



**A Postretirement Welfare Benefit
GASB 45 Actuarial Valuation
As of July 1, 2013**

For:

**City of Woonsocket
Education Department**

Prepared by:
The USI Consulting Group

October 24, 2014



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October 24, 2014

City of Woonsocket, RI
169 Main Street
Woonsocket, RI 02895

RE: July 1, 2013 Actuarial Valuation of Postretirement Welfare Benefits

We enclose the report covering the actuarial valuation of the postretirement medical insurance plan for the employees of the City of Woonsocket Education Department as of July 1, 2013. The numbers presented in this report reflect the adoption, by the City of Woonsocket Education Department, of the Statement of Governmental Accounting Standard No. 45 (GASB 45).

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation, including the calculation of the Annual OPEB Costs for the fiscal years ending June 30, 2014.

The results in this valuation are based on July 1, 2013 data. The assumptions have not changed from the last valuation. The plan provisions have changed to reflect the terms of the 7/1/2013 collective bargaining agreements. A summary of the provisions is included in Section III.

Additional information summarizing census information, actuarial assumptions, and the methodology for developing them, as well as a glossary of selected terms used in this study, are also included in the report.

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Board Number 45 (GASB 45). We believe this report provides all of the information your auditor requires. We would appreciate a copy of the footnote to your financial statement related to the postretirement benefits.

Respectfully submitted,

USI Consulting Group

A handwritten signature in black ink, appearing to read "Robert W. Webb".

Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary



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Section I

Executive Summary

The section presents the results of the July 1, 2013 valuation. The first section provides a brief summary of the valuation results. The Executive Summary Detail provides a more detailed development of the expenses and liabilities. Items I through V show the development of the Annual Required Contribution (ARC). Items VI through IX show the calculation of the Annual OPEB Cost. Item XII provides a brief summary of the key assumptions used in developing the plan's costs and liabilities.

EXECUTIVE SUMMARY

Introduction

This report details the development of the Annual OPEB Cost for the Fiscal Year ending June 30, 2014. The June 30, 2014 actuarial accrued liability is included in Section III

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Statement of Governmental Accounting Standards Number 45 (GASB 45). Liabilities developed for other purposes could be significantly different than those shown in this report.

Summary of Results

The Actuarial Accrued Liability and Normal Cost are calculated as of the valuation date. The Annual OPEB Cost and Expected Benefit Payments are for the year beginning on the valuation date. Additional detail is developed in the exhibits included in this actuarial valuation report.

Fiscal Year Ending June 30, 2014

<i>Beginning of Year Net OPEB Obligation (NOO)</i>	\$10,727,872
<i>Actuarial Accrued Liability (AAL)</i>	\$24,746,975
<i>Actuarial Value of Assets</i>	\$0
<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	\$24,746,975
<i>Annual Required Contribution</i>	\$1,843,726
<i>Annual OPEB Cost</i>	\$1,731,970
<i>Expected Benefit Payments</i>	\$1,148,499

Economic Assumptions

The employer, with the approval of the auditor, is responsible for selecting the economic assumptions as of the disclosure date. The following table details the selected economic assumptions for the current fiscal year:

<u>Assumption Selection Date</u>	<u>July 1, 2013</u>
<i>Funding Interest Rate*</i>	4.00%
<i>2013 Medical / Dental Trend Rates</i>	8.0% / 5.0%
<i>Ultimate Medical / Dental Trend Rate</i>	5.0% / 5.0%
<i>Year Ultimate Trend Rates Reached</i>	2018 / 2013
<i>Annual Payroll Increase</i>	2.50%

* Reflects current funding policy (assumes no funding).

EXECUTIVE SUMMARY (cont.)

Changes included in current valuation

The assumptions have not changed from the last valuation. The plan provisions have changed to reflect the terms of the 7/1/2013 collective bargaining agreements. A summary of the provisions is included in Section III. The impact of the plan changes on the Actuarial Accrued Liability is shown in Appendix II.

Accounting for Postretirement Benefits

Government Accounting Standard No. 45 (GAS 45) addresses the accounting and financial reporting requirements by Employers for Postemployment Benefits Other than Pensions (OPEB). Employers that are required to follow Government Accounting Standards are subject to this standard. The statement does not require that the benefits be pre-funded, however, it defines a financial framework for assessing the costs, design, and sustainability of OPEBs offered by employers.

This report presents the annual expense required to be recognized by the plan sponsor for purposes of complying with the accounting requirements of Governmental Accounting Standards Board Statement No. 45. This report also provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans.

The Annual Required Contribution (ARC) and Annual OPEB Cost are developed in the Executive Summary Detail included in this section. Section III presents the disclosure information, including the development of the Net OPEB obligation based on expected contributions / benefits to be paid during the fiscal year.

Actuarial Certification

The financial results of the actuarial valuation are summarized in this report. The valuation has been prepared as of July 1, 2013. The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

The valuation is based on the July 1, 2013 census data and July 1, 2013 plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 45 (GAS 45). In our opinion, the actuarial assumptions are reasonable, taking in account the experience of the plan and reasonable expectations and, individually represent our best estimate of the anticipated experience under the plan.

