

**East Greenwich, Rhode Island  
School Department  
Postretirement Health Insurance Program**

**Financial Disclosure Information  
in accordance with Statement of  
Governmental Accounting Standards  
Board No. 75  
for the period beginning July 1, 2016 and  
ending June 30, 2017**

Prepared By:

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## TABLE OF CONTENTS

SECTION I	Introduction
SECTION II	Descriptive Information
SECTION III	Actuarial Methods
SECTION IV	Actuarial Assumptions
SECTION V	Changes in Actuarial Assumptions
SECTION VI	Determination of Discount Rate
SECTION VII	Reconciliation of Total OPEB Liability
SECTION VIII	Net OPEB Liability
SECTION IX	Schedule of Plan Contribution
SECTION X	Schedule of Investment Return
SECTION XI	OPEB Expense
SECTION XII	Deferred Outflows and Inflows
SECTION XIII	Per Capita Medical Costs
SECTION XIV	Participant Data

## I. INTRODUCTION

The purpose of this report is to present certain financial information relative to the East Greenwich, Rhode Island School Department Postretirement Health Insurance Program in accordance with the Statement of Governmental Accounting Standards Board No. 75 (GASB 75).

The report presents the actuarial valuation for the East Greenwich, Rhode Island School Department Postretirement Health Insurance Program as of July 1, 2016. This report is based on the adoption of GASB 75 for the Plan effective July 1, 2017. This report includes the determination of the Plan's current discount rate, Net OPEB Liability, OPEB expense, and balances of deferred inflows and outflows.

This report was based on information submitted to our firm by the East Greenwich, Rhode Island School Department in the form of census data, substantive plan provisions, medical premium rates, asset/benefit payment information, and other ancillary material pertaining to the plan.

Actuarial computations under GASB 75 are for purposes of fulfilling employer accounting requirements. The calculations reported herein have been made on a basis consistent with my understanding of GASB 75 and are in conformity with applicable actuarial standards of practice. To the best of my knowledge, the information contained in this report was determined in accordance with GASB 75. In addition, no relationship exists with the plan or plan sponsor that impairs the objectivity of our work.

I meet the GASB 75 Qualification Standards of the American Academy of Actuaries to render the actuarial opinions included in this report, based upon my education, experience and continuing education.



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Simon R. Encarnacion, F.S.A., E.A.  
Consulting Actuary

1/9/2018

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Date

## II. DESCRIPTIVE INFORMATION

*Plan Description:* Single-employer, defined benefit postretirement health insurance program

*Groups Covered:* Members of the East Greenwich School Department are eligible for postretirement health and life insurance coverage after attaining twenty (20) years of service with the School Department. Certain administrative members require only five (5) years of service with the School Department to become eligible.

Current paraprofessionals and custodians are excluded from the program. There is one grandfathered retiree currently receiving medical and dental benefits.

*Benefit Formula:* Eligible retirees receive full medical and dental insurance coverage for two (2) years following retirement. The eligible retiree may elect individual or family coverage. The retiree contribution rate is 18% for the rate charged to active members for individual or family coverage as applicable (20% for administrative members). A retiree may elect the buyback amount in lieu of medical and dental coverage. As of July 1, 2016, the buyback amount is \$4,375 per year.

Eligible retirees are covered under their life insurance policy for an additional two (2) years following retirement. The base amount for life insurance is \$30,000 for teachers and \$60,000 for administrators.

*Pension Members' Retirement Eligibility:* Members of the East Greenwich School Department are generally members in the Employee Retirement System of Rhode Island ("ERSRI"). ERSRI members that were vested (10 years of service under ERSRI) by July 1, 2005 are eligible for retirement at any age with 28 years of service or at age 60 with 10 years of service. ERSRI members that were not vested by July 1, 2005 are eligible for retirement at age 59 with 29 years of service or age 65 with 10 years of service will full pension benefits or age 55 with 20 years of service and reduced pension benefits.

## II. DESCRIPTIVE INFORMATION (cont'd)

*Pension Members' Retirement Eligibility (cont'd):* For ERSRI members with less than 5 years of service as of July 1, 2012, retirement age is a members Social Security Normal Retirement Age and 5 years of service

*Significant Events:* None.

### III. ACTUARIAL METHODS

*Measurement Date:* July 1, 2016 for all purposes.

*Actuarial Cost Method:* Costs have been computed in accordance with the Entry Age Actuarial Cost Method.

The service cost is the sum of the service costs for all participants. For a current participant, the individual service cost is (a) the present value of future benefits as of the participant's entry age divided by (b) the present value of future compensation as of the participant's entry age. For other than a current active participant, the service cost equals \$0.

The accrued liability is the sum of the individual accrued liabilities for all participants. The individual accrued liability is equal to the present value of future benefits less the service cost accrual rate multiplied by the present value of future compensation.

*Asset Valuation Method:* Not applicable as plan is currently unfunded. Plan benefits are paid out of Town of East Greenwich, Rhode Island's general assets.

