Pension and OPEB Study Commission
November 25, 2013
Minutes of the Meeting

A Study Commission meeting was held in Room 313 of the State House, 82 Smith Street, Providence, Rhode Island on Monday, November 25, 2013.

Rosemary Booth Gallogly, Director of Revenue and Chairperson of the Pension and OPEB Study Commission called the meeting to order at 10:15 AM.

Commission members present: Rosemary Booth Gallogly, Dennis Hoyle, Richard Licht, Joseph Polisena, Steven St. Pierre, and Mark Dingley representing Gina Raimondo.

Members absent: Jean Bouchard, Paul Doughty, Allan Fung, J. Michael Lenihan, Antonio Pires, John Simmons, Angel Taveras, and there is a vacancy due to the retirement of the Jamestown Town Administrator.

Others present: Susanne Greschner, Chief of the Division of Municipal Finance, Daniel Sherman, Actuary for the Pension and OPEB Study Commission and members of the public.

Agenda Item #1 – Approval of minutes from October 21, 2013, Attachment A

For the first item on the agenda, Chairperson Booth Gallogly made the indication that with six members present, the Commission lacked a quorum and would not be voting today. Therefore, the approval of the minutes from the October 21, 2013 meeting would be voted on at the next Study Commission meeting. Due to the informational nature of the agenda, the meeting would convene as scheduled.

Agenda Item #2 – Discussion of Moody's Special Comment titled "Rhode Island Municipalities Look to ACA Exchanges and Other Strategies to Reduce Growing Healthcare Expenses, Attachment B

Next, Chairperson Booth Gallogly referred to the second item on the agenda, Attachment B, a Moody's Special Comment titled: "Rhode Island Municipalities Look to ACA Exchanges and Other Strategies to Reduce Growing Healthcare Expenses." In this report, Moody's chose to focus on Rhode Island because the state is contemplating thoughtful, forward-looking action in order to keep healthcare costs under control.

According to Moody's, Rhode Island local governments' employee and retiree healthcare costs are increasing faster than inflation due to the aging workforce, the increased life-expectancy of retirees, and the growth in per-capita use of health care services. According to the Kaiser Foundation, health insurance costs in Rhode Island have increased by 6.3% annually from 1991 through 2009, while general inflation has increased by 2.6% annually over the same period, putting pressure on state and local budgets.

The first thing they note is whether or not municipalities could achieve savings by utilizing the State's health care exchange to cover pre-65 retirees. The Director indicated that the RI health care exchange staff has been approached to see if Rhode Island municipalities might benefit from the exchange. There could be situations where, in addition to giving the retirees choice, there could be federal subsidies that would be made available to the retiree that may make it a win-win situation for both the retiree and the municipality in terms of lowering costs. In a similar way, many communities have done this, taking advantage of the state law regarding Medicare migration. Some negotiated the move before the state law was in place. It's much more cost effective having these retirees in a Medicare plan rather than on a city plan. Mayor Polisena cited his own town of Johnston as an example of a community making this move, resulting in $750,000 in savings. This was concerning to his city's retirees who are living on relatively small pension, who were worried about any increase in co-pay. The town alleviated these concerns by covering costs such as a deductible they have to pay through their social security, and codifying the agreement by putting it in writing. According to Mayor Polisena, things are going smoothly, with the town's retirees happy with not losing any coverage and in some instances, having enhanced coverage. Mayor Polisena suggested other community leaders to look into this move as an opportunity to bring substantial annual savings to their community.

Chairperson Booth Gallogly stressed the importance of educating retirees who are moving to Medicare who haven't had to in the past, due to the restrictions and deadlines that Medicare imposes. In a couple of communities, the state brought in the Department of Elderly Affairs and Blue Cross, who advised retirees facing this transition and answered their questions. In Woonsocket, the city is actually paying for the penalty because some of the retirees were already over age 65, and there is a penalty for late enrollment. Mayor Polisena stated that Johnston paid the penalty for it's retirees as well, and would be glad to provide the town's model to any other community that is interested. In summation, Chairperson Booth Gallogly believes that the more the state can get the word out on what constitutes best practices for this transition, the easier it will be for communities who want to make the change to do so.

Moody's notes some things that the state and some of the municipalities have already started doing, such as raising employee co-pays and shifting the cost of healthcare, whether it's through changes in benefit structure, co-shares and co-pays at office visits. They speak of the implementation of wellness programs that are more consumer-driven, with many municipalities doing this through the Interlocal Trust. They've also done some things at the Trust to promote competitive bidding on the healthcare providers, which may result in some efficiencies.

Moody's also mentions joining municipal consortiums. There are three that are operating in the state: The Rhode Island Interlocal Risk Management Trust, with about 45 entities; WB Community Health with 22 entities; and the Rhode Island Municipal Insurance Corporation with 10 entities. The importance there is they are able to create efficiencies through this pooling structure and also have a little bit more negotiating power.

The last thing Moody's mentions is creating and funding OPEB trusts. One of the main goals in setting up an OPEB trust is to be setting aside the funds as that benefit is earned by the active employee. Right now, there are many communities in Rhode Island and across the country that fund OPEB on a pay-as-you-go basis. By setting up a trust, the municipality would actually fund an ARC on an annual basis, so there are assets building up. This would increase the likelihood that the community will be able to continue those benefits in the future, as the money is set aside. Without the money set aside, there is a greater chance that the benefits will not be affordable in the future and squeezed out of the budget. From a financial management perspective, it is better to be able to fund these benefits. Unless the ARC is funded, it is difficult to know whether the benefit provided is sustainable or not, as it is being put off for the next generation to handle.

The Auditor General's report, which is cited in the Moody's report, identifies $3.5 billion of unfunded OPEB liability as of 2011. Some communities do not have a liability because they don't offer retiree benefits, while other's carry significant liabilities. There's a comparative table in the Moody's report that can also be found on the Municipal Finance website, which identifies the community's credit rating and outlook, what OPEB valuation they were using, their OPEB funding method, assets, unfunded liability, total operating revenue, the full value of all the property in each community, the unfunded liability as a percent of the operating revenue, and the unfunded liability as a percent of the full value of all the property in each community. The table shows how much of each municipality's operating budget is being eaten up by OPEB benefits, and the property values relative to the OPEB total liability. The Chairperson stated that a similar analysis can also be found on the Division of Municipal Finance's website.

Agenda Item #3 – OPEB survey – Analysis of data, Attachment C

For the third item on the agenda, Chairperson Booth Gallogly referred to Attachment C, "A Preliminary Analysis of the Cost of Municipal Employees' and Retirees' OPEB in Rhode Island Communities." She then introduced Susanne Greschner, Chief of the Division of Municipal Finance, to go over the document. Both Chairperson Booth Gallogly and Chief Greschner thanked Elaine Colarusso from the Division of Municipal Finance for her work putting together the project. The report will be on the Division of Municipal Finance's website, along with all of the OPEB valuations and other important documents that have been discussed at the Commission meetings.

In summarizing the findings, Chief Greschner stated that of the 52 sponsors (including the 39 cities and towns, 9 separate school valuations, and 4 regional school districts), most have some type of unfunded OPEB liability. The total OPEB liability for the cities, towns, and school districts is $3.1 billion. It's funded at 1.4%, leaving an unfunded liability of $3 billion. There has been a drop in the OPEB liability from the 2011 Auditor General's report, where the OPEB liability was $3.5 billion, an overall decline of 14%. Richard Lich, Director of Administration; whether it was due to a shift to Medicare, or a change in the assumption in the rate of growth for health expenditures. Chief Greschner responded that she believes all of those factors contributed to the decrease in overall total OPEB liability.

