01	0.02	9.92	14.92
25	0.04	0.02	0.03	0.04	0.02	0.02	6.92	9.92
30	0.03	0.02	0.04	0.06	0.02	0.04	4.92	6.92
35	0.04	0.03	0.05	0.10	0.03	0.07	3.92	4.92
40	0.05	0.04	0.09	0.16	0.06	0.11	2.78	3.78
45	0.08	0.06	0.15	0.24	0.10	0.16	1.69	2.69
50	0.14	0.10	0.27	0.40	0.18	0.27	0.47	1.47
55	0.21	0.15	0.54	0.71	0.36	0.48	0.08	0.08
60	0.35	0.24	0.94	0.87	0.63	0.58	- -	- -

The withdrawal rates and disability rates were based on historical and current demographic data, adjusted to reflect estimated future experience and professional judgment. As part of the analysis, a comparison was made between the actual number of withdrawals and disability retirements by age and the projected number based on the prior year's assumption over the most recent five years.

[1] Mortality rates do not reflect generational projection.
[2] 100% of the disability rates shown represent accidental disability.

Retirement Rates:

	Rate (%)			
	Police		Fire	
Age	Current	Previous	Current	Previous
20	80.0	60.0	80.0	60.0
21	15.0	15.0	10.0	10.0
22	5.0	5.0	10.0	10.0
23	5.0	5.0	10.0	10.0
24	5.0	5.0	10.0	10.0
25	50.0	50.0	10.0	10.0
26	50.0	50.0	10.0	10.0
27	50.0	50.0	30.0	30.0
28	50.0	50.0	30.0	30.0
29	50.0	50.0	30.0	30.0
30	100.0	100.0	100.0	100.0

Age	Rate (%) School	Town Management/ Public Works	Town Non-Management
55	2.0	5.0	- -
56	2.0	5.0	- -
57	2.0	5.0	- -
58	2.0	5.0	- -
59	2.0	5.0	- -
60	30.0	10.0	10.0
61	5.0	10.0	10.0
62	35.0	15.0	15.0
63	35.0	15.0	15.0
64	10.0	15.0	15.0
65	10.0	50.0	50.0
66	10.0	50.0	50.0
67	10.0	100.0	100.0
68	30.0	- -	- -
69	30.0	- -	- -
70	100.0	- -	- -

The retirement rates were based on historical and current demographic data, adjusted to reflect economic conditions of the area and estimated future experience and professional judgment. As part of the analysis, a comparison was made between the actual number of retirements and the projected number based on the prior year's assumption over the most recent five years.

Retirement Rates for Inactive Vested Participants:

Normal Retirement Age

The retirement age for inactive vested participants was based on historical and current demographic data, adjusted to reflect economic conditions of the area and estimated future experience and professional judgment.

Unknown Data for Participants:

Same as those exhibited by employees with similar known characteristics.

Family Composition:

85% of participants are assumed to be married. None are assumed to have dependent children. Females are assumed to be three years younger than their male spouses.

Section 3: Actuarial Valuation Basis

Benefit Election:	Monthly life annuity for School, Public Works and Town. 67.5% Joint and Survivor annuity for married Police and Fire, in accordance with Section 45-21.3-1, General Laws of Rhode Island (1956).
2019 - 2020 Salary:	Salaries for benefits and contributions were provided by the Town of Portsmouth, RI.
Actuarial Value of Assets:	Market value of assets as reported by the Town of Portsmouth, RI less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Actuarial Cost Method:	Entry Age Actuarial Cost Method. Entry Age is the age at date of hire. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary, with Normal Cost determined using the plan of benefits applicable to each participant.
Justification for Change in Actuarial Assumptions:	Based on past experience and future expectations, the following actuarial assumptions were changed as of July 1, 2020: • The investment return assumption was lowered from 6.75% to 6.40%. • The administrative expense assumption was eliminated since we were told by the Town that expenses are no longer paid from plan assets. • The retirement rate for employees with 20 years of service was increased from 60% to 80% for employees of the Police and Fire departments. • Disability rates were increased by 50% for all employees.