*Census Information:* Census data and premium information as of July 1, 2016 were used to calculate the Service cost and Total OPEB Liability.

*Net OPEB Liability at Fiscal Year End:* Based on actual benefit payments, contributions to the Plan trust, and implicit rate subsidy, if any, for the fiscal year ending June 30, 2017

## IV. ACTUARIAL ASSUMPTIONS

Actuarial assumptions are estimates as to the occurrence of future events impacting the costs of the plan such as mortality rates, withdrawal rates, medical trend rates, retirement ages, rates of investment earnings, etc. The assumptions have been chosen to anticipate the long-term experience of the plan.

### Assumptions for the Current Valuation

*Discount Rate:* 3.56%

This assumption is set using the Fidelity GO AA 20 Yr Index as of 6/30/2017 3.56%.

*Long Term Rate of Return  
on Assets:* 7.00%

*Healthy Mortality:* RP-2014 Employee and Healthy Annuitant with Scale MP-2017 generational improvements from 2006 (Male/Female)

*Turnover:* Sarason Crocker Straight Table T-1. Sample rates below:

Age	Rate
20	5.4%
25	4.9%
35	2.3%
45	0.3%
50	0.0%

For participants that were not eligible for retirement on June 30, 2012, a minimum turnover of 2% per year is assumed until age 59.

*Health Care Monthly  
Premium Rates:* See Per Capita Medical Costs in Section XIII.

*Health Care Cost Trend Rates -  
Medical Costs:* 5.50% per year graded down by the getzen model to an ultimate rate of 3.84% per year.

*Health Care Cost Trend Rates -  
Dental Costs:* 4.00% per year.

#### IV. ACTUARIAL ASSUMPTIONS (cont'd)

*Marital Status:* 75% of future retirees are assumed to be married and elect family medical coverage. Female spouses are assumed to be 3 years younger than males.

Actual spousal information is used for current retirees.

*Participation:* 100% of eligible future retirees are assumed to elect medical coverage under the Plan and are therefore eligible for either the continued coverage or the buy-back option. It is assumed that 10% of future retirees choose the buy-back option as they are eligible for retirement. 90% remain covered under the medical plan. 100% of current retirees are assumed to participate.

<i>Retirement Rates:</i>	Grandfathered Retirement Rates	New Retirement Rates
Age		
50-54	5%	0%
55	15%	0%
56-57	10%	0%
58	25%	0%
59	10%	10%
60	25%	25%
61	10%	10%
62	25%	25%
63-64	15%	15%
65-66	100%	75%
67	100%	100%

*Salary Increase Rate:* 3.00%

*Aging Assumption:* Claims costs under Blue Cross Blue Shield are assumed to increase by 3.0% per year of age, up to 70 years old, to reflect higher healthcare costs for older individuals resulting in an implicit rate subsidy.



## V. CHANGES IN ACTUARIAL ASSUMPTIONS

The table below indicates which assumptions, other than the Health Care Premium Rates, have changed from the prior Fiscal Year. In the opinion of the actuary, these changes were made to better reflect current expectations of future experience.

	July 1, 2014	July 1, 2016
<i>Mortality:</i>	IRS 2014 P.V. Optional Combined Table (1.430(h)(3)-1).	RP-2014 Employee and Healthy Annuitant with Scale MP-2017 generational improvements from 2006 (Male/Female)
<i>Health Care Cost Trend Rates:</i>	6.5% in 2014 graded off 0.5% per year to an ultimate rate of 4.5% per year in 2018	5.50% per year graded down by the getzen model to an ultimate rate of 3.84% per year.
<i>Cost Method:</i>	Projected Unit Credit	Entry Age Normal

