

**St. Joseph Health Services of Rhode Island
Retirement Plan**

Actuarial Valuation as of July 1, 2005

For the Plan Year Beginning July 1, 2005

and Ending June 30, 2006

Prepared By:

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I. INTRODUCTION

This report presents the results of the actuarial valuation as of July 1, 2005 of the St. Joseph Health Services of Rhode Island Retirement Plan. The report is prepared for the plan year beginning July 1, 2005 and ending June 30, 2006. The purpose of the report is to:

Illustrate the current actuarial position of the plan.

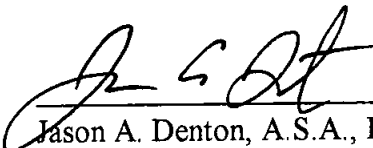
Provide a summary of participant census and benefit detail.

Present information which will assist the plan sponsor in determining the appropriate contribution for the plan year.

Outline the actuarial assumptions and methods used.

Summarize the results of our review of compliance with appropriate non-discrimination and/or top heavy requirements.

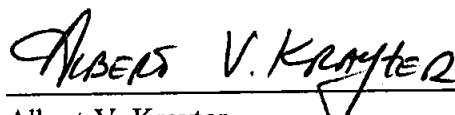
This valuation was prepared on the basis of information submitted to The Angell Pension Group, Inc. in the form of payroll and asset data, as well as ancillary material pertaining to the plan and the plan sponsor, and was prepared in accordance with current federal statutes and regulations. We have not independently verified, nor do we make any representations as to, the accuracy of such information.



Jason A. Denton, A.S.A., E.A.
Director of Actuarial Services

11/16/2006

Date



Albert V. Krayter
Manager, Defined Benefit Department

II. VALUATION RESULTS

Contributions for Plan Year Ending June 30, 2006

Recommended Contribution: \$ 0

Summary of Valuation Results:

•	<i>Participants</i>	<u>2005</u>	<u>2004</u>
	Active	1,487	1,701
	Terminated vested	824	744
	Retirees in pay status	<u>562</u>	<u>545</u>
	Total	2,873	2,990
•	<i>Normal Cost</i>		
	Dollar amount	\$ 1,876,993	\$ 2,315,593
	Covered payroll	58,851,238	66,168,929
	As a percentage of payroll	3.2%	3.5%
•	<i>Recommended Contribution</i>		
	Dollar amount	\$ 0	\$ 0
	As a percentage of payroll	0%	0%
•	<i>Assets</i>		
	Market Value	\$ 94,892,973	\$ 89,475,173
	Actuarial Value	94,773,936	95,454,328
	Net rate of return on market value	10.1%	14.9%
	Net rate of return on actuarial value	3.0%	4.6%

Plan Assets as of July 1, 2005

Bank of America	\$ 94,892,973
Total Value of Plan Assets:	\$ 94,892,973

Actuarial Value of Plan Assets

Total Market Value of Plan Assets	\$ 94,892,973
Plus: Receivable Contributions	0
Plus: Adjustment to Actuarial Value	(119,037)
Less: Benefits Payable	0
Less: Advance Contributions	0
Less: Interest on Advance Contributions	N/A
Actuarial Value of Plan Assets	\$ 94,773,936

Actuarial Present Value of Accumulated Plan Benefits

The actuarial present value of accumulated plan benefits is a measurement of plan liabilities attributable to credited service and/or compensation as of a certain point in time. The information provided below can be used to satisfy Statement of Financial Accounting Standards No. 35 (FAS 35). It can also be used to gauge funding progress relative to plan assets.

The liability figures presented below are based upon actuarial assumptions which reflect the long term nature of an ongoing plan. The present values shown **do not** represent the liabilities that would be incurred to purchase annuity contracts or to pay single sums in the event of the termination of this Plan. The cost to purchase annuity contracts is dependent upon insurance company rates. The cost to pay single sums would necessitate a comparison with 30 year Treasury interest rates and will be higher than the figures shown below.

The information in this section is based on the same actuarial assumptions as outlined in Section V of this report except that no salary scale assumption has been applied.