Chairperson Booth Gallogly stated that there is probably some impact for the communities who have updated their valuations since the state's pension reform, because in some cases the years of service and age for retirement has changed, and that means the OPEB liability could possibly be lower because they would be paying that retiree health benefit for a shorter period of time. There are also some communities which may have negotiated changes in benefits, or made changes in the assumption on the investment rate of return, or the actuarial methodology, or just have better data.

Dan Sherman added that for those communities that have begun to fund their obligations, their discount rate changed from, for example, 3.5% to 7.5%, because the funding will drop their liability in half. Also, they won't change the cost method, because if the cost method is changed, now one has to restate all prior audited statements. Communities are also negotiating changes, and healthcare trends of late have been relatively small. So some municipalities are seeing actuarial gains because the actuaries are assuming 7 or 8% increase in healthcare inflation, but it's been closer to 3, 4, or 5%, so that's also helped reduce the liability.

Mayor Polisena asked if the report included the fire, water, and sewer districts. Chief Greschner responded that it does not include those or the housing districts at this point, and that their inclusion will be the next step in the analysis after first making sure that the data for cities and towns were correct. Chief Greschner also stated that the Division has identified 92 of these districts, but many of those do not have an unfunded liability. Even so, the unfunded liability will go up when those other districts are added in.

Chief Greschner indicated that the data has been confirmed against the 2012 audits, and that the Division of Municipal Finance has worked very closely with the Auditor General's Office so that the data is consistent with their findings. Based on those data, 12 communities have been pre-funding OPEB. There are a few other communities who have established trusts but not funded them.

Chief Greschner stressed the importance at looking at the OPEB valuation dates to see how old the data is. Of the 52 plan sponsors, 5 were not required to submit a valuation, with most of the 47 others having valuation years of 2011 or 2012. However, there were some with fairly old valuations (one 2009 and one 2010). When comparing it to pension data, OPEB has different requirements. Some OPEB valuations could be 3 years old or older. When compared to the Auditor General's report of 2011, there's a decrease of 14% in the liability. However, some individual communities, such as Jamestown's 110% increase during that time, go against the trend. When there is a large gap in valuations, there are usually more dramatic increases/decreases in liability.

Mr. Sherman added that if a municipality does not fund its liability, in a 4 year gap, he would expect about a 20% increase in liability over that period. Anything from 15-20% he would consider normal, and things above or below that mark may have extenuating circumstances, like plan changes and so forth. Chairperson Gallogly asked Mr. Sherman, if, when a valuation is done, is it assuming that the community is going to fund the ARC. Mr. Sherman answered that what he is referring to is the accrued liability. The accrued liability goes up with the normal cost with interest because decreases in payments are made to the beneficiaries. But over the long-term, because of healthcare inflation, he would expect the liability to increase in the range of 5-6% per year. Chairperson Booth Gallogly stated that she believed the important thing to take from this is that if the OPEB liability is not addressed, this $3.1 billion will just continue to grow. Mr. Sherman agreed.

Chief Greschner then referred to figure 3, which showed the funding levels of various plan sponsors. Of the 52 plan sponsors, 72% are funded between 0-5%. 82% of the plan sponsors are funded between 0-20%. Although there are some funded above 20%, the highest funded plan still only reaches 34% funding. Charlestown, Westerly, Bristol, and Barrington are the municipalities above the 20% funded mark, with Newport slightly below at 19.4%. Exeter, Hopkinton, and Richmond do not have an OPEB liability on the town side; however they do have some liability for their regional school districts. New Shoreham and West Greenwich were not required to submit a valuation report.

Chief Greschner then referred to figure 4, which shows the Annual Required Contribution ("ARC") as a percentage of the levy by various population groups. The figure shows the higher in population group one goes, the higher the ARC as a percent of the levy is.

Chairperson Booth Gallogly referred everyone to the master spreadsheet to show the current data that Municipal Finance is using to construct these tables with the goal of the mirroring of the Michigan report. The data is subject to change as new valuations come in, so that the report will be as current as possible.

Mayor Polisena commended Chairperson Booth Gallogly's staff at the Department of Revenue for their work in constructing these reports, and also noted how interesting it was that Rhode Island, with 39 cities and towns, has 92 separate entities.

Agenda Item #4 – Public comments

Peter Schaffer, associate director of the Rhode Island League of Cities and Towns, asked Mr. Licht and Mr. Dingley whether a settlement has been reached during pension mediation. Mr. Licht responded that they are under a court order to not discuss any matters involved in the mediation. Mr. Dingley echoed Mr. Licht's sentiments. Chairperson Booth Gallogly reminded everyone that due to the lack of a quorum, there was no voting done today, and that the Study Commission meeting was for informational purposes only.

Agenda Item #5 – Adjourn

Mayor Polisena made a motion to adjourn which was seconded by Mr. Hoyle. The meeting adjourned at 10:50 AM.

Rosemary B Gallogly
Chairperson

January 27, 2014
Date

PSC/nd

Addendum to the November 25, 2013 OPEB and Pension Study Commission Meeting Minutes

MOODY'S
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SPECIAL COMMENT

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Rhode Island Municipalities Look to ACA Exchanges and Other Strategies to Reduce Growing Healthcare Expenses

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Introduction

Rhode Island local governments' employee and retiree healthcare costs, which account for 6% to 14% of their operating expenses, are increasing faster than the rate of inflation because of the state's aging workforce, increasing life expectancy of retirees, and growth in per capita use of healthcare services. To combat these high costs, the state of Rhode Island (rated Aa2/negative) is seeking to harness the new Affordable Care Act (ACA) healthcare benefit exchange to reduce local governments' retiree healthcare costs. This effort is one of several strategies that local governments have been pursuing to control healthcare expenditures:

» **Shifting Retirees to ACA Healthcare Exchanges:** Retirees under the age of 65 meeting certain income thresholds are eligible to transition their healthcare from the municipality to the Federal Government's budget.

» **Reducing Benefits and Raising Employee Co-Pays:** Some of Rhode Island's financially-stressed communities have eliminated budget deficits by reducing the cost of health care for active employees and retirees, often facing challenges from bargaining units and retirees.

» **Transferring Eligible Retirees onto Medicare:** The state enacted legislation as part of its 2012 budget process that gave municipalities the power to transfer their retirees to Medicare as soon as they are eligible.

» **Joining Municipal Consortiums:** The goal of these arrangements is to increase negotiating power and limit premium growth.

