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November 17, 2014

milliman.com

***PERSONAL & CONFIDENTIAL***

Mr. Robert Thibeault  
Finance Director  
Town of Coventry  
1670 Flat River Road  
Coventry, RI 02816

Re: Coventry Police Officers Retirement Plan  
Updated Funding Improvement Plan Projections (Reflecting July 1, 2014  
Actuarial Valuation, and Plan Changes for New Hires)

Dear Bob:

As requested, we are providing updated Funding Improvement Plan projections for the Coventry Police Officers Retirement Plan, based on the results of the July 1, 2014 actuarial valuation. Please note that based on the results of this valuation, the funded status of the pension system is 12.9% and therefore, the plan is considered to be in critical status.

The projections reflect the pension plan changes for members hired after December 31, 2012, as summarized on page 5 of the July 1, 2014 actuarial valuation report.

The attached exhibits summarize the results of the funding projections. **Exhibit A** assumes that the actual return on investment equals the 7.0% assumption. Please note that **Exhibit B** provides the same forecast as Exhibit A, except that actual return on investment is 0.5% less than the 7.0% assumption.

The projections assume that the Town contributes 100% of the Actuarially Determined Contribution ("ADC") for FY 2015 and all future years.

Please note that the plan's funded ratio is expected to gradually increase to approximately 100% by July 1, 2038. In addition, the plan is projected to emerge from "critical status" by July 1, 2032 (18 years from the July 1, 2014 actuarial valuation date) if all actuarial assumptions are realized.

Caveats:

The attached exhibits are based on the results of our July 1, 2014 actuarial valuation, including the data, plan provisions, methods and assumptions contained therein. In

addition, we have assumed that (1) the Police plan future active population size will remain constant, (2) the investment return on the market value of assets is 7% per year for Exhibit A, and 6.50% per year for Exhibit B, (3) the current 10-year floor on the period for amortizing the unfunded liability is not applicable, (4) and the Town contributes 100% of the ADC, as described above. For purposes of determining the revenue forecast for FY 2016 through FY 2021, we have relied upon the revenue forecast of \$93.7 million for FY 2015, as provided to us by the Town. For FY 2016 through FY 2020, the yearly change in revenue is assumed to be equal to the change in the employer contribution to the pension plan; however, in no event is the yearly change in revenue permitted to be less than zero.

The results of our study depend on future experience conforming to the actuarial assumptions used in this analysis. It is certain that actual experience will not conform exactly to the assumptions used in this analysis. To the extent future experience deviates from those assumptions, the results of this analysis could vary from the results presented here. Future measurements (for example, of pension obligations, costs, contributions, or funded status as applicable) may differ significantly from the current measurements presented in this analysis due to such factors as 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 or additional cost or contribution requirements based on the plan's funded status), and changes in plan provisions or applicable law. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such future measurements.

We performed a limited review of the data used directly in our analysis for reasonableness and consistency and have not found material defects in the data. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment. If the underlying data or information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised.

Milliman's work is prepared solely for the internal business use of the Town of Coventry. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product, and Milliman may include a legend on its reports so stating. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exception(s): (a) the Town may provide a copy of Milliman's work, in its entirety, to the Town's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Town; (b) the Town may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law. No third party recipient of Milliman's work product should rely upon

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Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this project are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

I am a member of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Please let me know if you have any questions.

