



CONSULTING GROUP



A POSTRETIREMENT WELFARE BENEFIT

GASB 75 ACTUARIAL VALUATION

For:

Town of Ulster

As of:

January 1, 2018

(Updated as of December 31, 2019)

Prepared by:

USI Consulting Group

January 14, 2020



CONSULTING GROUP

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January 14, 2020

Town of Ulster
1 Town Hall Drive
Lake Katrine, NY 12449

RE: January 1, 2018 Actuarial Valuation of Postretirement Welfare Benefits

We enclose the report covering the actuarial valuation of the postretirement medical insurance plan for the employees of the Town of Ulster as of January 1, 2018.

The financial results of the actuarial valuation are summarized in the report. The Executive Summary highlights the results of the valuation, including the calculation of the PEB expense for the fiscal years ending December 31, 2018 and December 31, 2019.

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

All calculations are made in accordance with our understanding of the provisions of the Statement of Governmental Accounting Standards Numbers 75 (GAS 75). This report provides information for the fiscal years ending December 31, 2018 and December 31, 2019. When completed, we would appreciate a copy of the footnote to your financial statement related to the postretirement benefits.

Respectfully submitted,

USI Consulting Group

A handwritten signature in blue ink that reads "Robert W. Webb".

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

A handwritten signature in blue ink that reads "Denise Reed".

Denise Reed, ASA, MAAA
Senior Consultant and Actuary

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Section I

Executive Summary

This section presents the results of the January 1, 2018 valuation. The Executive Summary provides a brief discussion of key valuation results and includes the actuarial certification. The Executive Summary Detail provides detailed development of the expenses and liabilities.

EXECUTIVE SUMMARY

Introduction

Other postemployment benefits (“OPEB”) are benefits, other than pension or retirement income benefits, that are earned during employment but are payable upon cessation of employment. OPEB includes postemployment health care benefits (medical, dental, vision, hearing, and other health-related benefits), whether provided separately or through a defined benefit pension plan. OPEB also includes life insurance, disability, long-term care, etc., when provided separately from a pension plan.

Unlike pension plans, there is no requirement that OPEB benefits be funded prior to when the benefits are payable; however, Generally Accepted Accounting Principles (“GAAP”) view OPEB as a form of deferred compensation, and require that the costs related to these benefits be recognized during employment.

This January 1, 2018 Actuarial Valuation has been prepared to assist management in meeting the requirements of Government Accounting Standards. This is a biennial valuation that provides financial results for fiscal years ending December 31, 2018 and December 31, 2019.

This report provides the information needed to prepare the footnote in your financial statements related to your postretirement benefit plans. The results for fiscal years ending December 31, 2018 and December 31, 2019 are developed to comply with Statement of Governmental Accounting Standards Number 75 (GAS 75), which replaces GAS 45 for fiscal years beginning after June 15, 2017.

Additional information about GAS 75 is provided in Appendix E.

The liabilities developed in this report are only valid for purposes of meeting employer accounting requirements as required by Standards discussed above. Liabilities developed for other purposes could be significantly different than those shown in this report.

The valuation is based on the January 1, 2018 census data and plan information as provided by the employer. We have reviewed both the census and financial data for reasonableness, but have not completed an independent audit of the information.

The detail charts included in this Executive Summary highlight the results of the valuation. Additional information summarizing the census, actuarial assumptions, plan provisions, and a glossary of selected terms used in this study are also included in this report.

EXECUTIVE SUMMARY (cont.)

Actuarial Certification

All costs, liabilities, and other factors under the plan were determined in accordance with generally accepted actuarial principles and procedures. The calculations are consistent and undertaken with our understanding of Statement of Governmental Accounting Standards Number 75. In our opinion, the actuarial assumptions are reasonable, taking into account the experience of the plan and reasonable expectations, and individually represent our best estimate of the anticipated experience under the plan.

I have no relationship with the employer or the plan that would objectively impair, or appear to impair, my ability to perform the work detailed in this report. I certify that I am a member of the American Academy of Actuaries and meet its Qualification Standards to provide an actuarial opinion in accordance with GASB 75.



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



Denise Reed, ASA, MAAA
Senior Consultant and Actuary

EXECUTIVE SUMMARY (cont.)

Summary of Results

For fiscal years ending December 31, 2018 and December 31, 2019, the Total OPEB Liability, the Fiduciary Net Position, the Net OPEB Liability and Deferred (Outflows) / Inflows of resources are based on calculations as of the Valuation Date projected to the end of the applicable fiscal year. Additional detail is developed in the exhibits included in this actuarial valuation report.

Fiscal Year Ending December 31, 2018

<i>Total OPEB Liability</i>	\$30,713,450
<i>Fiduciary Net Position</i>	\$0
<i>Net OPEB Liability</i>	\$30,713,450
<i>OPEB Expense</i>	\$1,925,808
<i>Deferred (Outflows)/Inflows of Resources</i>	\$3,328,169
<i>Expected Benefit Payments</i>	\$856,332

Fiscal Year Ending December 31, 2019

<i>Total OPEB Liability</i>	\$40,737,563
<i>Fiduciary Net Position</i>	\$0
<i>Net OPEB Liability</i>	\$40,737,563
<i>OPEB Expense</i>	\$2,774,870
<i>Deferred (Outflows)/Inflows of Resources</i>	(\$4,815,272)
<i>Expected Benefit Payments</i>	\$894,198

Economic Assumptions

The following table details the selected and projected economic assumptions for the current fiscal year and the fiscal year ending December 31, 2019, respectively. More detailed information is provided in Section IV.