Present Values as of July 1, 2005

	<u>Number of Lives</u>	<u>Vested Benefits</u>	<u>Non-Vested Benefits</u>	<u>Total Present Value</u>
Active Lives:	1487	\$ 32,912,195	\$ 1,635,239	\$ 34,547,434
Vested Terminations/Inactives:	824	10,442,287	0	10,442,287
Disabled Lives:	0	0	0	0
Retired Lives:	562	26,831,257	0	26,831,257
Other Lives:	0	0	0	0
Totals:	2873	\$ 70,185,739	\$ 1,635,239	\$ 71,820,978

Statement of Change in Accumulated Plan Benefits

Actuarial present value of accumulated plan benefits as of the prior valuation date	\$ 66,950,823
Increase (decrease) during the year attributable to:	
Plan amendment	\$ 0
Change in actuarial assumptions	0
Benefits accumulated	3,309,050
Increase for interest due to the decrease in the discount period	5,042,541
Benefits paid	(3,481,436)
Net increase (decrease):	\$ 4,870,155
Actuarial present value of accumulated plan benefits as of the current valuation date	\$ 71,820,978

III. SUMMARY OF PLAN PROVISIONS

Plan Effective Date: July 1, 1965

Eligibility Requirements: Age: None
Service: One Year

Year of Service: 12-consecutive-month computation period commencing on the employee's date of hire in which an employee is credited with 1,000 or more hours of service.

Year of Service for Benefit Accrual: Service shall equal total plan years of service with the Employer. Prior to July 1, 2001, a year of service was credited for each plan year in which an employee was an active participant in the plan and was paid for at least 1,000 hours. On July 1, 2001 the plan was amended to use elapsed time to determine service through July 1, 2001. Thereafter, the 1,000 hour rule will continue to be used.

Plan Entry Date: An eligible employee will enter the plan on the first of the month following completion of the eligibility requirements.

Normal Retirement Date: The first day of the month coincident with or next following the later of age 65 or the fifth anniversary of the participant's participation.

Compensation: "Annual Earnings" means the basic rate of compensation, excluding bonus payments, call time, overtime and any irregular payments. In no event shall compensation for any year exceed the IRC limit on annual compensation includable in a defined benefit plan (\$210,000 for 2005).

Average Compensation: The average of the five highest consecutive Annual Earnings during the ten years immediately preceding employee's termination of employment.

Normal Retirement Benefit: The amount of annual normal retirement benefit to be paid in monthly installments for life, based on credited service to normal retirement date, is:

1. Fifty percent of Final Average Earnings, less
2. Fifty percent of the Social Security Benefit

The above difference shall be multiplied by the ratio of the participant's credited service not in excess of 30 years over 30 years.

The annual retirement benefit can not be less than \$48.00 multiplied by years of credited service, to a maximum of 30 years.

If an employee was a member on June 30, 1977, his benefit should not be less than the sum of (a) and (b) below:

(a) Future Service Benefit: 0.75% of Annual Earnings up to \$4,800 plus 1.5% of Annual Earnings in excess of \$4,800, for each year of future service.

(b) Past Service Benefit: 0.75% of Annual Earnings for each year of past service.

Normal Form of Benefit: Life annuity

Accrued Benefit: The accrued benefit at any time prior to a participant's normal retirement date shall be the projected normal retirement benefit based on credited service projected to normal retirement and Final Average Earnings as of the accrual date multiplied by a fraction. The numerator of this fraction is the number of years credited service on the accrual date and the denominator is the projected number of years of credited service at the later of age 60 or 30 years of service, but no later than normal retirement date. This fraction cannot exceed one. The plan was amended as of July 1, 2001 to change age 65 to age 60, for this purpose.

Early Retirement Benefit : Upon the completion of five years of continuous service and the attainment of age fifty-five, a participant may elect to retire. He may receive a monthly benefit for life beginning at his early retirement date equal to the benefit accrued at normal retirement date reduced by the following:

- First 60 months between early and normal retirement dates: 5/9% each month.
- Additional months prior to normal retirement date: 5/18% each month.
- If the participant has accumulated eighty-five points, computed as the sum of age and continuous service at termination (years and complete months), and has attained the age of fifty-five he may receive an unreduced monthly benefit for life beginning at this early retirement date equal to his benefit accrued at termination.