## VI. DETERMINATION OF DISCOUNT RATE

### A. Determination of Discount Rate as of June 30, 2017 - Analysis of Crossover Point

Plan Year Valuation 6/30	Prior Year's Actuarially Determined Contribution	Prior Year's Employee Contributions	Total Prior Year Contributions	Projected Market Value of Assets	Projected Benefit Payments	Projected Benefit Payments		Actuarial Present Value of Benefit Payments		
						"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments	Present Value of "Funded" Portion 7.00%	Present Value of "Unfunded" Portion * 3.56%	Present Value of All Benefit Payments - Single Rate 3.56%
2017	250,353	0	250,353	0	250,353	0	250,353	0	241,747	241,747
2018	170,721	0	170,721	0	170,721	0	170,721	0	159,185	159,185
2019	194,163	0	194,163	0	194,163	0	194,163	0	174,820	174,820
2020	239,823	0	239,823	0	239,823	0	239,823	0	208,508	208,508
2021	252,515	0	252,515	0	252,515	0	252,515	0	211,996	211,996
2022	331,855	0	331,855	0	331,855	0	331,855	0	269,027	269,027
2023	358,418	0	358,418	0	358,418	0	358,418	0	280,573	280,573
2024	283,254	0	283,254	0	283,254	0	283,254	0	214,111	214,111
2025	413,321	0	413,321	0	413,321	0	413,321	0	301,689	301,689
2026	568,270	0	568,270	0	568,270	0	568,270	0	400,529	400,529
2027	490,116	0	490,116	0	490,116	0	490,116	0	333,570	333,570
2028	421,450	0	421,450	0	421,450	0	421,450	0	276,976	276,976
2029	428,489	0	428,489	0	428,489	0	428,489	0	271,921	271,921
2030	478,899	0	478,899	0	478,899	0	478,899	0	293,464	293,464
2031	537,471	0	537,471	0	537,471	0	537,471	0	318,035	318,035
2032	531,037	0	531,037	0	531,037	0	531,037	0	303,426	303,426
2033	498,767	0	498,767	0	498,767	0	498,767	0	275,190	275,190
2034	534,298	0	534,298	0	534,298	0	534,298	0	284,660	284,660
2035	753,657	0	753,657	0	753,657	0	753,657	0	387,726	387,726
2036	876,775	0	876,775	0	876,775	0	876,775	0	435,559	435,559
2037	743,516	0	743,516	0	743,516	0	743,516	0	356,662	356,662
2038	685,761	0	685,761	0	685,761	0	685,761	0	317,649	317,649
2039	651,570	0	651,570	0	651,570	0	651,570	0	291,437	291,437
2040	683,528	0	683,528	0	683,528	0	683,528	0	295,221	295,221
2041	722,371	0	722,371	0	722,371	0	722,371	0	301,272	301,272
2042	640,782	0	640,782	0	640,782	0	640,782	0	258,058	258,058
2043	635,370	0	635,370	0	635,370	0	635,370	0	247,082	247,082
2044	602,272	0	602,272	0	602,272	0	602,272	0	226,160	226,160
2045	655,046	0	655,046	0	655,046	0	655,046	0	237,521	237,521
2046	665,011	0	665,011	0	665,011	0	665,011	0	232,845	232,845
2047	572,306	0	572,306	0	572,306	0	572,306	0	193,497	193,497
2048	508,272	0	508,272	0	508,272	0	508,272	0	165,940	165,940
2049	422,959	0	422,959	0	422,959	0	422,959	0	133,340	133,340
2050	440,324	0	440,324	0	440,324	0	440,324	0	134,043	134,043
2051	396,504	0	396,504	0	396,504	0	396,504	0	116,554	116,554
2052	316,770	0	316,770	0	316,770	0	316,770	0	89,915	89,915
2053	251,714	0	251,714	0	251,714	0	251,714	0	68,992	68,992
2054	144,004	0	144,004	0	144,004	0	144,004	0	38,113	38,113
2055	107,358	0	107,358	0	107,358	0	107,358	0	27,438	27,438
2056	73,718	0	73,718	0	73,718	0	73,718	0	18,192	18,192
2057	40,206	0	40,206	0	40,206	0	40,206	0	9,581	9,581
2058	43,098	0	43,098	0	43,098	0	43,098	0	9,917	9,917

## VI. DETERMINATION OF DISCOUNT RATE

### A. Determination of Discount Rate as of June 30, 2017 - Analysis of Crossover Point

Plan Year Valuation	Prior Year's Actuarially Determined Contribution	Prior Year's Employee Contributions	Total Prior Year Contributions	Projected Market Value of Assets	Projected Benefit Payments	Projected Benefit Payments		Actuarial Present Value of Benefit Payments				
						"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments	Present Value of "Funded" Portion	Present Value of "Unfunded" Portion *	Present Value of All Benefit Payments - Single Rate		
6/30								7.00%	3.56%	3.56%		
2059	27,342	0	27,342	0	27,342	0	27,342	0	6,075	6,075		
2060	7,677	0	7,677	0	7,677	0	7,677	0	1,647	1,647		
2061	1,662	0	1,662	0	1,662	0	1,662	0	344	344		
2062	0	0	0	0	0	0	0	0	0	0		
								0	+	9,420,209	=	9,420,209

\* The 3.56% discount rate is the 6/30/2017 Fidelity General Obligation AA - 20 Yrs index.

## VI. DETERMINATION OF DISCOUNT RATE

### B. Funding Policy

Currently, the funding policy is to fund Actual Benefit Payments.

### C. Long Term Expected Rate of Return and Asset Allocation

The long term expected rate of return on Plan investments was determined by the investment manager.

<u>Asset Class</u>	<u>June 30, 2017 Asset Allocation*</u>	<u>Target Asset Allocation*</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	N/A	N/A	N/A
International Equity	N/A	N/A	N/A
Domestic Bond	N/A	N/A	N/A
International Bond	N/A	N/A	N/A
Alternatives	N/A	N/A	N/A
	<u>0.00%</u>	<u>0.00%</u>	

Projected Rate of Return\*: 7.00%

\* The Projected Rate of Return was estimated by the plan sponsor.

Money-Weighted Rate of Return for Fiscal Year Ending 06/30/2017\*\*: N/A

\*\* This rate is determined assuming contributions and expenses are paid in the middle of the plan year.