EXECUTIVE SUMMARY (cont.)

Actuarial Certification (cont.)

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report.

I certify that I am a member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 45.



Robert W. Webb, FSA, EA, MAAA
Vice President and Actuary

EXECUTIVE SUMMARY DETAIL
GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
AND ANNUAL OPEB COST FOR FYE 6/30/2014 BY EMPLOYEE GROUP

	<u>School Support</u>	<u>Teachers</u>	<u>Teachers Assistants</u>	<u>Total</u>
<i>I. Present value of Future benefits</i>				
A. Retirees/Disableds	\$432,415	\$11,877,433	\$813,356	\$13,123,204
B. Active Employees	<u>\$1,998,476</u>	<u>\$15,384,619</u>	<u>\$2,862,383</u>	<u>\$20,245,478</u>
C. Total	\$2,430,891	\$27,262,052	\$3,675,739	\$33,368,682
<i>II. Actuarial Accrued Liability</i>				
A. Retirees/Disableds	\$432,415	\$11,877,433	\$813,356	\$13,123,204
B. Active Employees	<u>\$1,158,173</u>	<u>\$8,480,069</u>	<u>\$1,985,529</u>	<u>\$11,623,771</u>
C. Total	\$1,590,588	\$20,357,502	\$2,798,885	\$24,746,975
<i>III. Actuarial Assets</i>	\$0	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>	\$1,590,588	\$20,357,502	\$2,798,885	\$24,746,975
<i>V. Annual Required Contribution (ARC)</i>				
A. Normal Cost	\$63,237	\$454,191	\$77,783	\$595,211
B. Supplemental Cost	\$77,109	\$986,896	\$135,685	\$1,199,690
C. Compound Interest to Year End	<u>\$5,093</u>	<u>\$36,224</u>	<u>\$7,508</u>	<u>\$48,825</u>
D. Annual Required Contribution [A. + B. + C.]	\$145,439	\$1,477,311	\$220,976	\$1,843,726
<i>VI. Net OPEB Obligation</i>	\$10,508,899	(\$241,320)	\$460,293	\$10,727,872
<i>VII. Interest on net OPEB Obligation</i>	\$326,004	\$66,248	\$36,863	\$429,115
<i>VIII. Adjustment to ARC</i>	(\$410,906)	(\$83,501)	(\$46,464)	(\$540,871)
<i>IX. Annual OPEB Cost (Expense)</i> [V.D. + VII. + VIII.]	\$60,537	\$1,460,057	\$211,376	\$1,731,970
<i>X. Expected Benefit Payments</i>				
A. Retirees/Disableds	\$24,184	\$1,057,211	\$47,045	\$1,128,440
B. Active Employees	<u>\$1,842</u>	<u>\$13,744</u>	<u>\$4,473</u>	<u>\$20,059</u>
C. Total	\$26,026	\$1,070,955	\$51,518	\$1,148,499

EXECUTIVE SUMMARY DETAIL
GASB 45 LIABILITIES, ANNUAL REQUIRED CONTRIBUTION
AND ANNUAL OPEB COST FOR FYE 6/30/2014 BY BENEFIT

	<u>Medical</u>	<u>Dental</u>	<u>Life</u>	<u>Total</u>
<i>I. Present value of Future benefits</i>				
A. Retirees/Disableds	\$12,149,280	\$165,306	\$808,618	\$13,123,204
B. Active Employees	<u>\$18,642,388</u>	<u>\$274,128</u>	<u>\$1,328,962</u>	<u>\$20,245,478</u>
C. Total	\$30,791,668	\$439,434	\$2,137,580	\$33,368,682
<i>II. Actuarial Accrued Liability</i>				
A. Retirees/Disableds	\$12,149,280	\$165,306	\$808,618	\$13,123,204
B. Active Employees	<u>\$10,634,435</u>	<u>\$164,856</u>	<u>\$824,480</u>	<u>\$11,623,771</u>
C. Total	\$22,783,715	\$330,162	\$1,633,098	\$24,746,975
<i>III. Actuarial Assets</i>	\$0	\$0	\$0	\$0
<i>IV. Unfunded Actuarial Accrued Liability (UAAL)</i>	\$22,783,715	\$330,162	\$1,633,098	\$24,746,975
<i>V. Annual Required Contribution (ARC)</i>				
A. Normal Cost	\$547,755	\$7,386	\$40,070	\$595,211
B. Supplemental Cost	\$1,113,473	\$14,628	\$71,588	\$1,199,689
C. Compound Interest to Year End	<u>\$44,790</u>	<u>(\$144)</u>	<u>\$4,180</u>	<u>\$48,826</u>
D. Annual Required Contribution [A. + B. + C.]	\$1,706,018	\$21,870	\$115,838	\$1,843,726
<i>VI. Net OPEB Obligation</i>	\$10,508,899	(\$241,320)	\$460,293	\$10,727,872
<i>VII. Interest on net OPEB Obligation</i>	\$420,356	(\$9,653)	\$18,412	\$429,115
<i>VIII. Adjustment to ARC</i>	(\$529,831)	\$12,167	(\$23,207)	(\$540,871)
<i>IX. Annual OPEB Cost (Expense)</i> <i>[V.D. + VII. + VIII.]</i>	\$1,596,543	\$24,384	\$111,043	\$1,731,970
<i>X. Expected Benefit Payments</i>				
A. Retirees/Disableds	\$1,064,495	\$49,828	\$14,117	\$1,128,440
B. Active Employees	<u>\$18,448</u>	<u>\$1,405</u>	<u>\$206</u>	<u>\$20,059</u>
C. Total	\$1,082,943	\$51,233	\$14,323	\$1,148,499

Section II

Census Information

This section details statistics related to the participants in the postretirement benefit plan.

