

12.A

RESOLUTION RE: REVIEW OF POSTRETIREMENT HEALTH PLAN ACTUARIAL VALUATION FOR GASB 45 PURPOSES FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

WHEREAS, beginning January 1, 2008, the County implemented Governmental Accounting Standards Board (GASB) standard (Statement Number 45) on Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions; and

WHEREAS, GASB 45 rules requires employers such as the County of Sussex to obtain an actuarially calculated Other Post Employment Benefits (OPEB) obligation every two years; and

WHEREAS, the County of Sussex Postretirement Health Plan Actuarial Valuation for GASB 45 Purposes for the Fiscal Year Ended December 31, 2010 has been prepared by the Hay Group and filed with the Clerk of the Board of Chosen Freeholders and a copy has been received by each member of the Board; and

WHEREAS, the Sussex County Board of Chosen Freeholders have reviewed and familiarized themselves with the County of Sussex Postretirement Health Plan Actuarial Valuation for GASB 45 Purposes for the Fiscal Year Ended December 31, 2010, and specifically the Executive Summary, Table 1 entitled Annual Required Contribution, and Table 2 entitled Post-Retirement Medical Valuation.

NOW, THEREFORE, BE IT RESOLVED that a certified copy of this Resolution be forwarded to Nisivoccia and Company LLP, 200 Valley Road, Mt. Arlington, NJ 07856; CFO/County Treasurer, and Division of Finance.

Certified as a true copy of a
Resolution adopted by the Board
On the 14th day of September, 2011.

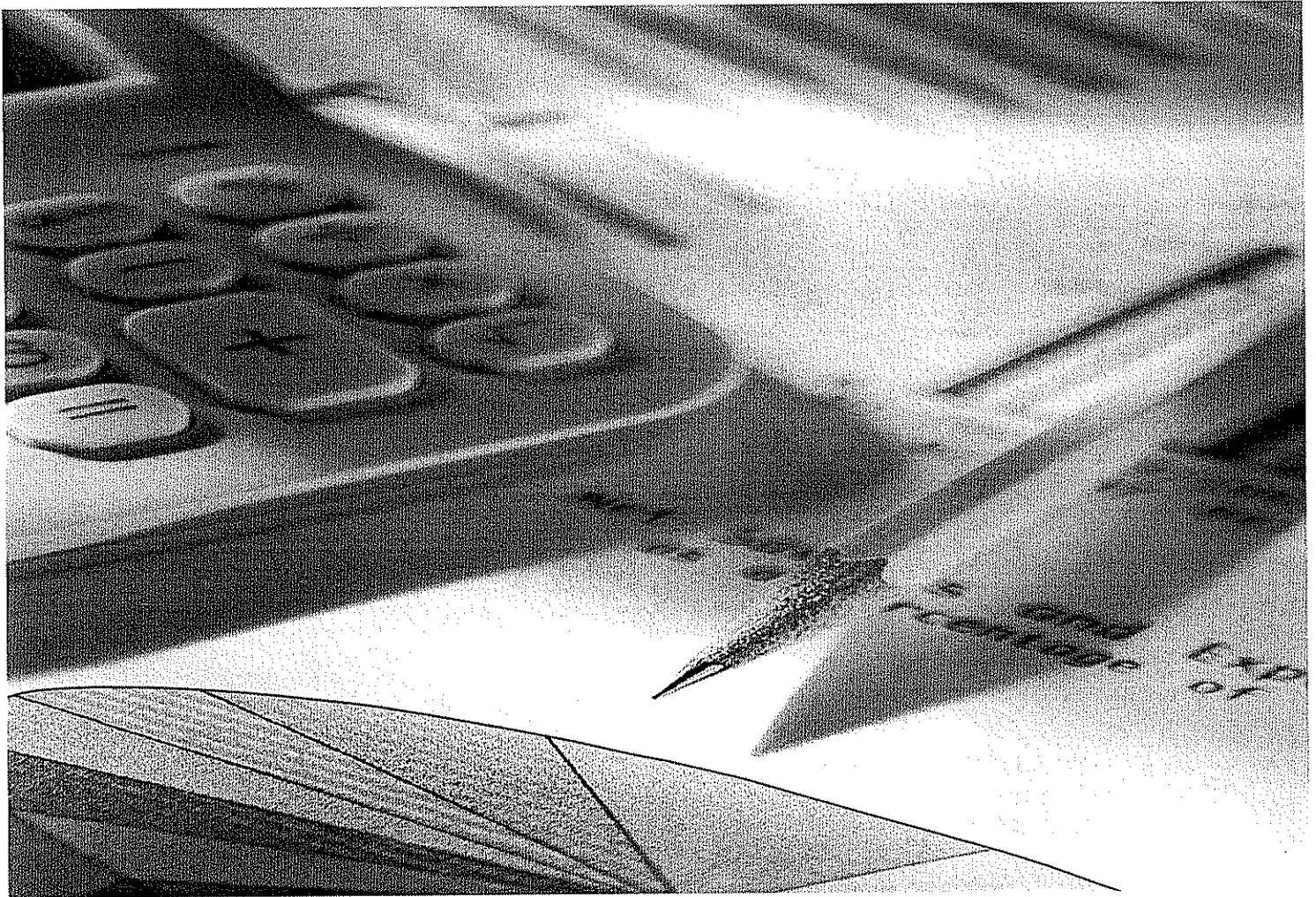
Elaine A. Morgan, Clerk
Board of Chosen Freeholders
County of Sussex



County of Sussex
Postretirement Health Plan

Actuarial Valuation
For GASB 45 Purposes
For the Fiscal Year Ended December 31, 2010

HayGroup®



Prepared by:
Leslie H. Richmond, ASA
Sanjit Puri, ASA



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SECTION 1: Executive Summary

The County of Sussex (the "County") sponsors a healthcare plan providing medical, prescription drug and dental benefits. Eligible County retirees and their dependents may continue health care coverage through the County for life. The plan covers eligible retirees who elect to participate and pay required contributions.

The calculations were made as of January 1, 2010 using census data as of that date and recent health care premium information.

GASB 45

Before January 1, 2008, the County accounted for the retiree medical benefits on a cash basis. Beginning January 1, 2008, the County implemented Governmental Accounting Standards Board (GASB) standard (Statement Number 45) on Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. This standard requires the County to account for these benefits on an accrual basis. A description of the GASB standard can be found in Section 2.

