

# NON-UNION DEFINED BENEFIT PLAN FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2021





**Narragansett Bay Commission**  
**Non-Union Defined Benefit Plan**  
**Financial Report**  
**For The Fiscal Year Ended June 30, 2021**

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**Narragansett Bay Commission  
 Non-Union Defined Benefit Plan  
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***Independent Auditor's Report***

To the Board of Commissioners  
Narragansett Bay Commission  
Providence, Rhode Island

**Report on the Financial Statements**

We have audited the accompanying statement of fiduciary net position and statement of changes in fiduciary net position of the Non Union Defined Benefit Plan (the Plan) of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial net position of the Non Union Defined Benefit Plan of the Narragansett Bay Commission, as of June 30, 2021, and the respective changes in financial net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3-5, Schedule of Changes in Net Position Liability (Asset) and Related Ratios, the Schedule of Employer Contributions and the Schedule of Investment Returns and related notes on pages 16-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2021, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Plan's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Plan's internal control over financial reporting and compliance.

*Hague, Sabady & Co. PC*

Fall River, Massachusetts  
August 31, 2021



**Narragansett Bay Commission**  
**Non-Union Defined Benefit Plan**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2021**

This management's discussion and analysis of the Narragansett Bay Commission's (NBC) Non-Union Defined Benefit Pension Plan (Plan) provides a narrative overview of the financial activities for the fiscal year ended June 30, 2021. This discussion is presented as an overview of the financial activities of the Plan and should be read in conjunction with the Plan's financial statements.

**Financial Highlights**

- The Plan net position increased from \$23,960,059 at June 30, 2020 to \$30,014,495 at June 30, 2021 as the result of investment income and plan contributions.
- The actuarial funded ratio of the Plan increased to 129.28% in FY 2021 from 106.75% in FY 2020.
- The total pension liability increased from \$22,444,805 at June 30, 2020 to \$23,217,300 at June 30, 2021.
- Net pension asset increased by \$5,281,941 from \$1,515,254 at June 30, 2020 to \$6,797,195 at June 30, 2021.
- The rate of return for the Plan's investment portfolio was 23.14% and 6.48% for FY 2021 and FY 2020, respectively.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Plan's basic financial statements. The financial statements are prepared on an accrual basis of accounting in accordance with the Governmental Accounting Standards Board (GASB) pronouncements. The basic components of the financial report are described below:

**Statement of Fiduciary Net Position**

This statement reports the Plan's assets, liabilities, and net position held in trust restricted for pension benefits. This statement should be read with the understanding that it discloses the Plan's financial position at June 30, 2021.

**Statement of Changes in Fiduciary Net Position**

This statement reports the results of operations during the year, categorically disclosing the additions and deductions from the plan's net assets. The net increase to the plan assets between the prior year and the current year are reported in the Statement of Changes in Fiduciary net position.

**Notes to Financial Statements**

The notes to financial statements provide additional information that is essential for a full understanding of the data provided in the statements. The notes to financial statements are considered an integral part of the financial statements.

### Required Supplementary Information (RSI)

This RSI information includes data on funding progress and employer contributions, along with other information useful in evaluating the financial condition of the Plan.

### Financial Analysis

The Plan provides retirement benefits to all eligible non-union employees of NBC. The benefits are funded through employee contributions, employer contributions, and investment income. The total net position held in the trust for pension benefits June 30, 2021 amounted to \$30,014,495 an increase of \$6,054,436 or 25.3% from \$23,960,059 on June 30, 2020. **Table 1** reflects the Plan's net position as of June 30, 2021 and 2020.

**Table 1**

	<u>2021</u>	<u>2020</u>
Cash and Investments at fair value	\$ 30,014,495	\$ 23,960,059
Contributions receivable	-	-
Net Position held in trust for pension benefits	<u>\$ 30,014,495</u>	<u>\$ 23,960,059</u>

**Table 2** reflects the changes in the Plan net position for the years ended June 30, 2021 and 2020.

**Table 2**

	<u>2021</u>	<u>2020</u>
<b>Additions</b>		
Contributions:		
Employer	\$ 738,505	\$ 683,152
Employee	493,009	448,468
Net investment income	<u>5,588,333</u>	<u>1,441,662</u>
Total additions	6,819,847	2,573,282
<b>Deductions</b>		
Benefit payments including refunds of member contributions	749,591	682,310
Administrative expense	<u>15,820</u>	<u>13,304</u>
Total deductions	<u>765,411</u>	<u>695,614</u>
Net increase in fiduciary net position	6,054,436	1,877,668
<b>Total net position, beginning of year</b>	<u>23,960,059</u>	<u>22,082,391</u>
<b>Total net position, end of year</b>	<u>\$ 30,014,495</u>	<u>\$ 23,960,059</u>

