

Sussex County

Actuarial Report for OPEB Benefits (GASB 43 and 45)

Valuation Date: January 1, 2015

Fiscal Year Ending: June 30, 2016

Date of Report: November 4, 2015



November 4, 2015

Ms. Gina A. Jennings, MBA, MPA
Finance Director
Sussex County
Administrative Office Building
2 The Circle, Second Floor
Georgetown, Delaware 19947

Dear Ms. Jennings:

We respectfully present in this report the results of our GASB 45 actuarial valuation providing the income statement expense for the fiscal year ending June 30, 2016. The report also looks back at 2015 and provides relevant numbers such as the Net OPEB Obligation for the balance sheet at 6/30/2015.

The only change in assumptions or methods from the prior report is that we have updated the mortality assumption to that recommended by the Society of Actuaries. Claims and trend assumptions are the same as before.

We have assumed no changes in the benefits provided.

Let me know if anyone needs additional information.

Sincerely,

A handwritten signature in cursive script that reads "Fred Peterson".

Fred Peterson, FSA, EA
Fred.Peterson@aonhewitt.com

cc: Jarod Spessard

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1. Summary of Results

Financial Information

The following table illustrates key financial information for the fiscal year end.

	Fiscal Year Ending	
	Actual 06/30/2015	Estimate 06/30/2016
(1) Net Claims:		
(a) Total Claims	\$1,821,395	\$1,614,650
(b) Less Retiree Premiums	\$57,681	\$37,147
(c) Net Claims	\$1,763,714	\$1,577,503
(2) Annual Required Contribution (ARC)	\$1,507,556	\$1,857,254
(3) Annual OPEB Cost (AOC)	\$1,415,296	\$1,749,871
(4) End of Year Net OPEB Obligation (NOO)	(\$5,307,428)	(\$5,414,811)

Liabilities and Normal Cost

The following table illustrates the liabilities and normal cost used for the development of the foregoing financial information.

	Valuation Date	
	01/01/2014	01/01/2015
(1) Assets	\$30,120,575	\$30,290,649
(2) Accrued Liability:		
(a) Active	\$15,066,481	\$18,541,644
(b) Inactive	\$23,432,485	\$22,673,477
(c) Total	\$38,498,966	\$41,215,121
(3) Normal Cost	\$943,515	\$1,129,372

1. Summary of Results (cont.)

Net OPEB Obligation at Fiscal Year End

The chart below shows the development of the Net OPEB Obligation (NOO).

	06/30/2014	06/30/2015
(1) Net OPEB Obligation as of the beginning of the fiscal year	(\$3,755,921)	(\$4,528,823)
(2) Annual OPEB Cost (AOC) for the fiscal year	\$1,660,850	\$1,415,926
(3) Contributions made during the fiscal year:		
(a) To a Trust	\$2,433,752	\$2,194,531
(b) Medical and Drug Claim payments outside the Trust (Not Reimbursed by Trust)	\$0	\$0
(c) Dental and Vision Claim payments outside the Trust (Not Reimbursed by Trust)	\$0	\$0
(d) Retiree Death Benefits paid for Life Insurance		
(e) Administration Costs and Stop Loss payments outside the Trust (Not Reimbursed by Trust)	\$0	\$0
(f) Less Retiree Medical and Drug Premiums payments outside the Trust (Not Reimbursed by Trust)	\$0	\$0
(g) Total	\$2,433,752	\$2,194,531
(4) Net OPEB Obligation as of the end of the fiscal year	(\$4,528,823)	(\$5,307,428)

1. Summary of Results (cont.)

Valuation Data

The following table summarizes the counts, ages and coverage.

		Valuation Date	
		01/01/2014	01/01/2015
(1)	Number of Participants:		
(a)	Active Employees	478	465
(b)	Retired	125	132
(c)	Vested Terminations	0	0
(d)	Disabled	16	20
(e)	Survivor	16	18
(f)	Total	635	635
(2)	Average Age:		
(a)	Active Employees	46.84	47.20
(b)	Retired	70.25	69.39
(c)	Disabled	56.86	53.42
(d)	Survivor	72.00	70.38
(3)	Average Service	11.97	12.38

2. Actuarial Certification

We have performed actuarial valuations of Sussex County's postretirement medical program as of January 1, 2015. The employee data and the financial and claims information used in this valuation were submitted to us by the plan sponsor, or at the plan sponsor's direction. The demographic data was collected as of the January 1, 2015. We did not audit any of the submitted data. On the basis of our review of the data, however, we believe that the information is sufficiently complete and reliable, and that it is appropriate for the purposes intended.