Amortization Methods

The GASB 45 standard requires the initial unfunded actuarial accrued liability to be amortized, but allows the employer the choice of actuarial cost methods using either Level Dollar or Level Percent of Pay. The Level Dollar approach sets up an amortization schedule with equal dollar amounts for each year over the amortization period. The Level Percent of Pay approach sets up an amortization schedule where the amount increases each year in line with expected pay increases. As both methods amortize the same initial amount, the Level Dollar amortization amount in the first year is larger than the Level Percent of Pay amount.

Based on the results of the initial actuarial valuation of the Post-retirement Health Plan, the County chose to amortize the initial unfunded actuarial accrued liability over 30 years using a Level Percent of Pay approach. The County has chosen an open amortization period.

Health Care Trend Rates

The accounting standard requires employers to anticipate future health care costs by adjusting today's healthcare costs with projected health care trend rates. Health care costs have outpaced general inflation and the annual rate of change has fluctuated significantly over time. It is difficult to accurately predict health care cost increases even one or two years into the future. The assumed increase in health care premiums anticipates that: (i) medical costs increase by 9 percent in 2010, with the rate increases declining by one-half percent per year until the rate reaches 5 percent per year in 2018 and thereafter, (ii) prescription drug costs increase by 11 percent in 2010, with the rate increases declining by one-half percent per year until the rate reaches 5 percent per year in 2022 and thereafter, (iii) dental costs increase by a constant 5 percent in all years, and (iv) Medicare Part B premiums increase by 5 percent in all years.

Key Valuation Results

We have calculated the post-retirement medical liabilities for the current retirees and employees covered under the County's health plan as of January 1, 2010. The liabilities were calculated using a discount rate of 4.25 percent. Table 1 below shows the baseline valuation results.

We have shown three measures of the liability: the present value of future benefits, the actuarial accrued liability, and the normal cost. The present value of future benefits is the discounted present value of all future employer-paid health premiums for both current and future retirees. The actuarial accrued liability is the portion of the present value of future benefits attributable to employee service rendered prior to January 1, 2010. The normal cost is the portion of the present value of benefits attributable to employee service rendered in 2010.

The County does not currently fund these benefits. Benefits have historically been paid on a pay-as-you-go basis. The Unfunded Actuarial Accrued Liability as of January 1, 2010 is \$192.9 million. The Normal Cost as of January 1, 2010 is \$9.5 million.

The County pays a portion of the total health insurance premium costs with the remainder paid by the retired employees. In 2010 these costs are expected to be approximately \$5.1 million, and are projected to grow due to the combination of a growing retiree population and short-term increases in health care costs. For example, the projected cash cost for 2013 is approximately \$6.6 million and the projected cash cost for 2016 is approximately \$8.8 million.

The actuarial assumptions are described in Section 4.

Annual Required Contribution and Annual OPEB Cost

The Annual Required Contribution (ARC) is the sum of the Normal Cost and the Amortization payment on the Unfunded Actuarial Accrued Liability.

For an organization that funds the ARC each year, the Annual OPEB cost is the ARC. Where the amount funded in a prior year (or years) was not equal to the ARC, the Annual OPEB cost includes two additional elements:

- i. Interest on the unfunded ARC (or overfunded ARC), and
- ii. Adjustment to the ARC to prevent double accrual of principal payments on the unfunded actuarial accrued liability

Table 1 shows the valuation results and the derivation of the Annual Required Contribution and Annual OPEB Cost. In future valuations, this Table will also show a comparison of these values to the prior year results.

Table 1
Annual Required Contribution

		1/1/2008	1/1/2010
Assumptions			
	Discount rate	4.25%	4.25%
	Healthcare trend rates		
	Initial rate		
	Medical	10.0%	9.0%
	Prescription Drug	12.0%	11.0%
	Dental	5.0%	5.0%
	Medicare Part B	0.0%	5.0%
	Ultimate rate	5.0%	5.0%
Valuation Results			
1.	Present Value of Future Benefits	\$289,393,647	\$320,875,987
2.	Actuarial Accrued Liability	\$170,351,956	\$192,864,638
3.	Assets in the Fund	0	0
4.	Unfunded Actuarial Accrued Liability (2.) – (3.) (actuarial accrued liability less assets in the Fund)	\$170,351,956	\$192,864,638
5.	Normal Cost	\$8,451,644	\$9,464,058
Annual Required Contribution (ARC)			
1.	Normal Cost	\$8,451,644	\$9,464,058
2.	Amortization Cost	\$6,727,046	\$7,616,052
3.	Annual Required Contribution (1.) + (2.)	\$15,178,690	\$17,080,110
4.	Interest on unfunded (overfunded) ARC	0	\$1,038,659
5.	ARC adjustment	0	(\$965,076)
6.	Annual OPEB Cost (3.) + (4.) + (5.)	\$15,178,690	\$17,153,693
7.	Amount funded	\$3,551,783	\$4,671,990
8.	Unfunded (Overfunded) ARC	\$11,626,907	\$12,481,703

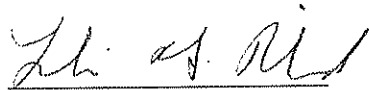
Actuarial Certification

The County retained Hay Group to perform an actuarial valuation of the Post-Retirement Health Plan to provide a determination of the actuarial accrued liability and the Annual Required Contribution under the GASB standard. Use of the valuation results for other purposes may not be appropriate.

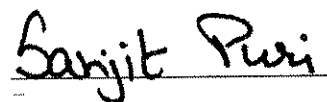
This valuation has been conducted in accordance with generally accepted actuarial principles and practices.

The results shown in this report are reasonable actuarial results. However, a different set of results could also be considered reasonable actuarial results. The reason for this is that actuarial standards of practice describe a "best-estimate range" for each assumption, rather than a single best-estimate value. Thus, reasonable results differing from those presented in this report could have been developed by selecting different points within the best-estimate ranges for various assumptions.

The actuary certifying to this valuation is a member of the Society of Actuaries and other professional actuarial organizations, and meets the General Qualification Standards of the American Academy of Actuaries for purposes of issuing Prescribed Statements of Actuarial Opinion.