The Plan's additions in FY 2021 were \$6,819,847 which is \$4,246,565 or 165.0% higher than the prior year. Investment income was \$4,146,671 or 288.0% higher in FY 2021 compared to 2020. Contributions to the Plan were \$99,894 or 8.8% higher than the prior year with employer contributions \$55,353 higher and employee contributions \$44,541 higher.

The Plan's deductions were \$765,411 for FY 2021, which is \$69,797 or 10.0% greater than the prior year. The majority of the deductions were for benefit payments, including refunds of member contributions, at \$749,591 or 97.9% of the total deductions.

**Table 3** shows the Plan's net pension asset for the years June 30, 2021 and 2020.

**Table 3**

	<u>2021</u>	<u>2020</u>
Total pension liability	\$ 23,217,300	\$ 22,444,805
Plan fiduciary net position	<u>30,014,495</u>	<u>23,960,059</u>
Net pension liability (asset)	<u>\$ (6,797,195)</u>	<u>\$ (1,515,254)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>129.28%</u>	<u>106.75%</u>

The Plan's total pension liability increased from \$22,444,805 in FY 2020 to \$23,217,300 in FY 2021. This is an increase of \$772,495 or 3.4% over the prior year. The Plan fiduciary net position as a percentage of the total pension liability increased from 106.75% in FY 2020 to 129.28% in FY 2021.

### **New Accounting Standard for Reporting of Pension Liability**

GASB 67 replaced GASB 25 for plan years beginning after June 15, 2013. This is the eighth year for NBC's implementation of this new standard. GASB 67 represented a significant departure from the requirements of GASB 25. GASB 67 separates reporting for accounting and funding purposes by requiring disclosure and reporting that may or may not be consistent with the basis used for funding. The actuary must now determine the Total Pension Liability (TPL) and the Net Pension Liability (NPL). The TPL is calculated using the entry age normal method, the most common actuarial method used. The NPL is derived by reducing the TPL by the fiduciary net position, which uses the fair value of the assets as of the measurement date. GASB 67 also requires 10-year schedules that depict the calculation of the NPL and the changes to the NPL. These schedules will be developed as we go forward.

### **Request for Information**

This financial report is designed to provide the Board of Commissioners (Board), the NBC's ratepayers, employees and other interested parties with a general overview of the Plan's finances. Questions concerning this report or requests for additional financial information should be directed to the Chief Financial Officer at One Service Road, Providence, RI 02905.

**Narragansett Bay Commission Non-Union Defined Benefit Plan**  
**Statement of Fiduciary Net Position**  
**For the Year Ended June 30, 2021**

**Assets**

Investments, at fair value:

Mass Mutual	
MassMutual Core SAGIC	\$ 2,550,683
Inflation Protected Securities (DFA)	1,445,283
Asset Core Plus Bond (Western)	5,643,909
Delaware Extended Duration Bond	1,428,368
Alliance Bernstein Global Bond Advisor	1,413,679
American Funds Washington Mutual	2,276,017
MassMutual S&P 500 Index II Fund Northern Trust	4,914,231
MFS Growth I	2,301,302
MFS Mid Cap Value	657,035
MassMutual S&P Mid Cap Index II Northern Trust	965,142
Select T. Rowe Price/Frontier Mid Cap Growth II	622,407
Small Cap Value (Franklin)	649,561
T. Rowe Price New Horizons	638,093
MassMutual MSCI EAFE International Index	1,513,460
American Funds EuroPacific Growth	2,995,325
	<u>30,014,495</u>
 Total assets	 <u>30,014,495</u>

**Net Position**

Restricted for pension benefits	<u>\$ 30,014,495</u>
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*The notes to financial statements are an integral part of this statement*

**Narragansett Bay Commission Non-Union Defined Benefit Plan**  
**Statement of Changes in Fiduciary Net Position**  
**June 30, 2021**

