



nyhart

***St. Clair County
GASB 45 Financial Report***

As of December 31, 2011

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Certification

This report summarizes the GASB actuarial valuation for St. Clair County 2012 fiscal year. To the best of our knowledge, the report presents a fair position of the funded status of the plan in accordance with GASB Statement No. 45 (Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions). The valuation is also based upon our understanding of the plan provisions as summarized within the report.

The information presented herein is based on the information furnished to us by the Plan Sponsor that has been reconciled and reviewed for reasonableness. We are not aware of any material inadequacy in employee census provided by the Plan Sponsor. We have not audited the information at the source, and therefore do not accept responsibility for the accuracy or the completeness of the data on which the information is based.

The actuarial assumptions were selected by the Plan Sponsor with the concurrence of Nyhart. In our opinion, the actuarial assumptions are individually reasonable and in combination represent our estimate of anticipated experience of the Plan. All computations have been made in accordance with generally accepted actuarial principles and practice.

To our knowledge, there have been no significant events prior to the current year's measurement date or as of the date of this report that could materially affect the results contained herein.

Neither Nyhart nor any of its employees has any relationship with the plan or its sponsor that could impair or appear to impair the objectivity of this report.

Nyhart

Randy Gomez, FSA, MAAA

Evi Laksana, ASA, MAAA

April 8, 2013

Changes since Last Valuation

There have been changes to the substantive plan provisions since the last valuation, which was for the fiscal year ending December 31, 2011:

1. Employee contribution rates to Health Care Trust (HCT) have increased for most groups effective on 1/1/2013.
2. Retiree benefit designs were changed effective on April 1, 2011 which leads to reduction in premiums.

Plan Experience since Last Valuation

For fiscal year ending December 31, 2012, the plan experienced an overall actuarial liabilities gain of \$32.9 million:

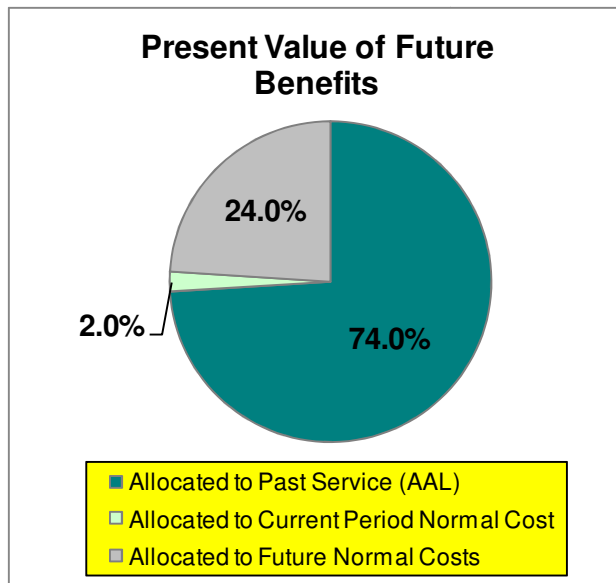
1. \$30.2 million gain attributable to benefit changes
2. \$0.3 million gain attributable to demographic changes
3. \$6.9 million loss attributable to assumption change (reset health care trend rate increase)
4. \$9.3 million gain due to other changes

Sources of GASB Liabilities and Assets

1. The County explicitly subsidizes the retiree health care coverage for majority of the participants. Refer to Substantive Plan Provisions section for more information on the County's explicit subsidy.
2. Retiree health coverage is implicitly more expensive than active health coverage. This higher cost of coverage creates a GASB 45 liability assigned to the County.
3. The County has historically funded its retiree health benefits on a pay-as-you-go basis.

Below is the breakdown of Present Value of Future Benefits (PVFB) allocated for past, current, and future service. Pages 3 and 4 show the GASB results for the fiscal year beginning December 31, 2011 based on the Entry Age Normal Level % of Salary cost method.

	Present Value of Future Benefits (PVFB)	Actuarial Accrued Liability (AAL) <i>PVFB allocated to past service</i>	Normal Cost (NC) <i>PVFB allocated to current period service</i>	Future Normal Costs <i>PVFB allocated to future service</i>
	A	B	C	D = A - B - C
As of 12/31/2011	\$ 302,225,752	\$ 223,723,268	\$ 5,989,851	\$ 72,512,633



PVFB is the amount needed as of January 1, 2012 to fully fund the County's retiree health care subsidies for existing and future retirees and their dependents assuming all actuarial assumptions are met.

AAL is the portion of PVFB considered to be accrued or earned as of January 1, 2012. This amount is a required disclosure in the Required Supplementary Information section.

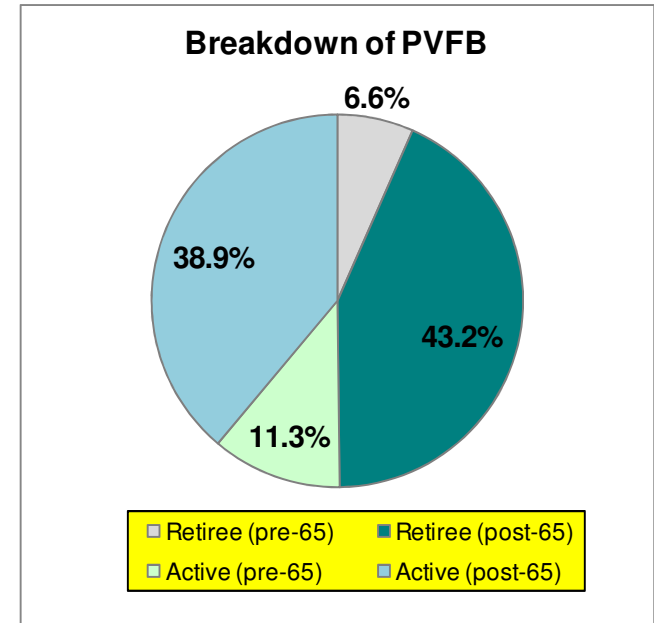
NC is the portion of actuarial present value of retiree health care benefits and expenses allocated to 2012 by the actuarial cost method (Entry Age Normal Level % of Salary).

Summary of Results

1. Present Value of Future Benefits (PVFB)

As of Dec. 31, 2011

Current retirees	
Explicit (Pre-Medicare)	\$ 17,097,363
Implicit (Pre-Medicare)	2,985,560
Post-Medicare	130,415,563
Total	\$ 150,498,486
Future retirees	
Explicit (Pre-Medicare)	\$ 29,324,057
Implicit (Pre-Medicare)	4,941,452
Post-Medicare	117,461,757
Total	\$ 151,727,266
Total PVFB	\$ 302,225,752
Discount Rate	5.0%



Summary of Results – Continued

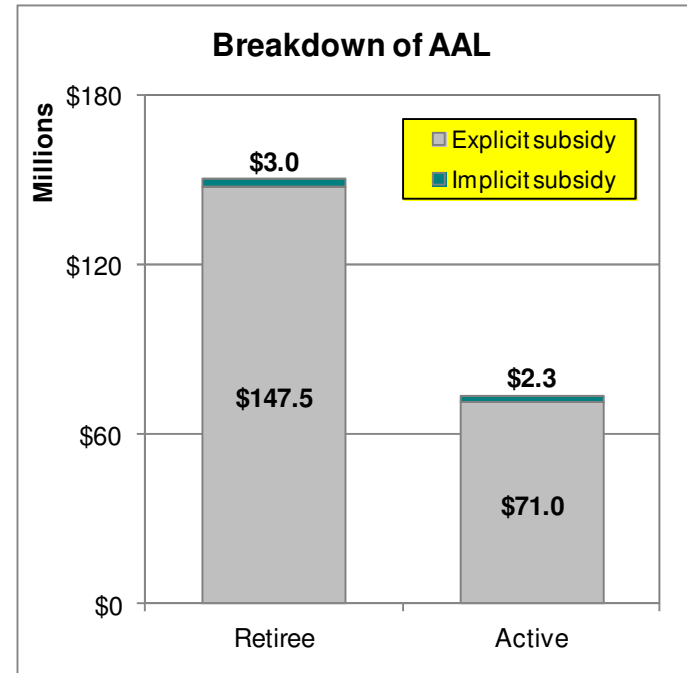
2. Actuarial Accrued Liabilities (AAL)

As of Dec. 31, 2011

Current retirees		
Explicit (Pre-Medicare)	\$	17,097,363
Implicit (Pre-Medicare)		2,985,560
Post-Medicare		130,415,563
Total	\$	150,498,486
Future retirees		
Explicit subsidy (Pre-Medicare)	\$	13,597,191
Implicit subsidy (Pre-Medicare)		2,252,059
Post-Medicare		57,375,532
Total	\$	73,224,782
Total liabilities	\$	223,723,268
Discount Rate		5.0%

3. Income Statement and Balance Sheet Impact

	<i>2011¹</i>	<i>2012</i>
Annual OPEB Cost	\$ 17,046,397	\$ 18,828,249
Total Employer Contributions (Affects Income Statement)	\$ 4,302,586	\$ 1,342,794 ²
Net OPEB Obligation at year-end (Affects Balance Sheet Liability)	\$ 38,763,285	\$ 56,248,740



Explicit Subsidies are created when retirees are not charged the full cost of health care as measured by the premium or premium equivalent rates determined annually by the employer.