A handwritten signature in cursive script, appearing to read "L. H. Richmond".

Leslie H. Richmond, ASA, EA, MAAA
Hay Group
July 2011

A handwritten signature in cursive script, appearing to read "Sanjit Puri".

Sanjit Puri, ASA
Hay Group
July 2011

SECTION 2: Actuarial Cost Method

This section explains the actuarial methodology used for valuation of the post-retirement health benefits program for the current County population.

Governmental Accounting Standards Board (GASB)

In June, 2004, the Governmental Accounting Standards Board (GASB) issued its long awaited standard on *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEBs).

The standard covers both post-retirement and post-employment benefits. Typical benefits covered under the Standard could include:

- Medical
- Prescription drugs
- Dental
- Vision
- Hearing
- Life insurance
- Long term disability
- Long term care

However, if any of these benefits are provided through a pension plan they would be accounted for under GASB 25 — otherwise they will be accounted for under GASB 45.

It has taken GASB over fifteen years to issue the standard as they first added OPEBs to their technical agenda in 1988. The delay has actually helped governmental employers in several ways. Over the ensuing period, private sector firms learned to grapple with the issue after the FASB released its exposure draft and then after due deliberation issued the final standard (FAS 106) in 1990. The actuarial and accounting professions geared up to handle the change from cash to accrual accounting. Claims administrators are now experienced with meeting the special data requests, actuaries have refined their valuation models, and accountants understand the valuation results. The actuarial profession revised and updated its Actuarial Standard of Practice, reissuing ASOP #6 — *Measuring Retiree Group Benefit Obligations* in December 2001. The GASB standard directs users to this actuarial standard for guidance on selection of actuarial assumptions.

The effective date for the new standard depends on the size of the employer. For entities with revenues over \$100 million, the effective date is the fiscal year beginning after December 15, 2006. Entities with smaller revenues have later effective dates. The County is an employer with more

than \$100 million of revenue, but adopted the standard beginning with the financial reporting year January 1, 2008 thru December 31, 2008.

The purpose of the standard is to treat post-employment benefits in a manner similar to pensions. Governmental employers should recognize that OPEBs constitute compensation for employee service and they should recognize the cost of benefits during the periods when employee service is rendered. By accounting for OPEBs, GASB believes the accounting statement will improve the relevance and usefulness of financial reporting, provide information about the size of the liabilities and the extent to which they are funded, and ensure systematic accrual-basis measurement over employee service.

While the standard will require governmental employers to adopt accrual accounting, the standard sets out a broad range of options for employers. These options include:

- Timing of adoption,
- Actuarial cost method,
- Period for amortizing the unfunded liability,
- Measurement date, and
- Frequency of valuations

The most common and most expensive of the OPEBs are retiree medical benefits, which provide a valuable component in employees' retirement benefits program. Most governmental employers fund their retiree medical plans on a pay-as-you-go basis. The GASB standard does not require employers to advance fund these benefits; however, certain aspects of the measurement provide benefits for employers that fund the OPEB.

Actuarial Cost Method

A fundamental principle in financing the liabilities of any retirement program is that the cost of the benefits should be related to the period in which benefits are earned, rather than to the period of benefit distribution. There are several acceptable actuarial methods given in the GASB standard that can be prescribed as acceptable under the GASB standard. The method used for this valuation is the "projected unit credit method," one of several cost methods prescribed as acceptable under the GASB standard.

Under the projected unit cost method, the actuary develops a "normal cost" that can be expected to fund projected benefits at retirement. The cost method determines the normal cost as a dollar amount.

Actuarial Liability

The actuarial liability is that portion of the present value of projected benefits which has been accrued during the employee's working life from hire to the valuation date. Another way of viewing this liability is the portion of the present value of projected benefits that will not be funded by future normal costs. Therefore, as long as participants enter the system with no past service credit (as is assumed in this case), there is no actuarial liability for a new entrant. Furthermore, the full present value of benefits is accrued by the end of each employee's working life.

The difference between the actuarial liability and the funds accumulated as of the valuation date is referred to as the unfunded actuarial liability. Unfunded actuarial liabilities generally exist when (1) the liabilities are not fully funded, (2) benefits have been earned for periods in which no normal cost has been paid or (3) the amounts that have been funded were inadequate because of losses, changes in assumptions, changes in the funding method, or benefit improvements. The unfunded actuarial liability equals the actuarial accrued liability less the value of the assets, if any, set aside to fund the plan's benefit obligations.

The Annual Required Contribution (ARC) consists of two principal components: (1) a normal cost, which pays for benefits being earned in the current reporting period, and (2) amortization of the unfunded actuarial liability, which pays for benefits previously earned but not paid for. Adjustments are made to the ARC for prior unfunded or overfunded ARC amounts, and to prevent double accrual of principal payments on the unfunded accrued liability.

Normal Cost

The normal cost represents the amount charged for service earned during the current reporting period. As stated in the previous section, the projected unit credit actuarial cost method is used in determining the normal cost. Under this method, the normal cost is calculated by allocating the present value of projected benefits over years of service.

The Valuation Results

Table 2 shows the present value of benefits, actuarial accrued liability, the market value of assets, the unfunded actuarial accrued liability and the normal cost. The table shows the amortization of this unfunded actuarial accrued liability and the development of the Annual Required Contribution and Annual OPEB Cost.

The table shows the results for two separate populations: retired employees and their dependents, and active employees who are expected to receive benefits and their dependents.