<u>Assumption Selection Date</u>	<u>January 1, 2018</u>	<u>December 31, 2018</u>	<u>December 31, 2019</u>
<i>Discount rate</i>	3.44%	4.10%	2.74%
<i>2018 Medical Trend Rates Pre-65/Post 65</i>	9.00% / 5.00%	9.00% / 5.00%	9.00% / 5.00%
<i>2019 Medical Trend Rates Pre-65/Post 65</i>	8.50% / 5.00%	8.50% / 5.00%	8.50% / 5.00%
<i>Ultimate Medical Trend Rate</i>	5.00%	5.00%	5.00%
<i>Year Ultimate Trend Rates Reached Pre-65/Post 65</i>	2026 / 2018	2026 / 2018	2026 / 2018
<i>Annual Payroll Increase</i>	2.50%	2.50%	2.50%

Experience Gains and Losses

The plan had an accumulated experience gain over the past three years primarily due to healthcare costs increasing less than assumed. The impact on the actuarial accrued liability is provided in Appendix B.

EXECUTIVE SUMMARY (cont.)

Assumption Changes included in current valuation

This valuation incorporates age specific costs in developing plan costs and obligations as required under current actuarial standards of practice.

The demographic (mortality, retirement, disability, and other termination of employment) assumptions were updated to the rates developed in the report, "Development of Recommended Actuarial Assumptions" for New York/SUNY GASB 45 Valuation prepared by the AON Hewitt dated September 2016.

The Non-Medicare Eligible healthcare cost trend rate was reset to 9.0% in 2018, grading down 0.5% per annum to an ultimate rate of 5.0% in years 2026 and later.

The Medicare Eligible healthcare cost trend rate was reset to 5.0% in years 2018 and later.

The impact on the actuarial accrued liability from the above changes is provided in Appendix B.

Benefit Changes included in current valuation

This valuation reflects the change to Labor 17 retiree contribution amounts. The impact on the actuarial accrued liability is provided in Appendix B.

Changes as of December 31, 2018

The discount rate was changed from 3.44% as of December 31, 2017 to 4.10% as of December 31, 2018, based on the Bond Buyer 20-Bond Index.

Changes as of December 31, 2019

The discount rate was changed from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019, based on the Bond Buyer 20-Bond Index.

EXECUTIVE SUMMARY DETAIL
GASB 75 LIABILITIES AND EXPENSE
FOR FISCAL YEAR ENDING DECEMBER 31, 2018

	<u>General</u>	<u>Highway</u>	<u>Police</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
<i>I. Present Value of Future Benefits</i>						
A. Retirees/Disableds	\$1,454,571	\$3,817,168	\$9,584,427	\$1,167,068	\$1,167,637	\$17,190,871
B. Active Employees	<u>\$4,020,095</u>	<u>\$4,618,996</u>	<u>\$14,341,449</u>	<u>\$2,620,368</u>	<u>\$2,479,225</u>	<u>\$28,080,133</u>
C. Total	\$5,474,666	\$8,436,164	\$23,925,876	\$3,787,436	\$3,646,862	\$45,271,004
<i>II. Total OPEB Liability</i>						
A. Retirees/Disableds	\$1,454,571	\$3,817,168	\$9,584,427	\$1,167,068	\$1,167,637	\$17,190,871
B. Active Employees	<u>\$2,615,389</u>	<u>\$2,737,134</u>	<u>\$5,372,440</u>	<u>\$1,280,321</u>	<u>\$1,517,295</u>	<u>\$13,522,579</u>
C. Total	\$4,069,960	\$6,554,302	\$14,956,867	\$2,447,389	\$2,684,932	\$30,713,450
<i>III. Fiduciary Net Position</i>	\$0	\$0	\$0	\$0	\$0	\$0
<i>IV. Net OPEB Liability</i>	\$4,069,960	\$6,554,302	\$14,956,867	\$2,447,389	\$2,684,932	\$30,713,450
<i>V. Expected Benefit Payments</i>						
A. Retirees/Disableds	\$93,809	\$234,905	\$368,660	\$58,990	\$77,974	\$834,338
B. Active Employees	<u>\$6,813</u>	<u>\$3,926</u>	<u>\$4,883</u>	<u>\$6,372</u>	<u>\$0</u>	<u>\$21,994</u>
C. Total	\$100,622	\$238,831	\$373,543	\$65,362	\$77,974	\$856,332
<i>VI. OPEB Expense</i>						
A. Service Cost	\$198,560	\$194,927	\$559,492	\$103,562	\$88,758	\$1,145,299
B. Interest	\$151,014	\$246,742	\$564,799	\$93,830	\$102,646	\$1,159,031
C. Changes of Benefit Terms	\$0	\$0	\$0	\$0	\$0	\$0
D. Recognition of Deferred Outflows/ Inflows of Resources	<u>(\$66,369)</u>	<u>(\$106,664)</u>	<u>(\$143,301)</u>	<u>(\$26,849)</u>	<u>(\$35,339)</u>	<u>(\$378,522)</u>
E. OPEB Expense [A. + B. + C. + D.]	\$283,205	\$335,005	\$980,990	\$170,543	\$156,065	\$1,925,808
<i>VII. Deferred (Outflows) of Resources</i>						
A. Experience Loss	\$0	\$0	\$0	\$0	\$0	\$0
B. Change In Assumptions	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
C. Total	\$0	\$0	\$0	\$0	\$0	\$0
<i>Deferred Inflows of Resources</i>						
A. Experience Gain	\$0	\$0	\$0	\$0	\$0	\$0
B. Change In Assumptions	<u>\$353,914</u>	<u>\$638,120</u>	<u>\$1,694,890</u>	<u>\$314,272</u>	<u>\$326,973</u>	<u>\$3,328,169</u>
C. Total	\$353,914	\$638,120	\$1,694,890	\$314,272	\$326,973	\$3,328,169
<i>Recognition in Expense</i>						
<i>Year ended December 31,</i>						
2019	(\$66,369)	(\$106,664)	(\$143,301)	(\$26,849)	(\$35,339)	(\$378,522)
2020	(\$66,369)	(\$106,664)	(\$143,301)	(\$26,849)	(\$35,339)	(\$378,522)
2021	(\$66,369)	(\$106,664)	(\$143,301)	(\$26,849)	(\$35,339)	(\$378,522)
2022	(\$66,369)	(\$106,664)	(\$143,301)	(\$26,849)	(\$35,339)	(\$378,522)
2023	(\$66,369)	(\$106,664)	(\$143,301)	(\$26,849)	(\$35,339)	(\$378,522)
Thereafter	(\$22,069)	(\$104,800)	(\$978,385)	(\$180,027)	(\$150,278)	(\$1,435,559)