**Additions**

Contributions	
Employer contributions	\$ 738,505
Employee contributions	493,009
Total contributions	1,231,514
Investment Income, net	
Net increase in fair value of investments	5,525,195
Interest and dividends	63,138
Total investment income	5,588,333
Total additions	6,819,847

**Deductions**

Benefit payments, including refunds of member contributions	749,591
Administrative expenses	15,820
Total deductions	765,411
Net increase in fiduciary net position	6,054,436
<b>Total net position, beginning of the year</b>	<b>23,960,059</b>
<b>Total net position, end of year</b>	<b>\$ 30,014,495</b>

*The notes to financial statements are an integral part of this statement*

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**Narragansett Bay Commission Non-Union Defined Benefit Plan**  
**Notes to Financial Statements**  
**June 30, 2021**

**1 - Summary of Significant Accounting Policies**

**Basis of Accounting**

The Plan's financial statements are prepared using the accrual basis of accounting and in accordance with generally accepted accounting principles that apply to governmental accounting for defined benefit plans. Employer contributions are recognized when made, because there are no required due dates for contributions. Other additions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan document. Plan expenses, other than benefits and refunds, are recognized on the accrual basis in accordance with generally accepted accounting principles.

**Fair Value Measurement**

The NBC categorizes its fair measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy is categorized into three levels based on the inputs as follows:

**Level 1** – Inputs are quoted prices (unadjusted) for identical assets in active markets that are accessible at the measurement date.

**Level 2** - Inputs other than quoted prices in active markets that are observable for an asset either directly or indirectly.

**Level 3** – Inputs that are unobservable inputs for the asset supported by little or no market activity and should be used only if relevant Level 1 and Level 2 inputs are not available.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Plan's management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, disclosure of contingent assets and liabilities, and the actuarial values at the date of the financial statements. Actual results could differ from these estimates.

**Actuary Estimates**

The Plan's actuarial present value of accumulated plan benefits is based on certain accounting estimates related to long-term investment returns, discount rates, mortality tables and retirement assumptions. Defined benefit plans typically disclose that Plan contributions and the actuarial present value of accumulated plan benefits are reported based on certain assumption pertaining to interest rates, inflation rates and employee demographics, all of which are subject to change. Due to uncertainties inherent with estimation and assumptions, it is at least reasonably possible that changes in these estimates or assumptions in the near-term would be material to the financial statements. In the future, the impact of the COVID-19 pandemic could impact these assumptions with some potentially increasing and others

potentially decreasing the actuarial present value of accumulated plan benefits. At the time of issuance of these financial statements, management cannot reasonably estimate this potential impact as there are many uncertainties in these estimates.

## **2 - Plan Description**

### **Plan Administration**

The NBC's Board of Commissioners (Board) approved a resolution at the business meeting on December 20, 2004 adopting a defined benefit plan for its non-union employees effective February 1, 2005, pursuant to 401(a) of the Internal Revenue Code. The plan is a single-employer, defined benefit pension plan. The plan year begins January 1 and ends December 31, with the initial plan year ending December 31, 2005.

The Plan assets are invested under a group annuity contract which as of December 31, 2020, was assigned by MassMutual Financial Group to Great-West Life and Annuity Insurance Company, which operates primarily as Empower Retirement (Empower). Certain administrative services are also provided by Empower. NBC has a third-party administrator, The Angell Pension Group, Inc., and Reliance Trust Company is the Plan's trustee. The Investment Committee (IC) develops long-term asset allocation ranges and works in conjunction with NBC's investment advisor Strategic Retirement Partners, LLC, a fiduciary to the Plan, to select investments and review asset allocations and performance. Please refer to the Notes to Financial Statements under "Investment Policy" for more information on asset allocations.

### **Plan Membership**

All full-time, non-seasonal non-union employees of the NBC become participants of the Plan upon completion of the eligibility requirements. As of June 30, 2021, there were 203 Plan participants: 84 were inactive participants, of which 42 were terminated vested and 42 were retirees, and 119 participants were active.

### **Benefits Provided**

All non-union employees are eligible to participate in the plan after the completion of one year of service and attaining age 21. The monthly retirement benefit is based on 1% of average monthly compensation multiplied by total years of service limited to 30 years. Participants are eligible to retire at age 65 after 5 years of service. A participant is eligible for early actuarially adjusted retirement after 20 years of service and if they have attained age 62. The Plan has cliff vesting after 7 years. There were no retirement benefit payment distributions for the first five years of the plan. The Board is authorized to establish and amend all plan provisions.