In our opinion, the assumptions and methodology underlying this valuation are consistent with the criteria outlined under GASB Statement 43 and 45.

The assumptions and methodology underlying this valuation conform to the Actuarial Standard of Practice No. 6, Measuring Retiree Group Benefit Obligations and Actuarial Compliance Guideline No. 3, published by the Actuarial Standards Board.

We have no relationship with the client which may impair or appear to impair the objectivity of our work.

Aon Hewitt



Fred Peterson, FSA, EA
Associate Partner

3. Actuarial Commentary

Sensitivity Analysis

The true liability for postretirement benefits depends on future economic and demographic factors which are difficult to predict accurately. The calculations in this report are based on the actuarial assumptions that are outlined in the assumption section of this report. Different assumptions could yield significantly different results. For example, the following table illustrates the sensitivity of medical trend assumptions on the Liability, Normal Cost and Annual OPEB Cost (AOC).

Total Benefits	Liability	Normal Cost	AOC
Current Assumption	\$41,215,121	\$1,129,372	\$1,749,871
1% Increase in Trend	\$48,537,056	\$1,458,489	\$2,559,606
	17.3%	29.1%	43.4%

Beginning Medical Claim Level

Medical claims costs were developed using fully insured premium rates for the 12 month period ending December 31, 2013. The expected claims table was aged to the midpoint of the valuation and includes administrative costs.

Trend Rate

We assumed the medical and drug claims and retiree premiums will increase at an annual trend rate of 7.5% for the plan year ending December 31, 2015, grading down to an ultimate rate of 5.0% in 2022.

Health Care Reform

We are required to show this impact before an auditor can give an opinion on the validity of our results. The excise tax on high cost plans effective in 2018 has a small impact on future employer costs and is reflected in the results. Based on the following we concluded no other adjustments for Health Care Reform is required:

- We do not value lifetime or annual maximums in our calculations
- The employer already allows dependent children to stay on the plan until age 26.
- Medicare Part D reimbursements and the Early Retiree Reinsurance program do not fall under GASB 45
- We did not adjust plan participation rates due to the new requirement for individuals to maintain minimum essential health care coverage

Changes in Actuarial Assumptions

None.

Changes in Plan Provisions

None.

4. Forecast of Results

5 Year Forecast

The following table illustrates a 5-year forecast of Expected Net Employer Claims, Annual Required Contribution (ARC), Annual OPEB Cost (AOC) and Net OPEB Obligation (NOO).

Fiscal Year Ending	Expected Net Employer Claims	Annual Required Contribution (ARC)	Annual OPEB Cost (AOC)	End of Year Net OPEB Obligation (NOO)	
06/30/2016	\$1,577,503	\$1,857,254	\$1,749,871	(\$5,414,811)	
06/30/2017	\$1,668,096	\$1,955,198	N/A	\$17,520,717	Assumes New Rules
06/30/2018	\$1,829,878	\$2,059,883	N/A	\$17,962,210	Assumes New Rules
06/30/2019	\$1,968,952	\$2,171,660	N/A	\$18,411,952	Assumes New Rules
06/30/2019	\$2,002,283	\$2,291,129	N/A	\$18,870,763	Assumes New Rules

It is expected that GASB will significantly change how the accounting results are presented for fiscal years ending 2017 and later. This will be a major step toward getting the OPEB obligation into the financial statement. Until now, the liability footnote in the Comprehensive Annual Financial Report (CAFR) is the Net OPEB Obligation (NOO). The NOO is equal to a running total of the Annual OPEB Cost (expense on the income statement) less employer contributions. At 6/30/2017, the NOO will be replaced by the unfunded liability. It is expected that the unfunded liability will no longer be a footnote item but will be disclosed in the financial statement with other liabilities such as outstanding bonds and long-term leases, emphasizing that the OPEB liability is another obligation that must be met.

5. Asset Summary

Statement of Assets

The following table illustrates the statement of assets used for the development of the financial information.