» **Funding OPEB Trusts:** Since most OPEB plans are currently underfunded, many municipalities are planning to create trust funds that will accumulate interest and investment income to offset future healthcare expenses

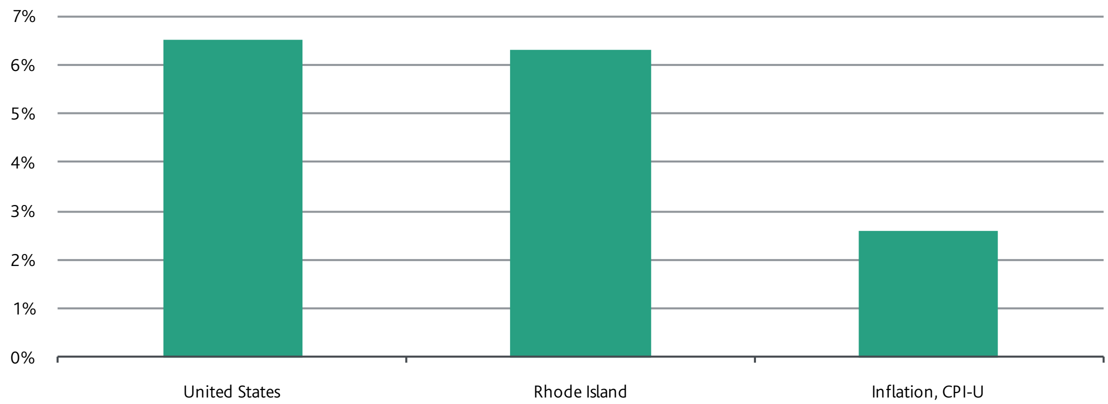
Several stressed local governments in the state, including Central Falls (rated B1/positive), Providence (rated Baa1/stable), and Woonsocket (rated B3/negative), have employed these strategies to manage and control their healthcare costs.

Rapid Growth in Healthcare Costs for Rhode Island Municipalities

According to data from the Kaiser Foundation, health insurance costs in Rhode Island increased by an average of 6.3% annually from 1991 through 2009 while general inflation averaged 2.6% annually over the same period. This trend is consistent with the national healthcare expenditure growth trend which was 6.5% over the same time period (Exhibit 1).

EXHIBIT 1

Cost of Healthcare Insurance Outpacing Inflation, Average Annual Growth Rate, 1991-2009



Source: Henry J. Kaiser Family Foundation, Bureau of Labor Statistics CPI-U

High healthcare costs have strained Rhode Island local governments' budgets and increased their other post-retirement healthcare benefit (OPEB) liabilities. These liabilities represent the projected long-term cost to the municipality of meeting the contractual obligations to provide these benefits. The total unfunded OPEB liability for Rhode Island municipalities was $3.5 billion according to a 2011 report published by the Rhode Island Auditor General. This represents a $4,752 liability for each of the state's 1.05 million residents and is sizable relative to the estimated $4.9 billion reported unfunded liability for Rhode Island's local government pension plans. The relative size of pension liabilities is deflated, however, by the use of higher discount rates used for reported pension liability calculations than the rates used in OPEB calculations when a community utilizes pay-go funding.

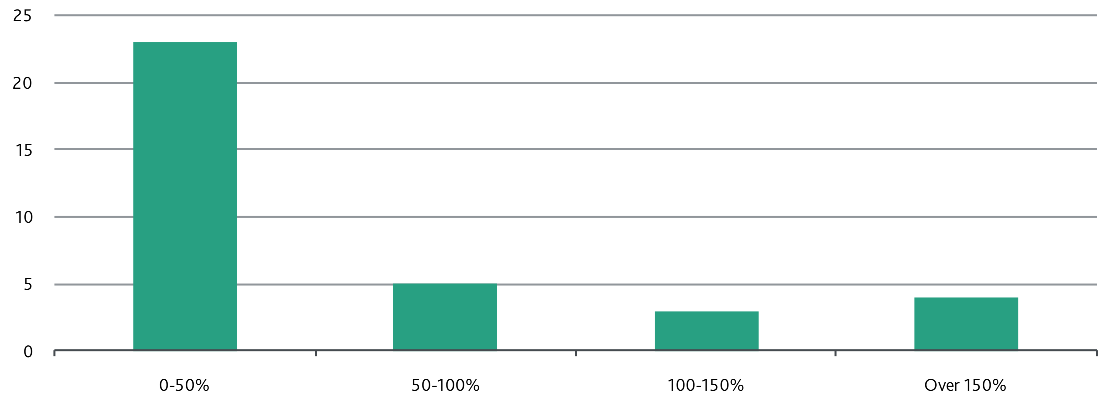
Local governments are responsible for the administration of retiree healthcare benefits and funding of their own liability, including determining plan provisions, obtaining actuarial valuations, making required contributions, investing assets, and paying benefits to their retirees. Teachers, however, may opt to purchase retiree healthcare coverage through the state-administered plan, although the state assumes no funding obligation for premiums or benefits.

The magnitude of the liability varies across municipalities but most Rhode Island local governments have manageable OPEB liabilities (Exhibit 2). Several Rhode Island local governments, such as Hopkinton (Aa3), and Richmond (Aa3), do not offer retiree benefits and have no unfunded liability, but they are exceptions. Other local governments, such as Woonsocket, Johnston (A3/stable, Pawtucket (Baa2/negative) and Providence, have significant liabilities. (See appendix for full list)

EXHIBIT 2

Most Rated RI Cities Have Manageable OPEB Liabilities

Number of Local Governments Categorized by OPEB Liability as a Percent of Revenues



Source: audited financial statements and OPEB valuation reports

Strategy #1: Shifting Retirees to ACA Healthcare Exchanges

Currently, most local governments in Rhode Island provide health insurance benefits to retirees. Although no local government has publicly stated its intention to shift qualified retirees to individual plans purchased on the new ACA exchange, the state is exploring ways municipalities could potentially participate in the future. The exchange opened in October 2013 and offers plans that take effect in January of 2014. Only qualifying retirees that are ineligible to receive Medicare could purchase insurance from the exchange. These include retirees under the age of 65 with incomes at or below 400% of the federal poverty level. Retirees who use the exchange would receive a federal subsidy based on their income level to help pay the insurance premiums. Additionally, local governments might cover some of the premium costs given that the strategy may be politically difficult, likely requiring significant negotiations with public employee bargaining groups. There is not adequate detail currently on how much savings use of the exchange could generate, although as of June 2013 roughly 30% of Rhode Island's local government retirees participating in the ERS and MERS pension were under the age of 65.

Rhode Island is not the only government seeking to use healthcare exchanges to reduce costs. Chicago (rated A3/negative) plans to move eligible retirees to the exchanges to help alleviate its severe budgetary challenges, and the emergency manager of Detroit (rated Caa3/rating under review for downgrade) has proposed moving retirees to the exchanges as part of its bankruptcy plan.

Affordable Care Act Is Credit Negative for Hospitals

Local governments may benefit from lower healthcare costs by shifting employees to ACA health insurance exchange plans, but there are several exchange-related risks that create modest negative credit implications for hospitals. These risks include the anticipated lower reimbursement rates from exchange plans and the expected growth in bad debt with higher out-of-pocket costs associated with exchange plans.

A shift from the current employer-provided plans, which have high reimbursement rates, to the expected lower-reimbursing exchange plans will place pressure on hospitals' revenue growth. Hospitals are reporting that insurers offering exchange plans are negotiating reimbursement rates that range from Medicaid rates, usually the lowest reimbursement rate and the exclusion of costs of care, to a discount based off commercial rates, usually the highest reimbursement rate among all payers. Beyond 2014, as the number of exchange plan enrollees expands, we expect negotiations to become more aggressive and commercial rates and exchange rates to blend. Ultimately this blending will reduce revenues from current levels and pressure profitability for hospitals.