Effective as of January 1, 2007, the Plan was amended such that 1,000 hours of service were added to the definitions of both "Period of Service" and "Period of Participation".

### **Plan Expenses**

Certain expenses are paid from the assets of the Plan and are recorded as administrative expenses on the financial statements. These expenses include benefit payment processing fees and other administrative expenses.

### **Income Taxes**

NBC's Board of Commissioners amended and restated the Plan as of January 1, 2020, based on the Volume Submitter Plan (VSP) developed by APG and approved by the Internal Revenue Service (IRS). The VSP format ensures that the Plan maintains its tax-exempt status.



### Contributions

The Plan was established and is sponsored and administered by the Board. The Plan document provides for periodic NBC contributions at actuarially determined amounts sufficient to accumulate the necessary assets to pay benefits when due. The Board's funding policy during 2021 and in prior years provided for periodic contributions of at least the actuarial required contribution (ARC) sufficient to accumulate the necessary assets to pay benefits when due. The contribution requirements of the Plan participants and the NBC are established and may be amended by the Board. Eligible Plan participants must contribute 5% of covered earnings. To the extent that resources are available, the Board's budget resolution provides for additional contributions to the Plan above the minimum ARC. The annual required NBC contribution for the fiscal year ending June 30, 2021 was \$0.

Employer contributions made to the plan for the fiscal year ended June 30, 2021 were \$738,505.

Employee contributions to the plan for the fiscal year ended June 30, 2021 were \$493,009.

## 3 - Investments

### Investment Policy

The Plan's asset investment policy is established and may be amended by the Investment Committee (IC) by a majority vote of its members. It is the policy of the IC to invest the assets in a prudent manner and establish an investment strategy following the concepts driven by modern portfolio theory, including risk, return and correlations among asset classes. The primary objective of the IC's investment policy is to preserve the actuarial soundness of the Plan by achieving a long-term return of at least the actuarial return rate and to prudently manage the inherent investment risks that are related to the achievement of this goal. The IC recognizes that the investment objective is long-term in nature, and that actual year-to-year returns achieved may be above or below the actuarially assumed rate of return.

The IC has adopted asset allocation ranges and the adopted asset target allocation as of June 30, 2021 is as follows:

<b>Asset Class</b>	<b>Allocation</b>
Large Cap US Equity	30%
Small/Mid Cap US Equity	10%
International Equity	15%
Intermediate to Long-Term Bonds	35%
Short-Term Bonds and Cash	10%
Total	100%

### Rate of Return

For the year ended June 30, 2021 the annual money-weighted rate of return on Plan investments, net of investment expense, was 23.14%. The money-weighted rate of return considers the changing amounts actually invested during a period and weights the amount of pension plan investments by the proportion of time they are available to earn a return during that period. External cash flows are determined on a monthly basis and are assumed to occur at the end of each month. External cash inflows are netted with external cash outflows, resulting in a net external cash flow in each month. The money-weighted rate of return is calculated net of investment expenses.

## Interest Rate Risk

Interest rate risk is the risk that, changes in interest rates, will adversely affect the fair value of the investment. Duration is a measure of a debt security's sensitivity to fair value changes arising from changes in the level of interest rates and is the weighted average maturity of a bond's cash flows. As of June 30, 2021, the Plan had the following investments:

	Fair Value	Weighted Average Maturity (Years)
Western Asset Core Plus Bond Fund	\$ 5,643,909	13.42
Inflation Protected Securities (DFA)	1,445,283	8.20
Delaware Extended Duration Bond Fund	1,428,368	23.37
Alliance Bernstein Global Bond Advisor	1,413,679	9.65
<b>Total Fair Value</b>	<b>\$ 9,931,239</b>	
<b>Portfolio weighted average maturity</b>		<b>13.55</b>

## Fair Market Value

The fair market value of the Plan's investments as of June 30, 2021 are as follows:

	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs	June 30, 2021
	(Level 1)	(Level 2)	(Level 3)	
<b>Investments at Fair Value:</b>				
Equity Securities:				
Domestic Equities - American Funds Washington Mutual	\$ 2,276,017	\$ -	\$ -	\$ 2,276,017
Domestic Equities - MassMutual S&P 500 Index	4,914,231	-	-	4,914,231
Domestic Equities - MFS Growth I	2,301,302	-	-	2,301,302
Domestic Equities - MFS Mid Cap Value	657,035	-	-	657,035
Domestic Equities - MassMutual S&P Mid Cap Index	965,142	-	-	965,142
Domestic Equities - Select T. Rowe Price/Frontier Midcap Growth II	622,407	-	-	622,407
Domestic Equities - Franklin Small Cap Value	649,561	-	-	649,561
Domestic Equities - T. Rowe Price New Horizons	638,093	-	-	638,093
International Equities - Mass Mutual MSCI EAFE International Index	1,513,460	-	-	1,513,460
International Equities - American Funds EuroPacific Growth	2,995,325	-	-	2,995,325
Fixed Income Securities:				
MassMutual Core SAGIC	2,550,683	-	-	2,550,683
Western Asset Core Plus Bond	5,643,909	-	-	5,643,909
Inflation Protected Securities (DFA)	1,445,283	-	-	1,445,283
Delaware Extended Duration Bond	1,428,368	-	-	1,428,368
Alliance Bernstein Global Bond Advisor	1,413,679	-	-	1,413,679
<b>Total investments by fair value level</b>	<b>\$ 30,014,495</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,014,495</b>
<b>Total investments measured at fair value</b>	<b>\$ 30,014,495</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 30,014,495</b>
<b>Total investments held by the</b>				
<b>Narragansett Bay Commission Non-Union Defined Benefit Plan Trust</b>				<b>\$ 30,014,495</b>

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Plan will not be able to recover its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Plan, and are held by either the counterparty or the counterparty's trust department or agent but not in the Plan's name. At June 30, 2021 there were no deposits subject to custodial credit risk.

**Foreign Currency Risk**

Foreign currency risk is the risk that, changes in exchange rates, will adversely impact the fair value of an investment or a deposit. At June 30, 2021, there were no deposits subject to foreign currency risk.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments issued or explicitly guaranteed by the U.S. Government and investments in diversified mutual funds, external investment pools, and other pooled investments are excluded. As of June 30, 2021, the Plan had no assets subject to concentration of credit risk.

**4 - Net Pension Asset**

The components of the net pension asset of the NBC at June 30, 2021, were as follows:

Total pension liability	\$ 23,217,300
Plan fiduciary net position	<u>30,014,495</u>
Net pension liability (asset)	<u>\$ (6,797,195)</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>129.28%</u>

**Actuarial assumptions**

The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	N/A
Compensation Increases	3.50%
Investment rate of return	6.00% net of pension plan investment expense, including inflation

Pre and Post Retirement Mortality Rates are based on the PubG-2010 Above Median for Employees and Healthy Retirees with Scale MP-2020 Generational Improvements (M/F).

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the period ended June 30, 2021.

The long-term expected rate of return on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class, based on collective summary of capital expectations from 35 sources.

The June 30, 2021 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Real Rate of Return</b>
Large Cap US Equity	30%	4.90%
Small/Mid Cap US Equity	10%	5.40%
International Equity	15%	5.51%
Intermediate to Long-Term Bonds	35%	1.09%
Short-Term Bonds	10%	0.09%
<b>Total</b>	<b>100%</b>	

These return assumptions are then weighted by the target asset allocation percentage to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

#### Discount rate

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that plan participant contributions will be made at the current contribution rate and that NBC contributions will be made at rates equal to the difference between actuarially determined contribution rates and the participant rate. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Change in Net Pension Asset

The change in Net Pension Asset for the year ending June 30, 2021 is shown in the following table:

	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability (Asset)</b>
<b>Balance as of July 1, 2020</b>	\$ 22,444,805	\$ 23,960,059	\$ (1,515,254)
<b>Changes for the year</b>			
Service cost	498,635	-	498,635
Interest on total pension liability	1,331,636	-	1,331,636
Differences between expected and actual experience	(192,830)	-	(192,830)
Changes in assumptions	(115,355)	-	(115,355)
Contributions - employer	-	738,505	(738,505)
Contributions - employee	-	493,009	(493,009)
Net investment income	-	5,588,333	(5,588,333)
Benefit payments	(749,591)	(749,591)	-
Administrative expense	-	(15,820)	15,820
<b>Net changes</b>	<b>772,495</b>	<b>6,054,436</b>	<b>(5,281,941)</b>
<b>Balance as of June 30, 2021</b>	<b>\$ 23,217,300</b>	<b>\$ 30,014,495</b>	<b>\$ (6,797,195)</b>

### Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the NBC, calculated using the discount rate of 6.00%, as well as the NBC's net pension liability (asset) if it were calculated using a discount rate that is one percentage-point lower (5.00%) or one percentage-point higher (7.00%) than the current rate:

	<u>1% Decrease (5.00%)</u>	<u>Current Discount Rate (6.00%)</u>	<u>1% Increase (7.00%)</u>
Plan's Net Pension Liability (Asset) as of June 30, 2021	\$ (3,428,444)	\$ (6,797,195)	\$ (9,332,941)

### Pension Expense and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2021, the NBC recognized pension expense of \$1,009,150. At June 30, 2021, the NBC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 396,920	\$ 358,855
Changes in assumptions	946,083	374,767
Difference between projected and actual investment earnings	-	3,580,164
Total deferred outflows/inflows	<u>\$ 1,343,003</u>	<u>\$ 4,313,786</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	<u>Deferred Outflows and (Inflows) of Resources</u>
2022	\$ (803,582)
2023	(739,927)
2024	(691,096)
2025	(792,664)
2026	45,124
Thereafter	11,362
Total	<u>\$ (2,970,783)</u>

### 5 - Related-party Transactions

There were no related-party transactions to disclose as of June 30, 2021.

### 6 - Subsequent Events

Management has evaluated subsequent events through August 31, 2021, the date the financial statements were available to be issued. No subsequent events were identified.

**Narragansett Bay Commission Non-Union Defined Benefit Plan**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios (Unaudited)**  
**Last 10 Fiscal Years\***

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
<b>Total pension liability</b>				
Service cost	\$ 498,635	\$ 511,897	\$ 540,312	\$ 517,250
Interest	1,331,636	1,240,457	1,159,483	1,090,715
Differences between expected and actual experience	(192,830)	(43,521)	299,596	23,003
Changes of assumptions	(115,355)	559,283	(57,266)	(112,144)
Benefit payments, including refunds of participant contributions	<u>(749,591)</u>	<u>(682,310)</u>	<u>(533,330)</u>	<u>(321,603)</u>
<b>Net change in total pension liability</b>	772,495	1,585,806	1,408,795	1,197,221
<b>Total pension liability - beginning</b>	<u>22,444,805</u>	<u>20,858,999</u>	<u>19,450,204</u>	<u>18,252,983</u>
<b>Total pension liability - ending</b>	<u>\$ 23,217,300</u>	<u>\$ 22,444,805</u>	<u>\$ 20,858,999</u>	<u>\$ 19,450,204</u>
<b>Pension fiduciary net position</b>				
Contributions - employer	\$ 738,505	\$ 683,152	\$ 1,008,665	\$ 1,168,202
Contributions - employee	493,009	448,468	446,520	453,943
Net investment income	5,588,333	1,441,662	1,537,861	1,365,701
Benefit payments, including refunds of participant contributions	(749,591)	(682,310)	(533,330)	(321,603)
Administrative expense	<u>(15,820)</u>	<u>(13,304)</u>	<u>(11,910)</u>	<u>(10,669)</u>
<b>Net change in plan fiduciary net position</b>	6,054,436	1,877,668	2,447,806	2,655,574
<b>Plan fiduciary net position - beginning</b>	<u>23,960,059</u>	<u>22,082,391</u>	<u>19,634,585</u>	<u>16,979,011</u>
<b>Plan fiduciary net position - ending</b>	<u>\$ 30,014,495</u>	<u>\$ 23,960,059</u>	<u>\$ 22,082,391</u>	<u>\$ 19,634,585</u>
<b>NBC's net pension liability (asset) - ending</b>	<u>\$ (6,797,195)</u>	<u>\$ (1,515,254)</u>	<u>\$ (1,223,392)</u>	<u>\$ (184,381)</u>

*(Continued)*

\*Eighth year of implementation of GASB 67, therefore only eight years of the 10 years of required data is available.