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Exhibit II – Summary of Plan Provisions

This exhibit summarizes the major provisions of the Plan included in the valuation. It is not intended to be, nor should it be interpreted as, a complete statement of all plan provisions.

Plan Year:	• Effective July 1, 2006: July 1 through June 30 • Prior to July 1, 2006: January 1 through December 31
Plan Status:	• *Police:* Closed (with the exception of disability benefits) • *Fire:* Closed (with the exception of disability benefits) • *School Non-Management:* Closed • *School Management:* Ongoing • *Town:* Closed *Public Works:* Closed (with the exception of disability benefits)
	POLICE
Normal Retirement Benefits:	• *Service Requirement:* 20 years of credited service • *Amount:* 60% of average monthly earnings plus 2% for each year beyond 20 years subject to a maximum of 70%. • An employee's average monthly earnings are defined as the highest gross annual salary during the last three years of employment. Gross annual salary includes base salary and longevity, but excludes overtime, clothing allowance, holiday pay and any other forms of compensation. • Employees hired on or after July 1, 2010 are not entitled to Normal Retirement Benefits.
Accidental Disability:	• *Service Requirement:* None. • *Amount:* 67% of gross annual salary. For employees hired on or after July 1, 2010, this benefit will be offset by the actuarially equivalent benefit provided by the account balance from the defined contribution plan.
Ordinary Disability:	• *Service Requirement:* 10 years of credited service • *Amount:* 50% of highest consecutive two years average salary. For employees hired on or after July 1, 2010, this benefit is payable until Normal Retirement Date at which time the participant would begin taking distributions exclusively from the 401(a) plan.
Deferred Vested Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service

Spouse's Pre-Retirement Death Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* 30% of final five-year average earnings payable to the spouse plus 10% of final five-year average earnings payable to each minor child under age 21. The maximum benefit payable is 50% of final five-year average earnings. Employees hired on or after July 1, 2010 are not entitled to pre-retirement death benefits.
Cost of Living Adjustments:	• Employees who retired on or after July 1, 2003 with 20 years of credited service receive a 3% COLA commencing on the January 1st following the first anniversary of retirement. Employees who retired prior to July 1, 2003 receive a COLA based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit employees in the department from which the employee retired. • Effective July 1, 2010, employees who retire on or after July 1, 2013 with 20 years of credited service or become disabled receive a 3% COLA commencing on the January 1st following the second year of retirement. • There is no COLA on a Deferred Vested Benefit or a Pre-Retirement Death Benefit.
Employee Contributions:	• 9.0% of gross annual earnings. • No contributions for employees hired on or after July 1, 2010.
Normal Form of Payment:	Benefits will continue to the surviving spouse and dependent children of a deceased retired police officer in accordance with Section 45-21.3-1, General Laws of Rhode Island (1956). The surviving spouse will receive 67.5% of the participant's benefit until death or remarriage in which case dependent children will receive the benefit until age 18. On death, if there is no spousal benefit due, the estate will receive a refund of participant contributions in excess of any retirement payments received.
Credited Service:	Full years plus fractions thereof from date of hire to date of termination.
Changes in Plan Provisions:	There were no changes in plan provisions reflected in this valuation.