Additionally, bad debt growth increasingly pressures hospitals' revenue, especially in Rhode Island where bad debt for the largest health system grew over 20% from fiscal year 2009 to 2012. We expect exchange plans to exacerbate this growth. Nationally, providers report that co-pays, co-insurance and high deductibles (also known as out-of-pocket costs) are a fast growing part of bad debt. Exchange plans as well as other commercial plans require out-of-pocket costs and likely lower premium exchange plans will have higher out-of-pocket costs. Enrollees in exchange plans may be more judicious with their healthcare choices and become price-sensitive consumers. The lack of understanding about premiums and out-of-pocket costs may result in higher bad debts.

Strategy #2: Reducing Healthcare Benefits and Raising Employee Co-Pays

Under Rhode Island law, health insurance is a protected benefit, requiring union negotiations to make cuts, with exceptions for local governments under receivership. However, some Rhode Island local governments have been able to successfully reduce benefits to reduce costs related to both active and retired workers. Strategies that local governments have employed to reduce benefits include limiting employee coverage to specific networks, eliminating duplicate coverage, or not providing insurance for certain healthcare services. The City of Providence now requires OPEB beneficiaries who are retired, but employed by another entity, to use healthcare coverage provided by that employer.

Local governments can also lower costs by shifting more costs onto employees. This includes raising employee's portion of insurance premiums, the total annual costs required to hold the policy. It also includes raising employee deductibles and co-pays, which is the amount of the employee's health expense not covered by insurance. Notably, Central Falls and Woonsocket have both employed these strategies.

Some municipalities have implemented employee wellness programs where early screenings and preventative measures are implemented as a holistic approach to lowering healthcare costs. Blue Cross Blue Shield of Rhode Island, for example, offers a program to government employees called Wellness Works, which for a nominal increase in premium includes annual screenings, weight management programs and incentives to maintain gym memberships or to quit smoking. These programs aim to generate savings over the long-term by encouraging employees to remain healthy.

There has been strong resistance from employee bargaining and retiree groups to restructuring healthcare benefits. For example, some local governments have attempted to lower premiums by negotiating with competitor healthcare insurers and soliciting cost proposals from multiple insurers through a competitive bidding process. However, pressures from unions or politicians to use particular insurers may make switching providers difficult.

City of Central Falls (rated B1/positive)

Central Falls has a small tax base and weak socioeconomic indicators that include the highest poverty rates in the state and a high debt burden. Financial pressures stemming from the loss of a large tax payer and rapidly increasing pension costs resulted in a federal bankruptcy filing in August of 2011. The city emerged from bankruptcy in fiscal 2013 with significantly reduced expenditures related to employee salaries, pensions and healthcare as well as a recent trend of surplus operations through fiscal 2013.

In August 2011, the city's state appointed receiver unilaterally reduced active and retiree healthcare benefits several weeks before the city filed for federal bankruptcy protection under Chapter 9. Changes included the conversion of the city's eight health insurance plans into one standardized plan, a significant increase in the deductible, a 20% co-pay for premiums, and the transfer of eligible retirees to Medicare. The city also eliminated healthcare for part-time employees. As a result, the city's annual health insurance premium was reduced by $1.3 million, or 49%, to $1.3 million, which accounted for 9% of budget in 2012. The city also reduced its unfunded OPEB liability by 55%, to $14.1 million at June 30 2012 from $32 million in June 30 2011.

City of Woonsocket (rated B3/negative)

Woonsocket has struggled with weak market access and a high debt burden, largely due to $90 million pension obligation bonds issued in 2002 and $11 million deficit funding bonds issued in 2011. Pension liabilities are sizable and a large accumulated deficit caused by overspending in the school fund has resulted in severe cash shortages throughout the year.

Woonsocket had the second highest unfunded OPEB liability in the state at $203 million as of June 30 2011. The liability is expected to be lower in 2014 as a result of recent healthcare reductions. Approximately 72% of this liability is for city employees and the remainder covers school employees.

The city reduced healthcare benefits in order to close a $6.4 million General Fund budget gap in fiscal 2013. These reductions were part of a five-year deficit reduction plan, developed in conjunction with a state-appointed budget commission, and included cost savings associated with pension COLA freezes. The majority of savings resulted from the institution of a Unified Health Care Plan which required a 20% co-pay and higher deductibles for active and retired city and school employees, saving $3.5 million per year starting in fiscal 2014. The plan also included the transition of 81 eligible retirees, mostly police and their beneficiaries, to Medicare parts A and B. As of July 2012, 51% of the 430 Woonsocket retirees and spouses were over the age of 65. The transition to Medicare is projected to yield an additional $800,000 of annual savings.

Negotiations with bargaining groups and retirees slowed the original implementation of the cost reductions in fiscal 2013. Implementation was ultimately accomplished through the budget commission and made effective July 1, 2013 when the police union contract expired. Although negotiations between the budget commission and Woonsocket's seven bargaining groups were more onerous than the negotiations Central Falls faced, only 48 out of 800 total retirees and beneficiaries challenged the Woonsocket's health and pension cuts. A union representing active police officers also filed suit. These pending legal challenges could threaten this significant component of the five-year deficit reduction plan.

Strategy #3: Transferring Retirees to Medicare

Public sector employees hired after 1986 are eligible to receive Medicare benefits once they turn 65 or meet other requirements. Even so, most eligible Rhode Island retirees do not utilize Medicare given that their existing plans have better coverage and local governments are often constrained by collective bargaining agreements from transferring employees to Medicare. However, Rhode Island enacted legislation in 2012 authorizing municipalities to transfer retirees to Medicare when they turn 65, superseding existing collective bargaining agreements. The legislation provides a powerful tool for curtailing benefit costs because a large portion of state and local retirees are over 65. For example, as of a 2012 valuation, the average age of retirees participating in the state-administered MERS pension plan was 71.3 year old. When Providence attempted to transition retirees to Medicare in fiscal 2012, the city's police and fire retirees filed suit, alleging that the state legislation authorizing the action taken by the city was unconstitutional. A superior court judge originally blocked the transition and ordered the city and retirees to return to mediation. The retirees ultimately dropped the lawsuit under a combined settlement agreement that included, in addition to pension changes, the successful transfer of retirees to Medicare in fiscal 2013.

So far, only a few municipalities, including Providence, Central Falls and Woonsocket, have transferred retirees to Medicare. Some local governments make Medicare more appealing to retirees by offering supplements that expand coverage. As such, the Medicare premiums that municipalities are paying vary depending on the terms that each city has negotiated with its retirees.

City of Providence (rated Baa1/stable)

In February 2012, a Rhode Island Superior Court judge denied Providence the authority to transfer eligible city retirees to Medicare, a strategy intended to help close a $30 million budget gap. Further negotiations with retirees eventually resulted in the successful transfer of retirees to Medicare in April 2013, with the city agreeing to cover C and D supplements for retirees.

The city did not make changes to healthcare benefits for retirees under the age of 65. However, the city did require spouses of active employees to utilize insurance coverage from their primary employers. The combined healthcare reductions helped the city to close its 2013 structural budget gap, lowering annual fixed expenditures by $4 million a year to $32 million, or 7.3% of expenditures in 2013. Providence's unfunded OPEB liability declined by 27%, to $1.1 billion.