Sincerely,



Steve A. Lemanski, FSA, FCA  
Consulting Actuary

SAL:dp 40 COV2014UpdatedFIPProjections\_POL

Exhibit A

Town of Coventry, RI  
Police Pension Projection

Values as of Valuation Date					Costs Projected to Following Fiscal Year														
Valuation Year	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Costs for FYE	Amort. Period	Past Service Cost	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Admin Expense Load	Interest	Total Employer ADC	Assumed Employer Contribution	Employer Contribution as a % of the ADC	DB Plan Payroll	Benefit Payments	Revenue Forecast	Contribution as Share of Revenue
2014	71,422,700	9,194,300	62,228,400	12.9%	2016	24	3,613,900	918,300	286,600	631,700	21,600	298,700	4,565,900	4,565,900	100.0%	3,335,200	3,706,200	93,760,100	4.9%
2015	73,709,000	10,943,900	62,765,100	14.9%	2017	23	3,752,200	933,300	310,300	623,000	22,000	307,900	4,705,100	4,705,100	100.0%	3,333,700	3,833,700	93,899,300	5.0%
2016	75,905,800	12,658,900	63,246,900	16.7%	2018	22	3,899,300	954,200	324,400	629,800	23,000	318,600	4,870,700	4,870,700	100.0%	3,466,300	3,950,500	94,064,900	5.2%
2017	78,153,000	14,681,100	63,471,900	18.8%	2019	21	4,043,600	966,500	335,300	631,200	24,000	329,000	5,027,800	5,027,800	100.0%	3,601,800	4,086,700	94,222,000	5.3%
2018	80,445,900	16,895,000	63,550,900	21.0%	2020	20	4,192,800	993,100	353,700	639,400	25,000	340,000	5,197,200	5,197,200	100.0%	3,726,200	4,220,900	94,391,400	5.5%
2019	82,763,900	19,252,900	63,511,000	23.3%	2021	19	4,349,900	982,500	355,500	627,000	26,000	350,200	5,353,100	5,353,100	100.0%	3,864,800	4,397,600	94,547,300	5.7%
2020	85,101,100	21,769,300	63,331,800	25.6%	2022	18	4,515,100	955,100	369,600	585,500	27,000	359,000	5,486,600	5,486,600	100.0%	3,891,100	4,654,900		
2021	87,290,700	24,370,300	62,920,400	27.9%	2023	17	4,683,400	978,800	387,100	591,700	28,000	371,200	5,674,300	5,674,300	100.0%	3,967,100	4,784,500		
2022	89,481,000	27,174,500	62,306,500	30.4%	2024	16	4,858,500	1,001,800	400,300	601,500	29,000	384,300	5,873,300	5,873,300	100.0%	4,116,400	4,938,700		
2023	91,704,200	30,222,300	61,481,900	33.0%	2025	15	5,041,700	999,100	410,900	588,200	30,000	396,200	6,056,100	6,056,100	100.0%	4,235,500	5,130,300		
2024	93,881,600	33,501,000	60,380,600	35.7%	2026	14	5,229,800	1,020,800	428,500	592,300	31,000	409,700	6,262,800	6,262,800	100.0%	4,347,000	5,284,600		
2025	96,077,000	37,056,000	59,021,000	38.6%	2027	13	5,426,900	1,015,800	436,300	579,500	32,000	422,600	6,461,000	6,461,000	100.0%	4,439,100	5,499,400		
2026	98,210,300	40,858,600	57,351,700	41.6%	2028	12	5,631,000	1,004,800	447,100	557,700	33,000	435,500	6,657,200	6,657,200	100.0%	4,476,900	5,740,700		
2027	100,220,400	44,892,800	55,327,600	44.8%	2029	11	5,840,700	1,034,300	471,700	562,600	34,000	450,600	6,887,900	6,887,900	100.0%	4,533,200	5,900,500		
2028	102,184,000	49,271,500	52,912,500	48.2%	2030	10	6,055,300	1,039,200	481,300	557,900	35,000	465,400	7,113,600	7,113,600	100.0%	4,702,800	6,060,400		
2029	104,164,000	54,038,900	50,125,100	51.9%	2031	9	6,280,900	1,021,900	490,900	531,000	36,000	479,300	7,327,200	7,327,200	100.0%	4,779,700	6,301,800		
2030	106,033,700	59,132,600	46,901,100	55.8%	2032	8	6,514,700	946,200	485,100	461,100	37,000	490,900	7,503,700	7,503,700	100.0%	4,813,400	6,664,800		
2031	107,623,000	64,421,300	43,201,700	59.9%	2033	7	6,757,200	886,100	497,200	388,900	38,000	502,900	7,687,000	7,687,000	100.0%	4,647,000	7,071,900		
2032	108,799,800	69,853,100	38,946,700	64.2%	2034	6	7,001,800	899,700	523,100	376,600	39,000	519,100	7,936,500	7,936,500	100.0%	4,630,200	7,277,900		
2033	109,784,600	75,667,300	34,117,300	68.9%	2035	5	7,250,800	926,600	547,300	379,300	40,000	536,800	8,206,900	8,206,900	100.0%	4,776,900	7,404,600		
2034	110,727,700	82,039,500	28,688,200	74.1%	2036	4	7,507,200	926,000	560,600	365,400	41,000	553,900	8,467,500	8,467,500	100.0%	4,952,200	7,574,700		
2035	111,597,000	88,974,500	22,622,500	79.7%	2037	3	7,774,600	891,800	567,600	324,200	42,000	569,800	8,710,600	8,710,600	100.0%	5,064,200	7,826,400		
2036	112,256,200	96,410,300	15,845,900	85.9%	2038	2	8,045,100	890,200	594,100	296,100	43,000	586,900	8,971,100	8,971,100	100.0%	4,988,900	8,044,400		
2037	112,646,200	104,419,000	8,227,200	92.7%	2039	1	8,227,200	899,700	611,800	287,900	44,000	599,100	9,158,200	9,158,200	100.0%	5,128,900	8,157,500		
2038	112,953,000	113,158,000	(205,000)	100.2%	2040	1	(205,000)	935,700	640,000	295,700	45,000	9,500	145,200	145,200	100.0%	5,280,600	8,209,000		
2039	113,248,700	122,677,300	(9,428,600)	108.3%	2041	1	(9,428,700)	971,400	666,600	304,800	46,000	(635,500)	0	0	100.0%	5,476,700	8,239,400		