## VII. Reconciliation of Total OPEB Liability

### A. Reconciliation of Total OPEB Liability

Total OPEB Liability (Accrued Liability) at 7/1/2014	\$3,884,781
Service Cost with Interest	307,080
Interest Cost	161,242
Gross Benefit Payments	(92,121)
Expected Total OPEB Liability at 7/1/2015	4,260,982
Service Cost with Interest	315,148
Interest Cost	176,643
Gross Benefit Payments	(88,904)
Expected Total OPEB Liability at 7/1/2016	4,663,869

### B. Method and Assumption changes

	\$ Difference	% Difference
1. Plan Experience		
a. Demographic Experience	(227,125)	-3.17%
b. Medical Claim Experience	(1,074,609)	-19.71%
c. Total	(1,301,734)	
2. Actuarial Cost Method Changes per GASB 75		
a. Entry Age Cost Method Change (per GASB 75)	847,866	18.18%
b. Total	847,866	
3. Actuarial Assumption Changes		
a. New Health Care Cost Trend	394,949	7.89%
b. New Mortality table	69,437	1.29%
c. Discount Rate	520,650	11.14%
d. Total	985,036	

### C. Total OPEB Liability at 7/1/2016

(A. + B.1.c. + B.2.b. + B.3.e.)	5,195,037
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## VIII. NET OPEB LIABILITY

### A. Estimated Net OPEB Liability as of July 1, 2016

The Net OPEB Liability for the Plan was measured as of July 1, 2016, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2016.

The components of the Net OPEB Liability of the Plan as of July 1, 2016, were as follows:

Total OPEB Liability	\$5,195,037
Plan Fiduciary Net Position	\$ -
Net OPEB Liability	<u>\$ 5,195,037</u>

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%
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The discount rate used to calculate the Total OPEB Liability was 2.92%.

### B. Net OPEB Liability as of June 30, 2017

The Net OPEB Liability for the Plan was measured as of June 30, 2017, and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of July 1, 2016.

The components of the Net OPEB Liability of the Plan as of June 30, 2017, were as follows:

Total OPEB Liability	\$5,286,979
Plan Fiduciary Net Position	\$0
Net OPEB Liability	<u>\$ 5,286,979</u>

Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%
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The discount rate used to calculate the Total OPEB Liability was 3.56%.

## VIII. NET OPEB LIABILITY(cont'd)

### C. Changes in Net OPEB Liability for the Fiscal Year ending June 30, 2017

	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Estimated Balance as of 7/1/2016	\$5,195,037	\$0	\$5,195,037
Changes for the year:			
Service Cost	374,253		374,253
Interest on Total OPEB Liability	149,147		149,147
Differences Between Expected and Actual Experience	(139,963)		(139,963)
Changes of Assumptions	(256,079)		(256,079)
Changes in Benefit Terms	0		0
Contributions - Employer		35,416	(35,416)
Net Investment Income		0	0
Benefit Payments	(35,416)	(35,416)	0
Administrative Expense		0	0
Other Changes	0		0
Net Changes	<u>\$91,942</u>	<u>\$0</u>	<u>\$91,942</u>
Balance as of 6/30/2017	<u><u>\$5,286,979</u></u>	<u><u>\$0</u></u>	<u><u>\$5,286,979</u></u>

## VIII. NET OPEB LIABILITY(cont'd)

### D. Sensitivity of the Net OPEB Liability to Changes in Discount Rate as of June 30, 2017

The following presents the Net OPEB Liability as of June 30, 2017 calculated using the discount rate of 3.56%, as well as what the Net OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current rate:

	<u>1% Decrease</u> 2.56%	<u>Current Discount Rate</u> 3.56%	<u>1% Increase</u> 4.56%
Plan's Net OPEB Liability as of June 30, 2017:	5,710,285	5,286,979	4,888,876

### E. Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trend Rate as of June 30, 2017

The following presents the Net OPEB Liability as of June 30, 2017 calculated using the trend rate of 5.50% per year graded down by the getzen model to an ultimate rate of 3.84% per year., as well as what the Net OPEB Liability would be if it were calculated using a trend rate that is 1-percentage-point lower (4.50% per year graded down by the getzen model to an ultimate rate of 2.84% per year.) or 1-percentage-point higher (6.50% per year graded down by the getzen model to an ultimate rate of 4.84% per year.) than the current rate:

	<u>1% Decrease</u>	<u>Current HCCTR</u>	<u>1% Increase</u>
	4.50% per year graded down by the getzen model to an ultimate rate of 2.84% per year.	5.50% per year graded down by the getzen model to an ultimate rate of 3.84% per year.	6.50% per year graded down by the getzen model to an ultimate rate of 4.84% per year.
Plan's Net OPEB Liability as of June 30, 2017:	4,624,741	5,286,979	6,079,644