Strategy #4: Municipal Insurance Consortiums

Rhode Island local governments have the authority to join consortiums to purchase or self-fund health insurance using an intergovernmental risk pooling structure. These consortiums strengthen purchasing power, diversify risks and drive down premiums. Consortiums also lower costs by pooling expertise and administrative resources.

There are currently three municipal insurance consortiums in the state, the largest being the Rhode Island Interlocal Risk Management Trust, "The Trust", which consists of 45 public entities. The second largest is WB Community Health which consists of 22 entities and the third is Rhode Island Municipal Insurance Corporation which has 10. There is some evidence that these consortiums have been successful at limiting premium growth. Premiums paid by The Trust increased by 4.4% in 2013, comparing favorably to the 6% growth reflected in the Milliman national healthcare cost index during 2013, and The Trust experienced only a 2.1% overall increase in fiscal 2014. In addition to achieving a lower premium increase than the national average, The Trust also distributed a $5.8 million dividend to its participating local governments in fiscal 2014, a common practice for consortiums when accumulated surpluses exceed predetermined thresholds.

Consortiums may lower healthcare insurance costs for the consortium as a whole, but the expenditure growth for individual participating municipalities may vary depending on their healthcare claims experience. For example, of the 4.4% overall premium increase for the Rhode Island Interlocal Risk Management Trust in 2013, the annual premium increased by 12.7% for one local government and decreased by 2% for another, with the remaining participants experiencing cost growth within that range.

Strategy #5: Funding OPEB Trusts

Retiree healthcare costs are generally funded annually on a pay-go basis, resulting in significant OPEB liabilities for most local governments. The accumulation of financial assets in OPEB trusts allows municipalities to offset future funding growth over time. In this way, trusts can save costs over the medium to long term and smooth year-to-year expenditure spikes. However, funding an OPEB trust increases annual expenditures, which can be challenging given Rhode Island municipalities' generally constrained operating budgets.

Many Rhode Island local governments are pursuing this strategy to manage growing OPEB liabilities. According to a recent state survey, over half of Rhode Island's municipalities either have established, or are planning to establish, OPEB trusts. Although 15 municipalities have set up OPEB trusts, many of them remain unfunded. Of the estimated $3.5 billion of statewide local government OPEB liabilities, only $27.5 million of actuarial value of assets was estimated to have been collectively held by these plans, representing a less than 1% overall funding ratio. However, a few have been funded to a significant level. The Town of Bristol (GO rated Aa2) created an OPEB trust in 2006 and as of June 30, 2013 reported $3.4 million of assets to help offset a $13.8 million actuarially accrued liability. Similarly, the Town of Westerly (GO rated Aa2) has also funded an OPEB trust fund to the amount of $3.5 million as of July 2012, which offsets $14.4 million of actuarial accrued liabilities for town employees. The extent to which Rhode Island municipalities will fund the newly established trusts remains unclear.

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Addendum

	Rating	Outlook	OPEB Valuation Date	OPEB Funding Method	Assets ($000)	Unfunded Liability ($000)	Total Operating Revenue ($000)	Total Full Value ($000)	Unfunded Liability as % Operating Revenue	Unfunded Liability as % of Full Value
Richmond Town, RI	Aa3	NOO		No OPEB	0	0	22,018	978,026	0.0%	0.0%
Hopkinton Town, RI	Aa3	NOO		No OPEB	0	0	24,270	1,096,393	0.0%	0.0%
Burrillville Town, RI	Aa2	NOO	01/07/2010	Pay-Go	0	2,191	44,465	1,337,402	4.9%	0.2%
Glocester Town, RI	NR		01/07/2011	Pay-Go	0	2,315	25,923	1,109,017	8.9%	0.2%
Scituate Town, RI	Aa2	Negative	01/04/2012	Pay-Go	0	3,977	29,942	1,860,413	13.3%	0.2%
Coventry Town, RI	A1	Negative	01/07/2011	Pay-Go	0	12,523	89,658	4,101,115	14.0%	0.3%
Westerly Town, RI	Aa2	NOO	01/07/2012	Pay-Go	3,474	10,909	77,660	6,145,010	14.0%	0.2%
Charlestown Town, RI	Aa2	NOO	01/07/2012	Pay-Go	1,794	3,567	24,020	2,718,712	14.9%	0.1%
Warren Town, RI	Aa3	NOO	30/06/2009	Pay-Go	740	3,592	23,162	1,287,314	15.5%	0.3%
N. Smithfield Town, RI	Aa2	NOO	01/07/2011	Pay-Go	0	6,292	34,331	1,574,572	18.3%	0.4%
S. Kingstown Town, RI	Aa1	NOO	01/07/2011	Pay-Go	1,650	17,610	83,012	4,546,821	21.2%	0.4%
Little Compton Town, RI	Aa2	NOO	01/07/2010	Pay-Go	0	2,630	11,915	2,003,780	22.1%	0.1%
Central Falls City, RI	B1	Positive	31/12/2011	Pay-Go	0	14,113	60,555	439,019	23.3%	3.2%
Bristol Town, RI	Aa2	NOO	01/07/2012	Funded	3,428	13,284	39,190	3,264,576	33.9%	0.4%
Jamestown Town, RI	Aa2	NOO	01/07/2011	Pay-Go	0	9,979	31,933	2,138,498	31.2%	0.5%
East Greenwich Town, RI	Aa1	NOO	01/07/2010	Pay-Go	0	15,656	49,305	2,612,045	31.8%	0.6%
Lincoln Town, RI	Aa2	NOO	30/06/2011	Pay-Go	280	15,498	74,932	2,864,633	20.7%	0.5%
Portsmouth Town, RI	Aa2	NOO	6/30/2013 6/30/2012	Funded (Town) Pay-Go (School)	203	19,532	55,052	3,829,726	35.5%	0.5%
Barrington Town, RI	Aa1	NOO	30/06/2011	Pay-Go	3,743	25,492	61,270	3,175,576	41.6%	0.8%
Cranston City, RI	A2	Negative	7/1/2012 7/1/2011	Funded (Pub Safety) Pay-Go (School)	255	89,386	240,627	7,841,653	37.1%	1.1%
N. Kingstown Town, RI	Aa2	NOO	01/07/2010	Pay-Go	0	34,511	89,967	4,817,882	38.4%	0.7%
Middletown Town, RI	Aa1	NOO	30/06/2012	Funded	3,338	26,125	60,693	2,764,583	43.0%	0.9%
Cumberland Town, RI	A1	Stable	01/07/2011	Pay-Go	0	39,364	80,318	4,005,116	49.0%	1.0%
Tiverton, RI	NR		01/07/2011	Pay-Go	0	24,272	45,083	2,245,484	53.8%	1.1%
Smithfield Town, RI	Aa2	NOO	01/07/2011	Pay-Go	0	35,142	57,876	3,114,752	60.7%	1.1%
N. Providence Town, RI	Baa1	Pos	01/07/2012	Pay-Go	0	66,227	84,839	3,005,983	78.1%	2.2%
East Providence City, RI	Ba1	Stable	31/10/2011	Pay-Go	0	104,550	130,441	4,536,169	80.2%	2.3%
Warwick City, RI	Aa3	Negative	01/07/2011	Pay-Go	0	261,426	270,387	9,846,428	96.7%	2.7%
Narragansett Town, RI	Aa2	NOO	01/07/2011	Pay-Go	0	64,319	54,491	4,954,199	118.0%	1.3%
West Warwick Town, RI	Baa2	Negative	01/07/2012	Pay-Go	0	107,330	81,106	2,236,995	132.3%	4.8%
Newport City, RI	NR		01/07/2012	Pay-Go	23,113	96,229	91,804	5,117,478	104.8%	1.9%
Woonsocket City, RI	B3	Negative	01/07/2011	Pay-Go	0	210,945	128,508	1,769,992	164.1%	11.9%
Pawtucket City, RI	Baa2	Negative	01/07/2011	Pay-Go	0	311,500	174,832	4,130,567	178.2%	7.5%
Providence City, RI	Baa1	Stable	01/07/2011	Pay-Go	1,238	1,149,115	595,431	10,232,000	193.0%	11.2%
Johnston Town, RI	A3	Stable	01/07/2012	Pay-Go	0	186,960	91,628	2,648,829	204.0%	7.1%