*See accompanying notes to the required supplementary information*  
*See independent auditor's report*

**Narragansett Bay Commission Non-Union Defined Benefit Plan  
Required Supplementary Information  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios (Unaudited) (Continued)  
Last 10 Fiscal Years\***

<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
\$ 483,428	\$ 469,348	\$ 504,855	\$ 441,297
1,048,533	965,809	803,212	729,646
(265,443)	352,399	232,651	(187,670)
(228,207)	(228,213)	1,350,562	424,254
<u>(268,133)</u>	<u>(180,615)</u>	<u>(136,591)</u>	<u>(120,730)</u>
770,178	1,378,728	2,754,689	1,286,797
<u>17,482,805</u>	<u>16,104,077</u>	<u>13,349,388</u>	<u>12,062,591</u>
<u>\$ 18,252,983</u>	<u>\$ 17,482,805</u>	<u>\$ 16,104,077</u>	<u>\$ 13,349,388</u>
\$ 1,899,556	\$ 1,744,985	\$ 986,656	\$ 789,435
454,135	429,941	410,397	398,975
1,434,681	239,860	283,708	1,101,778
(268,133)	(180,615)	(136,591)	(120,730)
(8,421)	(6,761)	(6,027)	(2,639)
<u>3,511,818</u>	<u>2,227,410</u>	<u>1,538,143</u>	<u>2,166,819</u>
<u>13,467,193</u>	<u>11,239,783</u>	<u>9,701,640</u>	<u>7,534,821</u>
<u>\$ 16,979,011</u>	<u>\$ 13,467,193</u>	<u>\$ 11,239,783</u>	<u>\$ 9,701,640</u>
<u>\$ 1,273,972</u>	<u>\$ 4,015,612</u>	<u>\$ 4,864,294</u>	<u>\$ 3,647,748</u>

*(Continued)*

\*Eighth year of implementation of GASB 67, therefore only eight years of the 10 years of required data is available.

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**Narragansett Bay Commission Non-Union Defined Benefit Plan**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability (Asset) and Related Ratios (Unaudited) (Continued)**  
**Last 10 Fiscal Years\***

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Total pension liability	\$ 23,217,300	\$ 22,444,805	\$ 20,858,999	\$ 19,450,204
Plan fiduciary net position	30,014,495	23,960,059	22,082,391	19,634,585
Net pension liability (asset)	<u>\$ (6,797,195)</u>	<u>\$ (1,515,254)</u>	<u>\$ (1,223,392)</u>	<u>\$ (184,381)</u>
Plan fiduciary net position as a percentage of the total pension liability	129.28%	106.75%	105.87%	100.95%
Covered payroll **	<u>\$ 9,860,178</u>	<u>\$ 8,969,358</u>	<u>\$ 8,930,389</u>	<u>\$ 9,078,824</u>
Net pension liability (asset) as a percentage of covered payroll	<u>(68.94%)</u>	<u>(16.89%)</u>	<u>(13.70%)</u>	<u>(2.03%)</u>

*(Continued)*

\* Eighth year of implementation of GASB 67, therefore only eight years of the 10 years of required data is available.

\*\*Based on GASB 82 definition of covered payroll.

***See accompanying notes to the required supplementary information***  
***See independent auditor's report***



**Narragansett Bay Commission Non-Union Defined Benefit Plan  
Required Supplementary Information  
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios (Unaudited) (Continued)  
Last 10 Fiscal Years\***

<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
\$ 18,252,983	\$ 17,482,805	\$ 16,104,077	\$ 13,349,388
<u>16,979,011</u>	<u>13,467,193</u>	<u>11,239,783</u>	<u>9,701,640</u>
<u>\$ 1,273,972</u>	<u>\$ 4,015,612</u>	<u>\$ 4,864,294</u>	<u>\$ 3,647,748</u>
93.02%	77.03%	69.79%	72.67%
<u>\$ 9,082,700</u>	<u>\$ 8,598,820</u>	<u>\$ 8,207,940</u>	<u>\$ 7,979,500</u>
<u>14.03%</u>	<u>46.70%</u>	<u>59.26%</u>	<u>45.71%</u>

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\*\*Based on GASB 82 definition of covered payroll.