## VIII. NET OPEB LIABILITY

### F. Schedule of Changes in the Net OPEB Liability and Related Ratios - Last 10 Fiscal Years

Fiscal Year Ending	6/30/2017	6/30/2016	6/30/2015	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008
<b>Total OPEB Liability (TOL)</b>										
Service Cost	\$ 374,253									
Interest on TOL	149,147									
Differences between exp. and actual experi	(139,963)									
Changes of assumptions	(256,079)									
Other changes	0									
Changes in benefit terms	0									
Benefit payments	<u>(35,416)</u>									
Net Change in TOL	91,942									
Total OPEB Liability - beginning	5,195,037									
<b>Total OPEB Liability - end (a)</b>	<b><u>\$ 5,286,979</u></b>									
<b>Plan Fiduciary Net Position (FNP)</b>										
Contributions - Employer	\$ 35,416									
Contributions - Employee	0									
Net investment income	0									
Benefit payments	(35,416)									
Administrative expense	0									
Other changes	<u>0</u>									
Net Changes in FNP	0									
Fiduciary Net Position - beginning	0									
<b>Fiduciary Net Position - end (b)</b>	<b><u>\$ -</u></b>									
<b>Net OPEB Liability - ending (a) - (b)</b>	<b><u>\$ 5,286,979</u></b>									
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	0.00%									
Covered Employee Payroll	\$ 16,730,884									
Net OPEB Liability as a percentage of covered employee payroll	31.60%									

Notes to Schedule: Covered Employee Payroll data was provided directly by East Greenwich School Department as of 7/1/2016

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.
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## IX. SCHEDULE OF PLAN CONTRIBUTIONS

### B. Actuarially Determined Contribution

Total OPEB Liability	5,195,037
Fiduciary Net Position	0
Net OPEB Liability	5,195,037
Service Cost	363,635
Expected Benefit Payments	161,104
Amortization Period	30
Discount Rate	2.92%
Amort of NOL	262,313
SC with interest	374,253
Actuarially determined Contribution	\$ 636,566

**X. SCHEDULE OF INVESTMENT RETURNS**

**A. Schedule of Investment Returns - Last 10 Fiscal Years**

Fiscal Year Ending	6/30/2017	6/30/2016	6/30/2014	6/30/2013	6/30/2012	6/30/2011	6/30/2010	6/30/2009	6/30/2008	6/30/2007
<b>Annual money-weighted rate of return, net of investment expense</b>	N/A									

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

## XI. OPEB EXPENSE

### A. OPEB Expense for the Fiscal Year Ending June 30, 2017

1. Service Cost as of July 1, 2016	\$	363,635
2. Interest on the Total OPEB Liability		
a. Total OPEB Liability as of July 1, 2016		\$5,195,037
b. Service Cost		363,635
c. Expected benefit payments (time-weighted)		(87,265)
d. Average expected Total OPEB Liability	\$	5,471,407
e. Discount Rate		2.92%
f. Interest on the Total OPEB Liability [(d) x (e)]	\$	159,765
3. Projected earning on OPEB plan investments		
a. Fiduciary Net Position as of July 1, 2016		\$0
b. Plan Contributions (time-weighted)		87,265
c. Expected benefit payments (time-weighted)		(87,265)
d. Average expected Fiduciary Net Position	\$	-
e. Long Term Rate of Return on Investments		7.00%
f. Earnings on Fiduciary Net Position [(d) x (e)]	\$	-
4. Recognition of Deferred Outflows and (Inflows) of Resources <sup>1</sup>		
a. Difference between expected and actual experience	\$	(8,771)
b. Changes of assumptions	\$	(16,047)
c. Difference between projected and actual earnings on Plan investments	\$	0
d. Total recognized deferred outflow and (inflows) of resources [(a) + (b) + (c)]	\$	(24,818)
5. Employee Contributions		
	\$	0
6. Administrative Expenses		
	\$	0
7. Other changes		
	\$	0
8. <b>Total OPEB Expense for the Fiscal Year Ending June 30, 2017</b>		
	\$	<b>498,582</b>
[(1) + (2.f) - (3.f) + (4.d) + (5) + (6) + (7)]		

<sup>1</sup> Please refer to Section XII for details of the recognition of deferred outflows and inflows of resource.

## XI. OPEB EXPENSE

### B. OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to the Plan

The Plan's deferred outflows of resources and deferred (inflows) of resources as of June 30, 2017 are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
1. Difference between expected and actual experience	\$ 0	\$ (131,192)
2. Changes of assumptions	\$ 0	\$ (240,032)
3. Difference between projected and actual earnings on Plan investments	<u>\$ 0</u>	<u>\$ 0</u>
4. Total Deferred Outflows / (Inflows)	<u><u>\$ 0</u></u>	<u><u>\$ (371,224)</u></u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources will be recognized in OPEB expense as follows:

5. Fiscal Year Ending:	June 30, 2018	\$ (24,818)
	June 30, 2019	\$ (24,818)
	June 30, 2020	\$ (24,818)
	June 30, 2021	\$ (24,818)
	June 30, 2022	\$ (24,818)
	Thereafter	<u>\$ (247,134)</u>
	Total	<u><u>\$ (371,224)</u></u>

