

April 17, 2015

**Rhode Island Commerce Corporation**

**Request for Proposals for  
Pension Plan Audit Services**

**ADDENDUM NO. 1**

Commerce RI is requesting proposals to engage a CPA firm to audit the financial statements of its Pension Plan and Trust for the fiscal years ending 6/30/2014 and 6/30/2015.

Interested firms may secure a copy of this RFP at [www.commerceri.com](http://www.commerceri.com) or [www.purchasing.ri.gov](http://www.purchasing.ri.gov) or from Commerce RI, 315 Iron Horse Way, Suite 101, Providence, RI 02908. Proposals must be submitted to the Commerce RI no later than 4:00pm on Thursday, April 30, 2015. No phone calls or late submissions will be accepted.

This Addendum includes the Actuarial Valuation which was not included in the RFP. Please click on the following link to obtain the Addendum: <http://www.commerceri.com/government/rfp-rfq-rfi.php>.

**\*\*\* End of Addendum \*\*\***

**Rhode Island Commerce Corporation Pension  
Plan and Trust**

**Actuarial Valuation as of July 1, 2014**

**For the Fiscal Year Beginning July 1, 2014**

**and Ending June 30, 2015**

**Prepared By:**

**The Angell Pension Group, Inc.  
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Telephone (401) 438-9250**

**August, 2014**

## TABLE OF CONTENTS

SECTION I	Introduction	3
SECTION II	Summary of Plan Provisions	4
SECTION III	Actuarial Cost Methods	6
SECTION IV	Actuarial Assumptions	7
SECTION V	Plan Assets as of July 1, 2014	8
SECTION VI	Actuarial Present Value of Accumulated Plan Benefits	9
SECTION VII	Development of Total Normal Cost on Aggregate Method	10
SECTION VIII	Development of Unfunded Actuarial Accrued Liability	11
SECTION IX	Development of Alternative Pension Costs	12
SECTION X	Expected Benefit Payments	13
SECTION XI	Reconciliation of Plan Participants	14
EXHIBITS 1-5	Accounting and Supplementary Information	

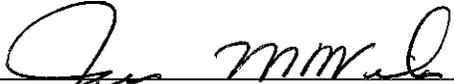
### **Participant Data**

## I. INTRODUCTION

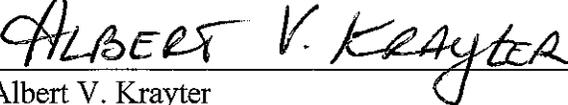
This report presents the results of the actuarial valuation as of July 1, 2014 of the Rhode Island Commerce Corporation Pension Plan and Trust. The purpose of the report is to illustrate the current funded position of the plan and present information which will assist the plan sponsor in determining the appropriate contribution for the plan year beginning July 1, 2014 and ending June 30, 2015.

Section IX of this report illustrates three alternative contributions for this plan year. The first contribution figure represents the Corporation's pension cost under the plan, without considering any amortization of the unfunded actuarial accrued liability. The second figure represents the Corporation's pension cost, plus a 30-year amortization of the unfunded actuarial accrued liability. The third figure represents the Corporation's pension cost, plus a 10-year amortization of the unfunded actuarial accrued liability. All contribution amounts assume payment is made on June 30, 2015.

This valuation was prepared on the basis of information submitted to The Angell Pension Group, Inc. in the form of payroll and asset data, as well as ancillary material pertaining to the plan, and was prepared in accordance with the Employee Retirement Income Security Act of 1974 (ERISA). We have not independently verified, nor do we make any representations as to, the accuracy of such information.

  
\_\_\_\_\_  
Jean M. Wilson., E.A.  
Member, American Academy of Actuaries

8/12/2014  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Albert V. Krayter  
Director of Defined Benefit Department

## II. SUMMARY OF PLAN PROVISIONS

*Plan Effective Date:* December 18, 1975

*Plan Entry Date:* An eligible employee will enter the plan on the July 1st or January 1st coincident with or next following his Employment Date.

*Year of Service:* 12-consecutive-month computation period in which an employee is credited with 1,000 or more hours of service.

*Eligibility:* Computation period commences on date of hire. Effective January 1, 2006, no additional employees, other than those employees who are hired by the Corporation prior to January 1, 2006, are eligible to become participants in the Plan. Notwithstanding the preceding sentence, effective July 1, 2007, no additional Employees subject to Collective Bargaining Agreement are eligible to become participants in the Plan.