Implicit Subsidies are additional employer liabilities when the inherently higher health care costs for retired employees are not directly reflected in the determination of the premium or premium equivalent rates.

¹ Fiscal year 2011 information is as shown in the St. Clair County’s Notes to Financial Statements as of December 31, 2011.

² Actual employer contribution for pre-funding as provided by the County and Mental Health Authority.

For Fiscal Year Ending December 31, 2012

FY 2012 Annual Required Contribution and Net OPEB Obligation have been calculated using the actual employee contributions and employer pre-funding contributions into the Health Care Trust as provided by the County and Mental Health Authority. Our results will need to be revised if either contribution amounts are modified.

Required Supplementary Information	Total	St. Clair County	Mental Health	Road Commission
Actuarial Accrued Liability as of beginning of year	\$ 223,723,268	\$ 136,267,395	\$ 34,541,978	\$ 52,913,895
Actuarial Value of Assets as of beginning of year	(35,528,936)	(23,479,345)	(8,494,244)	(3,555,347)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 188,194,332	\$ 112,788,050	\$ 26,047,734	\$ 49,358,548
Covered payroll (for eligible members only)	\$ 43,482,070	\$ 27,801,444	\$ 11,341,334	\$ 4,339,292
UAAL as a % of covered payroll	432.8%	405.7%	229.7%	1137.5%
Annual Required Contribution	Total	St. Clair County	Mental Health	Road Commission
Normal cost as of beginning of year	\$ 5,989,851	\$ 3,548,734	\$ 1,397,885	\$ 1,043,232
Reduction for active employee contributions (actual)	(501,183)	(447,280)	(53,903)	0
Net normal cost as of beginning of year	\$ 5,488,668	\$ 3,101,454	\$ 1,343,982	\$ 1,043,232
Amortization of the UAAL for 18 years	13,378,373	9,189,135	1,447,096	2,742,142
Total normal cost and amortization payment	\$ 18,867,041	\$ 12,290,589	\$ 2,791,078	\$ 3,785,374
Interest to end of year	943,352	614,529	139,554	189,269
Total Annual Required Contribution (ARC)	\$ 19,810,393	\$ 12,905,118	\$ 2,930,632	\$ 3,974,643

Annual Required Contribution (ARC) is the annual expense recorded in the income statement under GASB 45 accrual accounting. It replaces the cash basis method of accounting recognition with an accrual method. The GASB 45 ARC is higher than the pay-as-you-go cost because it includes recognition of employer costs expected to be paid in future accounting periods.

For Fiscal Year Ending December 31, 2012

FY 2012 Annual Required Contribution and Net OPEB Obligation have been calculated using the actual employee contributions and employer pre-funding contributions into the Health Care Trust as provided by the County and Mental Health Authority. Our results will need to be revised if either contribution amounts are modified.

Net OPEB Obligation	<i>Total</i>	<i>St. Clair County</i>	<i>Mental Health</i>	<i>Road Commission</i>
ARC as of end of year	\$ 19,810,393	\$ 12,905,118	\$ 2,930,632	\$ 3,974,643
Interest on Net OPEB Obligation (NOO) to end of year	1,938,165	1,211,040	299,663	427,462
NOO amortization adjustment to the ARC	(2,920,309)	(2,071,997)	(349,607)	(498,705)
Annual OPEB cost	\$ 18,828,249	\$ 12,044,161	\$ 2,880,688	\$ 3,903,400
Annual employer contribution for pay-go cost	0	0	0	0
Annual employer contribution for pre-funding (actual)	(1,342,794)	(1,045,794)	(297,000)	0
Change in NOO	\$ 17,485,455	\$ 10,998,367	\$ 2,583,688	\$ 3,903,400
NOO as of beginning of year	38,763,285	24,220,790	5,993,262	8,549,233
NOO as of end of year	\$ 56,248,740	\$ 35,219,157	\$ 8,576,950	\$ 12,452,633

Pay-as-you-go Cost is the expected total employer cash cost for the coming period based on all explicit and implicit subsidies. It is also the amount recognized as expense on the Income Statement under pay-as-you-go accounting.

Net OPEB Obligation is the cumulative difference between the annual OPEB cost and employer contributions. This obligation will be created if cash contributions are less than the current year expense under GASB 45 accrual rules.

The net obligation is recorded as a liability on the employer's balance sheet which will reduce the net fund balance.

The value of implicit subsidies is considered as part of cash contributions for the current period. Other cash expenditures that meet certain conditions are also considered as contributions for GASB 45 purposes.

Schedule of Funding Progress

<i>As of</i>	<i>Actuarial Value of Assets (AVA)</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Unfunded Actuarial Accrued Liability (UAAL)</i>	<i>AVA as a % of AAL</i>	<i>Covered Payroll</i>	<i>UAAL as % of Covered Payroll</i>
<i>A</i>	<i>B</i>	<i>C = B - A</i>	<i>D = A / B</i>	<i>E</i>	<i>F = C / E</i>	
December 31, 2011						
St. Clair County	\$ 23,479,345	\$ 136,267,395	\$ 112,788,050	17.2%	\$ 27,801,444	406%
Mental Health	\$ 8,494,244	\$ 34,541,978	\$ 26,047,734	24.6%	\$ 11,341,334	230%
Road Commission	\$ 3,555,347	\$ 52,913,895	\$ 49,358,548	6.7%	\$ 4,339,292	1138%
Total	\$ 35,528,936	\$ 223,723,268	\$ 188,194,332	15.9%	\$ 43,482,070	433%
December 31, 2010						
St. Clair County	\$ 22,981,212	\$ 156,098,327	\$ 133,117,115	14.7%	\$ 28,421,891	468%
Mental Health	\$ 8,052,170	\$ 40,220,174	\$ 32,168,004	20.0%	\$ 11,360,057	283%
Road Commission	\$ 5,072,150	\$ 47,745,135	\$ 42,672,985	10.6%	\$ 4,841,418	881%
Total	\$ 36,105,532	\$ 244,063,636	\$ 207,958,104	14.8%	\$ 44,623,366	466%
December 31, 2009						
St. Clair County	\$ 23,287,889	\$ 160,473,991	\$ 137,186,102	14.5%	\$ 30,353,888	452%
Mental Health	\$ 7,342,020	\$ 39,935,472	\$ 32,593,452	18.4%	\$ 10,638,119	306%
Road Commission	\$ 6,583,639	\$ 49,552,207	\$ 42,968,568	13.3%	\$ 5,086,574	845%
Total	\$ 37,213,548	\$ 249,961,670	\$ 212,748,122	14.9%	\$ 46,078,581	462%

Schedule of Employer Contributions

<i>FYE</i>	<i>Employer Contributions</i>	<i>Annual Required Contribution (ARC)</i>	<i>% of ARC Contributed</i>
	<i>A</i>	<i>B</i>	<i>C = A / B</i>
December 31, 2012			
St. Clair County	\$ 1,045,794	\$ 12,905,118	8.1%
Mental Health	\$ 297,000	\$ 2,930,632	10.1%
Road Commission	\$ 0	\$ 3,974,643	0.0%
Total	\$ 1,342,794	\$ 19,810,393	6.8%
December 31, 2011			
St. Clair County	\$ 3,621,081	N/A	N/A
Mental Health	\$ 681,505	N/A	N/A
Road Commission	\$ 0	N/A	N/A
Total	\$ 4,302,586	\$ 17,395,598	24.7%
December 31, 2010			
St. Clair County	\$ 2,330,628	N/A	N/A
Mental Health	\$ 763,793	N/A	N/A
Road Commission	\$ 0	N/A	N/A
Total	\$ 3,094,421	\$ 11,513,436	26.9%