Report Number: 160292

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Attachment C

A Preliminary Analysis of the
Cost of Municipal Employees' and Retirees'
OPEB in Rhode Island Communities

As of November 22, 2013

A review of Rhode Island cities and towns revealed that many were confronted with a significant unfunded OPEB liability. The Division of Municipal Finance reviewed the following:

- In addition to municipal governments, how many other local plan sponsors face similar structural issues?
- What is the amount of unfunded local government OPEB liability in Rhode Island?
- What is the impact on the property tax levy?

To better understand these issues, we surveyed all 39 cities and towns, four regional school districts, as well as reviewed the fiscal year 2012 annual audit reports and most recent actuarial valuation reports filed by these plan sponsors. OPEB and related financial data were compiled and analyzed. This report presents key summaries from that research.

The primary purpose of this document is to create awareness of OPEB commitments and funding pressures and to foster proactive discussion among stakeholders.

This is a preliminary analysis of OPEB. At subsequent meetings of the Pension Study Commission, additional information will be provided. In addition, we are still reviewing other local units, such as fire districts and housing authorities.

Disclaimer: *The following information is provided as a public service and is intended for research and educational purposes only. This information is introductory and written to familiarize the reader with the issues surrounding employee benefits. Where clarification is needed, it may be useful to consult the original sources cited for each municipal plan sponsor. All information in this report is preliminary and data is still being confirmed with municipalities and school districts.*

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The scope of the OPEB liability

- Of 52 local public plan sponsors in Rhode Island (including 39 cities and towns, nine separate school valuations, and four regional school districts), most were found to provide some level of OPEB at the end of FY 2012.
- The total OPEB liability for Rhode Island's cities, towns and regional school districts is $3.1 billion. This liability is funded at 1.4%, resulting in a net unfunded liability of $3.0 billion.
- Providence has an unfunded liability of $1.1 billion on the basis of actuarial data from July 1, 2011. This equates to nearly 38% of the total for all local plan sponsors.
- Actuarial data lags behind fiscal year reporting. In FY 2012 financial statements, 19 of the 52 plan sponsors had 2012 valuation reports (37%).
- The number of plan sponsors that have begun prefunding OPEB is 12, or 23%, of the 52 plan sponsors studied.

What is OPEB?

"Other postemployment benefits" (OPEB) is the term used to describe benefits offered to employees which are received after they separate from service. The accrued liability reflects the value of the benefits earned during their years of service which will be granted to them in the future. The most common benefit is healthcare for retiree and their beneficiary. Some plans also include dental, life and other insurances. Though these benefits have been offered for decades, the majority of state and local governments did not calculate the respective liability until required to do so by accounting standards beginning in 2007.

How was the data collected?

Local governments are required to obtain an annual audit and submit to the Division of Municipal Finance. For this study, we reviewed the audited reports submitted by cities and towns for fiscal year 2012 and the related actuarial valuation referenced in the financial footnotes.

What about school districts and other types of plan sponsors?

In addition to the 39 cities and towns in Rhode Island, there are 4 separate regional school districts included in the study. At this time we have not included fire districts, water and sewer authorities and housing authorities. Please note that some municipalities have separate school valuations which are also included in this analysis.

How current are the actuarial valuations that measure the unfunded liability?

Figure 1 - OPEB valuation age

Valuation Year	2009	2010	2011	2012	2013	Not required	Total
Number of Units	1	2	23	19	2	5	52
Percent of Units	1%	4%	44%	37%	4%	10%	100%

Timeliness of the actuarial valuation is an important consideration to this analysis. The amounts reported in the audited financial reports can be two or more years old. In the data verification phase of this project, it was found that some cities and towns had more recent valuation reports in draft form. We utilized the valuation report which was represented in the FYE 2012 audited financial statements submitted to the Division of Municipal Finance. The actuarial projection for assets and liabilities used the data for the year closest to the actual valuation date. Older valuations may not reflect the impact that the State's pension reform might have on the OPEB liability due to changes in the MERS and teacher retirement system eligibility provisions.

What is the trend?

The comparison in Figure 2, on the next page, illustrates that there has been some improvement in lowering the OPEB liability for Rhode Island municipalities.

- The total accrued liability for all cities and towns has decreased by 14% to $3.1 billion.
- In two years the town of Jamestown has seen its accrued liability more than double (110%).
- Many of the larger increases and decreases in the individual plan sponsor's liability occurred where there was a larger gap between valuations. For example:
  - Portsmouth Schools – 5 year gap, 60% increase
  - Warren – 5 year gap, 44% increase
  - Little Compton – 4 year gap, 35% increase
  - Westerly Schools – 4 year gap, 38% decrease
  - West Warwick – 4 year gap, 21% decrease
  - Johnston – 4 year gap, 17% decrease
- The growth in OPEB obligations could reflect more accurate definitions of the existing benefits and eligibility provisions, more realistic actuarial assumptions, and adoption of GASB standards which requires a lower discount rate if the OPEB obligation is not funded on an actuarial basis. Changes in the liability also could be the result of expansion or contraction of benefits.