CENSUS INFORMATION – A.

EMPLOYEE COUNTS

As of July 1, 2013

	<u>Actives</u>	<u>Inactives*</u>	<u>Total</u>
Male	159	62	221
Female	<u>540</u>	<u>114</u>	<u>654</u>
Total	699	176	875

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES :

<u>Age</u>	<u>Currently Eligible to Retire</u>	<u>Not Currently Eligible to Retire</u>	<u>Total</u>
29 and under	0	24	24
30 - 34	0	58	58
35 - 39	0	76	76
40 - 44	0	139	139
45 - 49	0	97	97
50 - 54	0	120	120
55 - 59	1	99	100
60 - 64	18	44	62
65 and over	5	18	23
Total	24	675	699

CURRENT INACTIVES:

<u>Age</u>	<u>Inactives*</u>	<u>Spouse</u>	<u>Total</u>
39 and under	0	0	0
40 - 44	0	0	0
45 - 49	0	0	0
50 - 54	2	3	5
55 - 59	31	8	39
60 - 64	113	17	130
65 - 69	22	8	30
70 - 74	6	1	7
75 - 79	1	0	1
80 - 84	1	0	1
85 - 89	0	0	0
90 and over	0	0	0
Total	176	37	213

* Includes Surviving Spouses

CENSUS INFORMATION – B.

AVERAGE AGE AND SERVICE

As of July 1, 2013

ACTIVE EMPLOYEES:

A. Average Age at Hire

Males	35.2
Females	34.1
Total	34.3

B. Average Service

Males	12.6
Females	13.5
Total	13.3

C. Average Current Age

Males	47.8
Females	47.6
Total	47.6

CURRENT INACTIVES

D. Average Current Age

Males	63.8
Females	62.6
Total	63.0

Section III

Financial Statement Disclosure

This section provides the required information and notes to the Financial Statements
For the fiscal years ending June 30, 2014.

FINANCIAL STATEMENT DISCLOSURE

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

1.) GASB 45 DISCLOSURE FINANCIALS

A. Annual OPEB Cost and Net OPEB Obligation	<u>7/1/2013 -</u> <u>6/30/2014</u>
1. Annual Required Contribution (ARC)	\$1,843,726
2. Interest on net OPEB Obligation	\$429,115
3. Adjustment to ARC	<u>(\$540,871)</u>
4. Annual OPEB Cost (Expense)	\$1,731,970
5. Contribution made (assumed middle of year) *	<u>(\$1,148,499)</u>
6. Increase in net OPEB Obligation	\$583,471
7. Net OPEB Obligation - beginning	<u>\$10,727,872</u>
8. Net OPEB Obligation - end of year	\$11,311,343

* Contribution made was assumed to equal Expected Benefit Payments

The annual OPEB Cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years ending 2014 / 2015 are as follows:

<u>Fiscal</u> <u>Year</u> <u>Ending</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>	<u>Covered</u> <u>Payroll</u>	<u>OPEB Cost</u> <u>% of Pay</u>
6/30/2014	\$1,731,970	66.3%	\$11,311,343	N/A	N/A

B. Funded Status and Funding Progress

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b - a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percentage of</u> <u>Covered</u> <u>Payroll</u> <u>(AAL)</u> <u>((b - a) / c)</u>
7/1/2011	\$0	\$55,275,280	\$55,275,280	0.0%	N/A	N/A
7/1/2012	\$0	\$59,447,193	\$59,447,193	0.0%	N/A	N/A
7/1/2013	\$0	\$24,746,975	\$24,746,975	0.0%	N/A	N/A
6/30/2014	\$0	\$25,184,404	\$25,184,404	0.0%	N/A	N/A

C. Methods and Assumptions

- Interest Rate	4.00%
- 2013 Medical / Dental Trend Rates	8.0% / 5.0%
- Ultimate Medical / Dental Trend Rate	5.0% / 5.0%
- Year Ultimate Trend Rates Reached	2018 / 2013
- Actuarial Cost Method	Entry Age Normal
- The remaining amortization period at 06/30/2010	23.31

FINANCIAL STATEMENT DISCLOSURE

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

**2.) A BRIEF DESCRIPTION OF THE RETIREE MEDICAL AND DRUG INSURANCE PLAN
(reflects plan provisions in effect on 7/1/2013):**

A. SCHOOL SUPPORT EMPLOYEES (C94 Local 1137) CBA 7/1/2013 - 6/30/2018

Retire after 7/1/2013

Eligibility: Retirement with 25 years of service in WED Local 1137; in addition, 35 years of service in ERSRL required for Medicare Supplemental Plan coverage.