Historical Annual OPEB Cost

<i>As of</i>	<i>Annual OPEB Cost (AOC)</i>	<i>% of AOC Contributed</i>	<i>Net OPEB Obligation</i>
December 31, 2012			
St. Clair County	\$ 12,044,161	8.7%	\$ 35,219,157
Mental Health	\$ 2,880,688	10.3%	\$ 8,576,950
Road Commission	\$ 3,903,400	0.0%	\$ 12,452,633
Total	\$ 18,828,249	7.1%	\$ 56,248,740
December 31, 2011			
St. Clair County	\$ 12,453,607	29.1%	\$ 24,220,790
Mental Health	\$ 2,433,274	28.0%	\$ 5,993,262
Road Commission	\$ 2,159,516	0.0%	\$ 8,549,233
Total	\$ 17,046,397	25.2%	\$ 38,763,285
December 31, 2010			
St. Clair County	\$ 6,793,235	34.3%	\$ 15,388,264
Mental Health	\$ 2,132,759	35.8%	\$ 4,241,493
Road Commission	\$ 2,333,012	0.0%	\$ 6,389,717
Total	\$ 11,259,006	27.5%	\$ 26,019,474

The Actuarial Accrued Liability (AAL) is expected to change on an annual basis as a result of expected and unexpected events. Under normal circumstances, it is generally expected to have a net increase each year. Below is a list of the most common events affecting the AAL and whether they increase or decrease the liability.

Expected Events

- Increases in AAL due to additional benefit accruals as employees continue to earn service each year
- Increases in AAL due to interest as the employees and retirees age
- Decreases in AAL due to benefit payments

Unexpected Events

- Increases in AAL when actual premium rates increase more than expected. A liability decrease occurs when premium rates increase less than expected.
- Increases in AAL when more new retirements occur than expected or fewer terminations occur than anticipated. Liability decreases occur when the opposite outcomes happen.
- Increases or decreases in AAL depending on whether benefit provisions are improved or reduced.

<i>For 2012</i>	<i>Total</i>	<i>St. Clair County</i>	<i>Mental Health</i>	<i>Road Commission</i>
Actuarial Accrued Liability as of beginning of year	\$ 223,723,268	\$ 136,267,395	\$ 34,541,978	\$ 52,913,895
Normal cost as of beginning of year	5,989,851	3,548,734	1,397,885	1,043,232
Expected benefit payments during the year	(6,347,326)	(3,832,462)	(614,734)	(1,900,130)
Interest adjustment to end of year	11,328,908	6,896,164	1,781,812	2,650,932
Expected Actuarial Accrued Liability as of end of year ³	\$ 234,694,701	\$ 142,879,831	\$ 37,106,941	\$ 54,707,929
Actuarial (gain) / loss	TBD	TBD	TBD	TBD
Actual Actuarial Accrued Liability as of end of year	TBD	TBD	TBD	TBD

³ Beginning of year Actuarial Accrued Liability (AAL) is actuarially projected to end of year on a “no gain/loss” basis for illustration purposes only. Actual year-end AAL may be different based on actual plan experience.

Asset Information CY 2011 (Actual)		<i>Total</i>	<i>St. Clair County</i>	<i>Mental Health</i>	<i>Road Commission</i>
(A)	Valuation assets as of January 1	\$ 36,105,532	\$ 22,981,212	\$ 8,052,170	\$ 5,072,150
(B)	Employer contributions for pay-go costs	0	0	0	0
(C)	Employer contributions for prefunding (actual)	4,277,777	3,445,467	832,310	0
(D)	Employee contributions to Health Care Trust (actual)	475,545	423,743	51,802	0
(E)	Benefit payments (actual)	(5,696,207)	(3,608,644)	(526,645)	(1,560,918)
(F)	Investment income allocation	366,289	237,567	84,607	44,115
(G)	Valuation assets as of December 31	\$ 35,528,936	\$ 23,479,345	\$ 8,494,244	\$ 3,555,347

Asset Information CY 2012 (Projected)		<i>Total</i>	<i>St. Clair County</i>	<i>Mental Health</i>	<i>Road Commission</i>
(A)	Valuation assets as of January 1	\$ 35,528,936	\$ 23,479,345	\$ 8,494,244	\$ 3,555,347
(B)	Employer contributions for pay-go costs	0	0	0	0
(C)	Employer contributions for prefunding (actual)	1,342,794	1,045,794	297,000	0
(D)	Employee contributions to Health Care Trust (actual)	501,183	447,280	53,903	0
(E)	Benefit payments (estimated)	(6,347,326)	(3,832,462)	(614,734)	(1,900,130)
(F)	Investment income allocation (estimated) ⁴	355,289	238,192	89,281	27,816
(G)	Valuation assets as of December 31	\$ 31,380,876	\$ 21,378,149	\$ 8,319,694	\$ 1,683,033

⁴ Assumes 1% investment income on valuation assets as of January 1.

Asset Information CY 2013 (Projected)	Total	St. Clair County	Mental Health	Road Commission
(A) Valuation assets as of January 1	\$ 31,380,876	\$ 21,378,149	\$ 8,319,694	\$ 1,683,033
(B) Employer contributions for pay-go costs	0	0	0	0
(C) Employer contributions for prefunding (budgeted) ⁵	834,192	703,354	130,838	0
(D) Employee contributions to Health Care Trust (estimated) ⁶	718,168	500,036	218,132	0
(E) Benefit payments (estimated)	(6,805,165)	(4,103,062)	(678,283)	(2,023,820)
(F) Investment income allocation (estimated) ⁷	313,809	217,486	88,999	7,324
(G) Valuation assets as of December 31	\$ 26,441,880	\$ 18,695,963	\$ 8,079,380	\$ (333,463)

⁵ St. Clair County's employer contribution for pre-funding is budgeted at 4.09% of eligible payroll for CY 2013. Mental Health employer contribution for pre-funding in CY 2013 is budgeted at 1.14% of eligible payroll for CY 2013.

⁶ CY 2013 employee contributions to Health Care Trust for all groups are calculated based on the schedule shown on page 18.

⁷ Assumes 1% investment income on valuation assets as of January 1.

The Health Care Trust is expected to be depleted in **seven** years under the current funding strategy assuming the following:

1. Valuation assets of \$35,528,936 as of January 1
2. 1% annual investment return assumption provided by the County
3. Active employee contributions to HCT effective on 1/1/2013 as shown on page 18 of this report
4. 2.5% average employer contributions of eligible payroll for County General (including Sheriff) and Mental Health Authority unless noted otherwise
5. Projected future retiree health costs using current retirement and health care trend assumptions

FYE	Assets as of January 1	Eligible payroll	EE HCT Contribution (% of payroll)	EE HCT Contribution (in \$)	Employer HCT Contribution	Total HCT Contribution	Expected benefit payments	Expected investment income	Assets as of December 31
	A	B	C	D = B x C	E = 2.5% x B	F = D + E	G	H = 5% x A	I = A + F - G + H
2012	\$ 35,528,936	\$43,482,070	1.65%	\$ 501,183 ⁸	\$ 1,342,794 ⁸	\$ 1,843,977	\$ 6,347,327	\$ 355,289	\$ 31,380,876
2013	\$ 31,380,876	\$44,002,438	1.63%	\$ 718,168	\$ 834,192 ⁹	\$ 1,552,360	\$ 6,805,164	\$ 313,809	\$ 26,441,880
2014	\$ 26,441,880	\$44,493,928	1.61%	\$ 717,592	\$ 1,112,348	\$ 1,829,940	\$ 7,429,341	\$ 264,419	\$ 21,106,898
2015	\$ 21,106,898	\$44,804,179	1.59%	\$ 713,909	\$ 1,120,104	\$ 1,834,014	\$ 8,016,937	\$ 211,069	\$ 15,135,044
2016	\$ 15,135,044	\$44,852,366	1.57%	\$ 705,852	\$ 1,121,309	\$ 1,827,161	\$ 8,641,298	\$ 151,350	\$ 8,472,256
2017	\$ 8,472,256	\$44,808,851	1.55%	\$ 696,353	\$ 1,120,221	\$ 1,816,574	\$ 9,341,999	\$ 84,723	\$ 1,031,554
2018	\$ 1,031,554	\$44,737,676	1.53%	\$ 686,621	\$ 1,118,442	\$ 1,805,062	\$10,005,067	\$ 10,316	\$ (7,158,135)