EXECUTIVE SUMMARY DETAIL
GASB 75 LIABILITIES AND EXPENSE
FOR FISCAL YEAR ENDING DECEMBER 31, 2019

	<u>General</u>	<u>Highway</u>	<u>Police</u>	<u>Sewer</u>	<u>Water</u>	<u>Total</u>
I. Present Value of Future Benefits						
A. Retirees/Disableds	\$1,763,833	\$4,606,233	\$11,886,958	\$1,508,695	\$1,354,844	\$21,120,563
B. Active Employees	<u>\$5,877,307</u>	<u>\$7,188,884</u>	<u>\$25,756,678</u>	<u>\$4,644,821</u>	<u>\$4,122,547</u>	<u>\$47,590,237</u>
C. Total	\$7,641,140	\$11,795,117	\$37,643,636	\$6,153,516	\$5,477,391	\$68,710,800
II. Total OPEB Liability						
A. Retirees/Disableds	\$1,763,833	\$4,606,233	\$11,886,958	\$1,508,695	\$1,354,844	\$21,120,563
B. Active Employees	<u>\$3,522,647</u>	<u>\$3,874,054</u>	<u>\$8,053,277</u>	<u>\$1,871,372</u>	<u>\$2,295,650</u>	<u>\$19,617,000</u>
C. Total	\$5,286,480	\$8,480,287	\$19,940,235	\$3,380,067	\$3,650,494	\$40,737,563
III. Fiduciary Net Position	\$0	\$0	\$0	\$0	\$0	\$0
IV. Net OPEB Liability	\$5,286,480	\$8,480,287	\$19,940,235	\$3,380,067	\$3,650,494	\$40,737,563
V. Expected Benefit Payments						
A. Retirees/Disableds	\$100,177	\$220,537	\$414,843	\$66,545	\$70,412	\$872,514
B. Active Employees	<u>\$9,303</u>	<u>\$4,161</u>	<u>\$0</u>	<u>\$8,220</u>	<u>\$0</u>	<u>\$21,684</u>
C. Total	\$109,480	\$224,698	\$414,843	\$74,765	\$70,412	\$894,198
VI. OPEB Expense						
A. Service Cost	\$171,153	\$163,549	\$469,543	\$83,901	\$73,158	\$961,304
B. Interest	\$171,664	\$270,872	\$624,064	\$102,266	\$111,653	\$1,280,519
C. Changes of Benefit Terms	\$0	\$0	\$0	\$0	\$0	\$0
D. Recognition of Deferred Outflows/ Inflows of Resources	<u>\$96,208</u>	<u>\$150,454</u>	<u>\$196,246</u>	<u>\$37,729</u>	<u>\$52,410</u>	<u>\$533,047</u>
E. OPEB Expense [A. + B. + C. + D.]	\$439,025	\$584,875	\$1,289,853	\$223,896	\$237,221	\$2,774,870
VII. Deferred (Outflows) of Resources						
A. Experience Loss	\$0	\$0	\$0	\$0	\$0	\$0
B. Change In Assumptions	<u>(\$820,606)</u>	<u>(\$1,459,144)</u>	<u>(\$3,965,057)</u>	<u>(\$756,698)</u>	<u>(\$763,414)</u>	<u>(\$7,764,919)</u>
C. Total	(\$820,606)	(\$1,459,144)	(\$3,965,057)	(\$756,698)	(\$763,414)	(\$7,764,919)
Deferred Inflows of Resources						
A. Experience Gain	\$0	\$0	\$0	\$0	\$0	\$0
B. Change In Assumptions	<u>\$287,545</u>	<u>\$531,456</u>	<u>\$1,551,589</u>	<u>\$287,423</u>	<u>\$291,634</u>	<u>\$2,949,647</u>
C. Total	\$287,545	\$531,456	\$1,551,589	\$287,423	\$291,634	\$2,949,647
Recognition in Expense						
Year ended December 31,						
2020	\$96,208	\$150,454	\$196,246	\$37,729	\$52,410	\$533,047
2021	\$96,208	\$150,454	\$196,246	\$37,729	\$52,410	\$533,047
2022	\$96,208	\$150,454	\$196,246	\$37,729	\$52,410	\$533,047
2023	\$96,208	\$150,454	\$196,246	\$37,729	\$52,410	\$533,047
2024	\$140,508	\$152,318	\$196,246	\$37,729	\$52,410	\$579,211
Thereafter	\$7,721	\$173,554	\$1,432,238	\$280,630	\$209,730	\$2,103,873

Section II

Census Information

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

CENSUS INFORMATION – A.