	Valuation Date	
	07/01/2014	07/01/2015
(1) Cash and Short-Term Investments	\$1,013,414	\$887,599
(2) Investments:		
(a) US Treasuries	5,454,329	6,618,477
(b) Government Agencies	2,708,435	2,073,671
(c) Corporate Obligations	1,521,722	1,589,985
(d) Mutual Funds	19,576,052	20,173,943
(e) Accrued Interest	42,840	46,792
(f) Due from General Fund	48,408	0
(g) Total	\$30,365,200	\$31,390,467
(3) Liabilities		
(a) Accounts Payable	\$19,150	\$0
(4) Net Assets Held in Trust	\$30,346,050	\$31,390,467

Allocation of assets:

	Valuation Date	
	07/01/2014	07/01/2015
Investments:		
(a) Domestic Equity	65%	64%
(b) Domestic Fixed Income	32%	33%
(c) Other (Cash)	3%	3%
(d) Total	100%	100%

5. Asset Summary (cont.)

Reconciliation of Assets

The following table illustrates the statement of assets used for the development of the financial information.

	Valuation Date	
	07/01/2014	07/01/2015
(1) Plan Assets at Prior Valuation Date	\$26,012,362	\$30,346,050
(2) Income:		
(a) Employer Contributions	\$2,433,752	\$2,194,531
(b) Employee Contributions	\$0	\$0
(c) Net Investment Growth	\$3,489,318	\$1,084,753
(3) Benefit Payments	(\$1,821,854)	(\$2,159,355)
(4) Expenses	(\$127,528)	(\$75,512)
(5) Plan Assets at Valuation Date	\$30,346,050	\$31,390,467

6. Liability Summary

Liabilities and Normal Cost

The following table illustrates the liabilities and normal cost used for the development of the financial information.

	Valuation Date	
	01/01/2014	01/01/2015
(1) Accrued Liability:		
(a) Active	\$15,066,481	\$18,541,644
(b) Inactive	\$23,432,485	\$22,673,477
(c) Total	\$38,498,966	\$41,215,121
(2) Normal Cost	\$943,515	\$1,129,372
(3) Expected Net Claims	\$1,763,714	\$1,577,503

7. Development of Annual Required Contribution

Calculation Details

The following table illustrates the development of the Annual Required Contribution and Annual OPEB Cost underlying the foregoing financial information.

	Fiscal Year Ending	
	06/30/2015	06/30/2016
(1) Annual Required Contribution (ARC):		
(a) Normal Cost	\$943,515	\$1,129,372
(b) Amortization Amount	\$458,863	\$598,306
(c) Interest	\$105,178	\$129,576
(d) Total	\$1,507,556	\$1,857,254
(2) Interest on NOO	(\$339,662)	(\$398,057)
(3) NOO Adjustment to AOC	\$248,032	\$290,674
(4) Annual OPEB Cost (AOC)	\$1,415,926	\$1,749,871

8. Disclosure – Funding Progress

Funding Progress

The following table illustrates the funding progress history.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded as a Percent of Covered Payroll
12/31/2007	\$15,373,920	\$40,170,716	\$24,796,796	38.27%	\$20,222,895	122.62%
12/31/2008	\$15,274,216	\$41,635,802	\$26,361,586	36.69%	\$20,322,690	129.72%
12/31/2009	\$22,028,993	\$31,027,028	\$8,998,035	71.00%	\$19,672,456	45.74%
12/31/2010	\$23,984,121	\$32,997,258	\$9,013,137	72.69%	\$19,207,909	46.92%
12/31/2011	\$23,502,151	\$36,087,572	\$12,585,421	65.13%	\$21,698,701	58.00%
12/31/2012	\$26,289,375	\$37,234,965	\$10,945,590	70.60%	\$20,168,544	54.27%
12/31/2013	\$30,120,575	\$38,498,966	\$8,378,391	78.24%	\$20,383,465	41.10%
12/31/2014	\$30,290,649	\$41,215,121	\$10,924,472	73.49%	\$21,081,346	48.83%

9. Disclosure – Annual OPEB Cost and Net OPEB Obligation

Annual OPEB Cost and Net OPEB Obligation

The following table illustrates the development of the Annual OPEB Cost and the fiscal year end Net OPEB Obligation required by GASB.