*Benefit Accrual:* Computation period commences on date of hire.

*Vesting:* Computation period commences on date of hire.

*Normal Retirement Date:* First day of the plan year nearest the participant's 65th Birthday or completion of 5 Years of Plan Participation, if later.

*Compensation:* The total compensation paid for the Plan Year in accordance with Code Section 3401(a) exclusive of overtime pay and bonuses.

*Average Compensation:* Average of Compensation in the three Plan Years which produce the highest average.

*Normal Retirement  
Benefit:*

The product of (a) times (b):

(a) 1.715% of Average Compensation;

(b) Years of Credited Service, up to a maximum of 35 years.

- Normal Form of Benefit:* For unmarried participants, a life annuity. For married participants, a Joint & 50% Survivor annuity. Prior to July 1, 2008, all benefit payments were increased annually by 3%, commencing on the 1st anniversary of the later of the Participant's Normal Retirement Date or the benefit commencement date. Effective July 1, 2008, all benefit payment increases commence on July 1 of each calendar year. Plan was amended to eliminate 3% cost of living adjustment with respect to participants and beneficiaries who commence benefit payments after March 1, 2009.
- Accrued Benefit:* The Normal Retirement Benefit based on Average Compensation and Years of Service to date.
- Early Retirement:* A participant who has attained age 60 with 5 Years of Service may retire and receive an early retirement benefit. The amount of the Early Retirement Benefit equals the Accrued Benefit, actuarially reduced for payment prior to Normal Retirement Date.
- Late Retirement:* Participants who continue employment after their Normal Retirement Date are eligible for a late retirement benefit equal to the greater of (i) the Accrued Benefit determined at actual retirement, or (ii) the actuarial equivalent of the prior year's Accrued Benefit.
- Death Benefit:* If a participant should die while in the employ of the Employer and is survived by an eligible spouse, such spouse shall be entitled to receive a qualified pre-retirement survivor annuity.
- Disability Benefit:* A participant who has been credited with five or more Years of Service and becomes totally and permanently disabled shall be entitled to payment of the Accrued Benefit.
- Vesting:* A participant will become 100% vested in his Accrued Benefit upon the completion of five Years of Vesting Service. Notwithstanding this vesting schedule, a participant will become 100% vested upon reaching the Normal Retirement Date.

The name of the Plan sponsor was changed to Rhode Island Commerce Corporation, and the name of the Plan was changed to the Rhode Island Commerce Corporation Pension Plan and Trust. The Amendment is effective as of January 1, 2014.

### **III. ACTUARIAL COST METHODS**

#### **Actuarial Cost Method**

Costs have been computed in accordance with the Aggregate Actuarial Cost method and reflect the assumptions described elsewhere in this report.

The Normal Cost is determined in the aggregate equal to (a) the actuarial present value of future normal cost divided by (b) a temporary annuity. The actuarial present value of future normal cost equals the actuarial present value of future benefits less the adjusted actuarial value of plan assets. The temporary annuity equals the total actuarial present value of future compensation divided by the total compensation for all participants who have not reached their assumed retirement age.

Under this method, gains and losses from plan experience which differs from that assumed are not separately computed. Rather, the gains and losses are reflected by spreading the impact over the future normal costs of the plan.

#### **Asset Valuation Method**

The actuarial value of the plan assets used in determining plan costs is equal to the fair market value.

#### **Changes In Actuarial Methods**

No changes in actuarial methods have occurred since the prior plan year.

## IV. ACTUARIAL ASSUMPTIONS

### A. Assumptions Used For The Current Plan Year

Actuarial assumptions are estimates as to the occurrence of future events affecting the costs of the plan such as mortality rates, withdrawal rates, changes in compensation level, retirement ages, rates of investment earnings, expenses, etc. The assumptions have been chosen to anticipate the long-range experience of the plan.

*Investment Return:* 6.50% per annum.

*Mortality:* IRS 2014 P.V. Optional Combined Table for males and females (1.430(h)(3)-1). This optional table is a combination of annuitant and non-annuitant mortality tables. Mortality improvements for the annuitant table are projected 7 years beyond the valuation date. Mortality improvements for the non-annuitant table are projected 15 years beyond the valuation date.

*Withdrawal Rate:* See sample rates below:

<u>Age</u>	<u>Rate</u>
20	17.46%
30	12.19%
40	7.00%
50	5.63%

*Salary Scale:* 3.00% per annum.