Table 2
Post-Retirement Medical Valuation

	1/1/2008	1/1/2010
1. Present Value of Future Benefits		
a. Active	\$217,177,077	\$244,226,310
b. Retired	\$72,216,570	\$76,649,677
c. Total	\$289,393,647	\$320,875,987
2. Actuarial Accrued Liability		
a. Active	\$98,135,386	\$116,214,961
b. Retired	\$72,216,570	\$76,649,677
c. Total	\$170,351,956	\$192,864,638
3. Assets	0	0
4. Unfunded Actuarial Accrued Liability (2.c) – (3.)	\$170,351,956	\$192,864,638
5. Amortization Payment (30-year payments, level as % of pay, open)	\$6,727,046	\$7,616,052
6. Normal Cost	\$8,451,644	\$9,464,058
7. Total Annual Required Contribution (5.) + (6.)	\$15,178,690	\$17,080,110
8. Annual OPEB Cost	\$15,178,690	\$17,153,693
9. Employer Funding		
Paid in Benefits	\$3,551,783	\$4,671,990
Paid to Trust	0	0
Total	\$3,551,783	\$4,671,990

SECTION 3: Actuarial Assumptions

In accordance with GASB 45, selection of all actuarial assumptions, including the health care cost trend rate in valuations of post-employment health care plans, should be guided by Actuarial Standard of Practice No. 6, Measuring Retiree Group Benefit Obligations, as revised from time to time by the Actuarial Standards Board. Accordingly, actuarial assumptions should be based on the actual experience of the covered group, to the extent that creditable experience data are available, but should emphasize expected long-term future trends rather than give undue weight to recent past experience. The reasonableness of each actuarial assumption should be considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions.

The actuarial assumptions used to value the post-retirement medical liabilities can be categorized into three groups: economic assumptions, healthcare assumptions, and demographic assumptions.

Economic Assumptions

The two economic assumptions used in the valuation are the discount rate and the health care cost trend rates. The economic assumptions are used to account for changes in the cost of benefits over time and to discount future benefit payments for the time value of money.

Discount Rate

The investment return assumption (discount rate) should be the estimated long-term investment yield on the investments that are expected to be used to finance the payments of benefits. The investments expected to be used to finance the payments of benefits would be plan assets for funded plans, assets of the employer for pay-as-you-go plans, or a proportionate combination of the two for plans that are being partially funded.

For the scenario in which the County will not be advance funding the post-retirement medical benefits, we recommend using a rate that is based on the historical and expected performance of the County's general assets that are used to pay postretirement health premiums. That rate is assumed to be 4.25 percent. We understand that the County will not be funding the post-retirement health benefit obligations.

Health Care Cost Trend Rates

Table 3 below shows the health care cost trend rates that were used for the actuarial valuation of the Post-Retirement Medical Plan. The set of health care trend rates feature varying initial health care cost trend rates based on type of benefit, and trend rates for all benefits decline to an ultimate rate of 5 percent.

Table 3

Health Care Cost Trend Rate Assumptions

Year	Medical	Prescription Drug	Dental	Medicare Part B
2010	9.0%	11.0%	5.0%	5.0%
2011	8.5%	10.5%	5.0%	5.0%
2012	8.0%	10.0%	5.0%	5.0%
2013	7.5%	9.5%	5.0%	5.0%
2014	7.0%	9.0%	5.0%	5.0%
2015	6.5%	8.5%	5.0%	5.0%
2016	6.0%	8.0%	5.0%	5.0%
2017	5.5%	7.5%	5.0%	5.0%
2018	5.0%	7.0%	5.0%	5.0%
2019	5.0%	6.5%	5.0%	5.0%
2020	5.0%	6.0%	5.0%	5.0%
2021	5.0%	5.5%	5.0%	5.0%
2022+	5.0%	5.0%	5.0%	5.0%

Medical Assumptions

The valuation projects the healthcare costs for employees who remain in County with coverage after retirement. The data provided to us included claim information for covered retirees. Based on the data provided, we calculated per capita costs for the retired group under 65 and the retired group age 65 and older. Retirees generally become eligible for Medicare at age 65.

Demographic Assumptions

The demographic assumptions include the rate of mortality, the rate of withdrawal, the rate of retirement, and the rate of disability. Ancillary demographic assumptions include the age of female spouses, and coverage rates, and participation rates. The complete set of demographic assumptions is included in Section 4.

SECTION 4: Financial Accounting Information

In addition to establishing the Annual Required Contribution (ARC), this report shows the progress toward funding of the plan benefits. This section includes a schedule of the funding progress, which is a statement of disclosure to report the information required by Governmental Accounting Standards Board (GASB) Statement No. 45.

GASB No. 45 Disclosures

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actual Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/08	\$0	\$170,351,956	\$170,351,956	0%	\$33,715,286	505.3%
1/1/09*	\$0	\$182,779,560	\$182,779,560	0%	\$35,099,887	520.7%
1/1/10	\$0	\$192,864,638	\$192,864,638	0%	\$35,836,952	538.2%

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution**	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$15,178,690	\$3,551,783	23.4%	\$11,626,907
December 31, 2009*	\$16,127,035	\$3,314,897	20.6%	\$24,439,045
December 31, 2010	\$17,153,693	\$4,671,990	27.2%	\$36,920,748

* Estimated valuation.

**Actual retiree payments for medical, prescription drug and dental benefits, Medicare Part B reimbursements and related administrative fees, for the fiscal year.

GASB No. 45 Disclosure

Development of the Net OPEB Obligation

Date	Net OPEB Obligation at Beginning of Year (a)	Annual Required Contribution (b)	Interest on Unfunded ARC (c)	Adjustment of the ARC (d)	Annual OPEB Cost (e) = (b) + (c) + (d)	Actual Contribution ** (f)	Increase in net OPEB obligation (g) = (e) - (f)	Net OPEB obligation at end of year (h) = (a) + (g)
1/1/08	0	\$15,178,690	0	0	\$15,178,690	\$3,551,783	\$11,626,907	\$11,626,907
1/1/09*	\$11,626,907	\$16,092,027	\$494,144	-\$459,136	\$16,127,035	\$3,314,897	\$12,812,138	\$24,439,045
1/1/10	\$24,439,045	\$17,080,110	\$1,038,659	-\$965,076	\$17,153,693	\$4,671,990	\$12,481,703	\$36,920,748

* Estimated valuation

** Retiree benefit payment

PLAN PROVISIONS

County of Sussex Postretirement Health Coverage

The following subsections outline the eligibility for retirement (that would qualify a retiree for County-paid postretirement health benefits) for the various groups of County employees.