Coverage: Pre-65: Individual with option to “buy up” to Family for a maximum of 6 years of coverage or until age 65, whichever occurs sooner.

Post 65: Individual Medicare Supplemental Plan (no Rx rider)

Cost Sharing: Pre 65:

Hired before 7/1/13: 20% of working rate

Hired on or after 7/1/13: 50% of working rate

Post 65: 20% of working rate

Retired as of 7/1/2013

Coverage: Pre 65: Individual with option to “buy up” to Family- Uniform Plan or High Deductible Plan

Post 65: Retiree and Spouse – Individual Plan 65 and Part D Plan

Cost Sharing: Pre 65: Uniform Plan 20%, High-Deductible Plan 10% of working rate

Post 65: 15% of working rate

B. TEACHER ASSISTANTS (AFT Local 951, Paraprofessionals Chapter) CBS 7/1/2013 – 6/30/2018

Retire after 7/1/2013

Eligibility and Coverage:

Pre 65: On a pension with 25 years of continuous service to WED as of 7/1/13, and

- 28 years of service with ERSRL – Two Individual Plans

- 32 years of service with ERSRL – Family Plan

Retire before 7/1/18 with 20 years as paraprofessional with WED, and

- 28 years of full time employment with WED, and 27.5 years of service with ERSRL – Two Individual Plans

- 32 years of service with ERSRL – Two Individual Plans

Retire on or after 7/1/18 with 20 years as paraprofessional with WED, and

- 28 years of full time employment with WED, and 27.5 years of service with ERSRL – One Individual Plan, or

- 32 years of service with ERSRL – One Individual Plan

Coverage is for a maximum of 6 years or until Medicare eligible

- * Hired before 11/1/94: free coverage if no alternative source (years of service not required); if other source WED pays co-pay of other plan. Hired on or after 11/1/94: coverage if no alternative source (years of service not required); retiree pays applicable co-pay through WED or other plan. All coverage terminates when retiree reaches age 65.

FINANCIAL STATEMENT DISCLOSURE (Cont.)

B. TEACHER ASSISTANTS (AFT Local 951, Paraprofessionals Chapter) CBS 7/1/2013 – 6/30/2018 (cont.)

Retire after 7/1/2013 (cont.)

Eligibility and Coverage (cont.):

Post 65: 35 years of service with ERSRL, 25 years service with WED – Individual Medicare Supplement (No Rx Rider)

Cost Sharing:

Pre 65: Hired before 7/1/2013: 20% of working rate
Hired on or after 7/1/2013: 50% of working rate

Post 65: 20% of working rate

Survivor Coverage continues for survivor(s) of retiree until the earlier of:
1) date on which retiree would have reached age 65, or
2) benefits become available from another source

Retire as of 7/1/2013

Coverage: Pre 65: Individual with option to “buy up” to Family- Uniform Plan or High Deductible Plan

Post 65: Individual Plan 65 and Part D Plan

Cost Sharing: Pre 65: Uniform Plan 20%, High-Deductible Plan 10% of working rate

Post 65: 5% of working rate

C. TEACHER (AFT Local 951) CBS 7/1/2013 – 6/30/2018

Retire after 7/1/2013

Eligibility and Coverage:

Pre 65: On a pension with 25 yrs of continuous service to WED as of 7/1/13, and 20 years with WED, and
- 32 years of service with ERSRL – 2 Individual Plans with option to “buy up” to Family Plan
- 35 years of service with ERSRL – Family Plan

Retire before 7/1/18 with 20 years with WED, and
- 32 years of service with ERSRL – Individual Plus or a spouse or child
Retire on or after 7/1/18 with 20 years with WED, and
- 32 years of service with ERSRL – One Individual Plan

Coverage is for a maximum of 6 years or until Medicare eligible

Post 65: 35 years of service with ERSRL, 25 years service with WED – Individual Medicare Supplement (No Rx Rider)

Cost Sharing:

Pre 65: Hired before 7/1/2013: 20% of working rate
Hired on or after 7/1/2013: 50% of working rate

Post 65: 20% of working rate

FINANCIAL STATEMENT DISCLOSURE (Cont.)

C. TEACHER (AFT Local 951) CBS 7/1/2013 – 6/30/2018 (cont.)

Retire as of 7/1/2013

Coverage: Pre 65: Individual with option to “buy up” to Family- Uniform Plan or High Deductible Plan
Post 65: Individual Plan 65 and Part D Plan

Cost Sharing: Pre 65: Uniform Plan 20%, High-Deductible Plan 10% of working rate
Post 65: 15% of working rate

Certain Medicare eligible participants (Medicare Migrators) pay no contribution until age 65. No contribution is paid for spouse coverage until retiree reaches age 65, then coverage ends. Medicare Part B surcharges are paid by City if enrolled by 7/1/2013.