FIRE

Normal Retirement Benefit:	• *Service Requirement:* 20 years of credited service • *Amount:* – For service before July 1, 2013: 3% of average monthly earnings per year of credited service to a maximum of 20 years plus 2% for each year beyond 20 years. – For service on or after July 1, 2013 and before June 30, 2016: 1% of average monthly earnings per year of credited service. – For service on or after July 1, 2016: 2% of average monthly earnings per year of credited service. – Fire Deputy and Fire Chief: 3% of average monthly earnings per year of credited service to a maximum of 20 years plus 2% for each year beyond 20 years. – The maximum benefit is 74% of average monthly earnings. – An employee's average monthly earnings are defined as the highest gross annual salary during the last three years of employment. Gross annual salary includes base salary, longevity and EMT bonus, but excludes overtime, clothing allowance, holiday pay and any other forms of compensation. Employees hired on or after July 1, 2013 are not entitled to Normal Retirement Benefits.
Accidental Disability:	• *Service Requirement:* None • *Amount:* 66 ⅔% of gross annual salary. For employees hired on or after July 1, 2013, this benefit will be offset by the actuarially equivalent benefit provided by the account balance from the defined contribution plan.
Ordinary Disability:	• *Service Requirement:* 10 years of credited service • *Amount:* 50% of highest consecutive three years average salary. For employees hired on or after July 1, 2013, this benefit is payable until Normal Retirement Date at which time the participant would begin taking distributions exclusively from the 401(a) plan.
Deferred Vested Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service.
Spouse's Pre-Retirement Death Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* 30% of final five-year average earnings payable to the spouse plus 10% of final five-year average earnings payable to each minor child under age 21. The maximum benefit payable is 50% of final five-year average earnings. Employees hired on or after July 1, 2013 are not entitled to pre-retirement death benefits.

Section 3: Actuarial Valuation Basis

Cost of Living Adjustments:	• Employees who retired prior to July 1, 2007 receive a COLA based on 50% of the percentage salary increase received the previous July 1 by the active bargaining unit employees in the department from which the employee retired. • Employees who retired on or after July 1, 2007 and before July 1, 2013 with 20 years of credited service receive a 3% COLA commencing on the January 1st immediately following the participant's retirement. • Employees who retire under a Fire Service disability incurred after July 1, 2010 will receive a 1.7% COLA commencing on the January 1st immediately following the fifth anniversary of retirement. • Employees who retire on or after July 1, 2013 with 20 years of credited service receive a 1.7% non-compounding COLA commencing on the January 1st following the fifth anniversary of retirement. • Fire Chiefs receive a 3% COLA commencing on the January 1st following the fifth year of retirement, regardless of date of retirement. • Employees who retired prior to July 1, 2016 under Accidental Disability receive a 3% compounding COLA commencing on the January 1st immediately following the participant's retirement. • Employees who retire on or after July 1, 2016 under Accidental Disability receive a 3% non-compounding COLA commencing on the January 1st immediately following the participant's retirement. • There is no COLA on a Deferred Vested Benefit or a Pre-Retirement Death Benefit.
Employee Contributions:	• 4.0% of gross annual earnings inclusive of base salary, longevity, EMT bonus and holiday pay. • Fire Deputy and Fire Chief: 10.0% of gross annual earnings inclusive of base salary, longevity, EMT bonus and holiday pay. • No contributions for employees hired on or after July 1, 2013.
Normal Form of Payment:	Benefits will continue to the surviving spouse and dependent children of a deceased retired firefighter in accordance with Section 45-21.3-1, General Laws of Rhode Island (1956). The surviving spouse will receive 67.5% of the participant's benefit until death or remarriage in which case dependent children will receive the benefit until age 18. On death, if there is no spousal benefit due, the estate will receive a refund of participant contributions in excess of any retirement payments received.
Credited Service:	Full years plus fractions thereof from date of hire to date of termination.
Changes in Plan Provisions:	There were no changes in plan provisions.