EMPLOYEE COUNTS

	<i>As of January 1, 2018</i>				<i>As of May 1, 2015</i>				
	<i>Actives</i>	<i>Inactives Not Receiving Benefits</i>	<i>Inactives Receiving Benefits</i>	<i>Total</i>	<i>Actives</i>	<i>Inactives Not Receiving Benefits</i>	<i>Inactives Receiving Benefits</i>	<i>Total</i>	
Male	51	0	38	89	Male	63	0	34	97
Female	21	0	12	33	Female	21	0	9	30
Total	72	0	50	122	Total	84	0	43	127

COUNTS BY AGE AND ELIGIBILITY STATUS

ACTIVE EMPLOYEES

**INACTIVE EMPLOYEES
 NOT YET RECEIVING BENEFITS:**

<i>Age</i>	<i>Currently Eligible to Retire</i>	<i>Not Currently Eligible to Retire</i>	<i>Total</i>	<i>Currently Eligible to Retire</i>	<i>Not Currently Eligible to Retire</i>	<i>Total</i>
29 and under	0	13	13	0	0	0
30 - 34	0	8	8	0	0	0
35 - 39	0	13	13	0	0	0
40 - 44	1	7	8	0	0	0
45 - 49	0	7	7	0	0	0
50 - 54	0	4	4	0	0	0
55 - 59	1	10	11	0	0	0
60 - 64	4	3	7	0	0	0
65 and over	0	1	1	0	0	0
Total	6	66	72	0	0	0

INACTIVES RECEIVING BENEFITS

<i>Age</i>	<i>Retirees</i>	<i>Spouses</i>	<i>Total</i>
54 and under	8	8	16
55 - 59	5	5	10
60 - 64	13	6	19
65 - 69	10	4	14
70 - 74	6	3	9
75 - 79	1	0	1
80 and over	7	1	8
Total	50	27	77

CENSUS INFORMATION – B.

AVERAGE AGE AND SERVICE

	<u>As of January 1, 2018</u>	<u>As of May 1, 2015</u>
ACTIVE EMPLOYEES:		
A. Average Age at Hire		
Males	27.4	30.0
Females	38.3	41.0
Total	30.6	32.8
B. Average Service		
Males	13.0	12.8
Females	9.4	10.1
Total	11.9	12.1
C. Average Current Age		
Males	40.4	42.8
Females	47.7	51.1
Total	42.5	44.9
INACTIVES NOT RECEIVING BENEFITS:		
D. Average Current Age		
Males	N/A	N/A
Females	N/A	N/A
Total	N/A	N/A
INACTIVES RECEIVING BENEFITS:		
E. Average Current Age		
Males	63.4	64.6
Females	73.0	76.6
Total	65.7	67.1

Section III

Financial Statement Disclosure

This section provides the required information and notes to the Financial Statements for the fiscal years ending December 31, 2018 and December 31, 2019.

FINANCIAL STATEMENT DISCLOSURE

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

1.) Fiscal Year ending December 31, 2018

Changes in Total OPEB Liability

<i>Balance at 12/31/2017</i>	\$32,972,143
<i>Changes for the year:</i>	
Service Cost	\$1,145,299
Interest	\$1,159,031
Changes in Benefit Terms	\$0
Differences between expected and actual experience	\$0
Changes in assumptions and other inputs	(\$3,706,691)
Benefit Payments	<u>(\$856,332)</u>
Net Changes	<u>(\$2,258,693)</u>
<i>Balance at 12/31/2018</i>	<u>\$30,713,450</u>

Notes:

Plan changes - None
 Plan provisions are summarized in Section V.

Assumption changes –
 The discount rate was 3.44% as of December 31, 2017 and 4.10% as of December 31, 2018
 Assumptions summarized in Section IV.

Sensitivity of the Total OPEB Liability

1% Decrease (3.10%)	Discount Rate (4.10%)	1% Increase (5.10%)
\$36,580,033	\$30,713,450	\$26,108,076
	Healthcare Cost Trend	
1% Decrease (8.00% decreasing to 4.00%)	Rates (9.00% decreasing to 5.00%)	1% Increase (10.00% decreasing to 6.00%)
\$25,386,311	\$30,713,450	\$45,690,760

FINANCIAL STATEMENT DISCLOSURE (cont.)

2.) Fiscal Year ending December 31, 2019

Changes in Total OPEB Liability

<i>Balance at 12/31/2018</i>	\$30,713,450
<i>Changes for the year:</i>	
Service Cost	\$961,304
Interest	\$1,280,519
Changes in Benefit Terms	\$0
Differences between expected and actual experience	\$0
Changes in assumptions and other inputs	\$8,676,488
Benefit Payments	(<u>\$894,198</u>)
Net Changes	<u>\$10,024,113</u>
<i>Balance at 12/31/2019</i>	<u>\$40,737,563</u>

Notes:

Plan changes - None
 Plan provisions are summarized in Section V.

Assumption changes –
 The discount rate was 4.10% as of December 31, 2018 and 2.74% as of December 31, 2019
 Assumptions summarized in Section IV.