D. Monthly Premiums:

Medical	Individual	Family
Effective 7/1/2013	\$ 614.22	\$ 1,512.12
Medicare Supplement	\$ 155.23	
Medicare Part D	\$ 212.00	
Dental	\$ 32.44	96.65

Section IV

Actuarial Assumptions And Methodology

The following pages detail the assumptions used in the calculations.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY

1. **Funding Interest Rate:** An interest rate of 4.00% was used.

2. **Health Care Trend Rates:** It was assumed that health care costs would increase in accordance with the trend rates in the following table:

	<i>Medical</i>
<u>Year</u>	<u>Rates</u>
2013	8.0%
2014	7.0%
2015	6.5%
2016	6.0%
2017	5.5%
2018	5.0%

For the following demographic (mortality, retirement, disability, and other termination of employment) assumptions we utilized rates used in the actuarial valuation of the Employees' Retirement System of Rhode Island.

3. **Mortality:** Post-retirement mortality rates:
 - a. Male employees: 115% of the RP-2000 Combined Healthy for Males with White Collar adjustments, projected with Scale AA from 2000.
 - b. Female employees: 95% of the RP-2000 Combined Healthy for Females with White Collar adjustments, projected with Scale AA from 2000.
 - c. Disabled males – 60% of the PBGC Table Va for disabled males eligible for Social Security disability benefits.
 - d. Disabled females – 60% of the PBGC Table VIa for disabled females eligible for Social Security disability benefits.Pre-retirement mortality (combined ordinary and duty):
 - a. RP-2000 Combined Healthy for Males with White Collar adjustments reduced 50% for teachers and 25% for non-teachers.

4. **Disability Rates:** None assumed

5. **Termination Rates:** Based on service:

	<u>Non-Teachers</u>		<u>Teachers</u>	
<u>Service</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
0	17.50%	18.00%	17.00%	8.90%
1	10.87%	11.43%	9.00%	7.78%
5	5.52%	5.84%	2.89%	4.55%
10	2.60%	2.55%	1.20%	2.33%
15	2.01%	1.59%	1.20%	1.19%
20	1.75%	1.12%	0.94%	0.61%
24	0.44%	0.00%	0.94%	0.36%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

6. **Retirement Rates:** **Non-teachers:** Separate male and female rates. Sample rates are shown below:

30 or more years of service prior to age 58:

<u>Service</u>	<u>Male</u>	<u>Female</u>
30	30.0%	30.0%
31	30.0%	25.0%
32-34	25.0%	10.0%
35	25.0%	15.0%
36	25.0%	20.0%
37	25.0%	25.0%
38	35.0%	25.0%
39	50.0%	25.0%
40+	100.0%	100.0%

Age 58 and older

<u>Age</u>	<u>Male</u>	<u>Female</u>
58	12.0%	12.0%
59-61	10.0%	10.0%
62	30.0%	20.0%
63-64	20.0%	15.0%
65	20.0%	20.0%
66-68	25.0%	25.0%
69	30.0%	25.0%
70-74	30.0%	20.0%
75	100.0%	100.0%

Teachers: Separate male and female rates. Sample rates are shown below:

28 or more years of service prior to age 60:

<u>Service</u>	<u>Male</u>	<u>Female</u>
28	25.0%	20.0%
29	15.0%	15.0%
30-31	20.0%	20.0%
32-33	30.0%	30.0%
34	40.0%	35.0%
35	55.0%	50.0%
36-39	40.0%	40.0%
40+	100.0%	100.0%

Age 60 and older

<u>Age</u>	<u>Male</u>	<u>Female</u>
60	20.0%	20.0%
61	15.0%	15.0%
62	30.0%	25.0%
63	25.0%	20.0%
64	10.0%	20.0%
65	25.0%	35.0%
66-74	25.0%	25.0%
75	100.0%	100.0%

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

7. **Participation Rate:** It was assumed that 100% of the current active employees covered under the active plan on the day before retirement would enroll in the retiree life insurance plan upon retirement; and that 70% of the current active employees would enroll in the medical and dental insurance plans upon retirement.
7. **Percent Married:** It was assumed that 75% of the active employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.
9. **Actuarial Value of Assets:** N/A
10. **Per Capita Claims Cost:** Premiums were age-graded on the current participants in the Medical plan. Further details of the annual per capita claims cost is featured in Section V of the report.
11. **Administrative expenses:** Included in premiums used.
12. **Participant Salary Increases:** 2.50% per annum.
13. **Payroll Growth Rate:** 2.50% annually

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

ACTUARIAL COST METHOD

An Actuarial Cost Method develops an orderly allocation of the actuarial present value of benefits payments over the working lifetime of the participants in the plan. The actuarial present value of benefits allocated to a particular fiscal year is called the Normal Cost. The actuarial present value of benefits allocated to all periods prior to a valuation date is called the Actuarial Accrued Liability. The Unfunded Actuarial Accrued Liability is amortized over future years in accordance with the employer's established accounting policy.

The Entry Age Actuarial Cost Method is used in this valuation. Under this method, the Actuarial Present Value of Projected Benefits of each individual included in the Actuarial Valuation is allocated on a level basis over future earnings of the individual between entry age and assumed exit age(s). The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The amortization of the unfunded actuarial accrued liability may be determined in level dollar amounts or as a level percentage of projected payroll of active plan members. The total unfunded actuarial accrued liability may be amortized as one amount, or components of the total may be separately amortized. The equivalent single amortization period for all components combined may not exceed the maximum acceptable period of 30 years.