SCHOOL

Normal Retirement Benefit:	• *Age and Service Requirement:* Age 60 with 10 years of credited service • *Amount:* – Non-Certified: » For service before October 1, 2013: 2.5% of average monthly earnings per year of credited service. » For service on or after October 1, 2013: 1% of average monthly earnings per year of credited service. » Benefit is reduced prorata if less than 20 years of service. » Non-certified employees hired after July 1, 2012 and before October 1, 2013 were transferred to the defined contribution plan effective October 1, 2013. – Management: 2.5% of average monthly earnings per year of credited service. Benefit is reduced prorata for less than 20 years of service. – An employee's average monthly earnings are defined as base annual salary and longevity pay averaged over the final three years of employment. School Department employees who are not School Management, who are hired on or after October 1, 2013 are not eligible to participate in this Plan.
Early Retirement Benefit:	• *Age and Service Requirement:* Age 55 with 20 years of credited service • *Amount:* Normal Retirement Benefit multiplied by the ratio of credited service as of the Early Retirement Date to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date.
Ordinary Disability:	• *Service Requirement:* 10 years of credited service • *Amount:* Accrued benefit as of the date of disability multiplied by the ratio of credited service as of the date of disability to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date, with payments ceasing upon the Employee's attainment of Normal or Early Retirement Date.
Deferred Vested Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service.
Spouse's Pre-Retirement Death Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* 100% Joint and Survivor benefit is payable to the spouse upon the death of the employee, prorated if less than 20 years and reduced for early retirement and payable no earlier than when the employee would be eligible to retire.

Section 3: Actuarial Valuation Basis

Cost of Living Adjustments:	• Non-certified: Effective July 1, 2002, employees who retire at age 55 with 20 years of credited service shall receive a 1.7% COLA beginning on the first anniversary of retirement. For retirements on or after October 1, 2013, the COLA commences on the fifth anniversary of retirement. • Management: Effective January 1, 2001 employees who retire at age 55 with 25 years of credited service or age 60 with 20 years of credited service shall receive a 1.7% COLA beginning on the first anniversary of retirement. • There is no COLA on a Deferred Vested Benefit, an Ordinary Disability Benefit, or a Pre-Retirement Death Benefit.
Employee Contributions:	• Non-Certified: 4% of gross annual salary. • Management: 6% of gross annual salary.
Normal Form of Payment:	Life annuity payable monthly.
Credited Service:	Full years plus fractions thereof from date of hire to date of termination.
Changes in Plan Provisions:	There were no changes in plan provisions reflected in this valuation.

TOWN

Normal Retirement Benefit:	• *Age and Service Requirement:* Age 60 with 10 years of credited service • *Amount:* – Non-Management: » For service before July 1, 2013: 2.5% of average monthly earnings per year of credited service to a maximum of 27 years. » For service on or after July 1, 2013 and before July 1, 2016: 1% of average monthly earnings per year of credited service. » For service on or after July 1, 2016: 2% of average monthly earnings per year of credited service. » The maximum benefit is 67.5% of average monthly earnings. » Benefit is reduced prorata if less than 20 years of service. – Management: 3.0% of average monthly earnings per year of credited service for up to 20 years of service, plus 2.0% of average monthly earnings per year of credited service to a maximum of 74%. For benefit accrual purposes, credited service is frozen as of July 1, 2014. – An employee's monthly earnings are defined as the highest annual salary (base salary and longevity) during the final three years of employment. Town Hall employees hired on or after July 1, 2012 are not eligible to participate in this Plan.
Early Retirement Benefit:	• *Age and Service Requirement:* Management: Age 55 with 25 years of credited service • *Amount:* Management: Normal Retirement Benefit multiplied by the ratio of credited service as of the Early Retirement Date to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date. • There is no Early Retirement Benefit for Non-Management employees.
Ordinary Disability:	• *Service Requirement:* 10 years of credited service • *Amount:* Accrued benefit as of the date of disability multiplied by the ratio of credited service as of the date of disability to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date, with payments ceasing upon the Employee's attainment of Normal or Early Retirement Date.
Deferred Vested Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service.