CWA Local 1032 Members

Medical Benefits	Provided, fully employer-paid
Prescription Drug Benefits	Provided, fully employer-paid
Dental Benefits	Provided, fully employer-paid
Medicare Part B Reimbursements	Provided to retiree and eligible spouse
Service or Early Retirement Eligibility for the County's Postretirement Health Benefits	Attainment of 25 years of service (last 15 of which with the County) and attainment of age 55
Ordinary or Accidental Disability Retirement	Eligible regardless of years of service
Termination	All coverage discontinued the first of the month following one month after termination
Death After Retirement	Coverage not provided to survivors

CWA Local 1083 Members

Medical Benefits	Provided, fully employer-paid
Prescription Drug Benefits	Provided, fully employer-paid
Dental Benefits	Provided, fully employer-paid
Medicare Part B Reimbursements	Provided to retiree and eligible spouse
Service or Early Retirement Eligibility for the County's Postretirement Health Benefits	Attainment of 25 years of service (last 15 of which with the County) and attainment of age 55
Ordinary or Accidental Disability Retirement	Eligible regardless of years of service
Termination	All coverage discontinued the first of the month following one month after termination
Death After Retirement	Coverage not provided to survivors

Sheriff's Unit Members

Medical Benefits	Provided, fully employer-paid
Prescription Drug Benefits	Provided, fully employer-paid
Dental Benefits	Provided, fully employer-paid
Medicare Part B Reimbursements	Provided to retiree and eligible spouse
Service or Early Retirement Eligibility for the County's Postretirement Health Benefits	Attainment of 25 years of service (last 10 of which with the County) and attainment of age 55
Ordinary or Accidental Disability Retirement	Eligible regardless of years of service for Accidental, eligible after 4 years of service for Ordinary
Termination	All coverage discontinued the first of the month following one month after termination
Death After Retirement	Coverage not provided to survivors

Corrections Unit Members

Medical Benefits	Provided, fully employer-paid
Prescription Drug Benefits	Provided, fully employer-paid
Dental Benefits	Provided, fully employer-paid
Medicare Part B Reimbursements	Provided to retiree and eligible spouse
Service or Early Retirement Eligibility for the County's Postretirement Health Benefits	Attainment of 25 years of service (last 10 of which with the County) and attainment of age 55
Ordinary or Accidental Disability Retirement	Eligible regardless of years of service for Accidental, eligible after 4 years of service for Ordinary
Termination	All coverage discontinued the first of the month following one month after termination
Death After Retirement	Coverage not provided to survivors

Prosecutors Association Members

Medical Benefits	Provided, fully employer-paid (only until age 65, if hired 1/1/08 or later)
Prescription Drug Benefits	Provided, fully employer-paid (only until age 65, if hired 1/1/08 or later)
Dental Benefits	Provided, fully employer-paid (only until age 65, if hired 1/1/08 or later)
Medicare Part B Reimbursements	Provided to retiree and eligible spouse
Service or Early Retirement Eligibility for the County's Postretirement Health Benefits	Attainment of 25 years of service (last 20 of which with the County, if hired 1/1/08 or later) and attainment of age 55
Ordinary or Accidental Disability Retirement	Eligible regardless of years of service for Accidental, eligible after 4 years of service for Ordinary
Termination	All coverage discontinued the first of the month following one month after termination
Death After Retirement	Coverage IS provided to surviving spouse (only until spouse's age 65, if retiree was hired 1/1/08 or later)

Sussex County Municipal Utilities Authority Members

Medical Benefits	Not provided by County
Prescription Drug Benefits	Not provided by County
Dental Benefits	Provided, fully employer-paid
Medicare Part B Reimbursements	Not provided by County
Service or Early Retirement Eligibility for the County's Postretirement Health Benefits	Attainment of 25 years of service (last 15 of which with the County) and attainment of age 55
Ordinary or Accidental Disability Retirement	Eligible regardless of years of service
Termination	All coverage discontinued the first of the month following one month after termination
Death After Retirement	Coverage not provided to survivors

Summary of Horizon Blue Cross/Blue Shield Benefits:

Coinsurance In-Network	100% of Covered Basic Charges. 100% of Covered Supplemental Charges.
Coinsurance Out-of-Network	70% of Covered Basic Charges. 70% of Covered Supplemental Charges.
Coinsurance Cap In-Network	After \$400/Covered Person, \$1,000 family, County provides 100% of Covered Allowance.
Coinsurance Cap Out-of-Network	After \$2,000/Covered Person, \$5,000 family, County provides 100% of Covered Allowance.
<p>Note: The Coinsurance Cap cannot be met with:</p> <ul style="list-style-type: none"> ■ Deductibles ■ Non-Covered Charges ■ Copayments 	
Out-of-Network Deductible Applies to Basic/Supplemental Services	\$100/Covered Person. \$250/family. Note: May be aggregately satisfied by 2 or more separate Covered Persons.

BENEFIT PERIOD MAXIMUM

In-Network	Unlimited. Applies to all Covered Services and Supplies.
Out-of-Network	\$1,000,000. Applies to all Covered Services and Supplies.

PER LIFETIME MAXIMUMS

In-Network	Unlimited. Applies to all Covered Services and Supplies.
Out-of-Network	\$1,000,000. Applies to all Covered Services and Supplies.

SERVICES

In-Network	Most Services subject to 100% Coinsurance.
Out-of-Network	Most Services subject to Deductible, and 70% Coinsurance.

METHODS AND ASSUMPTIONS

Actuarial Method

Projected Unit Credit Cost Method

Service Cost

Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the plan's benefit formula. This allocation is based on each individual's service between date of hire and date of full benefit eligibility.

Actuarial Accrued Liability

The Actuarial Present Value of Benefits allocated to all periods prior to the valuation year.

Discount Rate

4.25% (assuming no prefunding)

Medical Trend

Annual Rate of Increase	
Year	Rate
2010	9.0%
2011	8.5%
2012	8.0%
2013	7.5%
2014	7.0%
2015	6.5%
2016	6.0%
2017	5.5%
2018 and later	5.0%

Prescription Drug Trend

Annual Rate of Increase	
Year	Rate
2010	11.0%
2011	10.5%
2012	10.0%
2013	9.5%
2014	9.0%
2015	8.5%
2016	8.0%
2017	7.5%
2018	7.0%
2019	6.5%
2020	6.0%
2021	5.5%
2022 and Later	5.0%

Medicare Part B premium reimbursement

Annual Rate of Increase	
Year	Rate
2010 and later	5.0%

Dental Trend Rates

Annual Rate of Increase	
Year	Rate
2010 and later	5.0%

Assumed Claim Costs for Retirees

Age	Medical & Admin	Rx Claims	Dental
Under age 50	\$11,432	2,270	\$645
50-54	11,432	2,270	645
55-59	12,826	2,398	645
60-64	14,614	2,790	645
65-69	2,082	2,989	645
70-74	2,350	3,159	645
75-79	2,723	3,205	645
80-84	2,794	2,995	645
85 and over	2,794	2,995	645

Medicare Part B Reimbursements

Average rates
\$96.40 per month

Retiree Contributions

The valuation excludes those individuals who pay 100% of the plan cost.