Sensitivity of the Total OPEB Liability

1% Decrease (1.74%)	Discount Rate (2.74%)	1% Increase (3.74%)
\$49,332,260	\$40,737,563	\$34,081,331
Healthcare Cost Trend		
1% Decrease (7.50% decreasing to 4.00%)	Rates (8.50% decreasing to 5.00%)	1% Increase (9.50% decreasing to 6.00%)
\$33,380,509	\$40,737,563	\$60,631,781

Section IV

Actuarial Assumptions and Methodology

The following pages detail the assumptions used in the calculations.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY

1. **Discount Rate:** A discount rate of 3.44% was used as of December 31, 2017.
 A discount rate of 4.10% was used as of December 31, 2018.
 A discount rate of 2.74% was used as of December 31, 2019.
 The discount rate was based on the Bond Buyer's 20 Bond Index.

For the following demographic (mortality, retirement, disability, and other termination of employment) assumptions, we utilized the rates developed in the report, "Development of Recommended Actuarial Assumptions" for New York/SUNY GASB 45 Valuation prepared by the AON Hewitt dated September 2016:

2. **Mortality:** Unisex pre-retirement mortality rates from Exhibit 2-2 of the above report (combined accidental and all other death rates) and postretirement mortality rates for healthy participants (sex distinct for non-police employees and retirees) using projection scale MP 2017.

3. **Retirement Rates:**

Early Retirement System - Tier 1

<u>Age</u>	<u>Years of Service</u>		
	<u>0-19</u>	<u>20-29</u>	<u>30+</u>
55	16.99%	34.98%	77.50%
60	10.33%	17.39%	21.37%
65	22.85%	29.26%	26.24%
69	19.51%	26.24%	18.61%
70+	100.00%	100.00%	100.00%

Non-Police Early Retirement System - Tiers 2, 3, and 4

<u>Age</u>	<u>Years of Service</u>		
	<u>0-19</u>	<u>20-29</u>	<u>30+</u>
55	5.71%	9.70%	49.64%
60	5.40%	8.47%	21.23%
65	16.60%	28.93%	22.94%
69	15.38%	26.56%	24.61%
70+	100.00%	100.00%	100.00%

Police Retirement System - Tier 2

<u>Age</u>	<u>Years of Service</u>		
	<u>0-19</u>	<u>20-29</u>	<u>30+</u>
55	16.99%	34.98%	34.98%
60	10.33%	17.39%	17.39%
65	22.85%	29.26%	29.26%
69	19.51%	26.24%	26.24%
70+	100.00%	100.00%	100.00%

4. **Disability Rates:** None assumed.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

5. Termination Rates:

Non-Police:

<u>Age</u>	<u>Years of Service</u>					
	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5-9</u>	<u>10+</u>
15	25.07%	12.99%	7.72%	6.55%	4.37%	1.51%
25	20.98%	14.15%	10.28%	7.44%	4.53%	1.51%
30	15.87%	13.47%	10.33%	7.71%	4.35%	1.56%
40	13.99%	9.71%	7.28%	5.67%	4.05%	1.69%
50	13.49%	8.14%	6.30%	5.10%	3.28%	1.31%
60	14.45%	9.66%	7.62%	5.82%	2.36%	1.20%
69	15.97%	11.12%	8.37%	6.10%	1.87%	1.20%

Police:

<u>Years of Service</u>	<u>Rates</u>
0	7.11%
5	1.18%
10	0.55%
15	0.28%
20+	0.22%

6. Health Care Trend Rates:

It was assumed that health care costs would increase in accordance with the trend rates in the following table:

<u>Year</u>	<u>Current Valuation*</u>		<u>Previous Valuation*</u>
	<u>Pre-65 Rates</u>	<u>Post-65 Rates</u>	<u>Pre-65 Rates</u>
2018	9.0%	5.0%	6.0%
2019	8.5%	5.0%	5.0%
2020	8.0%	5.0%	5.0%
2021	7.5%	5.0%	5.0%
2022	7.0%	5.0%	5.0%
2023	6.5%	5.0%	5.0%
2024	6.0%	5.0%	5.0%
2025	5.5%	5.0%	5.0%
2026+	5.0%	5.0%	5.0%

**Dental and Vision rates assumed to increase at 5.0% per annum*

7. Participation Rate:

It was assumed that 100% of the current police employees and 90% of the current non-police employees covered under the active plan on the day before retirement would enroll in the retiree medical plan upon retirement.

8. Percent Married:

It was assumed that 65% of the male and 40% of the female employees who elect retiree health care coverage for themselves would also elect coverage for their spouse upon retirement. It was assumed that male spouses are three years older than their wives and female spouses are three years younger than the retiree. For current retirees, actual census information was used.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

9. **Actuarial Value of Assets:** N/A

10. **Per Capita Claims Cost:** Based on the premiums levels of the plans utilized. The premium levels are summarized in the plan provisions in Section V. Actual premiums were used as an approximation to claims experience. Aging factors were then applied to the plan premiums to produce age-related per-capita claim rates.

<u>Empire</u>			<u>CDPHP / United Healthcare</u>		
<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
50	9,770	9,770	50	6,200	6,200
55	12,051	12,051	55	7,648	7,648
60	14,971	14,971	60	9,501	9,501
65	3,819	3,819	65	2,338	2,338
70	4,410	4,410	70	2,699	2,699
75	4,853	4,853	75	2,971	2,971
80	5,341	5,341	80	3,270	3,270
85	5,997	5,997	85	3,671	3,671
90	6,363	6,363	90	3,895	3,895

11. **Administrative expenses:** Included in premiums used.