## XII. DEFERRED OUTFLOWS AND INFLOWS

### A. Schedule of Differences Between Expected and Actual Plan Experience

Year Ending	Difference Between Expected and Actual Experience	Recognition Period (Years)	Deferred Outflow/ (Inflow) as of 7/1/2016	Increase/(Decrease) in OPEB Expense Arising from the Recognition of the Effects of Differences between Expected and Actual Experience												
				6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	6/30/2027	6/30/2028	
6/30/2017	(139,963)	15.958	(139,963)	(8,771)	(8,771)	(8,771)	(8,771)	(8,771)	(8,771)	(8,771)	(8,771)	(8,771)	(8,771)	(8,771)	(8,771)	(8,771)
				\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)	\$ (8,771)

### B. Schedule of Changes in Plan Assumptions

Year Ending	Difference Between Expected and Actual Experience	Recognition Period (Years)	Deferred Outflow/ (Inflow) as of 7/1/2016	Increase/(Decrease) in OPEB Expense Arising from the Recognition of the Effects of Changes of Plan Assumptions												
				6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022	6/30/2023	6/30/2024	6/30/2025	6/30/2026	6/30/2027	6/30/2028	
6/30/2017	(256,079)	15.958	(256,079)	(16,047)	(16,047)	(16,047)	(16,047)	(16,047)	(16,047)	(16,047)	(16,047)	(16,047)	(16,047)	(16,047)	(16,047)	(16,047)
				\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)	\$ (16,047)

### C. Schedule of Difference Between Projected and Actual Earnings on Plan Investments

Year Ending	Difference Between Expected and Actual Experience	Recognition Period (Years)	Deferred Outflow/ (Inflow) as of 7/1/2016	Increase/(Decrease) in OPEB Expense Arising from the Recognition of Difference Between Projected and Actual Earnings on Plan Investments					
				6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
6/30/2017	0	5.000	0	0	0	0	0	0	0
				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

## XII. DEFERRED OUTFLOWS AND INFLOWS

### D. Plan Demographics Projected to June 30, 2017

Status	<u>Count</u>	<u>Avg. Future Service</u>
Active	228	16.220
Retirees and Beneficiaries	<u>4</u>	<u>1.000</u>
Total	232	15.958



### XIII. PER CAPITA MEDICAL COSTS

#### A. Under Age 65 Per Capita Medical Costs, July 1, 2016

1.	Monthly average claims costs per member based on claims data from July 1, 2014 through June 30, 2016:	1,320.83
2.	Annual average claims costs [12 x (1)]:	15,850.01
3.	Midpoint of claims costs data:	7/1/2015
4.	Midpoint of actuarial valuation:	1/1/2017
5.	Duration in years [(4) - (3)]:	1.5000
6.	Adjustment to average claims costs [106% ^ (5)] <i>Based on 6.00% health care cost trend rate in 2015</i>	109.13%
7.	Annual claims costs per member for fiscal year beginning July 1, 2016 and ending June 30, 2017 [(2) x (6)]:	17,297.69
8.	People covered under each member [1 + 0.75]: <i>Based on 75% marriage assumption</i>	1.75
9.	Annual claims costs <u>per person</u> for fiscal year beginning July 1, 2016 and ending June 30, 2017 [(7) / (8)]:	9,884.40
10.	Average age of covered members:	50.27
11.	Factor to adjust to age 65 per assumptions [1.03 ^ (65.00 - (a))]	154.56%
12.	Estimate fiscal 2016 claims costs adjusted to age 65 basis per person: [(9) x (11)]	15,277.15
13.	Monthly Individual Dental Premium	372.00
14.	Estimate fiscal 2016 Individual dental claims cost adjusted to age 65: [(13) x (11)]	574.96
15.	Monthly Family Dental Premium	1,120.00
16.	Estimate fiscal 2016 Family dental claims cost adjusted to age 65: [(15) x (11)]	1,731.05
17.	Sample projected annual claims costs per age:	

<u>Age</u>	<u>Aging Assumption</u>	<u>Medical Cost Per Person</u>	<u>Dental Cost Individual</u>	<u>Dental Cost Family</u>
50	3.00%	9,805.82	369.04	1,111.10
55	3.00%	11,367.64	427.82	1,288.07
60	3.00%	13,178.21	495.96	1,493.22
<b>65</b>	<b>3.00%</b>	<b>15,277.15</b>	<b>574.96</b>	<b>1,731.05</b>
70	3.00%	17,710.41	666.53	2,006.76

### XIII. PER CAPITA MEDICAL COSTS (cont'd)

#### B. Historical Medical Premiums/Working Rates - Annual

	<u>7/1/2014</u>	<u>7/1/2015</u>	<u>7/1/2016</u>
1. Blue Cross Classic (self insured)			
a. Single Coverage	7,455	7,865	7,865
b. Family Coverage	19,365	20,430	20,430
2. Healthmate Coast-to-Coast (self insured)			
a. Single Coverage	7,118	7,509	7,509
b. Family Coverage	18,538	19,557	19,557
3. Dental Coverage (fully insured)			
a. Single Coverage	342	376	372
b. Family Coverage	1,029	1,132	1,120