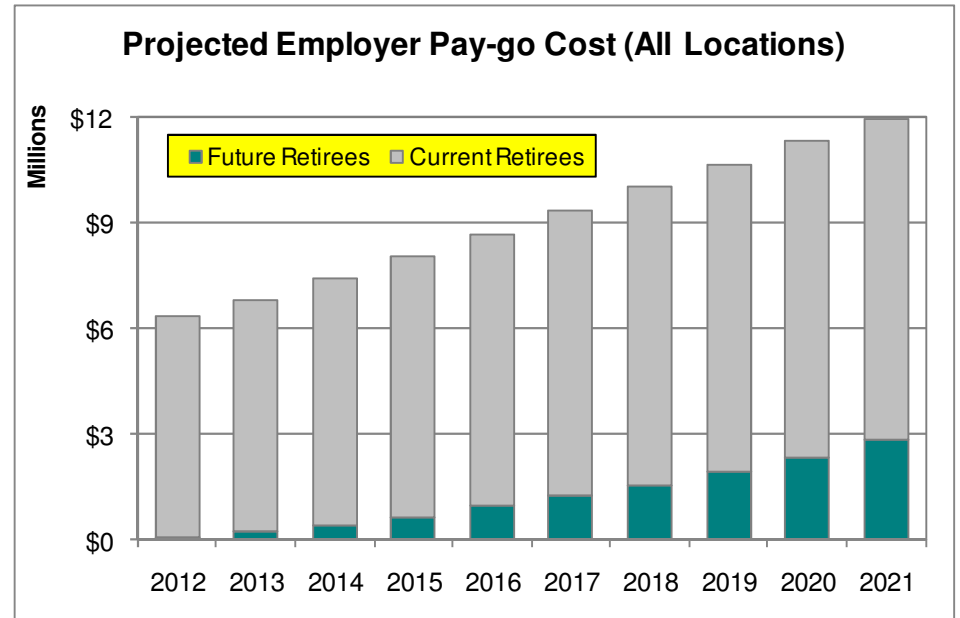
⁸ Actual contributions to the Health Care Trust as provided by the County (\$447,280 from the employees and \$1,045,794 from the County) and Mental Health Authority (\$53,903 from the employees and \$297,000 from CMH).

⁹ Budgeted contributions as provided by the County (2.50% of eligible payroll) and Mental Health Authority (1.14% of eligible payroll).

The projection below shows the anticipated pay-as-you-go cost for employer subsidized benefits for the next 10 years. Results are shown separately for current and future retirees. The projections include explicit and implicit subsidies.

All Locations

FYE	Future Retirees	Current Retirees	Total
2012	\$ 98,272	\$ 6,249,053	\$ 6,347,325
2013	\$ 230,662	\$ 6,574,503	\$ 6,805,165
2014	\$ 416,998	\$ 7,012,343	\$ 7,429,341
2015	\$ 667,977	\$ 7,348,961	\$ 8,016,938
2016	\$ 956,463	\$ 7,684,835	\$ 8,641,298
2017	\$ 1,256,182	\$ 8,085,818	\$ 9,342,000
2018	\$ 1,567,698	\$ 8,437,368	\$ 10,005,066
2019	\$ 1,913,584	\$ 8,715,094	\$ 10,628,678
2020	\$ 2,358,044	\$ 8,951,525	\$ 11,309,569
2021	\$ 2,825,140	\$ 9,108,837	\$ 11,933,977



Below is the anticipated pay-as-you-go cost for employer subsidized benefits for the next 10 years by location.

St. Clair County

Mental Health

<i>FYE</i>	<i>Future Retirees</i>	<i>Current Retirees</i>	<i>Total</i>	<i>FYE</i>	<i>Future Retirees</i>	<i>Current Retirees</i>	<i>Total</i>
2012	\$ 63,358	\$ 3,769,103	\$ 3,832,461	2012	\$ 16,861	\$ 597,873	\$ 614,734
2013	\$ 140,672	\$ 3,962,390	\$ 4,103,062	2013	\$ 39,605	\$ 638,678	\$ 678,283
2014	\$ 245,178	\$ 4,220,043	\$ 4,465,221	2014	\$ 70,008	\$ 700,159	\$ 770,167
2015	\$ 407,683	\$ 4,421,567	\$ 4,829,250	2015	\$ 106,389	\$ 767,531	\$ 873,920
2016	\$ 593,505	\$ 4,590,474	\$ 5,183,979	2016	\$ 148,849	\$ 857,833	\$ 1,006,682
2017	\$ 770,139	\$ 4,882,574	\$ 5,652,713	2017	\$ 213,284	\$ 908,205	\$ 1,121,489
2018	\$ 951,784	\$ 5,083,550	\$ 6,035,334	2018	\$ 275,953	\$ 969,650	\$ 1,245,603
2019	\$ 1,158,998	\$ 5,258,221	\$ 6,417,219	2019	\$ 337,768	\$ 1,017,253	\$ 1,355,021
2020	\$ 1,422,733	\$ 5,437,582	\$ 6,860,315	2020	\$ 421,754	\$ 1,042,058	\$ 1,463,812
2021	\$ 1,671,649	\$ 5,539,363	\$ 7,211,012	2021	\$ 504,568	\$ 1,110,844	\$ 1,615,412

Road Commission

<i>FYE</i>	<i>Future Retirees</i>	<i>Current Retirees</i>	<i>Total</i>
2012	\$ 18,053	\$ 1,882,077	\$ 1,900,130
2013	\$ 50,385	\$ 1,973,435	\$ 2,023,820
2014	\$ 101,812	\$ 2,092,141	\$ 2,193,953
2015	\$ 153,905	\$ 2,159,863	\$ 2,313,768
2016	\$ 214,109	\$ 2,236,528	\$ 2,450,637
2017	\$ 272,759	\$ 2,295,039	\$ 2,567,798
2018	\$ 339,961	\$ 2,384,168	\$ 2,724,129
2019	\$ 416,818	\$ 2,439,620	\$ 2,856,438
2020	\$ 513,557	\$ 2,471,885	\$ 2,985,442
2021	\$ 648,923	\$ 2,458,630	\$ 3,107,553

Eligibility

Eligibility for lifetime retiree health benefits:

1. Original Plan members – earlier of:
 - a. Age 55 (or age 50 for Sheriff) with 25 years of service
 - b. Age 60 with 8 years of service
 - c. 25 years of service and 80 points
2. Modified Plan members – earlier of:
 - a. Age 55 (or age 50 for Sheriff) with 25 years of service
 - b. Age 60 with 20 years of service
 - c. 25 years of service and 80 points

Employees hired after the eligibility cut-off date shown below are not eligible for retiree health benefits. There's no cut-off date for Mental Health employees.

Union Code	Union Name	Retiree Health Eligibility Cut-Off Date
CBSO	Bailiff and Court Security Officers Association	Hired after 6/30/2012
RC	Road Commission	Hired after 9/14/2011
CDCO FOCP PCCL	Communication Officers POAM Friend of the Court Supervisors Probate Clerical	Hired after 6/30/2011
SDEI PSE	Correction Officers and Support Staff Public Service Employees	Hired after 6/29/2011
FOCE	Friend of the Court	Hired after 5/11/2011
SDEE	Sheriff Deputies	Hired after 1/6/2011
PCJC	Probate Court Juvenile Counselors	Hired after 12/16/2009
DCE	District Court AFSCME	Hired after 8/19/2009
BDMB CANUE COMM SDCO ELEC HRE JDGS JVCS JVCN PCSP PAPE PHNS PHNA ADCE CPEA	Board Member CANUE Non-Affiliated Commissioners Correction Officers Supervisors Elected Officials Human Resources Clerks and Specialists Judges Juvenile Center Shift Supervisors Juvenile Center Teamsters Probate Court Supervisors Prosecuting Attorneys Public Health Nurse Supervisors Public Health Nurses Association of 72 nd District Court Employees Circuit Court Probate Court Employee Associates	Hired after 1/1/2009
SDSP	Sheriff Deputies Supervisors	Based on lower unit cut-off date

Retiree Contributions

Employees are eligible for lifetime free retiree health benefits at retirement if they meet all of the following requirements:

1. Original Plan members – have at least 8 years of service at retirement and contribute to Health Care Trust (HCT) while actively employed if it's required in their Collective Bargaining Unit (CBA).
2. Modified Plan members – have at least 20 years of service at retirement and contribute to HCT while actively employed if it's required in their CBA.