ADDITIONAL COMMENTS

The values in this GASB 45 valuation represent a closed group and do not reflect new entrants after the census collection date.

Section V

Representative Claim Costs

Based on combined actual claims and premium experience, age-related representative per capita claims costs were developed. This section shows the development of these costs.

REPRESENTATIVE 2013 PER CAPITA MEDICAL CLAIM COSTS

DEVELOPMENT OF PER CAPITA RETIREE CLAIM COSTS

\$8,490,977	Employer Primary Premium Based Claims
<u>\$81,732</u>	Medicare Primary Premium Based Claims
\$8,572,709	Total Premium Based Claims
\$9,227	Retiree (Pre-65) Average Per Capita Claim
\$81,732	Retiree (Post-65) Average Per Capita Claim

ALL ACTIVE PARTICIPANTS EMPLOYER PRIMARY

<i>Age Bracket</i>	<i>Number of Males</i>	<i>Number of Females</i>	<i>Male Aging Factor</i>	<i>Female Aging Factor</i>	<i>Aged (M) Average Claims</i>	<i>Aged (F) Average Claims</i>	<i>Age Related Claims</i>
24 & under	22	0	0.549	1.312	\$2,605	\$6,225	\$0
25 - 29	27	6	0.591	1.312	\$2,804	\$6,225	\$122,655
30 - 34	32	22	0.712	1.312	\$3,378	\$6,225	\$385,589
35 - 39	37	46	0.850	1.312	\$4,033	\$6,225	\$583,944
40 - 44	42	75	1.000	1.312	\$4,745	\$6,225	\$816,538
45 - 49	47	72	1.193	1.456	\$5,661	\$6,909	\$863,532
50 - 54	52	67	1.441	1.599	\$6,837	\$7,587	\$1,262,335
55 - 59	57	83	1.753	1.740	\$8,318	\$8,256	\$1,375,633
60 - 64	62	50	2.102	1.968	\$9,974	\$9,338	\$974,923
65 - 69	67	<u>34</u>	2.316	2.168	\$10,989	\$10,287	<u>\$527,935</u>
Employer Primary Sub.	455	526					\$6,913,084

ALL RETIREE PARTICIPANTS EMPLOYER PRIMARY

<i>Age Bracket</i>	<i>Number of Males</i>	<i>Number of Females</i>	<i>Male Aging Factor</i>	<i>Female Aging Factor</i>	<i>Aged (M) Average Claims</i>	<i>Aged (F) Average Claims</i>	<i>Age Related Claims</i>
44 & under	42	0	1.000	1.312	\$4,745	\$6,225	\$0
45 - 49	47	0	1.193	1.456	\$5,661	\$6,909	\$0
50 - 54	52	2	1.441	1.599	\$6,837	\$7,587	\$36,436
55 - 59	57	11	1.753	1.740	\$8,318	\$8,256	\$314,411
60 - 64	62	50	2.102	1.968	\$9,974	\$9,338	\$1,227,047
65 - 69	67	0	2.316	2.168	\$10,989	\$10,287	\$0
70 - 74	72	0	2.557	2.396	\$12,133	\$11,369	\$0
75 - 79	77	0	2.769	2.593	\$13,139	\$12,303	\$0
80 - 84	82	0	2.910	2.724	\$13,808	\$12,925	\$0
85 - 89	87	0	3.059	2.864	\$14,515	\$13,589	\$0
90 & Over	92	<u>0</u>	3.215	3.010	\$15,255	\$14,282	<u>\$0</u>
Employer Primary Sub.	63	108					\$1,577,894

ALL RETIREE PARTICIPANTS MEDICARE PRIMARY

<i>Age Bracket</i>	<i>Number of Males</i>	<i>Number of Females</i>	<i>Male Aging Factor</i>	<i>Female Aging Factor</i>	<i>Aged (M) Average Claims</i>	<i>Aged (F) Average Claims</i>	<i>Age Related Claims</i>
65 - 69	67	16	2.316	2.168	\$1,947	\$1,822	\$60,305
70 - 74	72	4	2.557	2.396	\$2,149	\$2,014	\$16,653
75 - 79	77	1	2.769	2.593	\$2,328	\$2,180	\$2,328
80 - 84	82	1	2.910	2.724	\$2,446	\$2,290	\$2,446
85 - 89	87	0	3.059	2.864	\$2,571	\$2,407	\$0
90 & Over	92	<u>0</u>	3.215	3.010	\$2,702	\$2,530	<u>\$0</u>
Medicare Primary Sub.	22	20					\$81,732
Retiree Subtotal	<u>85</u>	<u>128</u>					<u>\$1,659,626</u>
Grand Total	<u>540</u>	<u>654</u>					<u>\$8,572,709</u>

Section VI
Appendices

APPENDIX - I.