## XIV. PARTICIPANT DATA

### A. Reconciliation of Participant Data

	<u>Actives</u>	<u>Retirees</u>	<u>Total</u>
Total as of July 1, 2014	225	6	231
New Entrants	21	n/a	21
Terminations	(17)	n/a	(17)
Active deaths	-	n/a	0
New retirees	(1)	1	0
New beneficiaries	n/a	-	0
Retiree/beneficiary deaths	n/a	-	0
Dropped coverage	n/a	(5)	(5)
Data adjustments	-	2	2
Total as of July 1, 2016	228	4	232

### B. Age and Service Distribution of Members

#### 1. Eligible Active Members:

Complete Years of Service as of July 1, 2016

<i>Attained</i>								
<u>Age</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+</u>	<u>Total</u>
Under 25	2	-	-	-	-	-	-	2
25-29	9	1	-	-	-	-	-	10
30-34	12	10	3	-	-	-	-	25
35-39	5	9	19	1	-	-	-	34
40-44	8	3	15	12	1	-	-	39
45-49	6	7	7	6	9	-	-	35
50-54	4	6	6	6	4	3	-	29
55-59	1	3	12	7	2	5	1	31
60-64	-	2	2	6	3	2	2	17
65+	-	-	2	1	2	1	-	6
Total	47	41	66	39	21	11	3	228

## XIV. PARTICIPANT DATA (cont'd)

2. Retired Members:

<u>Attained Age</u>	<u>Individual Medical Coverage</u>	<u>Family Medical Coverage</u>	<u>BuyBack</u>	<u>Total</u>
Under 50	-	-	1	1
50-54	-	-	-	0
55-59	-	-	-	0
60-64	-	-	-	0
65-69	-	1	1	2
70-74	-	-	-	0
75+	1	-	-	1
Total	1	1	2	4

**C. Participant Statistics**

1. Eligible Active Members:	<u>7/1/2016</u>	<u>7/1/2014</u>
Count:	228	225
Average age:	45.9	44.9
Average past service:	12.5	11.6
Average future service until retirement:	16.2	17.3
Average age of retirement:	62.1	62.2
2. Retired Members and Spouses:		
Count:	4	6
Average age under 65:	47.5	61.7
Average age over 65:	74.9	89.5
Average age all retirees:	68.0	66.4
Average future coverage:	2.0	1.6
Expected future lifetime:	20.9	21.7
3. All Covered Members - Average Age	50.27	45.48

## XV. GLOSSARY FOR OPEB AND GASB 75

Actuarial Accrued Liability (AAL) – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value (APV) of plan benefits and expenses allocated to all periods prior to the valuation date. This is the amount of the APV not provided by future Normal Costs.

- a) 100% of the actuarial present value of benefits expected to be paid (APV) to:
  - i) Retirees and their dependents
  - ii) Active employees who have attained their expected retirement date and their dependents
  
- b) Proportionate amount, based on employee service recognized up to the valuation date, of the actuarial present value of benefits expected to be paid (AAL) for active employees who have not yet attained their expected retirement date.

The AAL is the benefit obligation disclosed in the financial statements representing current plan liability.

Active Plan Participant – Any active employee who has rendered service during the credited service period and is expected to receive benefits, including benefits to or for any beneficiaries and covered dependents, under the Postemployment benefit plan.

Actuarial Cost Method or Funding Method – A procedure for determining the Actuarial Present Value of OPEB plan benefits and expenses and for developing an actuarial equivalent allocation of such value to time periods, usually in the form of a Normal Cost and an Actuarial Accrued Liability.

Actuarial determined contribution (ADC) – A target or recommended contribution to a defined benefit OPEB plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.

Actuarial Present Value of Total Projected Benefits (APV) – The actuarial present value of the cost to finance, as of a specified date, all future benefit costs or a series of benefit costs, with each amount adjusted to reflect (a) the time value of money (through discounts for interest) and (b) the probability of payment (for example, by means of decrements for events such as death, disability, withdrawal or retirement) between the specified date and the expected date of payment. This includes benefits to current active members, terminated employees entitled to benefits but not yet receiving them, if any, retirees, their beneficiaries and any covered dependents pursuant to the terms of the OPEB plan. Expressed another way, 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.

Amortization Payment – That portion of the plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability (UAAL).

Attribution Period – The period of an employee's service to which the actuarial present value of total projected benefits for that employee is assigned. The beginning of that period is generally the employee's date of hire and the end of the attribution period is the full eligibility date.

## XV. GLOSSARY FOR OPEB AND GASB 75

Discount Rate – The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following:

- a. The actuarial present value of benefit payments projected to be made in future periods in which (1) the amount of the OPEB plan's fiduciary net position is projected (under the requirements of this Statement) to be greater than the benefit payments that are projected to be made in that 35 period and (2) OPEB plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on **OPEB** plan investments
- b. The actuarial present value of projected benefit payments not included in (a), calculated using a yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale).