The County pays the full cost of medical, prescription drug and dental benefits.

Data Assumption

Age Difference/% Married

Males are assumed to be 3 years older than females. Married actives are assumed to choose family coverage at retirement. We assume that 75% of retirees are married.

Coverage

We assumed that:

- 100% of all retirees who currently have healthcare coverage will continue with the same coverage.
- Actives, upon retirement, will be assumed to have a blend of coverage based on PPO and Traditional plans offered by the County, based on claim data supplied by the County.

Valuation Methodology and Terminology

We have used GASB accounting methodology to determine postretirement benefit obligations.

Amortization Period

The amortization cost for the initial Unfunded Actuarial Accrued Liability is a level percentage of payroll, for a period of 30 years, with an assumption that payroll increases by 3.0% per year.

Pre-Retirement Mortality

RP 2000 Combined Healthy Mortality Table

Post-Retirement Mortality

RP 2000 Combined Healthy Mortality Table

Disabled Mortality

RP 2000 Disabled Retiree Mortality Table

Rates of Retirement

Consistent with Pension Plan of participant

Rates of Withdrawal

Consistent with Pension Plan of participant

Rates of Disability

Consistent with Pension Plan of participant

Public Employees' Retirement System of New Jersey - Local

Age	Disability		Withdrawal						Age 55 & 25 Service or Age 60
	Ordinary	Accidental	1st Yr Service	2nd Yr Service	3rd Yr Service	4 - 9 Yrs Service	> 9 Yrs Service		
19	0.00000	0.00001	0.24450	0.18579	0.12703	0.10081	0.00000	0.00000	
20	0.00000	0.00001	0.24551	0.18670	0.12785	0.10081	0.00000	0.00000	
21	0.00000	0.00001	0.24652	0.18762	0.12866	0.09973	0.00000	0.00000	
22	0.00000	0.00001	0.24753	0.18853	0.12948	0.09865	0.00000	0.00000	
23	0.00000	0.00001	0.24854	0.18944	0.13029	0.10258	0.00000	0.00000	
24	0.00000	0.00001	0.24954	0.19035	0.13111	0.10145	0.00000	0.00000	
25	0.00000	0.00001	0.25055	0.19126	0.13193	0.10032	0.00000	0.00000	
26	0.00000	0.00001	0.24420	0.18551	0.12678	0.09698	0.00000	0.00000	
27	0.00000	0.00001	0.23784	0.17977	0.12164	0.09366	0.00000	0.00000	
28	0.00034	0.00004	0.23149	0.17402	0.11649	0.08162	0.00000	0.00000	
29	0.00041	0.00004	0.22514	0.16827	0.11135	0.07861	0.00000	0.00000	
30	0.00049	0.00004	0.21878	0.16252	0.10620	0.07561	0.07674	0.00000	
31	0.00054	0.00004	0.21322	0.15749	0.10170	0.07158	0.07272	0.00000	
32	0.00058	0.00004	0.20765	0.15245	0.09719	0.06755	0.06871	0.00000	
33	0.00112	0.00003	0.20209	0.14742	0.09268	0.04574	0.04691	0.00000	
34	0.00121	0.00003	0.19652	0.14239	0.08818	0.04284	0.04403	0.00000	
35	0.00129	0.00003	0.19096	0.13735	0.08367	0.03995	0.04115	0.00000	
36	0.00168	0.00004	0.18929	0.13585	0.08232	0.03914	0.04040	0.00000	
37	0.00207	0.00005	0.18763	0.13434	0.08098	0.03834	0.03966	0.00000	
38	0.00208	0.00007	0.18596	0.13283	0.07963	0.03584	0.03768	0.00000	
39	0.00241	0.00008	0.18430	0.13133	0.07828	0.03507	0.03699	0.00000	
40	0.00273	0.00009	0.18263	0.12982	0.07693	0.03430	0.03630	0.00000	
41	0.00286	0.00009	0.18145	0.12875	0.07597	0.03353	0.03565	0.00000	
42	0.00295	0.00009	0.18026	0.12768	0.07502	0.03276	0.03500	0.00000	
43	0.00332	0.00008	0.17908	0.12661	0.07406	0.03199	0.03435	0.00000	

qx for cause:

Public Employees' Retirement System of New Jersey - Local

Age	Disability		Withdrawal					qx for cause: Age 55 & 25 Service or Age 60
	Ordinary	Accidental	1st Yr Service	2nd Yr Service	3rd Yr Service	4 - 9 Yrs Service	> 9 Yrs Service	
44	0.00342	0.00008	0.17790	0.12554	0.07310	0.03122	0.03370	0.00000
45	0.00354	0.00008	0.17671	0.12447	0.07214	0.03045	0.03305	0.00000
46	0.00401	0.00008	0.17536	0.12324	0.07104	0.02893	0.03263	0.00000
47	0.00447	0.00008	0.17400	0.12201	0.06994	0.02741	0.03221	0.00000
48	0.00402	0.00013	0.17264	0.12078	0.06884	0.02588	0.03119	0.00000
49	0.00440	0.00013	0.17128	0.11955	0.06774	0.02436	0.03066	0.00000
50	0.00479	0.00013	0.16992	0.11832	0.06664	0.02284	0.03013	0.00000
51	0.00528	0.00013	0.16909	0.11757	0.06597	0.02242	0.03059	0.00000
52	0.00578	0.00013	0.16826	0.11682	0.06529	0.02200	0.03105	0.00000
53	0.00631	0.00013	0.16742	0.11607	0.06462	0.01963	0.02957	0.00000
54	0.00681	0.00013	0.16659	0.11531	0.06395	0.01925	0.03007	0.00000
55	0.00731	0.00013	0.16576	0.11456	0.06327	0.01887	0.03057	0.11700
56	0.00714	0.00013	0.16756	0.11618	0.06473	0.01887	0.03057	0.11700
57	0.00694	0.00013	0.16937	0.11783	0.06620	0.01887	0.03057	0.11700
58	0.00968	0.00021	0.17119	0.11947	0.06767	0.01887	0.03057	0.11700
59	0.00941	0.00021	0.17299	0.12110	0.06913	0.01887	0.03057	0.28600
60	0.00917	0.00021	0.00000	0.00000	0.00000	0.00000	0.00000	0.07800
61	0.00940	0.00021	0.00000	0.00000	0.00000	0.00000	0.00000	0.08400
62	0.00963	0.00025	0.00000	0.00000	0.00000	0.00000	0.00000	0.16800
63	0.00915	0.00017	0.00000	0.00000	0.00000	0.00000	0.00000	0.10500
64	0.00936	0.00019	0.00000	0.00000	0.00000	0.00000	0.00000	0.10500
65	0.00957	0.00019	0.00000	0.00000	0.00000	0.00000	0.00000	0.22050
66	0.01008	0.00019	0.00000	0.00000	0.00000	0.00000	0.00000	0.15750
67	0.01059	0.00019	0.00000	0.00000	0.00000	0.00000	0.00000	0.13650
68	0.01111	0.00012	0.00000	0.00000	0.00000	0.00000	0.00000	0.11550
69	0.01161	0.00012	0.00000	0.00000	0.00000	0.00000	0.00000	0.11550
70	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000