ACTIVE EMPLOYEE BY AGE AND SERVICE

AS OF JULY 1, 2013

<u>Age</u>	<u>Service</u>									<u>Total</u>
	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40+</u>	
0 - 19	0	0	0	0	0	0	0	0	0	0
20 - 24	1	0	0	0	0	0	0	0	0	1
25 - 29	16	7	0	0	0	0	0	0	0	23
30 - 34	13	25	20	0	0	0	0	0	0	58
35 - 39	7	17	48	4	0	0	0	0	0	76
40 - 44	9	17	77	29	7	0	0	0	0	139
45 - 49	10	17	37	20	10	3	0	0	0	97
50 - 54	14	15	32	33	13	11	2	0	0	120
55 - 59	5	11	32	22	23	5	2	0	0	100
60 - 64	5	7	23	9	7	9	2	0	0	62
65 - 69	3	5	3	6	2	1	0	0	0	20
70 - 74	0	0	0	1	2	0	0	0	0	3
75 - 79	0	0	0	0	0	0	0	0	0	0
80 - 84	0	0	0	0	0	0	0	0	0	0
85 and Over	0	0	0	0	0	0	0	0	0	0
Total	83	121	272	124	64	29	6	0	0	699

APPENDIX – II.

RECONCILIATION OF ACTUARIAL ACCRUED LIABILITY

a. 7/1/2012 Actuarial Accrued Liability	\$59,447,193
b. 2012 Normal Cost	\$2,068,244
c. Interest Rate	4.00%
d. Interest on (a. + b.)	\$2,460,617
e. 2012 Expected Benefit Payments	(\$2,009,321)
f. Interest on f.	<u>(\$40,186)</u>
g. 7/1/2013 Expected Actuarial Accrued Liability (a. + b. + d. + e. + f.)	\$61,926,547
h. Change in Actuarial Accrued Liability due to	
i. Demographic and plan cost changes	\$21,061
ii. Change in Actuarial Assumptions	\$0
iii. Plan Change	(\$37,200,633)
iv. Total	(\$37,179,572)
i. 7/1/2013 Actuarial Accrued Liability (g. + h. iv.)	\$24,746,975

APPENDIX - III.

DEVELOPMENT OF AMORTIZATION PAYMENT

A. Prior Bases

1. Amortization Base Balance as of 7/1/2012	\$59,447,193
2. 2012 Amortization Payment	(\$2,542,973)
3. Interest	4.00%
4. Interest on (1) + (2)	<u>\$2,276,169</u>
5. Amortization Base Balance as of 7/1/2013 (1) + (2) + (4)	\$59,180,389
10. Remaining Amortization Period	27
11. Valuation Interest rate	4.00%
12. Assumed payroll growth	2.50%
13. 2013 Adjusted Amortization Amount	\$2,605,472

B. New Amortization Base

1. Experience (Gain)/Loss	\$21,061
2. Assumption Changes	\$0
3. Plan Change	(\$37,200,633)
4. Loss due to Funding timing	<u>\$2,746,158</u>
5. Total (1) + (2) + (3) + (4)	(\$34,433,414)
6. Remaining Amortization Period	30
7. Valuation Interest rate	4.00%
8. Assumed payroll growth	2.50%
9. Amortization Amount	(\$1,405,783)

C. Combined Bases

1. Amortization Base Balance as of 7/1/2013 (A.9. + B.5.)	\$24,746,975
2. 2013 Preliminary Total Amortization Amount (A.13. + B.9.)	\$1,199,689
3. 2013 Minimum Total Amortization Amount (30 year)	\$1,010,323
4. 2013 Total Amortization Amount (greater of 2. and 3.)	\$1,199,689