12. **Participant Salary Increases:** 3.50% annually

13. **Payroll Growth Rate:** 2.50% annually

14. **High Cost Plan Excise Tax:** Effective in 2020. The law applies a 40% tax to the cost of plan benefits in excess of statutory thresholds, which are \$10,200 for single coverage and \$27,500 for family coverage for Medicare eligible retirees, and \$11,850 for single coverage and \$30,950 for family coverage for retirees who are between ages 55 and 65. We assume the thresholds will start to increase in 2018 at the rate of 2.76%. The plan costs for pre-65 and post 65 benefits are based on the plans' premium costs adjusted for aging and trended at the health care trend rates shown above.

ACTUARIAL ASSUMPTIONS AND METHODOLOGY (cont.)

ACTUARIAL COST METHOD

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

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

ADDITIONAL COMMENTS

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

Section V

Plan Provisions

PLAN PROVISIONS

- a. Plan Types:** Pre-Medicare eligible: NYSHIP Empire or CDPHP HDHP
 Post Medicare eligible: NYSHIP MediPrime or UnitedHealth care
- b. Eligibility:** **Non-Union/Labor 17:** Age 55 with 30 years or service; or Age 62 with 10 years of service.
PBA: 20 years of service
- c. Benefit/Cost Sharing:** **Labor 17:**
Service at decrement > 20 years: town covers 100% of medical premium
Service at decrement between 15 and 20: retiree must contribute \$450 per year
Service at decrement between 10 and 15: retiree must contribute \$900 per year
- Non-Union/PBA:**
 Town covers 100% of the medical premiums
 Town reimburses the participant for the plan deductible under the CDPHP HDHP in the amount of \$4,500 for individual coverage and \$9,000 for family coverage.
- d. Spouse Benefit:** Yes, same contributions as retiree
Note: the \$450 and \$900 contributions include spouse coverage
- e. Surviving Spouse Benefit:** Surviving Spouse must pay 100% of the medical premium after 6 months
- f. Annual Medical Premiums:** *Effective January 1, 2018 through December 31, 2018*
- | <u>Plan</u> | <u>Single</u> | <u>Family</u> |
|-------------------|---------------|---------------|
| Empire | \$12,179.76 | \$28,177.80 |
| CDPHP | \$5,936.64 | \$15,974.16 |
| United Healthcare | \$2,881.30 | |
- g. Medicare Part B:** The Town reimburses 100% of the Medicare Part B premium
 Single: \$1,372.80
- h. AARP Prescription Plan:** The Town reimburses 100% of the AARP Prescription Plan premium
 Single: \$1,081.92
- i. Annual Dental/Vision Premiums:** Dental and Vision coverage through Guardian.
 The Town covers 100% of dental/vision premium
- | | |
|----------------|------------|
| Dental Single: | \$ 582.76 |
| Dental Family: | \$1,599.36 |
| Vision Single: | \$ 138.70 |
| Vision Family: | \$ 298.64 |

Section VI
Appendices

APPENDIX - A.

ACTIVE EMPLOYEES BY AGE AND SERVICE

AS OF JANUARY 1, 2018

<u>Age</u>	<u>Service</u>									<u>Total</u>
	<u>0 - 4</u>	<u>5 - 9</u>	<u>10 - 14</u>	<u>15 - 19</u>	<u>20 - 24</u>	<u>25 - 29</u>	<u>30 - 34</u>	<u>35 - 39</u>	<u>40+</u>	
0 - 19	0	0	0	0	0	0	0	0	0	0
20 - 24	2	1	0	0	0	0	0	0	0	3
25 - 29	8	2	0	0	0	0	0	0	0	10
30 - 34	3	1	4	0	0	0	0	0	0	8
35 - 39	2	0	7	4	0	0	0	0	0	13
40 - 44	2	1	3	0	2	0	0	0	0	8
45 - 49	1	1	2	1	1	1	0	0	0	7
50 - 54	1	1	0	1	0	0	1	0	0	4
55 - 59	1	2	2	4	0	1	1	0	0	11
60 - 64	1	1	1	0	1	1	1	1	0	7
65 - 69	0	1	0	0	0	0	0	0	0	1
70 - 74	0	0	0	0	0	0	0	0	0	0
75 - 79	0	0	0	0	0	0	0	0	0	0
80 - 84	0	0	0	0	0	0	0	0	0	0
85 and over	0	0	0	0	0	0	0	0	0	0
Total	21	11	19	10	4	3	3	1	0	72

APPENDIX - B.

RECONCILIATION OF TOTAL OPEB LIABILITY

a. 1/1/2015 Actuarial Accrued Liability	\$24,371,557
b. 2015 Normal Cost	\$920,771
c. Interest Rate	4.00%
d. Interest on (a. + b.)	\$1,011,694
e. 2015 Expected Benefit Payments	(\$614,992)
f. Interest on e.	<u>(\$12,300)</u>
g. 1/1/2016 Expected Actuarial Accrued Liability (a. + b. + d. + e. + f.)	\$25,676,730
h. 2016 Normal Cost	\$943,790
i. Interest Rate	4.00%
j. Interest on (g. + h.)	\$1,064,821
k. 2016 Expected Benefit Payments	(\$668,593)
l. Interest on k.	<u>(\$13,372)</u>
m. 1/1/2017 Expected Actuarial Accrued Liability (g. + h. + j. + k. + l.)	\$27,003,376
n. 2017 Normal Cost	\$967,384
o. Interest Rate	4.00%
p. Interest on (m. + n.)	\$1,118,831
q. 2017 Expected Benefit Payments	(\$731,734)
r. Interest on q.	<u>(\$14,635)</u>
s. 1/1/2018 Expected Actuarial Accrued Liability (m. + n. + p. + q. + r.)	\$28,343,222
t. Change in Actuarial Accrued Liability due to	
i. Demographic and plan cost changes	(\$931,607)
ii. Change in Actuarial Assumptions	\$2,515,271
iii. Plan Change	<u>(\$17,750)</u>
iv. Total	\$1,565,914
u. 1/1/2018 Actuarial Accrued Liability (s. + t.iv.)	\$29,909,136
Change to GAS 75	
Change in Actuarial Cost Method	\$0
Change in Discount Rate	<u>\$3,063,007</u>
Total	\$3,063,007
v. 1/1/2018 Total OPEB Liability	\$32,972,143

APPENDIX – C.