	Fiscal Year Ending	
	06/30/2014	06/30/2015
(1) Interest Rate	7.5%	7.5%
(2) Annual OPEB Cost (AOC):		
(a) Annual Required Contribution of Employer (ARC)	\$1,744,289	\$1,507,556
(b) Interest on NOO	(\$300,474)	(\$339,662)
(c) NOO Adjustment to AOC	\$217,035	\$248,032
(d) Total AOC	\$1,660,850	\$1,415,926
(3) End of Year Net OPEB Obligation (NOO):		
(a) Beginning of Year NOO	(\$3,755,921)	(\$4,528,823)
(b) Plus AOC	\$1,660,850	\$1,415,926
(c) Minus Contributions	(\$2,433,752)	(\$2,194,531)
(d) End of Year NOO	(\$4,528,823)	(\$5,307,428)
(4) Increase in Net OPEB Asset:	(\$772,902)	(\$778,605)

8. Projected Payouts

10-Year Payout Projection

Annual payments expected based on assumptions detailed in the Methods and Assumptions Section.

Calendar Year	Total (a)	Retiree Premium (b)	Employer Cost (c) = (a) - (b)
2015	\$1,614,650	\$37,147	\$1,577,503
2016	\$1,705,487	\$39,577	\$1,665,910
2017	\$1,864,425	\$43,529	\$1,820,896
2018	\$2,000,096	\$47,858	\$1,952,238
2019	\$2,024,056	\$55,260	\$1,968,796
2020	\$2,166,010	\$65,256	\$2,100,754
2021	\$2,271,730	\$71,684	\$2,200,046
2022	\$2,411,892	\$79,195	\$2,332,697
2023	\$2,531,661	\$89,595	\$2,442,066
2024	\$2,686,391	\$103,680	\$2,582,711

9. Valuation Data

Active Age - Service Distribution

Shown below is the distribution of active participants based on age and service as of the valuation date.

Age	Years of Service as of 01/01/2015									Total
	00-04	05-09	10-14	15-19	20-24	25-29	30-34	35-39	40+	
Under 25	8	0	0	0	0	0	0	0	0	8
25 - 29	22	14	3	0	0	0	0	0	0	39
30 - 34	15	16	10	0	0	0	0	0	0	41
35 - 39	10	15	13	8	0	0	0	0	0	46
40 - 44	10	16	12	11	9	0	0	0	0	58
45 - 49	9	12	20	7	16	6	0	0	0	70
50 - 54	10	16	22	12	14	2	3	0	0	79
55 - 59	9	10	13	4	10	3	4	3	1	57
60 - 64	4	14	4	2	4	4	2	3	1	38
65 - 69	0	6	3	2	1	1	2	1	1	17
70 & Up	2	4	3	2	0	1	0	0	0	12
Totals	99	123	103	48	54	17	11	7	3	465

10. Summary of Principal Plan Provisions

General Eligibility Rules

Former employees and beneficiaries of Sussex County who meet the following conditions:

Medical	Condition
(1) Retirement	
(a) Hired Before July 1, 2001:	Age 60 with 15 years of service or 25 years of service. For Elected Officials, the earlier of: (1) Age 60 with the completion of 5 years of service, or (2) Age 55 with the completion of 10 years of service.
(b) Hired On or After July 1, 2001:	Age 60 with 8 years of service or 25 years of service.
(2) Termination	Terminate employment at any age with 15 years of service. Eligible for benefits at age 60.
Life Insurance	Age 62 with 8 years of service

10. Summary of Principal Plan Provisions (cont.)

Medical and Drug Benefits Covered

Eligible Pre Medicare retirees are generally covered by one of two self funded comprehensive medical programs with the following design:

Gold Plan		
Description	In-Network Balance Billing above excess R&C prohibited (R&C = Reasonable & Customary)	Out-of-Network Balance above excess R&C permitted (R&C = Reasonable & Customary)
<u>FACILITY CHARGES</u>		
In-Patient Hospital	\$100 copay per day, then 100% Maximum of 5 copays per year	\$150 copay per day, then 100% Maximum of 5 copays per year
Outpatient Surgical Facility	\$100 copay, then 100%	\$150 copay, then 100%
Emergency Room:		
Emergency Use	\$75 copay, then 100%	\$75 copay, then 100%
Non-Emergency Use	70%	70%
Ambulance to Hospital	\$50 copay, then 100%	\$50 copay, then 100%
<u>PROFESSIONAL SERVICES</u>		
Surgery	\$50 copay, then 100%	\$75 copay, then 100%
Anesthesia and Hospital Visits	\$20 copay, then 100%	\$20 copay, then 100%
<u>OFFICE VISITS</u>	\$25 copay, then 100%	\$40 copay, then 100%
<u>OTHER CHARGES</u>		
Diagnostic Lab	\$20 copay, then 100% Request LabCorp	\$30 copay, then 100%
Diagnostic X-Ray	\$20 copay, then 100%	\$30 copay, then 100%
Therapy including Physical Therapy; Other Covered Charges; and Chiropractic	\$20 copay, then 100%	\$30 copay, then 100%
<u>MENTAL/NERVOUS AND/OR SUBSTANCE ABUSE</u>		
Lifetime Maximum	300 Days for Mental/Nervous 70 days for Substance Abuse	300 Days for Mental/Nervous 70 days for Substance Abuse
Inpatient	\$100 copay per day, then 100% Maximum of 5 copays per year	\$150 copay per day, then 100% Maximum of 5 copays per year
Outpatient:	\$20 copay, then 100%	\$30 copay, then 100%
<u>PREVENTIVE CARE</u>		
Routine physicals, exams, including well baby care, and hearing screening	\$25 copay, then 100%	\$40 copay, then 100% to a maximum annual benefit of \$150
<u>Deductibles and Out of Pocket</u>	N/A	N/A
<u>Individual Lifetime Maximum</u>	\$3,000,000	\$3,000,000

10. Summary of Principal Plan Provisions (cont.)

Medical and Drug Benefits Covered (cont.)

Silver Plan		
Description	In-Network Balance Billing above excess R&C prohibited (R&C = Reasonable & Customary)	Out-of-Network Balance above excess R&C permitted (R&C = Reasonable & Customary)
<u>FACILITY CHARGES</u>		
In-Patient Hospital	90% ¹	70% ¹
Outpatient Surgical Facility	90% ¹	90% ¹
Emergency Room:		
Emergency Use	\$125 copay, then 90%	\$125 copay, then 90%
Non-Emergency Use	50%	50%
Ambulance to Hospital	90%	90%
<u>PROFESSIONAL SERVICES</u>		
Surgery	90% ¹	70% ¹
Anesthesia and Hospital Visits	90% ¹	90% ¹
<u>OFFICE VISITS</u>	\$25 copay, then 90%	70% ¹
<u>OTHER CHARGES</u>		
Diagnostic Lab	90% ¹ for LabCorp 80% ¹ for all other providers	70% ¹
Diagnostic X-Ray; Therapy including Physical Therapy; and Other Covered Charges	90% ¹	70% ¹
Chiropractic	90% ¹ , maximum of 30 visits per year	70% ¹ , maximum of 30 visits per year
<u>MENTAL/NERVOUS AND/OR SUBSTANCE ABUSE</u>		
Lifetime Maximum	\$50,000 combined lifetime maximum for drug / alcohol charges	\$50,000 combined lifetime maximum for drug / alcohol charges
Inpatient	90% ² , 60 day annual limit	70% ¹ , 60 day annual limit
Outpatient:	90% ¹ , 52 visit annual limit	70% ¹ , 52 visit annual limit
<u>PREVENTIVE CARE</u>		
Routine physicals, exams, including well baby care, and hearing screening	\$25 copay, then 100%	70%
Deductibles:		
Individual	\$500	\$1,000
Family	\$1,000	\$2,000
Out of Pocket:		
Individual	\$2,000	\$4,000
Family	\$4,000	\$8,000
Individual Lifetime Maximum	\$3,000,000	\$3,000,000

¹ Deductible applies.

² Deductible applies.

10. Summary of Principal Plan Provisions (cont.)

Medical and Drug Benefits Covered (cont.)