Spouse's Pre-Retirement Death Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* 30% of final five-year average earnings payable to the spouse plus 10% of final five-year average earnings payable to each minor child under 21. The maximum benefit payable is 50% of final five-year average earnings.
Cost of Living Adjustments:	• *Non-Management:* Employees who are members of PMEA and who retire on or after July 1, 1998 at age 60 with 20 years of credited service receive a 2.0% COLA with a two-year waiting period from date of retirement. Effective July 1, 2003, the COLA commences the January 1st immediately following retirement. Effective July 1, 2005 employees retiring at or after age 60 with at least 20 years of credited service shall receive a cost of living adjustment of the annual Consumer Price Index (CPI-U, U.S. city average established on December 31 of the preceding year), but shall be not less than 2% or more than 3%, annually commencing on the first anniversary of retirement. For retirements on or after July 1, 2013, the COLA is 1.7% and commences on the fifth anniversary of retirement. Effective July 1, 2016, for employees retiring at or after age 60 with 25 years of credited service, the COLA commences on the earlier of age 65 or the second anniversary of retirement. • *Management:* Employees who retire on or after July 1, 2002 at age 60 with 20 years of credited service or age 55 with 25 years of service receive a 2.0% COLA with a one-year waiting period from date of retirement. Employees who retire on or after July 1, 2004 receive a 3.0% COLA commencing on the January 1st following the first anniversary of retirement. For retirements on or after July 1, 2013, the COLA is 1.7% commencing on the January 1st following the fifth anniversary of retirement. • There is no COLA on a Deferred Vested Benefit, an Ordinary Disability Benefit, or a Pre-Retirement Death Benefit.
Employee Contributions:	• Non-Management: Effective July 1, 2016, 5% of base salary. • Management: No employee contributions after July 1, 2014.
Normal Form of Payment:	Life annuity payable monthly.
Credited Service:	Full years plus fractions thereof from date of hire to date of termination.
Changes in Plan Provisions:	There were no changes in plan provisions reflected in this valuation.

PUBLIC WORKS

Normal Retirement Benefit:	• *Age and Service Requirement:* Age 60 with 10 years of credited service • *Amount:* – For employees with less than 10 years of credited service at July 1, 2013 who were hired before June 30, 2010: 2.5% of average monthly earnings per year of credited service up to a maximum of 25%. Benefit is reduced prorata if less than 20 years of service. – For employees with 10 or more years of service as of June 30, 2013: 2.5% of average monthly earnings per year of credited service prior to July 1, 2013 to a maximum of 67.5%. Benefit is reduced prorata if less than 20 years of service. – An employee's average monthly earnings are defined as annual salary (base salary and longevity) averaged over the final five years of employment. Employees hired on or after July 1, 2010 are not entitled to Normal Retirement Benefits.
Ordinary Disability:	• *Service Requirement:* 10 years of credited service • *Amount:* Accrued benefit as of the date of disability multiplied by the ratio of credited service as of the date of disability to the number of years the employee would have completed if he or she remained employed until Normal Retirement Date, with payments ceasing upon the Employee's attainment of Normal or Early Retirement Date. For employees hired on or after July 1, 2013, this benefit will be offset by the actuarially equivalent benefit provided by the account balance for the defined contribution plan.
Deferred Vested Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* Normal Retirement Benefit payable at Normal Retirement Date, prorated if less than 20 years of service.
Spouse's Pre-Retirement Death Benefit:	• *Service Requirement:* 10 years of credited service • *Amount:* 30% of final five-year average earnings payable to the spouse plus 10% of final five-year average earnings payable to each minor child under 21. The maximum benefit payable is 50% of final five-year average earnings. Employees hired on or after July 1, 2010 are not entitled to pre-retirement death benefits.
Cost of Living Adjustments:	• Employees who retire on or after July 1, 1987 at age 60 with 20 years of credited service shall receive 50% of the percentage salary increase received the previous July 1 by the active bargaining unit employees in the department from which the employee retired. There is a two-year waiting period commencing on the January 1 following date of retirement. Employees who retire on or after July 1, 2013 at age 60 with 10 years of service receive a 1.7% COLA commencing on the sixth anniversary of retirement. • There is no COLA on a Deferred Vested Benefit, an Ordinary Disability Benefit, or a Pre-Retirement Death Benefit.
Employee Contributions:	No employee contributions after July 1, 2013.
Normal Form of Payment:	Life annuity payable monthly.