Figure 2 - Comparison of Recent Valuation Reports

	PRIOR VALUATION [1]		MOST RECENT VALUATION			
Municipality	**Valuation Report Date**	**Actuarial Accrued Liability**	**Valuation Report Date**	**Actuarial Accrued Liability**	**Increase/ (Decrease)**	**% Increase (Decrease)**
Jamestown Town	1/1/2009	1,661,060	7/1/2011	3,482,971	1,821,911	110%
Portsmouth School	7/1/2007	4,514,458	6/30/2012	7,207,872	2,693,414	60%
Warren	7/1/2007	3,018,423	6/30/2012	4,332,008	1,313,585	44%
Little Compton	7/1/2007	1,954,239	6/30/2011	2,629,923	675,684	35%
Bristol	7/1/2008	12,862,000	7/1/2012	16,712,000	3,850,000	30%
Burrillville	7/1/2008	1,693,855	7/1/2011	2,190,597	496,742	29%
North Providence	7/1/2008	52,758,000	7/1/2012	66,227,000	13,469,000	26%
Cranston	7/1/2010	50,765,110	7/1/2012	63,353,593	12,588,483	25%
Woonsocket - Schools	7/1/2009	47,145,503	7/1/2011	57,310,469	10,164,966	22%
Barrington	6/30/2009	21,471,689	6/30/2011	25,488,883	4,017,194	19%
Smithfield	7/1/2010	29,610,752	6/30/2012	35,141,509	5,530,757	19%
Woonsocket	7/1/2009	132,987,895	7/1/2011	155,670,034	22,682,139	17%
Westerly	7/1/2009	12,379,627	7/1/2012	14,382,821	2,003,194	16%
East Greenwich	7/1/2009	13,840,762	6/30/2011	15,655,801	1,815,039	13%
Exeter West Greenwich School Distr	7/1/2008	3,554,702	7/1/2012	3,999,389	444,687	13%
North Smithfield	7/1/2009	5,796,707	7/1/2011	6,291,808	495,101	9%
Charlestown	7/1/2009	4,947,000	7/1/2012	5,361,000	414,000	8%
Glocester	7/1/2008	2,199,146	7/1/2010	2,314,731	115,585	5%
North Kingstown	7/1/2010	34,510,724	7/1/2010	36,223,703	1,712,979	5%
South Kingstown	7/1/2009	18,700,000	7/1/2011	19,260,000	560,000	3%
East Providence School Plan	10/31/2009	27,709,764	10/31/2011	28,331,194	621,430	2%
Foster	7/1/2009	780,502	7/1/2009	780,502	-	0%
Narragansett	7/1/2010	72,792,463	6/30/2012	71,347,783	(1,444,680)	-2%
Coventry	7/1/2009	12,835,000	7/1/2011	12,523,000	(312,000)	-2%
Warwick	7/1/2009	229,348,977	7/1/2011	223,593,412	(5,755,565)	-3%
East Providence City Plan	10/31/2009	78,291,702	10/31/2011	76,217,756	(2,073,946)	-3%
Portsmouth	7/1/2008	13,026,759	6/30/2013	12,527,599	(499,160)	-4%
Newport	7/1/2009	125,947,132	7/1/2012	119,342,232	(6,604,900)	-5%
Middletown	7/1/2009	32,387,961	6/30/2011	29,463,119	(2,924,842)	-9%
Warwick Schools	7/1/2009	41,643,649	7/1/2011	37,833,649	(3,810,000)	-9%
Foster Glocester School District	7/1/2009	3,405,892	6/30/2012	3,015,744	(390,148)	-11%
Chariho School District	7/1/2009	1,715,539	6/30/2012	1,472,182	(243,357)	-14%
Scituate	3/31/2009	4,713,768	3/31/2013	3,977,363	(736,405)	-16%
Cranston Schools	7/1/2009	31,160,310	6/30/2011	26,287,884	(4,872,426)	-16%
Cumberland	7/1/2008	46,872,000	6/30/2012	39,386,221	(7,485,779)	-16%
Johnston	6/30/2008	226,245,500	6/30/2012	186,959,399	(39,286,101)	-17%
Pawtucket	7/1/2009	378,184,421	7/1/2011	312,260,277	(65,924,144)	-17%
West Warwick	7/1/2008	136,587,286	6/30/2012	107,329,661	(29,257,625)	-21%
Bristol Warren School District	7/1/2009	31,379,203	6/30/2012	24,218,300	(7,160,903)	-23%
Providence	7/1/2009	1,498,491,000	7/1/2011	1,149,115,000	(349,376,000)	-23%
Tiverton	7/1/2009	36,172,948	7/1/2012	24,492,216	(11,680,732)	-32%
Lincoln	6/30/2010	24,880,760	6/30/2011	15,778,660	(9,102,100)	-37%
Westerly Schools	7/1/2008	1,576,533	7/1/2012	974,441	(602,092)	-38%
Jamestown School	7/1/2009	14,153,205	7/1/2011	6,496,005	(7,657,200)	-54%
Central Falls	7/1/2009	32,011,503	12/31/2011	14,112,791	(17,898,712)	-56%
Exeter			NA		-	
Hopkinton			NA		-	
New Shoreham		1,643,452	NA		-	
Richmond			NA		-	
West Greenwich		73,250	NA		-	
Totals		**3,560,402,131**		**3,071,072,502**	(489,329,629)	-14%

[1] based on the 2011 Pension & OPEB Report issued by the RI Auditor General. For comparison purposes 2 school district valuations were rolled into the respective town.

[2] based on 2012 financial audited statements and valuation indicated in the footnote unless otherwise confirmed by municipality.

How many local plan sponsors prefund OPEB?

Figure 3 shows the number of plans in cohorts of funding level. The majority of local plan sponsors have not started prefunding. Plan sponsors, regardless of whether or not they have begun prefunding, have a long way to go.

- 33 out of 52 plan sponsors (or 63%) are at 0% funded
- even the most well funded plan (Charlestown) is at a level of 33.5%
- 72% are funded between 0 – 5%
- 82% are funded between 0 – 20%

Figure 3 - Number of plan sponsors at various funding levels

OPEB Fund Ratio Level	No valuation report	0%	< 1%	1% to 5%	6% to 10%	11% to 15%	16% to 20%	20% to 34%	35% or >	Total
Number of plan sponsors	5	33	3	2	1	2	2	4	0	52
Percent of Total	10%	63%	5%	4%	2%	4%	4%	8%	0%	100%

Plans with no OPEB Liability:

- Exeter
- Hopkinton
- Richmond

Plans where a valuation report was not required per GASB 45 requirements:

- New Shoreham
- West Greenwich

How does OPEB relate to municipal budgets?

Three concepts are associated with the annual budgetary cycle: annual required contribution, cost and actual contribution. First, the annual required contribution (ARC) is the employer's required contribution, based upon an actuarial analysis, to fund the normal cost for employees (the value of one year's accrual of the future benefit) *plus* a component for amortization of the total unfunded actuarial accrued liabilities.

Annual Required Contribution = Normal Cost + Amortization of Unfunded Liability

"Cost" is an accounting concept that is based on the ARC plus or minus adjustments to reflect past under- or over-contributions. The **contribution** is the actual amount paid to the benefit plan. For employers that are not prefunding the OPEB plan, the contribution will equal the amount paid for current retiree benefits.

How does the OPEB ARC relate to the municipal tax levy?

The primary source of revenue for most local governments is the property tax. The tax is levied by cities and towns on the basis of a tax rate. The levy is essentially the sum of all the tax bills in the municipality. The tax rate represents what a property taxpayer will pay per $1000 of assessed value on their property. The tax rate is set by local officials to pay for local services through the annual budget process.

During budget deliberations, requests are sometimes viewed as a percentage of the total tax levy equivalent to determine budget priorities. In general, this table shows how much of municipalities resources would be consumed by OPEB obligations if a municipality funded 100% of the ARC.

To better understand the resources required to fully fund OPEB, see Figure 4, OPEB Annual Required Contribution as a Levy Equivalent. However, please note that there is currently no requirement to fully fund the OPEB ARC. For the smallest population groups, OPEB ARC is roughly equal to 1%. For the largest population group the ARC is 21% of the levy. Figure 4 also shows how the OPEB ARC as a percentage of the levy increases with the size of the population. This chart shows an apparent relationship between increased population and the ARC as a percent of levy. However, other factors, such as population density, property values per capita, larger and more specialized fire and police services per capita also could have an impact and require further scrutiny.