PROJECTED BENEFIT PAYMENTS

<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>	<u>Year</u>	<u>Amount</u>	<u>Accumulated</u>
2018	\$ 856,331	\$ 856,331	2042	\$ 2,544,871	\$ 38,684,863	2066	\$ 3,055,703	\$ 114,993,035
2019	\$ 894,197	\$ 1,750,528	2043	\$ 2,707,717	\$ 41,392,580	2067	\$ 3,052,339	\$ 118,045,374
2020	\$ 968,170	\$ 2,718,698	2044	\$ 2,768,360	\$ 44,160,940	2068	\$ 3,041,117	\$ 121,086,491
2021	\$ 992,834	\$ 3,711,532	2045	\$ 2,925,906	\$ 47,086,846	2069	\$ 3,021,672	\$ 124,108,163
2022	\$ 1,011,163	\$ 4,722,695	2046	\$ 3,013,877	\$ 50,100,723	2070	\$ 2,993,383	\$ 127,101,546
2023	\$ 1,105,252	\$ 5,827,947	2047	\$ 3,063,518	\$ 53,164,241	2071	\$ 2,955,143	\$ 130,056,689
2024	\$ 1,154,811	\$ 6,982,758	2048	\$ 3,072,631	\$ 56,236,872	2072	\$ 2,907,932	\$ 132,964,621
2025	\$ 1,189,593	\$ 8,172,351	2049	\$ 3,266,583	\$ 59,503,455	2073	\$ 2,849,880	\$ 135,814,501
2026	\$ 1,252,236	\$ 9,424,587	2050	\$ 3,240,209	\$ 62,743,664	2074	\$ 2,780,511	\$ 138,595,012
2027	\$ 1,278,580	\$ 10,703,167	2051	\$ 3,407,303	\$ 66,150,967	2075	\$ 2,703,204	\$ 141,298,216
2028	\$ 1,322,924	\$ 12,026,091	2052	\$ 3,458,966	\$ 69,609,933	2076	\$ 2,615,569	\$ 143,913,785
2029	\$ 1,407,079	\$ 13,433,170	2053	\$ 3,497,995	\$ 73,107,928	2077	\$ 2,517,799	\$ 146,431,584
2030	\$ 1,381,574	\$ 14,814,744	2054	\$ 3,592,555	\$ 76,700,483	2078	\$ 2,411,016	\$ 148,842,600
2031	\$ 1,489,955	\$ 16,304,699	2055	\$ 3,636,351	\$ 80,336,834	2079	\$ 2,294,298	\$ 151,136,898
2032	\$ 1,602,056	\$ 17,906,755	2056	\$ 3,542,881	\$ 83,879,715	2080	\$ 2,168,356	\$ 153,305,254
2033	\$ 1,628,900	\$ 19,535,655	2057	\$ 3,499,205	\$ 87,378,920	2081	\$ 2,034,477	\$ 155,339,731
2034	\$ 1,634,414	\$ 21,170,069	2058	\$ 3,335,780	\$ 90,714,700	2082	\$ 1,892,878	\$ 157,232,609
2035	\$ 1,756,513	\$ 22,926,582	2059	\$ 3,094,345	\$ 93,809,045	2083	\$ 1,745,515	\$ 158,978,124
2036	\$ 1,875,881	\$ 24,802,463	2060	\$ 3,017,766	\$ 96,826,811	2084	\$ 1,593,207	\$ 160,571,331
2037	\$ 2,028,546	\$ 26,831,009	2061	\$ 2,984,657	\$ 99,811,468	2085	\$ 1,437,496	\$ 162,008,827
2038	\$ 2,169,610	\$ 29,000,619	2062	\$ 3,004,208	\$ 102,815,676	2086	\$ 1,281,817	\$ 163,290,644
2039	\$ 2,275,258	\$ 31,275,877	2063	\$ 3,025,955	\$ 105,841,631	2087	\$ 1,129,100	\$ 164,419,744
2040	\$ 2,403,466	\$ 33,679,343	2064	\$ 3,043,245	\$ 108,884,876	2088	\$ 982,005	\$ 165,401,749
2041	\$ 2,460,649	\$ 36,139,992	2065	\$ 3,052,456	\$ 111,937,332	2089	\$ 842,526	\$ 166,244,275

APPENDIX – D.