Entry Age Actuarial Cost Method – A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service 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 (AAL).

Full Eligibility Date – The date at which an employee has rendered all service necessary to receive full benefits under the plan.

Gains and Losses – Changes in the Unfunded Actuarial Accrued Liability (UAAL) that is the result of actual experience of the plan being different than what was expected.

Health Care Cost Trend Rate (HCCTR) – An assumption about the annual rate(s) of change in the cost of health care benefits which are currently provided by the Postemployment benefit plan, due to factors other than changes in the composition of the plan population by age and dependency status, for each year from the measurement date until the end of the period in which benefits are expected to be paid. The Health Care Cost Trend Rate implicitly considers estimates of health care inflation, changes in health care utilization or delivery patterns, technological advances, and changes in the health status of the plan participants.

Differing types of service, such as hospital care and dental care, may have different trend rates as may service for different portions of the plan population, such as Medicare eligible and non-Medicare eligible members.

## XV. GLOSSARY FOR OPEB AND GASB 75

Implicit Rate Subsidy – It is a common practice to permit retired employees to continue in the plan sponsor’s group health insurance plan at their own cost once eligibility for plan sponsor paid benefits is exhausted. This practice creates an OPEB liability based on the theory that retirees have higher utilization of health care benefits than active employees. Therefore, unless the premium rate for retirees is set to fully recover their health costs, the premium for active employees is implicitly overstated to subsidize utilization by retirees. This is called implicit rate subsidy. This rate subsidy is considered a benefit subject to OPEB valuation, included in GASB75.

The OPEB liability normally includes the cost of the implicit rate subsidy for the years in which the retiree is paying the insurance costs for continued coverage. When the retiree is eligible for Medicare, the cost of coverage is generally much closer to the premium cost. Therefore, there is no OPEB liability assumed for Medicare-eligible retirees paying 100% of the premium.

Interest on Total OPEB Liability – The accrual of interest on the TOL for the year of the valuation. It is calculated by applying the beginning of year Discount Rate to the sum of the Expected Benefit Payments and ToL as of the beginning of year.

Market Value (or Fair Value) of Plan Assets – The amount that a plan could reasonable expect to receive for an investment in a current sale between a willing buyer and a willing seller.

Market-Related Value of Plan Assets – A balance used to calculate the Expected Return of Plan Assets. Market-related value can be either fair value or a calculated value that recognizes changes in fair value in a systematic and rational manner over not more than five years.

Normal Cost – The portion of the Actuarial Present Value of Total Projected Benefits (APV) attributed to employee service during a valuation year by the Actuarial Cost Method.

Net OPEB Liability – The liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of GASB 74.

OPEB Assets – The amount recognized by an employer for contributions to an OPEB plan greater than the OPEB expense.

OPEB Expenditures – The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the modified accrual basis of accounting.

OPEB Expense – The amount recognized by an employer in each accounting period for contributions to an OPEB plan on the accrual basis of accounting.

OPEB Liabilities – The amount recognized by an employer in each accounting period for contributions to an OPEB plan less than OPEB expense/expenditures.

## XV. GLOSSARY FOR OPEB AND GASB 75

Open Group/Closed Group – Terms used to distinguish between two classes of Actuarial Cost Methods. Under an Open Group Actuarial Cost Method, Actuarial Present Values associated with expected future entrants are considered; under a Closed Group Actuarial Cost Method, Actuarial Present Values associated with expected future entrants are not considered.

Pay-As-You-Go (PAYGO) – A method of expensing retiree medical benefits recognizing as an expense the cash currently paid as benefits to retirees, spouses and covered dependents. The minimum method of financing a plan, having no pre-funding until benefits actually become payable.

Per Capita Benefit Cost by Age – The current cost of providing OPEB health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.

Plan Fiduciary Net Position – Assets which have been irrevocably dedicated to the payment of benefits under the

Postemployment – The period between termination of employment and retirement as well as the period after retirement.

Postemployment Benefits – All forms of benefits, other than retirement income (pensions), provided by the employer to the retiree, including, but not limited to, health care, life insurance and legal assistance.

Substantive Plan – The terms of a postemployment benefit plan as understood by an employer and plan members that provides postemployment benefits to the employees who render services in exchange for those benefits. The substantive plan is the basis for the accounting for this transaction. In some situations an employer's cost-sharing policy, as evidenced by past practice or by communication of intended changes to a plan's cost-sharing provisions, or a past practice of regular increases in certain monetary benefits may indicate that the substantive plan differs from the existing written plan.

Total OPEB Liability – The portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service in conformity with the requirements of GASB 74. The total OPEB liability is the liability of employers and nonemployer contributing entities to plan members for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 3 of GASB 74.

Unfunded Actuarial Accrued Liability (UAAL) -- The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

Valuation Date – The date as of which the plan assets and OPEB obligations are measured.