*Assumed Retirement Age:* Normal Retirement Age under the Plan, or attained age if greater.

*Expenses:* Assumed paid by the Corporation.

*Cost of Living Adjustment:* 3%, compounded annually for participants and beneficiaries whose benefit commencement date is no later than March 1, 2009.

### B. Changes In Actuarial Assumptions

Mortality tables were updated from IRS 2013 P.V.M Optional Combined Table (Male/Female) to IRS 2014 P.V.M Optional Combined Table (Male/Female).

The valuation was based upon generally accepted assumptions. We performed such tests as necessary to help assure the accuracy of the results presented herein. In our opinion, the change in actuarial assumptions of this valuation have been appropriately determined based upon the plan's actual mortality and turnover experience and within the framework of federal law and regulations.

## V. PLAN ASSETS AS OF JULY 1, 2014

### A. Market Value of Plan Assets

Equities	9,657,611
Fixed Income	2,166,701
Cash & Cash Equivalents	483,615
Mutual Funds	5,374,447
Accrued Income	25,102
Mortgage Backed Securities	122
TOTAL MARKET VALUE OF PLAN ASSETS:	\$ 17,707,598

### B. Actuarial Value of Plan Assets

Total Market Value of Plan Assets	\$ 17,707,598
Plus: Receivable Contribution (FYE June 30, 2014)	0
TOTAL ACTUARIAL VALUE OF PLAN ASSETS:	\$ 17,707,598

## VI. ACTUARIAL PRESENT VALUE OF ACCUMULATED PLAN BENEFITS

### Present Values as of July 1, 2014

	Number of <u>Lives</u>	Vested <u>Benefits</u>	Non-Vested <u>Benefits</u>	Total Present <u>Value</u>
Actives:	45	\$5,892,999	\$0	\$5,892,999
Vested Terminations and Inactive Lives:	46	3,019,439	0	3,019,439
Retirees:	<u>66</u>	<u>6,004,891</u>	<u>0</u>	<u>6,004,891</u>
<b>TOTALS:</b>	<b>157</b>	<b>\$ 14,917,329</b>	<b>\$0</b>	<b>\$14,917,329</b>

## VII. DEVELOPMENT OF TOTAL NORMAL COST ON AGGREGATE METHOD

1.	The present value as of the valuation date of all future benefits	\$17,994,778
2.	Actuarial Value of Assets as of the valuation date	17,707,598
3.	Present value of future normal cost, [(1) - (2)]	287,180
4.	The present value of the expected future compensation of all active members of the plan from the valuation date to their assumed retirement dates	18,695,564
5.	Contribution as % of future compensation, [(3) / (4)]	1.54%
6.	The annual compensation of active members below Normal Retirement Age	2,736,233
7.	Aggregate Normal Cost, [(5) x (6)]	42,031
8.	Normal Cost payable at the end of the plan year, [(7) x 1.065]	44,763

### VIII. DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY

1. Entry Age Accrued Liability as of July 1, 2014	\$16,624,474
2. Actuarial Value of Assets as of July 1, 2014	17,707,598
3. Unfunded Entry Age Accrued Liability as of July 1, 2014 [(1) - (2), but not less than zero]	\$0

## IX. DEVELOPMENT OF ALTERNATIVE PENSION COSTS

### A. Pension Cost Without Amortization of Unfunded Actuarial Accrued Liability

1. Total Normal Cost	\$ 42,031
2. Interest on (1) to the end of Plan Year	2,732
3. Total Pension Cost [(1) + (2)]	44,763
4. Total Payroll as of July 1, 2014	2,736,233
5. Total Pension Cost as a Percentage of Payroll [(3) / (4)]	1.64%

### B. Pension Cost With 30-Year Amortization of Unfunded Entry Age Accrued Liability

1. Entry Age Normal Cost	\$212,519
2. 30-Year Amortization of Unfunded Entry Age Accrued Liability	\$0
3. Interest on (1) and (2) to the end of the Plan Year	13,814
4. Total Pension Cost (30-Year Amortization) [(1) + (2) + (3)]	226,333
5. Total Payroll as of July 1, 2014	2,736,233
6. Total Pension Cost (30-Year Amortization) as a Percentage of Payroll [(4) / (5)]	8.27%