Any employees may purchase retiree health benefits at retirement if they have at least 11 years of service at retirement regardless of whether they contribute to HCT while actively employed.

Terminated Vested Employees

Employees who terminated employment with vested pension benefits are eligible for retiree health benefits commencing at age 55 if they have at least 25 years of service at termination or at age 60 if they have fewer than 25 years of service at termination. Upon benefits commencement, contribution requirements follow regular retirees.

Disability Retirement

Employees disabled in the line of duty are eligible for retiree health benefits without any age or service requirement. Employees disabled under any other circumstances are eligible for retiree health benefits if they have at least ten years of service at time of disability. Retiree contribution requirements follow regular retirees.

Spouse Benefit

Surviving spouse can continue coverage upon death of the retiree or active employees who have at least ten years of service at time of death. Surviving spouse contribution requirement follows member's contribution requirements prior to their death.

Health Care Trust Contributions

Health Care Trust contribution requirements as a percentage of salary while actively employed are as shown below:

Union Code	Union Name	Eff. 1/1/2012	Eff. 1/1/2013
CBSO	Bailiff and Court Security Officers Association		
	DOH < 1/1/2007	2.50%	2.50%
	DOH ≥ 1/1/2007	3.25%	3.25%
BDMB	Board Member		
CANUE	CANUE Non-Affiliated		
COMM	Commissioners	2.00%	2.50%
ELEC	Elected Officials		
JDGS	Judges		
CMH	Mental Health	2.00%	2.00%
DCE	District Court AFSCME		
HRE	Human Resources Clerks and Specialists		
JVCS	Juvenile Center Shift Supervisors		
JVCN	Juvenile Center Teamsters	2.50%	2.50%
PHNS	Public Health Nurse Supervisors		
PHNA	Public Health Nurses		
ADCE	Association of 72 nd District Court Employees		
CDCO	Communication Officers POAM		
SDEI	Correction Officers and Support Staff		
SDCO	Correction Officers Supervisors		
FOCE	Friend of the Court		
FOCP	Friend of the Court Supervisors		
PCCL	Probate Clerical	2.50%*	2.50%*
PCJC	Probate Court Juvenile Counselors		
PCSP	Probate Court Supervisors		
PAPE	Prosecuting Attorneys		
SDEE	Sheriff Deputies		
SDSP	Sheriff Deputies Supervisors		
CPEA	Circuit Court Probate Court Employee Associates		
PSE	Public Service Employees		
	DOH < 7/1/2006	2.17%	2.17%
	DOH ≥ 7/1/2006	3.25%	3.25%

* Limited to the first \$50,000 of salary.

Road Commission employees are not required to contribute to the Health Care Trust.

Medical Benefit

Same benefit options are available to retirees as active employees. All health plans are self-insured. The monthly retiree premiums for medical and prescription drug benefits by suffix effective on January 1, 2012 are as shown below.

Suffix	Group	Single	2-person
Pre-65			
900	St. Clair County Non-Hardship Retirees	\$ 449.42	\$ 1,078.62
901	St. Clair County Hardship Retirees	\$ 514.38	\$ 1,234.52
920	Mental Health Non-Hardship Retirees	\$ 449.42	\$ 1,078.62
921	Mental Health Hardship Retirees	\$ 514.38	\$ 1,234.52
000*	Road Commission Non-Hardship Retirees	\$ 539.14	\$ 1,293.95
001*	Road Commission Hardship Retirees	\$ 620.76	\$ 1,489.83
Post-65			
900	St. Clair County Non-Hardship Retirees	\$ 429.29	\$ 858.58
901	St. Clair County Hardship Retirees	\$ 613.82	\$ 1,227.64
920	Mental Health Non-Hardship Retirees	\$ 429.29	\$ 858.58
921	Mental Health Hardship Retirees	\$ 613.82	\$ 1,227.64
910	Road Commission Non-Hardship Retirees	\$ 429.29	\$ 858.58
911	Road Commission Hardship Retirees	\$ 613.82	\$ 1,227.64

Hardship retirees are those with annual pension of less than \$25,000 and have at least 20 years of service at retirement.

* Rates shown are effective on March 1, 2012.

Dental Benefit

Monthly retiree premiums for dental benefits by suffix effective on January 1, 2012 are as shown below.

Suffix	Group	Single	2-person
900, 901	St. Clair County	\$ 22.04	\$ 52.89
920, 921	Mental Health	\$ 22.04	\$ 52.89
000, 001*	Road Commission Pre-65	\$ 19.89	\$ 47.74
910, 911	Road Commission Post-65	\$ 22.04	\$ 52.89

* Rates shown are effective on March 1, 2012.

The actuarial assumptions used in this report represent a reasonable long-term expectation of future OPEB outcomes. As national economic and County experience change over time, the assumptions will be tested for ongoing reasonableness and, if necessary, updated.

There have been no changes to the actuarial methods and assumptions since the last GASB valuation, which was for the fiscal year ending December 31, 2011. For the current year GASB valuation, we have updated the health care trend rates and per capita costs. We expect to update health care trend rates and per capita costs again for the next full GASB valuation, which will be for the fiscal year ending December 31, 2014.

Measurement Date	December 31, 2011
Discount Rate	5.0% partially-funded
Payroll Growth	5.0%
Inflation Rate	3.0%
Cost Method	Entry Age Normal Level % of Salary
Amortization	Mental Health and Road Commission: Level percentage of pay over a closed period; the remaining amortization period is 18 years for FY 2012. St. Clair County General: Level dollar over an open 30-year period.
Census Data	Census data was provided by the County and it was collected as of December 31, 2011. We have reviewed it for reasonableness and no material modifications were made to the census data.
Employer Funding Policy	Partial pre-funding at the County's discretion
Mortality	1994 Group Annuity Mortality Table
Disability	Annual sample rates are as shown below. Disability benefit is only valued for the Sheriff group (CDCO, SDEI, SDCO, SDEE, and SDSP unions) and 25% of disability is assumed to be duty.

<u>Age</u>	<u>Rates</u>	<u>Age</u>	<u>Rates</u>
20	0.08%	45	0.27%
25	0.08%	50	0.49%
30	0.08%	55	0.89%
35	0.08%	60	1.41%
40	0.20%		

Withdrawal Rate

Assumption used to project terminations (voluntary and involuntary) prior to meeting minimum retirement eligibility for retiree health coverage. Annual sample rates are shown below.

YOS	Age	General*	Road Commission	Sheriff**
0		10.0%	3.0%	5.0%
1	All Ages	9.0%	3.0%	5.0%
2		7.0%	3.0%	5.0%
3		6.0%	3.0%	5.0%
4		6.0%	3.0%	5.0%
5+		20	6.0%	3.0%
	25	6.0%	3.0%	5.0%
	30	6.0%	3.0%	4.4%
	35	4.8%	2.4%	2.8%
	40	3.4%	1.4%	1.7%
	45	3.0%	1.0%	1.2%
	50	3.0%	1.0%	0.7%
	55	3.0%	1.0%	0.5%
	60	2.4%	1.0%	0.5%
	65	2.0%	1.0%	0.5%

* Includes Mental Health Authority.

** Applies to CDCO, SDEI, SDCO, SDEE, and SDSP unions.

Retirement Rate

Annual retirement rates are as shown below.

Age	General Original*	General Modified*	Road Commission	Sheriff**	YOS	Sheriff**
50 – 55	5%	10%	25%		25 – 34	20%
56 – 59	10%	5%	25%		35+	100%
60	20%	20%	25%	25%		
61	20%	20%	10%	25%		
62	20%	20%	30%	25%		
63 – 64	20%	20%	20%	25%		
65 – 69	40%	40%	100%	100%		
70+	100%	100%	100%	100%		

* Includes Mental Health Authority

** Applies to CDCO, SDEI, SDCO, SDEE, and SDSP unions. The retirement rates by years of service are applicable to participants under age 60 only.

Health Care Trend Rates

FYE	Rates
2013	9.0%
2014	8.5%
2015	8.0%
2016	7.5%
2017	7.0%
2018	6.5%
2019	6.0%
2020	5.5%
2021+	5.0%

The initial trend rate was based on the plan's actual experience. The subsequent year trend rates were selected based on a combination of employer history, national trend surveys, and professional judgment.

The ultimate trend rate was selected based on historical medical CPI information.

Annual dental trend rate is assumed to be 5.0%.