Police and Firemen's Retirement System of New Jersey - Local

qx for cause:

Age	Disability		Withdrawal										Retirement*				
	Ordinary	Accidental	<2 Yrs Service	2 Yrs Service	3 Yrs Service	4 Yrs Service	5-9 Yrs Service	> 9 Yrs Service	<21 Yrs Service	21-24 Yrs Service	25 Yrs Service	>25 Yrs Service					
19	0.00070	0.00021	0.02500	0.01910	0.01570	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000					
20	0.00070	0.00021	0.02500	0.01910	0.01570	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000					
21	0.00070	0.00021	0.02500	0.01910	0.01570	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000					
22	0.00070	0.00025	0.02500	0.01910	0.01570	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000					
23	0.00100	0.00025	0.03850	0.01910	0.01570	0.01740	0.00700	0.00000	0.00000	0.00000	0.00000	0.00000					
24	0.00100	0.00029	0.03850	0.01910	0.01570	0.01740	0.00700	0.00000	0.00000	0.00000	0.00000	0.00000					
25	0.00100	0.00029	0.03850	0.01910	0.01570	0.01740	0.00700	0.00000	0.00000	0.00000	0.00000	0.00000					
26	0.00100	0.00033	0.03850	0.01910	0.01570	0.01740	0.00700	0.00000	0.00000	0.00000	0.00000	0.00000					
27	0.00100	0.00037	0.03850	0.01910	0.01570	0.01740	0.00700	0.00000	0.00000	0.00000	0.00000	0.00000					
28	0.00165	0.00074	0.04400	0.02200	0.01760	0.01740	0.01080	0.00540	0.00000	0.00000	0.00000	0.00000					
29	0.00165	0.00089	0.04400	0.02200	0.01760	0.01740	0.01080	0.00540	0.00000	0.00000	0.00000	0.00000					
30	0.00165	0.00107	0.04400	0.02200	0.01760	0.01740	0.01080	0.00540	0.00000	0.00000	0.00000	0.00000					
31	0.00165	0.00122	0.04400	0.02200	0.01760	0.01740	0.01080	0.00540	0.00000	0.00000	0.00000	0.00000					
32	0.00165	0.00144	0.04400	0.02200	0.01760	0.01740	0.01080	0.00540	0.00000	0.00000	0.00000	0.00000					
33	0.00300	0.00156	0.04500	0.02250	0.01760	0.01740	0.01280	0.00310	0.00000	0.00000	0.00000	0.00000					
34	0.00300	0.00173	0.04500	0.02250	0.01760	0.01740	0.01280	0.00310	0.00000	0.00000	0.00000	0.00000					
35	0.00300	0.00183	0.04500	0.02250	0.01760	0.01740	0.01280	0.00310	0.00000	0.00000	0.00000	0.00000					
36	0.00300	0.00195	0.04500	0.02250	0.01760	0.01740	0.01280	0.00310	0.00000	0.00000	0.00000	0.00000					
37	0.00300	0.00206	0.04500	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
38	0.00462	0.00210	0.05000	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
39	0.00462	0.00221	0.05000	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
40	0.00462	0.00230	0.05000	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
41	0.00462	0.00234	0.05000	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
42	0.00462	0.00239	0.05000	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
43	0.00502	0.00239	0.03500	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
44	0.00502	0.00233	0.03500	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
45	0.00502	0.00227	0.03500	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
46	0.00502	0.00215	0.03500	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					
47	0.00502	0.00207	0.03500	0.02250	0.01850	0.02320	0.01500	0.00320	0.00000	0.00000	0.00000	0.00000					

Police and Firemen's Retirement System of New Jersey - Local

qx for cause:

Age	Disability		Withdrawal										Retirement*		
	Ordinary	Accidental	<2 Yrs Service	2 Yrs Service	3 Yrs Service	4 Yrs Service	5-9 Yrs Service	> 9 Yrs Service	<21Yrs Service	21-24 Yrs Service	25 Yrs Service	>25 Yrs Service			
48	0.00545	0.00197	0.00000	0.02250	0.01850	0.02000	0.02000	0.02000	0.00300	0.03750	0.00000	0.55260	0.15400		
49	0.00545	0.00191	0.00000	0.02250	0.01850	0.02000	0.02000	0.02000	0.00300	0.03750	0.00000	0.56020	0.15400		
50	0.00545	0.00179	0.00000	0.02250	0.01850	0.02000	0.02000	0.02000	0.00300	0.03750	0.00000	0.56770	0.15400		
51	0.00545	0.00173	0.00000	0.02250	0.01850	0.02000	0.02000	0.02000	0.00300	0.03750	0.00000	0.57530	0.15400		
52	0.00545	0.00168	0.00000	0.02250	0.01850	0.02000	0.02000	0.02000	0.00300	0.03750	0.00000	0.58280	0.15400		
53	0.00660	0.00161	0.00000	0.02250	0.01850	0.01000	0.01000	0.02000	0.00300	0.05000	0.00000	0.59040	0.17480		
54	0.00594	0.00161	0.00000	0.02250	0.01850	0.01000	0.01000	0.02000	0.00300	0.05000	0.00000	0.59040	0.17480		
55	0.00900	0.00161	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.04250	0.00000	0.59040	0.17480		
56	0.00900	0.00161	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.04250	0.00000	0.66420	0.17480		
57	0.00800	0.00107	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.04250	0.00000	0.77490	0.17480		
58	0.00800	0.00107	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.04250	0.00000	0.77490	0.17480		
59	0.00800	0.00107	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.04250	0.00000	0.77490	0.22780		
60	0.01600	0.00107	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.04250	0.00000	0.77490	0.22780		
61	0.01800	0.00107	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.04250	0.00000	0.77490	0.22780		
62	0.01800	0.00107	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.12750	0.00000	0.77490	0.22780		
63	0.02700	0.00107	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.12750	0.00000	0.77490	0.22780		
64	0.03000	0.00107	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.37500	0.00000	0.77490	0.37800		
65	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	1.00000	1.00000	1.00000	1.00000		

*Ultimate retirement at age 65.

Public Employees' Retirement System of New Jersey – Prosecutor's Part (Local)

AGE	qx for cause:			
	Prosecutor's Part Retirement			
	<20 Yrs Service	20 Yrs Service	21-24 Yrs Service	>24 Yrs Service
35	0.00000	0.00000	0.00000	0.00000
36	0.00000	0.00000	0.00000	0.00000
37	0.00000	0.00000	0.00000	0.00000
38	0.00000	0.00000	0.00000	0.00000
39	0.00000	0.00000	0.00000	0.00000
40	0.00000	0.02500	0.00000	0.00200
41	0.00000	0.02500	0.00000	0.00212
42	0.00000	0.02500	0.00000	0.00224
43	0.00000	0.02500	0.00000	0.00236
44	0.00000	0.02500	0.00000	0.00248
45	0.00000	0.02500	0.00000	0.00260
46	0.00000	0.02500	0.00000	0.00370
47	0.00000	0.02500	0.00000	0.00480
48	0.00000	0.03750	0.00000	0.00531
49	0.00000	0.03750	0.00000	0.00630
50	0.00000	0.03750	0.00000	0.00729
51	0.00000	0.03750	0.00000	0.00817
52	0.00000	0.03750	0.00000	0.00905
53	0.00000	0.05000	0.00000	0.00994
54	0.00000	0.05000	0.00000	0.01082
55	0.03060	0.05000	0.00000	0.11700
56	0.03060	0.05000	0.00000	0.11700
57	0.03060	0.05000	0.00000	0.11700
58	0.03060	0.05000	0.00000	0.11700
59	0.03060	0.05000	0.00000	0.28600
60	0.03060	0.05000	0.00000	0.07800
61	0.03060	0.05000	0.00000	0.08400
62	0.03060	0.15000	0.00000	0.16800
63	0.03060	0.15000	0.00000	0.10500
64	0.03060	0.37500	0.00000	0.10500
65	0.03060	0.37500	0.00000	0.22050
66	0.03060	0.37500	0.00000	0.15750
67	0.03060	0.37500	0.00000	0.13650
68	0.03060	0.37500	0.00000	0.11550
69	0.03060	0.37500	0.00000	0.11550
70	1.00000	1.00000	1.00000	1.00000

SECTION 5: Participant Data

The following tables show the current retired participants, and the potential future retirees who are currently active.

Age Group	Females	Males	Total
<50	5	3	8
50-54	8	17	25
55-59	14	12	26
60-64	23	15	38
65-69	20	34	54
70-74	24	18	42
75-79	9	15	24
79+	12	12	24
Total	115	126	241

Age Group	Females	Males	Total
<25	5	9	14
25-29	19	37	56
30-34	16	39	55
35-39	28	36	64
40-44	28	57	85
45-49	49	60	109
50-54	77	53	130
55-59	80	55	135
60-64	64	36	100
65+	27	25	52
Total	393	407	800

Les
 Thanks for the information.
 I will be calling you next week when County Administrator John Eskilson returns from vacation to discuss the numbers so that we can better explain it to the Freeholders and general public.
 Take care,
 Bernie

From: Leslie Richmond [mailto:Leslie.Richmond@haygroup.com]
Sent: Friday, August 05, 2011 3:31 PM
To: Re , Bernard; Bailey, Patrick
Cc: Sanjit Puri
Subject: Homestead

Bernie and Patrick—The chart below shows our findings with respect to the Homestead group as of January 1, 2010 (FY10). In general, the decrease to your GASB 45 expense would be about \$1.5 million. This statement is based on the assumption that, if the Homestead group was no longer employed by the County, that the County was no longer responsible for their retiree healthcare benefits, except perhaps with respect to those currently retirement-eligible.

	<u>Total</u> <u>County</u> <u>(Current)</u>	<u>Total</u> <u>Homestead</u>	<u>County less</u> <u>Total</u> <u>Homestead</u>	<u>County less Total</u> <u>Homestead, plus</u> <u>Homestead</u> <u>Retirement</u> <u>Eligibles (as</u> <u>actives)</u>	<u>County less Total</u> <u>Homestead, plus</u> <u>Homestead</u> <u>Retirement Eligibles</u> <u>(as retirees)</u>
<u>Values as of January 1, 2010 (FY 2010)</u>					
1) Present Value of Benefits	320,875,987	26,686,560	294,189,427	295,707,512	296,103,271
2) Normal Cost	9,464,058	1,111,092	8,352,966	8,394,226	8,352,966
3) Actuarial Accrued Liability	192,864,638	12,994,503	179,870,135	181,212,876	181,783,979
4) Amortization (30-year amortization of (3))	7,616,052	513,141	7,102,911	7,155,934	7,178,487
5) Annual Required Contribution (ARC) = (2) + (4)	17,080,110	1,624,233	15,455,877	15,550,160	15,531,453
6) County ARC Difference from Current (excludes ARC adjustments)			(1,624,233)	(1,529,950)	(1,548,657)