### C. Pension Cost With 10-Year Amortization of Unfunded Entry Age Accrued Liability

1. Entry Age Normal Cost	\$ 212,519
2. 10-Year Amortization of Unfunded Entry Age Accrued Liability	\$0
3. Interest on (1) and (2) to the end of the Plan Year	13,814
4. Total Pension Cost (10-Year Amortization) [(1) + (2) + (3)]	226,333
5. Total Payroll as of July 1, 2014	2,736,233
6. Total Pension Cost (10-Year Amortization) as a Percentage of Payroll [(4) / (5)]	8.27%

**SECTION X**  
**EXPECTED BENEFIT PAYMENTS**

<b><u>For plan year beginning in:</u></b>	<b><u>Payment</u></b>
2014	\$709,353
2015	\$741,906
2016	\$776,452
2017	\$857,118
2018	\$877,739
2019	\$1,020,048
2020	\$1,211,261
2021	\$1,258,236
2022	\$1,319,172
2023	\$1,383,588

Note: The amounts shown above are the present values at the valuation date, and its anniversaries, of the benefits expected to be paid during the plan year.

## Rhode Island Commerce Corporation Pension Plan and Trust

### SECTION XI. RECONCILIATION OF PLAN PARTICIPANTS

	<b>Active</b>	<b>Term Vested</b>	<b>Retired</b>	<b>Total</b>
Participants included in the 07-01-2013 valuation	48	47	64	159
Data corrections	1	-1	0	0
Terminated vested	-2	2	0	0
Retired	-3	-1	4	0
Died with beneficiary	0	0	0	0
Died without beneficiary	0	0	-2	-2
Transferred out	0	0	0	0
Lump sum	0	0	0	0
Terminated non-vested	0	0	0	0
Rehired	1	-1	0	0
Transferred in	0	0	0	0
New participants	0	0	0	0
Participants included in the 07-01-2014 valuation	45	46	66	157

**RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST**  
**EXHIBIT 1 - Required Supplementary Information - GASB 25**  
**Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
07/01/2004	\$9,231,832	\$10,407,400	\$1,175,568	88.7%	\$4,285,193	27.4%
07/01/2005	9,630,077	10,681,972	1,051,895	90.2%	4,222,131	24.9%
07/01/2006	10,427,807	11,654,510	1,226,703	89.5%	4,160,982	29.5%
07/01/2007	12,167,831	12,538,455	370,624	97.0%	3,909,259	9.5%
07/01/2008	13,028,186	13,677,506	649,320	95.3%	4,225,458	15.4%
07/01/2009	11,859,194	12,752,117	892,923	93.0%	3,570,995	25.0%
07/01/2010	13,112,512	12,668,379	(444,133)	103.5%	3,494,327	(12.7%)
07/01/2011	15,385,170	13,619,019	(1,766,151)	113.0%	3,316,037	(53.3%)
07/01/2012	14,895,987	14,943,184	47,197	99.7%	3,026,453	1.6%
07/01/2013	16,002,801	15,973,599	(29,202)	100.2%	2,768,284	(1.1%)
07/01/2014	17,707,598	16,624,474	(1,083,124)	106.5%	2,736,233	(39.6%)

Notes:  
 AAL is based on the Entry Age Normal Actuarial Cost Method  
 Allocation is based on earnings  
 No aggregation is used  
 Entry age based on date of hire

The most recent valuation performed was as of July 1, 2014.  
 Actuarial Value of Assets reported on a fair market basis per GASB 25 paragraph 24.

All other Actuarial Assumptions and Methods used are as described in the July 1, 2014 Actuarial Valuation Report

**RHODE ISLAND COMMERCE PENSION PLAN AND TRUST**  
**Exhibit - 2 Development of NPO - GASB 27**  
**July 1, 2006 - June 30, 2014**