<u>PRESCRIPTION DRUG CARE</u>	
30-Day Supply	
Generic	\$10 copay
Formulary Brand Name	\$25 copay
Non-Formulary Brand Name	\$35 copay
90-Day Supply	
Generic	\$20 copay
Formulary Brand Name	\$50 copay
Non-Formulary Brand Name	\$70 copay

Integration with Medicare

Medicare eligible retirees coordinate benefits with Medicare on a "Coordination of Benefits" basis. That is, the plan pays up to the amount it would pay as primary payer, except that it will not pay benefits already paid by Medicare (which is actually the primary payer). If a retiree elects not to participate in Medicare Parts A and B the plan is still offset by the hypothetical amount that Medicare would have paid.

Dental and Vision

Retirees are covered by a dental and vision plan

Life

\$5,000 under age 70, \$2,500 at age 70 and older.

Spouses Covered

Spouses of employees or former employees of the County who meet the above conditions will continue to be covered under the medical plan at the same cost that the spouse would have paid if the participant were still living.

12. Summary of Principal Plan Provisions (cont.)

Retiree Costs

At retirement, a participant will receive an Annual Benefit based on the age and years of service:

Hired Before July 1, 2001: County pays for 100% of the cost of medical benefits. Spouses must pay 100% of the spouse's rate set by the County. Employees may apply for medical coverage when they become eligible to receive their Pension benefits.

Hired On or After July 1, 2001: 25 Years of Service

County pays for 100% of the cost of medical benefits. Spouses must pay 100% of the spouses' rate set by the County. Employees may apply for medical coverage when they become eligible to receive their Pension benefits.

15 to 25 Years of Service

Employees must pay for 50% of the County rate for individual coverage. Spouses must pay 100% of the spouses' rate set by the County.

For Elected Officials: 20 Years of Service

County pays for 100% of the cost of medical benefits. Spouses must pay 100% of the spouse's rate set by the County.

15 to 20 Years of Service

County pays for 75% of the cost of medical benefits. Spouses must pay 100% of the spouse's rate set by the County.

10 to 15 Years of Service

County pays for 50% of the cost of medical benefits. Spouses must pay 100% of the spouse's rate set by the County.

5 to 10 Years of Service

Retiree pays for 100% of the cost of medical benefits. Spouses must pay 100% of the spouse's rate set by the County.

10. Summary of Principal Plan Provisions (cont.)

Retiree Costs (cont.)

Employee Medical
2014 Premiums
Employee Share:

Type	Regular Employee	
	Silver	Gold
Individual	\$0.00	\$40.00 per month
Family	\$140.00 per month	\$180.00 per month
Subscriber & Child	\$72.36 per month	\$112.36 per month
Family Prescription	\$17.66 per month	\$57.66 per month

The monthly medical and drug COBRA rate is \$524.89 for the Silver plan and \$723.59 for the Gold plan for the period 1/1/2013 through 12/31/2013.

11. Valuation Methods and Assumptions

Cost Method

Projected Unit Credit cost method

Amortization Method

For the recommended contribution, unfunded liability is amortized over an open 30-year period as a pay-related amount. Pay is assumed to increase at 3.5% per year.

For the Annual OPEB Cost, the Net OPEB Obligation is amortized in the same fashion.

Asset Method

Fair Value.

Employees Included in the Calculations

Below are the assumed participation rates for the health plans:

		Pre 65	Medicare
(1)	General Employees Hired Prior to July 1, 2001	90%	90%
(2)	General Employees Hired On or After to July 1, 2001:		
	(a) Age 18 and 8 years of Service	0%	0%
	(b) Age 60 and 15 years of Service	50%	20%
	(c) Age 18 and 25 years of Service	90%	90%
(3)	Elected Officials Hired On or After to July 1, 2001:		
	(a) Age 60 and 5 years of Service	0%	0%
	(b) Age 55 and 10 years of Service	50%	20%
	(c) Age 60 and 15 years of Service	85%	85%
	(d) Age 55 and 20 years of Service	90%	90%

Marital Status and Age of Spouse

The following marriage, family coverage and spouse's age difference assumption have been made for active participants:

	Male	Female
(1) Married	65%	65%
(2) Elect Spouse Coverage	55%	60%
(3) Spouse Age Difference	3 years younger	3 years older

11. Valuation Methods and Assumptions (cont.)

Interest Discounting and Salary Growth

	01/01/2013	01/01/2014
(1) Interest Rate	7.50%	7.50%
(2) General Inflation	2.50%	2.50%
(3) Salary Growth	3.50%	3.50%
(4) Salary Scale	N/A	N/A

Future Medical Plan Election

Future retirees who elect medical coverage are expected to elect between available options as follows.