Figure 4 - ARC as a percentage of the levy, by population group

Population Category	Units	Annual Required Contribution (ARC)	2014 Levy	ARC as % of Levy
Less than 3,500	1	-	8,723,934	0%
3,501 - 10,000	9	1,877,626	149,982,180	1%
10,001 - 20,000	11	19,984,810	404,361,687	5%
20,001 - 30,000	8	43,080,146	470,613,989	9%
30,001 - 50,000	6	41,378,945	423,408,657	10%
50,000 - 100,000	3	51,718,249	508,657,630	10%
More than 100,000	1	70,354,000	340,814,523	21%
Total	39	228,393,776	2,306,562,599	

Appendix

Appendix for Figure 1

Municipality	Valuation Report Date	Number of Units	
Foster	7/1/2009	1	
Glocester	7/1/2010		
North Kingstown	7/1/2010	2	
Barrignton Schools	6/30/2011		
Barrington	6/30/2011		
Cranston Schools	6/30/2011		
East Greenwich	6/30/2011		
East Greenwich Schools	6/30/2011		
Lincoln	6/30/2011		
Little Compton	6/30/2011		
Middletown	6/30/2011		
Burrillville	7/1/2011		
Coventry	7/1/2011		
Jamestown School	7/1/2011		
Jamestown Town	7/1/2011		
North Smithfield	7/1/2011		
Pawtucket	7/1/2011		
Providence	7/1/2011		
South Kingstown	7/1/2011		
Warwick[6]	7/1/2011		
Warwick Schools	7/1/2011		
Woonsocket	7/1/2011		
Woonsocket - Schools	7/1/2011		
East Providence City Plan	10/31/2011		
East Providence School Plan	10/31/2011		
Central Falls	12/31/2011	23	
Bristol Warren School Distri	6/30/2012		
Chariho School District	6/30/2012		
Cumberland	6/30/2012		
Foster Glocester School Dist	6/30/2012		
Johnston	6/30/2012		
Narragansett	6/30/2012		
Portsmouth School	6/30/2012		
Smithfield	6/30/2012		
Warren	6/30/2012		
West Warwick	6/30/2012		
Bristol	7/1/2012		
Charlestown	7/1/2012		
Cranston	7/1/2012		
Exeter West Greenwich Schc	7/1/2012		
Newport	7/1/2012		
North Providence	7/1/2012		
Tiverton	7/1/2012		
Westerly	7/1/2012		
Westerly Schools	7/1/2012	19	
Scituate	3/31/2013		
Portsmouth	6/30/2013	2	
Exeter			
Hopkinton			
New Shorham		5	not required
Richmond			
West Greenwich			
Total units	52		

Appendix for Figure 3

Municipality	UAAL	Funded Percentage	# of Units
Charlestown	3,567,000	33.5%	
Westerly	10,909,168	24.2%	4
Bristol	13,284,000	20.5%	
Barrington	4,774,940	20.3%	
Newport	96,229,056	19.4%	2
Warren	3,592,138	17.1%	
Barrington Schools	16,971,386	13.0%	2
Middletown	26,124,808	11.3%	
South Kingstown	17,610,000	8.6%	1
Lincoln	15,498,655	1.8%	2
Portsmouth	12,324,207	1.6%	
Cranston	63,098,440	0.4%	
Providence	1,149,115,000	0.0%	3
Bristol Warren School District	24,218,300	0.0%	
Burrillville	2,190,597	0.0%	
Central Falls	14,112,791	0.0%	
Chariho School District	1,472,182	0.0%	
Coventry	12,523,000	0.0%	
Cranston Schools	26,287,884	0.0%	
Cumberland	39,386,221	0.0%	
East Greenwich	11,544,931	0.0%	
East Greenwich Schools	4,110,870	0.0%	
East Providence City Plan	76,217,756	0.0%	
East Providence School Plan	28,331,194	0.0%	
Exeter West Greenwich School Distr	3,999,389	0.0%	
Foster	780,502	0.0%	
Foster Glocester School District	3,015,744	0.0%	
Glocester	2,314,731	0.0%	
Jamestown School	6,496,005	0.0%	
Jamestown Town	3,482,971	0.0%	33
Johnston	186,959,399	0.0%	
Little Compton	2,629,923	0.0%	
Narragansett	71,347,783	0.0%	
North Kingstown	36,223,703	0.0%	
North Providence	66,227,000	0.0%	
North Smithfield	6,291,808	0.0%	
Pawtucket	312,260,277	0.0%	
Portsmouth School	7,207,872	0.0%	
Scituate	3,977,363	0.0%	
Smithfield	35,141,509	0.0%	
Tiverton	24,492,216	0.0%	
Warwick	223,593,412	0.0%	
Warwick Schools	37,833,649	0.0%	
West Warwick	107,329,661	0.0%	
Westerly Schools	974,441	0.0%	
Woonsocket	155,670,034	0.0%	
Woonsocket - Schools	57,310,469	0.0%	
Total	3,029,054,385		47
No valuation reports			5
			52

Appendix for Figure 4

Municipality		ARC	Population	2014 Levy
New Shorham	n/a		**953**	**8,723,934**
Little Compton		258,326	3,502	10,329,739
Foster		73,806	4,574	11,269,380
Jamestown Town & School		821,274	5,418	19,160,796
West Greenwich	n/a		6,028	17,775,266
Exeter	n/a		6,508	13,048,989
Richmond	n/a		7,690	16,740,541
Charlestown		527,000	7,854	22,679,022
Hopkinton	n/a		8,162	18,228,200
Glocester		197,220	9,776	20,750,248
		1,877,626	**9**	**149,982,180**
Scituate		417,005	10,316	26,415,039
Warren		420,724	10,733	22,087,247
North Smithfield *		644,687	11,852	29,751,791
East Greenwich & Schools		1,861,269	13,154	51,845,789
Tiverton		2,485,785	15,706	37,519,924
Burrillville		206,572	15,945	28,840,267
Narragansett		6,405,686	15,952	46,060,213
Middletown *		2,034,497	16,224	43,470,950
Barrington & Barrington Schools		2,838,651	16,415	56,127,312
Portsmouth & Portsmouth Schools		1,841,324	17,318	48,021,888
Central Falls		828,610	19,360	14,221,266
		19,984,810	**11**	**404,361,687**
Lincoln		2,170,685	21,110	52,492,288
Smithfield		3,038,561	21,453	51,713,919
Westerly & Westerly Schools		1,361,082	22,858	65,309,604
Bristol		945,000	23,116	37,055,367
Newport		7,544,617	24,597	67,451,455
North Kingstown		3,218,397	26,524	70,035,857
Johnston		17,249,186	28,760	70,191,873
West Warwick		7,552,618	29,259	56,363,626
		43,080,146	**8**	**470,613,989**
South Kingstown		1,878,000	30,436	67,082,117
North Providence		5,332,000	32,138	67,737,041
Cumberland		3,521,332	33,352	60,472,810
Coventry		1,282,000	35,018	64,549,068
Woonsocket Woonsocket Schools		20,007,564	41,476	59,888,228
East Providence City & School		9,358,049	47,265	103,679,393
		41,378,945	**6**	**423,408,657**
Pawtucket *		19,285,740	71,382	99,616,125
Cranston & Cranston Schools		7,263,792	80,473	181,591,061
Cranston Schools				
Warwick & Warwick Schools *		25,168,717	83,172	227,450,444
		51,718,249	**3**	**508,657,630**
Providence		70,354,000	178,130	340,814,523
Totals		228,393,776		2,306,562,599

* Levy is not final