***See accompanying notes to the required supplementary information  
See independent auditor's report***

**Narragansett Bay Commission Non-Union Defined Benefit Plan  
Required Supplementary Information  
Schedule of Employer Contributions (Unaudited)  
Last 10 Fiscal Years\***

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Actuarially determined contribution	\$ -	\$ -	\$ 254,623	\$ 212,581
Contributions in relation to the actuarially determined contribution	738,505	683,152	1,008,665	1,168,202
Contribution deficiency (excess)	<u>\$ (738,505)</u>	<u>\$ (683,152)</u>	<u>\$ (754,042)</u>	<u>\$ (955,621)</u>
Covered payroll**	<u>\$ 9,860,178</u>	<u>\$ 8,969,358</u>	<u>\$ 8,930,389</u>	<u>\$ 9,078,824</u>
Contributions as a percentage of covered payroll	<u>7.49%</u>	<u>7.62%</u>	<u>11.29%</u>	<u>12.87%</u>

*(Continued)*

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\*\*Based on GASB 82 definition of covered payroll.

***See accompanying notes to the required supplementary information  
See independent auditor's report***

**Narragansett Bay Commission Non-Union Defined Benefit Plan  
Required Supplementary Information  
Schedule of Employer Contributions (Unaudited) (Continued)  
Last 10 Fiscal Years\***

<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
\$ 626,042	\$ 679,731	\$ 657,313	\$ 470,780
1,899,556	1,744,985	986,656	789,435
<u>\$ (1,273,514)</u>	<u>\$ (1,065,254)</u>	<u>\$ (329,343)</u>	<u>\$ (318,655)</u>
<u>\$ 9,082,700</u>	<u>\$ 8,598,820</u>	<u>\$ 8,207,940</u>	<u>\$ 7,979,500</u>
<u>20.91%</u>	<u>20.29%</u>	<u>12.02%</u>	<u>9.89%</u>

\* Eighth year of implementation of GASB 67, therefore only eight years of the 10 years of required data is available.

\*\*Based on GASB 82 definition of covered payroll.

*See accompanying notes to the required supplementary information  
See independent auditor's report*

**Narragansett Bay Commission Non-Union Defined Benefit Plan  
 Required Supplementary Information  
 Schedule of Investment Returns (Unaudited)  
 Last 10 Fiscal Years\***

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Annual money-weighted rate of return, net of investment expense	23.14%	6.48%	7.74%	7.85%

*(Continued)*

\* Eighth year of implementation of GASB 67, therefore only eight years of the 10 years of required data is available.

\*\*Based on GASB 82 definition of covered payroll

***See accompanying notes to the required supplementary information  
 See independent auditor's report***

**Narragansett Bay Commission Non-Union Defined Benefit Plan  
 Required Supplementary Information  
 Schedule of Investment Returns (Unaudited) (Continued)  
 Last 10 Fiscal Years\***

<b>June 30, 2017</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
<b>10.25%</b>	<b>2.06%</b>	<b>2.81%</b>	<b>13.84%</b>

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\*\*Based on GASB 82 definition of covered payroll

***See accompanying notes to the required supplementary information***  
**See independent auditor's report**

**Narragansett Bay Commission Non-Union Defined Benefit Plan  
Notes to Required Supplementary Information (Unaudited)  
For the Year Ended June 30, 2021**

Actuarially determined contribution rates are calculated as of plan year end.

**Actuarial Assumptions as of June 30, 2021**

Discount Rate for Purposes of Determining

Net Pension Liability: 6.00%

Long-term Rate of Return on Investments: 6.00% net of expenses, including inflation

Municipal Bond: 2.18% based on the S&P Municipal Bond  
20 year High Grade Index

Salary Increases: 3.50%

Payroll Growth Rate: 3.50% based on salary increase rate by individual given above

Inflation: N/A

Pre and Post Retirement Mortality: PubG-2010 Above Median for Employees  
and Healthy Retirees with Scale MP-2020  
Generational Improvements (M/F)

Terminations: T-2 Illustrative annual rates of withdrawals as follows:

<u>Age</u>	<u>Rate</u>
25	5.29%
40	3.50%
55	0.00%

Disability Rate: None

Assumed Retirement Age: Age 65 for active participants and normal  
retirement age for inactive participants

Expenses: None

*All other assumptions are consistent with the Plan's actuarial valuation as of December 31, 2020.*

**See independent auditor's report**

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**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Commissioners  
Narragansett Bay Commission  
Providence, Rhode Island

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Non Union Defined Benefit Plan (the Plan) of the Narragansett Bay Commission (NBC), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated August 31, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Plan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Plan's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Hagye, Sabady & Co. PC". The signature is written in black ink on a light-colored background.

Fall River, Massachusetts

August 31, 2021