	FYE June 30, 2007	FYE June 30, 2008	FYE June 30, 2009	FYE June 30, 2010 *	FYE June 30, 2011 *	FYE June 30, 2012 *	FYE June 30, 2013 *	FYE June 30, 2014 *
Annual Required Contribution (ARC)	\$ 656,741	\$ 539,988	\$ 605,716	\$ 448,819	\$ 297,345	\$ 123,947	\$ 241,738	\$ 209,587
Interest on NPO	162,086	155,745	145,867	133,389	121,682	114,782	107,135	96,279
Adjustment to ARC	(259,645)	(252,695)	(243,554)	(242,324)	(225,177)	(231,374)	(255,884)	(241,856)
Annual Pension Cost	559,182	443,038	508,029	339,884	193,850	7,355	92,989	64,010
Contributions made	(656,741)	(595,000)	(700,000)	(520,000)	(300,000)	(125,000)	(260,000)	(209,588)
Increase in NPO	(97,559)	(151,962)	(191,971)	(180,116)	(106,150)	(117,645)	(167,011)	(145,578)
NPO beginning year	2,493,636	2,396,077	2,244,115	2,052,144	1,872,028	1,765,878	1,648,233	1,481,222
NPO end of year	\$ 2,396,077	\$ 2,244,115	\$ 2,052,144	\$ 1,872,028	\$ 1,765,878	\$ 1,648,233	\$ 1,481,222	\$ 1,335,644

Notes: AAL is based on the Entry Age Normal Actuarial Cost Method  
Allocation is based on earnings  
No aggregation is used  
Entry age based on date of hire

The most recent valuation performed was as of July 1, 2014.  
Actuarial Value of Assets reported on a fair market basis per GASB 25 paragraph 24.

All other Actuarial Assumptions and Methods used are as described in the July 1, 2014.  
Actuarial Valuation Report

\*Adjustment to ARC calculated at plan year end over the expected average future years of service for active employees

Rhode Island Commerce Corporation Pension Plan and Trust  
 Exhibit 3 - Schedule of Employer Contributions - GASB 25  
 July 1, 2003 through June 30, 2014

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Employer Contribution</b>	<b>Percentage Contributed</b>
06/30/2004	\$ 645,138	\$ 600,000	93.00%
06/30/2005	669,277	660,000	98.61%
06/30/2006	646,638	647,000	100.06%
06/30/2007	656,741	656,741	100.00%
06/30/2008	539,988	595,000	110.19%
06/30/2009	605,716	700,000	115.57%
06/30/2010	448,819	520,000	115.86%
06/30/2011	297,345	300,000	100.89%
06/30/2012	123,947	125,000	100.85%
06/30/2013	241,738	260,000	107.55%
06/30/2014	209,587	209,588	100.00%

RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST

Exhibit - 4 Breakdown of NPO for Fiscal Year Ended on June 30, 2014

	<u>QDC</u>	<u>EDC</u>	<u>Total</u>
Actives			
#	27	18	45
PVAB	4,046,717	1,846,282	5,892,999
Terminated Vesteds			
#	19	27	46
PVAB	1,410,054	1,609,385	3,019,439
Retirees			
#	46	20	66
PVAB	3,168,892	2,835,999	6,004,891
Totals			
#	92	65	157
PVAB	8,625,663	6,291,666	14,917,329
Breakdown of Net Pension Obligation	\$772,311	\$563,333	\$1,335,644

**RHODE ISLAND COMMERCE CORPORATION PENSION PLAN AND TRUST**  
**Exhibit 5 - Historical Rates of Return**  
**July 1, 2003 - June 30, 2014**

<b>Year Ending</b>	<b>Market Value of Assets as of Beginning of Year</b>	<b>Contributions</b>	<b>Distributions</b>	<b>Net Earnings</b>	<b>Market Value of Assets as of End of Year</b>	<b>Approximate Rate of Return</b>
06/30/2004	8,013,024	600,000	(270,195)	889,003	9,231,832	10.9%
06/30/2005	9,231,832	660,000	(519,767)	258,012	9,630,077	2.8%
06/30/2006	9,630,077	647,000	(358,655)	509,385	10,427,807	5.2%
06/30/2007	10,427,807	656,741	(332,159)	1,415,442	12,167,831	13.4%
06/30/2008	12,167,831	595,000	(329,693)	595,048	13,028,186	4.8%
06/30/2009	13,028,186	700,000	(359,713)	(1,509,279)	11,859,194	(11.4%)
06/30/2010	11,859,194	520,000	(377,825)	1,111,143	13,112,512	9.3%
06/30/2011	13,112,512	300,000	(438,612)	2,411,270	15,385,170	18.5%
06/30/2012	15,385,170	125,000	(432,637)	(181,546)	14,895,987	(1.2%)
06/30/2013	14,895,987	260,000	(467,491)	1,314,305	16,002,801	8.9%
06/30/2014	16,002,801	209,588	(584,962)	2,080,171	17,707,598	13.2%