	Silver	Gold
(1) Medical Plan Election	10%	90%

Claims

The chart below shows the medical, drug and dental claim level per person (used for the 12-month period beginning January 1, 2014). The claims were aged to the midpoint of the valuation and include administrative expenses.

(1) Description	Medical & Drug	Dental & Vision
(2) Individual Coverage:		
(a) Age 52	\$9,236	\$346
(b) Age 57	\$10,769	\$346
(c) Age 62	\$12,858	\$346
(d) Age 67	\$4,981	\$346
(e) Age 72	\$5,585	\$346
(f) Age 77	\$6,141	\$346

11. Valuation Methods and Assumptions (cont.)

Trend Assumptions

		Base Medical and Drug	Base Dental and Vision	Sensitivity Medical and Drug	Sensitivity Dental and Vision
(1)	01/01/2014 – 12/31/2014	8.00%	7.00%	9.00%	8.00%
(2)	01/01/2015 – 12/31/2015	7.50%	6.50%	8.50%	7.50%
(3)	01/01/2016 – 12/31/2016	7.00%	6.00%	8.00%	7.00%
(4)	01/01/2017 – 12/31/2017	6.50%	5.50%	7.50%	6.50%
(5)	01/01/2018 – 12/31/2018	6.00%	5.00%	7.00%	6.00%
(6)	01/01/2019 – 12/31/2019	5.75%	5.00%	6.75%	6.00%
(7)	01/01/2020 – 12/31/2020	5.50%	5.00%	6.50%	6.00%
(8)	01/01/2021 – 12/31/2021	5.25%	5.00%	6.25%	6.00%
(9)	Ultimate	5.00%	5.00%	6.00%	6.00%

Decrement Assumptions

Below is a summary of decrements used in this valuation. Sample Retirement and Termination rates are illustrated in the tables below. In addition, a decreasing set of factors has been applied to the Termination rates to reflect the higher incidence of turnover during the first 5 years of employment. These factors are 2.0/2.0/2.0/1.2/1.2/1.0 for years 0 through 5, respectively for Males and 4.0/2.4/1.0/1.0/1.0/2.0 for years 0 through 5, respectively for Females. No disability was assumed

Mortality Decrements	Description
(1) Healthy	RP 2014 Mortality with fully generational projections at Scale MP-2014
(2) Disabled	RP 2014 Mortality with fully generational projections at Scale MP-2014

Retirement			Termination		
Decrement Age	<30 Rate	30+ Rate	Decrement Age	Rate	
				Male	Female
55	0.0%	15.0%	20	11.6%	8.7%
57	0.0%	8.0%	25	9.2%	6.9%
59	0.0%	8.0%	30	7.2%	5.4%
61	20.0%	40.0%	35	5.6%	4.2%
63	25.0%	30.0%	40	4.4%	3.3%
65	25.0%	50.0%	45	3.6%	2.7%
70	100.0%	100.0%	50	2.4%	1.8%
			55	2.6%	1.5%
			60	9.6%	0.0%

Effective January 1, 2001, Dispatchers and Paramedics are assumed to retire at the earliest date they were eligible for benefits at age 55 or later.

12. Glossary

Accrual Accounting

An accounting method that recognizes the cost of benefits when they are earned.

Actuarial Accrued Liability

The present value of benefits attributable to current service.

Amortization

The gradual elimination of past liability in regular payments, which include principal and interest, over a period of time.

Annual OPEB Cost

The employer's periodic expense on an accrual-basis.

Annual Required Contributions

The sum of the past service amortization payment and the current annual normal cost that if contributed to the plan would result in no OPEB Obligation for that year.

Projected Unit Credit Actuarial Cost Method

A method under which the present value of future benefit of each plan participant is distributed based on service or earnings between entry age and assumed exit age.

Net OPEB Obligation

The cumulative difference between past Annual OPEB Cost and past employer contributions.

Normal Cost

The amount of plan benefits and expenses that is allocated to a valuation year, based on a cost method.

Pay As You Go Expensing

An accounting method that recognizes the cost of benefits when they are paid.