Section 3: Actuarial Valuation Basis

Credited Service:	Full years plus fractions thereof from date of hire to date of termination.
Changes in Plan Provisions:	There were no changes in plan provisions reflected in this valuation.

Appendix – Glossary of Terms

Definitions of certain terms as they are used in Statement 68. The terms may have different meanings in other contexts.

Active Employees:	Individuals employed at the end of the reporting or measurement period, as applicable.
Actual Contributions:	Cash contributions recognized as additions to a pension Plan Fiduciary Net Position.
Actuarial Present Value of Projected Benefit Payments:	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial Valuation:	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial Valuation Date:	The date as of which an actuarial valuation is performed.
Actuarially Determined Contribution:	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad Hoc Cost-of-Living Adjustments (Ad Hoc COLAs):	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad Hoc Postemployment Benefit Changes:	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Agent Employer:	An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.
Agent Multiple-Employer Defined Benefit Pension Plan (Agent Pension Plan):	A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer’s share of the pooled assets is legally available to pay the benefits of only its employees.
Allocated Insurance Contract:	A contract with an insurance company under which related payments to the insurance company are currently used to purchase immediate or deferred annuities for individual employees. Also may be referred to as an annuity contract.
Automatic Cost-of-Living Adjustments (Automatic COLAs):	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).

Automatic Postemployment Benefit Changes:	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Closed Period:	A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.
Collective Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:	Deferred outflows of resources and deferred inflows of resources related to pensions arising from certain changes in the collective Net Pension Liability.
Collective Net Pension Liability:	The Net Pension Liability for benefits provided through (1) a cost-sharing pension plan or (2) a single-employer or agent pension plan in circumstances in which there is a special funding situation.
Collective Pension Expense:	Pension expense arising from certain changes in the collective Net Pension Liability.
Contributions:	Additions to a pension Plan Fiduciary Net Position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.
Cost-of-Living Adjustments:	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Employer:	An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Cost-Sharing Pension Plan):	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered-Employee Payroll:	The payroll of employees that are provided with pensions through the pension plan.
Deferred Retirement Option Program (DROP):	A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period.
Defined Benefit Pension Plans:	Pension plans that are used to provide defined benefit pensions.

Section 3: Actuarial Valuation Basis

Defined Benefit Pensions:	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of Statement 68.)
Defined Contribution Pension Plans:	Pension plans that are used to provide defined contribution pensions.
Defined Contribution Pensions:	Pensions having terms that (1) provide an individual account for each employee; (2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (3) provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
Discount Rate:	The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following: 1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension Plan Fiduciary Net Position is projected (under the requirements of Statement 68) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments. 2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.
Entry Age Actuarial Cost Method:	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.
Inactive Employees:	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
Measurement Period:	The period between the prior and the current measurement dates.
Multiple-Employer Defined Benefit Pension Plan:	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Net Pension Liability (NPL):	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.
Non-Employer Contributing Entities:	Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of Statement 68, employees are not considered non-employer contributing entities.

Section 3: Actuarial Valuation Basis

Other Postemployment Benefits:	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension Plans:	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions:	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
Plan Members:	Individuals that are covered under the terms of a pension plan. Plan members generally include (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
Postemployment:	The period after employment.
Postemployment Benefit Changes:	Adjustments to the pension of an inactive employee.
Postemployment Healthcare Benefits:	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected Benefit Payments:	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public Employee Retirement System:	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real Rate of Return:	The rate of return on an investment after adjustment to eliminate inflation.
Service Costs:	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Single Employer:	An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.
Single-Employer Defined Benefit Pension Plan (Single-Employer Pension Plan):	A defined benefit pension plan that is used to provide pensions to employees of only one employer.

Section 3: Actuarial Valuation Basis

Special Funding Situations:	Circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists: 1. The amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions. 2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.
Termination Benefits:	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total Pension Liability (TPL):	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement 68.