Retiree Contributions

Retiree contributions are assumed to increase with health care trend rates.

Per Capita Costs

Annual per capita costs were calculated based on the 2012 premium rates by plan actuarially increased using health index factors and current enrollment. The costs are assumed to increase with health care trend rates. Annual per capita costs by plan are as shown below:

Age	General*		Road Commission	
	Male	Female	Male	Female
< 55	\$ 4,700	\$ 5,600	\$ 5,800	\$ 6,800
55 – 59	\$ 6,400	\$ 6,200	\$ 7,900	\$ 7,700
60 – 64	\$ 8,200	\$ 7,300	\$ 10,100	\$ 9,000
65 – 69	\$ 4,800	\$ 4,800	\$ 6,000	\$ 6,000
70 – 74	\$ 5,700	\$ 5,700	\$ 7,100	\$ 7,100
75 – 79	\$ 6,500	\$ 6,500	\$ 8,200	\$ 8,200
80+	\$ 7,600	\$ 7,600	\$ 9,500	\$ 9,500

The per capita costs represent the cost of coverage for a retiree-only population.

Actuarial standards require the recognition of higher inherent costs for a retired population versus an active population.

Annual dental per capita costs are as follows and they are assumed to increase with dental trend rates.

Age	General*	Road Commission
< 65	\$ 264	\$ 239
65+	\$ 264	\$ 264

* Including Sheriff and Mental Health Authority.

Health Care Coverage Election Rate

85% of active employees with current coverage are assumed to continue coverage at retirement.
0% of active employees without current coverage are assumed to elect coverage at retirement.

100% of terminated vested employees are assumed to elect coverage at retirement.

100% of retirees with current coverage are assumed to continue coverage.
0% of retirees without current coverage are assumed to elect coverage in the future.

Spousal Coverage

80% of male employees and 50% of female employees are assumed to be married at retirement.
Husbands are assumed to be three years older than wives.

Spousal coverage and ages for current retirees is based on actual data.

Explicit Subsidy

The difference between (a) the retiree premium rates and (b) retiree contribution. Below is an example of the monthly explicit subsidies for a retiree age 60 in the Modified plan enrolled in the non-hardship plan with 20 years of service at retirement.

	Premium Rate	Retiree Contribution	Explicit Subsidy
	A	B	C = A - B
Retiree	\$ 449.42	\$ 0.00	\$ 449.42
Spouse	\$ 629.20	\$ 0.00	\$ 629.20

Implicit Subsidy

The difference between (a) the per capita cost and (b) retiree premium rates. Below is an example of the monthly implicit subsidies for a male County retiree age 60 in the Modified plan and enrolled in non-hardship health plan.

	Per Capita Cost	Premium Rate*	Implicit Subsidy
	A	B	C = A - B
Retiree	\$ 683.33	\$ 449.42	\$ 233.91
Spouse	\$ 608.33	\$ 608.33	\$ 0.00

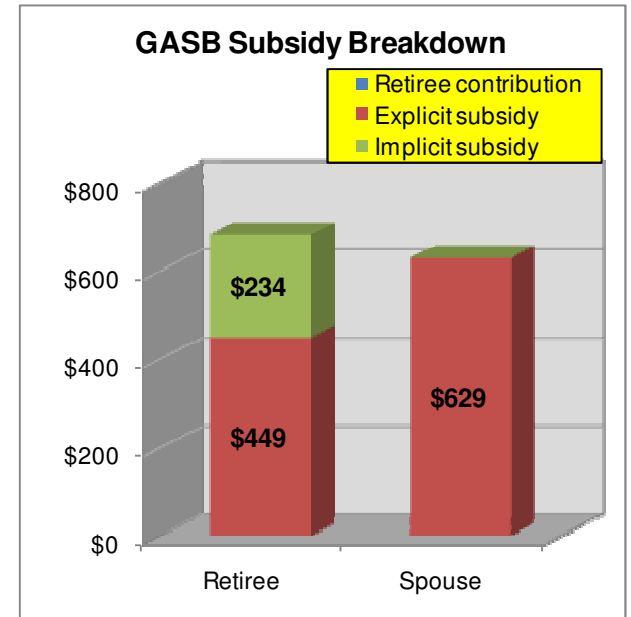
All employers that utilize premium rates based on blended active/retiree claims experience will have an implicit subsidy. There is an exception for plans using a true community-rated premium rate.

* Limited to the per capita cost.

GASB Subsidy Breakdown

Below is a breakdown of the GASB 45 monthly total cost for a male County retiree age 60 in the Modified plan age 60 enrolled in the non-hardship plan with 20 years of service at retirement.

	Retiree	Spouse
Retiree contribution	\$ 0.00	\$ 0.00
Explicit subsidy	\$ 449.42	\$ 629.20
Implicit subsidy	\$ 233.91	\$ 0.00
Total monthly cost	\$ 683.33	\$ 629.20



Summary of Plan Participants

<i>Actives with coverage</i>	<i>Single</i>	<i>Non-Single</i>	<i>Total</i>	<i>Avg. Age</i>	<i>Avg. Svc</i>	<i>Salary</i>
St. Clair County	N/A	N/A	553	46.2	11.7	\$ 27,801,444
Mental Health Authority	N/A	N/A	228	44.6	9.3	\$ 11,341,334
Road Commission	N/A	N/A	84	47.7	14.8	\$ 4,339,292
Total actives with coverage	N/A	N/A	865	45.9	11.4	\$ 43,482,070

<i>Retirees with coverage¹⁰</i>	<i>Single</i>	<i>Non-Single</i>	<i>Total</i>	<i>Avg. Age</i>
St. Clair County	149	213	362	69.4
Mental Health Authority	32	28	60	66.5
Road Commission	64	78	142	73.6
Total retirees with coverage	245	319	564	70.2

<i>Terminated Vested¹¹</i>	<i>Total</i>	<i>Avg. Age</i>
St. Clair County	60	50.7
Mental Health Authority	29	53.5
Road Commission	11	52.6
Total terminated vested	100	51.7

¹⁰ Includes disabled retirees and beneficiaries.

¹¹ Includes all terminated vested employees, including those who are not eligible for retiree health benefits. Out of 100 terminated vested employees, 17 of them are not eligible for retiree health benefits.

Active Age-Service Distribution

All Groups

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	1	3										4
25 to 29	3	24	19									46
30 to 34	6	22	64	6	1							99
35 to 39	3	21	51	31	5							111
40 to 44	6	23	44	38	30	5						146
45 to 49	3	17	36	34	21	17	10	1				139
50 to 54	2	12	36	24	11	23	12	7				127
55 to 59	2	8	21	33	21	20	7	4	1			117
60 to 64		6	21	9	10	8	6	1	2			63
65 to 69			1	4	1		1			1		8
70 & up			1	2	2							5
Total	26	136	294	181	102	73	36	13	3	1		865

Active Age-Service Distribution – Continued

St. Clair County

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25		1										1
25 to 29	2	13	16									31
30 to 34	2	11	52	4	1							70
35 to 39		10	29	22	2							63
40 to 44	1	11	27	27	15	4						85
45 to 49	2	11	27	20	11	13	7	1				92
50 to 54		6	24	17	5	13	7	4				76
55 to 59		5	18	23	18	16	2	3	1			86
60 to 64		2	13	6	5	5	3	1	2			37
65 to 69			1	4	1		1				1	8
70 & up			1	1	2							4
Total	7	70	208	124	60	51	20	9	3	1		553

Active Age-Service Distribution – Continued

Mental Health Authority

Age	Years of Service										Total	
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	1	1										2
25 to 29	1	11	2									14
30 to 34	4	10	9	2								25
35 to 39	3	10	17	5	1							36
40 to 44	5	12	15	6	10							48
45 to 49	1	6	8	7	3	2	2					29
50 to 54	2	5	10	5	2	4	4	3				35
55 to 59	2	2	2	4	1	2	3	1				17
60 to 64		4	7	3	5	2	1					22
65 to 69												0
70 & up												0
Total	19	61	70	32	22	10	10	4	0	0		228

Active Age-Service Distribution – Continued

Road Commission

Age	Years of Service										Total
	< 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25		1									1
25 to 29			1								1
30 to 34		1	3								4
35 to 39		1	5	4	2						12
40 to 44			2	5	5	1					13
45 to 49			1	7	7	2	1				18
50 to 54		1	2	2	4	6	1				16
55 to 59		1	1	6	2	2	2				14
60 to 64			1			1	2				4
65 to 69											0
70 & up				1							1
Total	0	5	16	25	20	12	6	0	0	0	84

GASB 45 defines several unique terms not commonly employed in the funding of pension and retiree health plans. The definitions of the terms used in the GASB actuarial valuations are noted below.