This projection is based on the actuarial assumptions and data from the July 1, 2014 actuarial valuation report. The explanatory notes contained in that report, including statements of reliance and limitations on use, continue to apply. This projection assumes new members continue to be covered by the DB plan.

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

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

Exhibit B

Town of Coventry, RI  
Police Pension Projection

Values as of Valuation Date							Costs Projected to Following Fiscal Year												
Valuation Year	Accrued Liability	Actuarial Value of Assets	Unfunded Liability	Funded Ratio	Costs for FYE	Amort. Period	Past Service Cost	Total Normal Cost	Expected Employee Contributions	Employer Normal Cost	Admin Expense Load	Interest	Total Employer ADC	Assumed Employer Contribution	Employer Contribution as a % of the ADC	DB Plan Payroll	Benefit Payments	Revenue Forecast	Contribution as Share of Revenue
2014	71,422,700	9,194,300	62,228,400	12.9%	2016	24	3,613,900	918,300	286,600	631,700	21,600	298,700	4,565,900	4,565,900	100.0%	3,335,200	3,706,200	93,760,100	4.9%
2015	73,709,000	10,895,300	62,813,700	14.8%	2017	23	3,755,100	933,300	310,300	623,000	22,000	308,100	4,708,200	4,708,200	100.0%	3,333,700	3,833,700	93,902,400	5.0%
2016	75,905,800	12,550,000	63,355,800	16.5%	2018	22	3,906,000	954,200	324,400	629,800	23,000	319,100	4,877,900	4,877,900	100.0%	3,466,300	3,950,500	94,072,100	5.2%
2017	78,153,000	14,502,000	63,651,000	18.6%	2019	21	4,055,000	966,500	335,300	631,200	24,000	329,800	5,040,000	5,040,000	100.0%	3,601,800	4,086,700	94,234,200	5.3%
2018	80,445,900	16,635,300	63,810,600	20.7%	2020	20	4,209,900	993,100	353,700	639,400	25,000	341,300	5,215,600	5,215,600	100.0%	3,726,200	4,220,900	94,409,800	5.5%
2019	82,763,900	18,901,600	63,862,300	22.8%	2021	19	4,373,900	982,500	355,500	627,000	26,000	351,900	5,378,800	5,378,800	100.0%	3,864,800	4,397,600	94,573,000	5.7%
2020	85,101,100	21,314,900	63,786,200	25.1%	2022	18	4,547,500	955,100	369,600	585,500	27,000	361,200	5,521,200	5,521,200	100.0%	3,891,100	4,654,900		
2021	87,290,700	23,801,500	63,489,200	27.3%	2023	17	4,725,700	978,800	387,100	591,700	28,000	374,200	5,719,600	5,719,600	100.0%	3,967,100	4,784,500		
2022	89,481,000	26,480,000	63,001,000	29.6%	2024	16	4,912,600	1,001,800	400,300	601,500	29,000	388,100	5,931,200	5,931,200	100.0%	4,116,400	4,938,700		
2023	91,704,200	29,390,800	62,313,400	32.1%	2025	15	5,109,900	999,100	410,900	588,200	30,000	400,900	6,129,000	6,129,000	100.0%	4,235,500	5,130,300		