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Service Cost	\$961,304	\$1,145,299					
Interest	\$1,280,519	\$1,159,031					
Changes in Benefit Terms	\$0	\$0					
Differences between expected and actual experience	\$0	\$0					
Changes in assumptions and other inputs	\$8,676,488	(\$3,706,691)					
Benefit Payments	(\$894,198)	(\$856,332)					
Net Changes	<u>\$10,024,113</u>	<u>(\$2,258,693)</u>					
Total OPEB Liability - Beginning	<u>\$30,713,450</u>	<u>\$32,972,143</u>					
Total OPEB Liability - Ending	<u><u>\$40,737,563</u></u>	<u><u>\$30,713,450</u></u>	<u><u>\$32,972,143</u></u>				
Covered Employee Payroll	N/A	N/A					
Total OPEB Liability as a percentage of Covered Employee Payroll	N/A	N/A					
Notes:							
Assumption changes:							
Discount Rate	2.74%	4.10%	3.44%				
Plan changes:	None	None	None				

APPENDIX – E.

GOVERNMENT ACCOUNTING STANDARD NO. 75

The Government Accounting Standards Board (“GASB”) issued Statement No. 43, “Financial Reporting for Postemployment Benefit Plans Other Than Pensions Plans” in April, 2004 and Statement No. 45, “Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions” in June 2004. The statements introduced accrual accounting for postretirement benefits other than pensions.

GASB issued Statements No. 74 and 75 in June 2015, which are updates to Statements 43 and 45, respectively. GAS 74 and 75 are effective for fiscal years beginning after June 15, 2016 and June 15, 2017, respectively, and will require numerous changes; including new terminology, accelerated recognition of plan cost, and extended disclosure items. In addition, the valuation discount rate assumption must reflect the yield or index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher to the extent that plan assets (plan’s fiduciary net position) are projected to be insufficient to make projected benefit payments.

GAS 74/75 Key changes:

- **Consistency:** New standards parallel the recent changes to pension plan accounting standards.
- **Standardization:** The Entry Age Normal (EAN) actuarial cost method will now be the only method allowed, discarding the acceptance of five other methods. The discount rate used for “pay as you go” plans will be based on a 20-year municipal bond index rate.
- **Philosophy:** More focus on plan liability than plan cost. Recognition of liability is accelerated by eliminating the provision that allowed for the 30-year amortization of the plan’s unfunded liability.
- **Reporting:** Net OPEB liability will now be on government-wide financial statement balance sheets. Information disclosed and included in Required Supplementary Information is expanded.
- **Measurement:** OPEB Actuarial Valuations must be performed at least every two years regardless of the size of the plan. GASB 45 allowed plans with less than 200 participants to have valuations performed at least every three years.
- **Timing:** GAS 74 is effective for fiscal years beginning after June 15, 2016 and GAS 75 is effective for fiscal years beginning after June 15, 2017.

The **OPEB Expense** (and Deferred Inflows and Outflows of Resources) results mostly from changes to the Net OPEB Liability. The change to the liability attributable to benefit changes is fully recognized in the Net OPEB expense the year the change is made. Changes to the Net OPEB liability due to plan experience, assumption changes, and investment experience will be amortized over the average service of plan participants, which is likely much shorter than the 30 years allowed under GAS 45. Deferred outflows and inflows of resources will be established for amounts not recognized in the current year’s expense.

APPENDIX – E.

GOVERNMENT ACCOUNTING STANDARD NO. 75 (CONT.)

The **Discount Rate** for plans with assets will be determined using a depletion date test. The test will determine a “cross-over” date when the assets are estimated to be depleted. For this purpose, the projection of future contributions to the Trust will be based on a written funding policy and/or experience over the most recent five years. A single equivalent discount rate will then be developed by discounting the benefits prior to the cross-over date using the trust’s long term expected rate of return and discounting the benefits after the cross-over date using the market rate for high-quality 20-year municipal bonds. For plans that are funded on a pay-as-you-go basis, the discount rate will equal the market rate for high-quality 20-year municipal bonds as of the measurement date.

The **Long-Term Expected Rate of Return** on OPEB plan assets will consider the assumed asset allocation of the plan’s portfolio, and the long-term expected real rate of return for each major asset class.

The use of unadjusted premiums as the basis of projected **Per Capita Claims Costs** by employers in “community rated” plans has been effectively eliminated. Projections of benefit payments are required to be based on claims costs, or age-adjusted premiums approximating claims costs, in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board. The current Actuarial Standards of Practice significantly limit the situations in which age adjustments may be disregarded in developing per capita claims costs.

Notes to financial statements

This Statement requires that notes to financial statements of single and agent employers include:

- For the current year, sources of changes in the net OPEB liability.
- Significant assumptions and other inputs used to calculate the total OPEB liability.
- The date of the actuarial valuation used to determine the total OPEB liability, information about changes of assumptions or other inputs and benefit terms.

Required supplementary information

This Statement requires single and agent employers to present in required supplementary information the following information, determined as of the measurement date, for each of the 10 most recent fiscal years:

- Sources of changes in the net OPEB liability.
- The components of the net OPEB liability and related ratios, including the OPEB plan’s fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.
- If an actuarially determined contribution is calculated for a single or agent employer, the employer is required to present in required supplementary information a schedule covering each of the 10 most recent fiscal years that includes information about the actuarially determined contribution, contributions to the OPEB plan, and related ratios.

Guidelines

GASB is scheduled to issue implementation guidelines for GAS No.74 and No.75 in March and November of 2017, respectively.

APPENDIX – F.

GLOSSARY
GAS 45 / (GAS 75)

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

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

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

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

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

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

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

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

Net OPEB Obligation / (OPEB Liability). **GAS 45:** The cumulative difference since the effective date of GAS 45 between the annual OPEB cost and the employer's contributions to the plan. **GAS 75:** The difference between the Total OPEB Liability and the OPEB Plan's fiduciary net position as of the measurement date

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

OPEB. Postemployment benefits other than pension benefits.

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

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

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