1. **Actuarial Accrued Liability** – That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of plan benefits and expenses which is not provided for by the future Normal Costs.
2. **Actuarial Assumptions** – Assumptions as to the occurrence of future events affecting health care costs, such as: mortality, withdrawal, disablement and retirement; changes in compensation and Government provided health care benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; characteristics of future entrants for Open Group Actuarial Cost Methods; and other relevant items.
3. **Actuarial Cost Method** – A procedure for determining the Actuarial Present Value of future benefits and expenses 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.
4. **Actuarial Present Value** – The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions. For purposes of this standard, each such amount or series of amounts is:
 - a) adjusted for the probable financial effect of certain intervening events (such as changes in compensation levels, Social Security, marital status, etc.);
 - b) multiplied by the probability of the occurrence of an event (such as survival, death, disability, termination of employment, etc.) on which the payment is conditioned; and
 - c) discounted according to an assumed rate (or rates) of return to reflect the time value of money.
5. **Annual OPEB Cost** – An accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan.
6. **Annual Required Contribution (ARC)** – The employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the parameters.
7. **Explicit Subsidy** – The difference between (a) the amounts required to be contributed by the retirees based on the premium rates and (b) actual cash contribution made by the employer.
8. **Funded Ratio** – The actuarial value of assets expressed as a percentage of the actuarial accrued liability.
9. **Healthcare Cost Trend Rate** – The rate of change in the per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

Definitions

10. **Implicit Subsidy** – In an experience-rated healthcare plan that includes both active employees and retirees with blended premium rates for all plan members, the difference between (a) the age-adjusted premiums approximating claim costs for retirees in the group (which, because of the effect of age on claim costs, generally will be higher than the blended premium rates for all group members) and (b) the amounts required to be contributed by the retirees.
11. **Net OPEB Obligation** – The cumulative difference since the effective date of this Statement between annual OPEB cost and the employer's contributions to the plan, including the OPEB liability (asset) at transition, if any, and excluding (a) short-term differences and (b) unpaid contributions that have been converted to OPEB-related debt.
12. **Normal Cost** – The portion of the Actuarial Present Value of plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
13. **Pay-as-you-go** – A method of financing a benefit plan under which the contributions to the plan are generally made at about the same time and in about the same amount as benefit payments and expenses becoming due.
14. **Per Capita Costs** – The current cost of providing postretirement health care benefits for one year at each age from the youngest age to the oldest age at which plan participants are expected to receive benefits under the plan.
15. **Present Value of Future Benefits** – Total projected benefits include all benefits estimated to be payable to plan members (retirees and beneficiaries, terminated employees entitled to benefits but not yet receiving them, and current active members) as a result of their service through the valuation date and their expected future service. The actuarial present value of total projected benefits as of the valuation date is the present value of the cost to finance benefits payable in the future, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment. Expressed another way, it is the amount that would have to be invested on the valuation date so that the amount invested plus investment earnings will provide sufficient assets to pay total projected benefits when due.
16. **Select and Ultimate Rates** – Actuarial assumptions that contemplate different rates for successive years. Instead of a single assumed rate with respect to, for example, the investment return assumption, the actuary may apply different rates for the early years of a projection and a single rate for all subsequent years. For example, if an actuary applies an assumed investment return of 8% for year 20W0, then 7.5% for 20W1, and 7% for 20W2 and thereafter, then 8% and 7.5% select rates, and 7% is the ultimate rate.
17. **Substantive Plan** – The terms of an OPEB plan as understood by the employer(s) and plan members.

APPENDIX

Appendix A – Projection of GASB Results for FY 2013

FY 2013 projected Annual Required Contribution was calculated using estimated employee contributions based on December 31, 2011 active data, salary, and Health Care Trust contribution policy by Union group effective on January 1, 2013 as described in the Substantive Plan Provisions section.

Required Supplementary Information	Total	St. Clair County	Mental Health	Road Commission
Actuarial Accrued Liability as of beginning of year	\$ 234,694,701	\$ 142,879,831	\$ 37,106,941	\$ 54,707,929
Actuarial Value of Assets as of beginning of year (estimated)	(31,380,877)	(21,378,150)	(8,319,694)	(1,683,033)
Unfunded Actuarial Accrued Liability (UAAL)	\$ 203,313,824	\$ 121,501,681	\$ 28,787,247	\$ 53,024,896
Estimated covered payroll (for eligible members only)	\$ 44,002,437	\$ 28,134,155	\$ 11,477,060	\$ 4,391,222
UAAL as a % of covered payroll	462.1%	431.9%	250.8%	1207.5%
Annual Required Contribution	Total	St. Clair County	Mental Health	Road Commission
Normal cost as of beginning of year	\$ 6,289,344	\$ 3,726,171	\$ 1,467,779	\$ 1,095,394
Reduction for active employee contributions (estimated) ¹²	(718,168)	(500,036)	(218,132)	0
Net normal cost as of beginning of year	\$ 5,571,176	\$ 3,226,135	\$ 1,249,647	\$ 1,095,394
Amortization of the UAAL for 17 years	15,076,379	10,263,900	1,693,367	3,119,112
Total normal cost and amortization payment	\$ 20,647,555	\$ 13,490,035	\$ 2,943,014	\$ 4,214,506
Interest to end of year	1,032,378	674,502	147,151	210,725
Total Annual Required Contribution (ARC)	\$ 21,679,933	\$ 14,164,537	\$ 3,090,165	\$ 4,425,231

¹² Estimated based on HCT contributions requirements effective on January 1, 2013 for the different unions as shown on page 18 of this report.

Appendix A – Continued

FY 2013 projected Annual Required Contribution was calculated using estimated employee contributions based on December 31, 2011 active data, salary, and Health Care Trust contribution policy by Union group effective on January 1, 2013 as described in the Substantive Plan Provisions section.

Net OPEB Obligation	Total	St. Clair County	Mental Health	Road Commission
ARC as of end of year	\$ 21,679,933	\$ 14,164,537	\$ 3,090,165	\$ 4,425,231
Interest on Net OPEB Obligation (NOO) to end of year	2,812,438	1,760,958	428,848	622,632
NOO amortization adjustment to the ARC	(4,422,794)	(3,123,909)	(529,752)	(769,133)
Annual OPEB cost	\$ 20,069,577	\$ 12,801,586	\$ 2,989,261	\$ 4,278,730
Estimated annual employer contribution for pay-go cost	0	0	0	0
Estimated annual employer contribution for pre-funding ¹³	(834,192)	(703,354)	(130,838)	0
Change in NOO	\$ 19,235,385	\$ 12,098,232	\$ 2,858,423	\$ 4,278,730
NOO as of beginning of year	56,248,740	35,219,157	8,576,950	12,452,633
NOO as of end of year	\$ 75,484,125	\$ 47,317,389	\$ 11,435,373	\$ 16,731,363

¹³ County's pre-funding contribution is based on 2.5% (provided by the County) of projected 2013 payroll. Mental Health pre-funding contribution is assumed to be 1.14% (provided by Mental Health Authority) of projected 2013 payroll.