APPENDIX – IV
PROJECTED BENEFIT PAYMENTS

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2013	\$ 1,148,499	\$ 1,148,499	2046	\$2,241,497	\$ 51,336,289	2079	\$ 182,762	\$ 91,024,964
2014	\$ 1,042,959	\$ 2,191,458	2047	\$2,208,226	\$ 53,544,515	2080	\$ 150,488	\$ 91,175,452
2015	\$ 895,273	\$ 3,086,731	2048	\$2,165,110	\$ 55,709,625	2081	\$ 122,637	\$ 91,298,089
2016	\$ 835,719	\$ 3,922,450	2049	\$2,118,768	\$ 57,828,393	2082	\$ 98,929	\$ 91,397,018
2017	\$ 809,586	\$ 4,732,036	2050	\$2,112,519	\$ 59,940,912	2083	\$ 78,993	\$ 91,476,011
2018	\$ 792,568	\$ 5,524,604	2051	\$2,023,273	\$ 61,964,185	2084	\$ 62,390	\$ 91,538,401
2019	\$ 748,936	\$ 6,273,540	2052	\$1,939,283	\$ 63,903,468	2085	\$ 48,771	\$ 91,587,172
2020	\$ 768,807	\$ 7,042,347	2053	\$1,875,461	\$ 65,778,929	2086	\$ 37,727	\$ 91,624,899
2021	\$ 799,042	\$ 7,841,389	2054	\$1,810,932	\$ 67,589,861	2087	\$ 28,871	\$ 91,653,770
2022	\$ 864,415	\$ 8,705,804	2055	\$1,760,433	\$ 69,350,294	2088	\$ 21,846	\$ 91,675,616
2023	\$ 952,305	\$ 9,658,109	2056	\$1,706,865	\$ 71,057,159	2089	\$ 16,326	\$ 91,691,942
2024	\$ 1,008,858	\$ 10,666,967	2057	\$1,649,610	\$ 72,706,769	2090	\$ 12,045	\$ 91,703,987
2025	\$ 1,035,169	\$ 11,702,136	2058	\$1,588,865	\$ 74,295,634	2091	\$ 8,765	\$ 91,712,752
2026	\$ 1,112,941	\$ 12,815,077	2059	\$1,525,210	\$ 75,820,844	2092	\$ 6,292	\$ 91,719,044
2027	\$ 1,189,598	\$ 14,004,675	2060	\$1,457,557	\$ 77,278,401	2093	\$ 4,448	\$ 91,723,492
2028	\$ 1,272,669	\$ 15,277,344	2061	\$1,386,671	\$ 78,665,072	2094	\$ 3,081	\$ 91,726,573
2029	\$ 1,345,749	\$ 16,623,093	2062	\$1,312,876	\$ 79,977,948	2095	\$ 2,115	\$ 91,728,688
2030	\$ 1,469,386	\$ 18,092,479	2063	\$1,236,476	\$ 81,214,424	2096	\$ 1,429	\$ 91,730,117
2031	\$ 1,530,328	\$ 19,622,807	2064	\$1,158,055	\$ 82,372,479	2097	\$ 952	\$ 91,731,069
2032	\$ 1,630,065	\$ 21,252,872	2065	\$1,078,320	\$ 83,450,799	2098	\$ 630	\$ 91,731,699
2033	\$ 1,654,061	\$ 22,906,933	2066	\$ 997,875	\$ 84,448,674	2099	\$ 407	\$ 91,732,106
2034	\$ 1,702,672	\$ 24,609,605	2067	\$ 917,384	\$ 85,366,058	2100	\$ 257	\$ 91,732,363
2035	\$ 1,920,098	\$ 26,529,703	2068	\$ 837,859	\$ 86,203,917	2101	\$ 158	\$ 91,732,521
2036	\$ 2,152,463	\$ 28,682,166	2069	\$ 759,978	\$ 86,963,895	2102	\$ 98	\$ 91,732,619
2037	\$ 2,340,778	\$ 31,022,944	2070	\$ 683,973	\$ 87,647,868	2103	\$ 56	\$ 91,732,675
2038	\$ 2,080,796	\$ 33,103,740	2071	\$ 611,059	\$ 88,258,927	2104	\$ 33	\$ 91,732,708
2039	\$ 2,113,375	\$ 35,217,115	2072	\$ 541,763	\$ 88,800,690	2105	\$ 17	\$ 91,732,725
2040	\$ 2,228,137	\$ 37,445,252	2073	\$ 476,528	\$ 89,277,218	2106	\$ 9	\$ 91,732,734
2041	\$ 2,230,131	\$ 39,675,383	2074	\$ 415,825	\$ 89,693,043	2107	\$ 4	\$ 91,732,738
2042	\$ 2,377,146	\$ 42,052,529	2075	\$ 359,675	\$ 90,052,718	2108	\$ -	\$ 91,732,738
2043	\$ 2,461,555	\$ 44,514,084	2076	\$ 308,219	\$ 90,360,937	2109	\$ -	\$ 91,732,738
2044	\$ 2,367,896	\$ 46,881,980	2077	\$ 261,527	\$ 90,622,464	2110	\$ -	\$ 91,732,738
2045	\$ 2,212,812	\$ 49,094,792	2078	\$ 219,738	\$ 90,842,202	2111	\$ -	\$ 91,732,738

APPENDIX – V
GLOSSARY

Actuarial Accrued Liability. The portion, as determined by a particular Actuarial Cost Method, of the present value of benefits which is not provided for by future Normal Costs.

Actuarial Cost Method. A procedure for determining the Actuarial Present Value of Total Projected Benefits and for developing an actuarially equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarially Equivalent. Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.

Actuarial Present Value of Total Projected Benefits. The present value, as of the valuation date, of the cost of future benefits to be paid to employees, retirees, and covered dependents, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. It is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.

Annual OPEB Cost. The accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB Plan.

Annual Required Contributions of the Employer (ARC). The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters defined in GAS 45.

Investment Return Assumption (Discount Rate). The rate used to adjust a series of future benefit payments to reflect the time value of money.

Healthcare Cost Trend Rate. The rate of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services and technological developments.

Net OPEB Obligation. The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan.

Normal Cost. The portion of the Actuarial Present Value of plan benefits which is allocated to a valuation year by the Actuarial Cost Method.

OPEB. Postemployment benefits other than pension benefits.

Pay-As-You-Go. The amount of the benefits paid out to plan participants during the year.

Per Capita Claims Cost. The current average annual cost of providing postretirement health care benefits per individual.

Supplemental Cost. The amount of the Annual Required Contribution attributable to the amortization of the unfunded Actuarial Accrued Liability.