2024	93,881,600	32,521,400	61,360,200	34.6%	2026	14	5,314,700	1,020,800	428,500	592,300	31,000	415,600	6,353,600	6,353,600	100.0%	4,347,000	5,284,600		
2025	96,077,000	35,917,600	60,159,400	37.4%	2027	13	5,531,500	1,015,800	436,300	579,500	32,000	430,000	6,573,000	6,573,000	100.0%	4,439,100	5,499,400		
2026	98,210,300	39,551,800	58,658,500	40.3%	2028	12	5,759,300	1,004,800	447,100	557,700	33,000	444,400	6,794,400	6,794,400	100.0%	4,476,900	5,740,700		
2027	100,220,400	43,409,600	56,810,800	43.3%	2029	11	5,997,300	1,034,300	471,700	562,600	34,000	461,500	7,055,400	7,055,400	100.0%	4,533,200	5,900,500		
2028	102,184,000	47,606,100	54,577,900	46.6%	2030	10	6,245,900	1,039,200	481,300	557,900	35,000	478,700	7,317,500	7,317,500	100.0%	4,702,800	6,060,400		
2029	104,164,000	52,188,700	51,975,300	50.1%	2031	9	6,512,700	1,021,900	490,900	531,000	36,000	495,600	7,575,300	7,575,300	100.0%	4,779,700	6,301,800		
2030	106,033,700	57,099,400	48,934,300	53.9%	2032	8	6,797,100	946,200	485,100	461,100	37,000	510,700	7,805,900	7,805,900	100.0%	4,813,400	6,664,800		
2031	107,623,000	62,213,600	45,409,400	57.8%	2033	7	7,102,500	886,100	497,200	388,900	38,000	527,000	8,056,400	8,056,400	100.0%	4,647,000	7,071,900		
2032	108,799,800	67,489,500	41,310,300	62.0%	2034	6	7,426,700	899,700	523,100	376,600	39,000	548,900	8,391,200	8,391,200	100.0%	4,630,200	7,277,900		
2033	109,784,600	73,180,100	36,604,500	66.7%	2035	5	7,779,300	926,600	547,300	379,300	40,000	573,900	8,772,500	8,772,500	100.0%	4,776,900	7,404,600		
2034	110,727,700	79,479,200	31,248,500	71.8%	2036	4	8,177,200	926,000	560,600	365,400	41,000	600,800	9,184,400	9,184,400	100.0%	4,952,200	7,574,700		
2035	111,597,000	86,418,600	25,178,400	77.4%	2037	3	8,653,000	891,800	567,600	324,200	42,000	631,300	9,650,500	9,650,500	100.0%	5,064,200	7,826,400		
2036	112,256,200	93,980,700	18,275,500	83.7%	2038	2	9,278,700	890,200	594,100	296,100	43,000	673,200	10,291,000	10,291,000	100.0%	4,988,900	8,044,400		
2037	112,646,200	102,316,800	10,329,400	90.8%	2039	1	10,329,400	899,700	611,800	287,900	44,000	746,300	11,407,600	11,407,600	100.0%	5,128,900	8,157,500		
2038	112,953,000	111,756,400	1,196,600	98.9%	2040	1	1,196,600	935,700	640,000	295,700	45,000	107,600	1,645,000	1,645,000	100.0%	5,280,600	8,209,000		
2039	113,248,700	122,937,400	(9,688,700)	108.6%	2041	1	(9,688,800)	971,400	666,600	304,800	46,000	(653,700)	0	0	100.0%	5,476,700	8,239,400		

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Interest Rate Assumption	7.00%
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