Appendix B – Comparison of Participant Demographic Information

	<u>As of December 31, 2010</u>	<u>As of December 31, 2011</u>
Active Participants	900	865
Retired Participants ¹⁴	589	564
Averages for Active		
Age	45.5	45.9
Service	11.2	11.4
Salary	\$ 49,582	\$ 50,268
Averages for Inactive		
Age	N/A	70.2

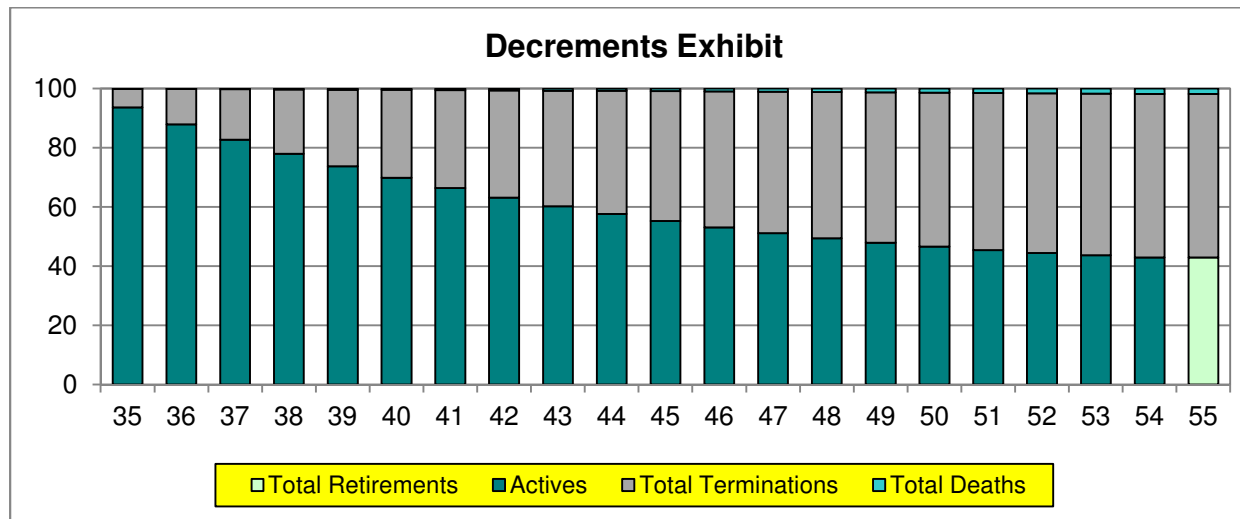
¹⁴ The retired participant's enrollment figures does not include spouses who are covered under the County's group health plan. They include disabled retirees and beneficiaries.

Appendix C – Decrements Exhibit (Turnover and Mortality Rates)

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. Starting with 100 employees at age 35, the illustrated actuarial assumptions show that 42.949 employees out of the original 100 are expected to retire and could elect retiree health benefits at age 55.

Age	# Remaining Employees	# Deaths per year*	# of Terminations per year*	# of Retirements per year*	Total Decrements
35	100.000	0.077	6.276	0.000	6.353
36	93.647	0.079	5.672	0.000	5.751
37	87.896	0.079	5.127	0.000	5.206
38	82.690	0.080	4.636	0.000	4.716
39	77.974	0.080	4.194	0.000	4.274
40	73.700	0.080	3.796	0.000	3.876
41	69.824	0.080	3.436	0.000	3.516
42	66.308	0.081	3.109	0.000	3.190
43	63.118	0.082	2.811	0.000	2.893
44	60.225	0.084	2.539	0.000	2.623
45	57.602	0.087	2.290	0.000	2.377

Age	# Remaining Employees	# Deaths per year*	# of Terminations per year*	# of Retirements per year*	Total Decrements
46	55.225	0.089	2.058	0.000	2.147
47	53.078	0.092	1.839	0.000	1.931
48	51.147	0.095	1.629	0.000	1.724
49	49.423	0.099	1.425	0.000	1.524
50	47.899	0.102	1.227	0.000	1.329
51	46.570	0.114	1.037	0.000	1.151
52	45.419	0.121	0.856	0.000	0.977
53	44.442	0.130	0.688	0.000	0.818
54	43.624	0.139	0.536	0.000	0.675
55	42.949	0.000	0.000	42.949	42.949

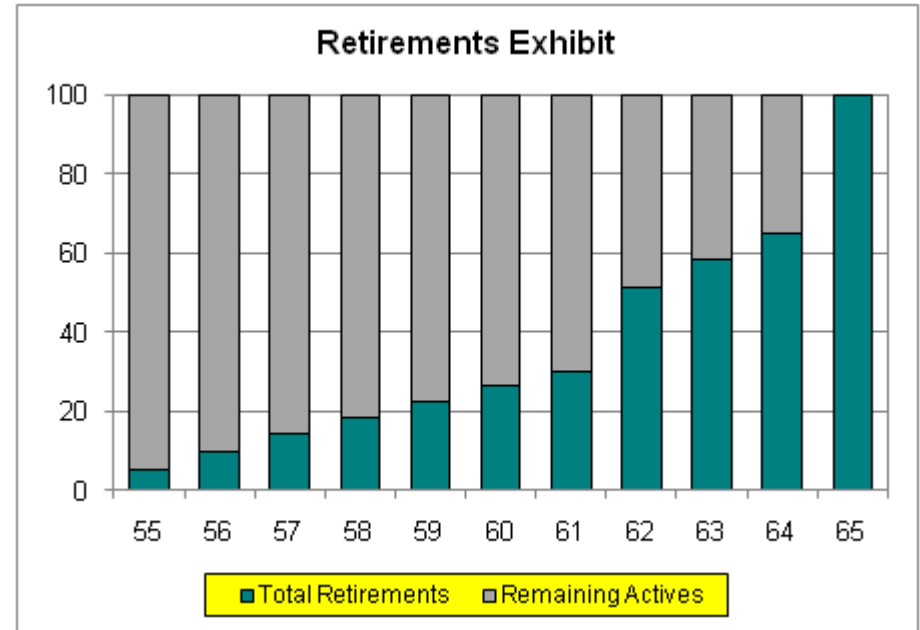


* The above rates are illustrative rates and are not used in our GASB calculations.

Appendix D – Retirement Rates Exhibit

The table below illustrates how actuarial assumptions can affect a long-term projection of future liabilities. The illustrated retirement rates show the number of employees who are assumed to retire annually based on 100 employees age 55 who are eligible for retiree health care coverage. The average age at retirement is 62.0.

Age	Active Employees BOY	Annual Retirement Rates*	# Retirements per year	Active Employees EOY
55	100.000	5%	5.000	95.000
56	95.000	5%	4.750	90.250
57	90.250	5%	4.513	85.738
58	85.738	5%	4.287	81.451
59	81.451	5%	4.073	77.378
60	77.378	5%	3.869	73.509
61	73.509	5%	3.675	69.834
62	69.834	30%	20.950	48.884
63	48.884	15%	7.333	41.551
64	41.551	15%	6.233	35.318
65	35.318	100%	35.318	0.000



* The above rates are illustrative rates and are not used in our GASB calculations.

Appendix E – Illustration of GASB Calculations

The purpose of the illustration is to familiarize non-actuaries with the GASB 45 actuarial calculation process.

I. Facts

1. The employer provides subsidized retiree health coverage worth \$100,000 to employees retiring at age 55 with 25 years of service. The employer funds for retiree health coverage on a pay-as-you-go basis.
2. Employee X is age 50 and has worked 20 years with the employer.
3. Retiree health subsidies are paid from the general fund assets which are expected to earn 4.5% per year on a long-term basis.
4. Based on Employee X's age and sex he has a 98.0% probability of living to age 55 and a 95.0% probability of continuing to work to age 55.

II. Calculation of Present Value of Future Benefits

Present Value of Future Benefits represents the cost to finance benefits payable in the future to current and future retirees and beneficiaries, discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.

	Value	Description
A.	\$100,000	Projected benefit at retirement
B.	80.2%	Interest discount for five years = $(1 / 1.045)^5$
C.	98.0%	Probability of living to retirement age
D.	95.0%	Probability of continuing to work to retirement age
E.	\$74,666	Present value of projected retirement benefit measured at employee's current age = A x B x C x D

Appendix E – Continued**III. Calculation of Actuarial Accrued Liability**

Actuarial Accrued Liability represents the portion of the Present Value of Future Benefits which has been accrued recognizing the employee's past service with the employer. The Actuarial Accrued Liability is a required disclosure in the Required Supplementary Information section of the employer's financial statement.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	20	Current years of service with employer
C.	25	Projected years of service with employer at retirement
D.	\$59,733	Actuarial accrued liability measured at employee's current age = $A \times B / C$

IV. Calculation of Normal Cost

Normal Cost represents the portion of the Present Value of Future Benefits allocated to the current year.

	Value	Description
A.	\$74,666	Present value of projected retirement benefit measured at employee's current age
B.	25	Projected years of service with employer at retirement
C.	\$2,987	Normal cost measured at employee's current age = A / B

V. Calculation of Annual Required Contribution

Annual Required Contribution is the total expense for the current year to be shown in the employer's income statement.

	Value	Description
A.	\$2,987	Normal Cost for the current year
B.	\$3,509	30-year amortization (level dollar method) of Unfunded Actuarial Accrued Liability using a 4.5% interest rate discount factor
C.	\$292	Interest adjustment = $4.5\% \times (A + B)$
D.	\$6,788	Annual Required Contribution = $A + B + C$