Late Retirement Benefit:

A participant may continue in the employment of the Employer after his normal retirement date. In such event he will receive at actual retirement his accrued benefit calculated using service as of his actual retirement date.

Death Benefit:

In the event of the death of an active married participant who completed five years of service whose benefit payments have not commenced, it will be assumed that the participant had separated from service on the date of death, survived to the earliest retirement age, began receiving a joint and one-half survivor benefit based on the participant's vested accrued benefit, and died on the day after the earliest retirement date.

A spouse may elect a life annuity, a lump sum, or a reduced benefit payable anytime from when the participant would have reached age fifty-five.

Vesting:

Based on Years of Vesting Service, subject to the following schedule

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 5 years	0%
5 Years or more	100%

Notwithstanding the above vesting schedule, a participant will become 100% vested upon reaching Normal Retirement Date.

IV. ACTUARIAL METHODS

Actuarial Cost Method

The ultimate cost of a pension plan cannot be determined until the last participant is paid and all obligations are discharged. An Actuarial Cost Method, rather than determining the cost of a pension plan, assigns the cost to a period of time. The Employee Retirement Income Security Act of 1974 (ERISA) specifies several acceptable cost methods. IRS regulations allow some variations.

Costs have been computed in accordance with the Accrued Benefit (Unit Credit) method, as described below.

The Normal Cost is the sum of individual normal costs for each participant who has not reached the assumed retirement age. The normal cost for a participant is determined as the actuarial present value of the projected benefit allocated to the current plan year.

In addition, there is a second cost component in which the payment, in the first plan year, is determined as an amortization of the unfunded accrued liability. The accrued liability is defined as the actuarial present value of the portion of the projected benefit that is allocated to prior plan years. This calculation is done for each participant, and then summed to get a total accrued liability. The unfunded accrued liability is the difference between the total accrued liability and the actuarial value of plan assets.

Under the Accrued Benefit (Unit Credit) Method, any change in the accrued liability resulting from experience gains or losses is calculated each plan year and separately amortized in accordance with minimum funding rules. In addition, changes in plan provisions or actuarial assumptions that result in an increase or decrease in the accrued liability will be separately amortized.

The method is the same method described in Section 3.01 of Internal Revenue Procedure 2000-40.

Asset Valuation Method

The actuarial value of the plan assets used in determining plan costs is equal to the "five-year" smoothing of gains and losses method. Under this method, asset gains and losses are recognized at the rate of 20% per year. As a result, the impact of appreciation or depreciation on valuation assets is smoothed.

Changes In Actuarial Methods

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

V. ACTUARIAL ASSUMPTIONS

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. The enrolled actuary will certify to the reasonableness of these assumptions, as required by ERISA.

Pre-Retirement Investment Return: 7.75% per annum

Post-Retirement Investment Return: 7.75% per annum

Pre-Retirement Mortality: RP-2000 (Male/Female)

Post-Retirement Mortality: RP-2000 (Male/Female)

Withdrawal Rate: Select and ultimate rates of withdrawal are as follows:

<u>Age</u>	<u>Mortality</u>		<u>Termination</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
25	0.000366	0.000207	0.066	0.099
30	0.000444	0.000264	0.050	0.077
35	0.000773	0.000475	0.034	0.054
40	0.001079	0.000706	0.018	0.032
45	0.001508	0.001124	0.012	0.021
50	0.002138	0.001676	0.006	0.011
55	0.003624	0.002717	0.000	0.000

In addition to the above rates, the following rates based on service are included for participants with 10 or fewer years of service:

<u>Service</u>	<u>Rate</u>
1	10%
2	9%
3	8%

4	7%
5	6%
6	5%
7	4%
8	3%
9	2%
10	1%

Disability Rate: None

Salary Scale: 4.00% per annum

Taxable Wage Base: 4.00% per annum

Consumer Price Index: 3.00% per annum

Expenses: None

Assumed Retirement Age: Beginning at age fifty-five, the following rates are assumed:

<u>Age</u>	<u>Probability of Retirement</u>
55	2.0%
55-59	0.8%
60-61	3.0%
62	15.0%
63	7.5%
64	10.0%
65	75.0%
66	80.0%
67	91.0%
68	100.0%

Marital Status: 100% participants assumed to be married; wives are assumed to be three years younger than their husbands.

Recommended Funding Level: The recommended contribution is based on the Plan's Normal Cost plus an amortization of the Plan's unfunded liability. If the plan is projected to have no unfunded liability at the end of the Plan Year then no contribution is recommended. While the Plan is a church plan, and is not subject to the funding requirements of ERISA, the current funding policy follows the ERISA guidelines without regard to the current liability calculations.

APPENDIX A Development of Normal Cost

The Normal Cost is the portion of plan benefit costs which is allocated to the current plan year by the Actuarial Cost Method being used. The following represents the development of the Normal Cost under the chosen Actuarial Cost Method, unless the method determines the normal cost on an individual participant basis.

1. Present Value of Benefits	\$	N/A
2. Actuarial Value of Assets		N/A
3. Unamortized Balance of Amortization Bases (412)/ Unfunded Liability (404)		N/A
4. Funding Standard Account Credit Balance (412)/ Prior year's carry forward (404)		N/A
5. Accumulated Reconciliation Account (412)		N/A
6. Present Value of Future Normal Cost [(1) - (2) - (3) + (4) + (5)]		N/A
7. Present Value of Future Compensation		N/A
8. Current Compensation		N/A
9. Normal Cost [(6) / (7) x (8)]		1,876,993
10. Expense Load / Term Cost		0
11. Total Normal Cost [(9) + (10)]	\$	1,876,993

APPENDIX B Development of Contributions

1. Recommended Minimum Contribution	July 1, 2005	July 1, 2004
a. Normal Cost	\$ 1,876,993	\$ 2,315,593
b. Amortization Charges	0	0
c. Amortization Credits	0	0
d. Interest	145,467	179,458
e. Subtotal	2,022,460	2,495,051
f. Actuarial funding level		
i. Accrued liability	89,429,128	82,563,037
ii. Normal cost	1,876,993	2,315,543
iii. Lesser of Market Value and Actuarial Value of Assets	94,773,936	89,475,173
iv. Projected end of year funding level	(3,736,571)	(4,952,829)
g. Recommended Minimum	0	0
2. Recommended Maximum		
a. Normal Cost	1,876,993	2,315,593
b. 10 Year Amortization of Unfunded Actuarial Liability	0	0
c. Interest	145,467	179,458
d. Subtotal	2,022,460	2,495,051
e. Recommended Maximum (minimum of (2d) and (1g), not less than 0)	0	0

APPENDIX C Development of Actuarial Value of Assets

Development of Actuarial Value of Assets

1.	Actuarial value as of July 1, 2004	\$	95,454,328
2.	Market value as of July 1, 2004		89,475,173
3.	Employer contribution during the year		0
4.	Benefit payments from July 1, 2004 through June 30, 2005		3,410,100
5.	Expected interest at 7.75% through June 30, 2005		7,397,710
a.	On (1)		0
b.	On (3)		143,153
c.	On (4)		7,254,557
d.	Net expected interest [(a) + (b) + (c)]		
6.	Expected market value as of June 30, 2005 [(2) + (3) - (4) + (5d)]		96,729,730
7.	Actual market value as of June 30, 2005		94,892,973
8.	Market value gain (loss) from July 1, 2004 to June 30, 2005 [(7) - (6)]		(1,836,757)

9. Recognition of actuarial value gain (loss) amounts

	<u>Plan Year</u> <u>Ending</u>	<u>Original</u> <u>Gain (Loss)</u>	<u>June 30, 2005</u> <u>Balance</u>	<u>Amount to</u> <u>Recognize on</u> <u>July 1, 2005</u>
a.	June 30, 2001	\$ (8,008,613)	(1,601,722)	\$ (1,601,722)
b.	June 30, 2002	(12,078,648)	(4,831,458)	(2,415,730)
c.	June 30, 2003	(5,071,056)	(3,042,634)	(1,014,211)
d.	June 30, 2004	4,370,826	3,496,661	874,165
e.	June 30, 2005	(1,836,757)	(1,836,757)	(367,351)
f.	Total:			\$ (4,524,849)

10.	Actuarial value as of July 1, 2005 [(1) + (3) - (4) + (5d) + (9f)]	\$	94,773,936
11.	Actuarial value as a percentage of market value	\$	99.87%